

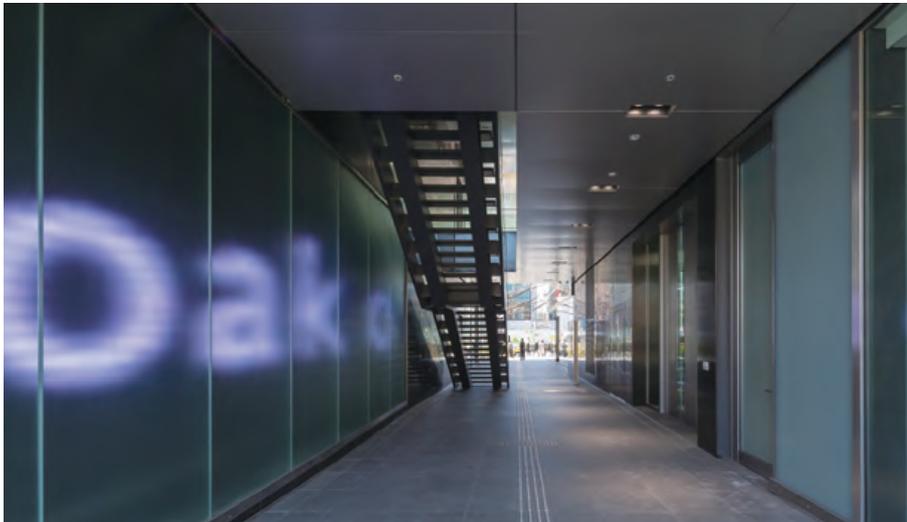
# OBAYASHI CORPORATE REPORT 2013

Financial, Social and Environmental Performance

Fiscal Year Ended March 31, 2013



## Toward a Brighter Future



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

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

## VISION: Who We Want to Be

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

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

## SOCIAL RESPONSIBILITY: Our Unique Approach

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

### **E**—Engagement with customers

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

Starting in 2012, we decided to issue an Obayashi Corporate Report each year, as a single, comprehensive document to present our economic, social, and environmental activities over one year in a unified and clear format, providing a general yet concise picture of our business activities for stakeholders to understand.

Obayashi Corporation seeks to seamlessly promote its growth strategies with CSR management. This report combines the annual report focused on economic aspects such as management policy and strategy, business results, and financial condition to interface with the CSR report focused on social and environmental initiatives toward realizing a sustainable society, and chronicles Obayashi's globally unfolding business activities.

We list our detailed editorial policies for this report on page 104.

### 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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### 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.

# Key Business Performance

## Consolidated Economic Aspect Data

Fiscal years ended March 31	(Millions of yen)					(Thousands of U.S. dollars)* <sup>3</sup>		
	2009	2010	2011	2012	2013	2013		
Orders received	1,494,508	1,282,334	1,180,639	1,362,702	<b>1,449,567</b>	<b>15,412,731</b>	<b>1</b>	
Orders received (Construction business)	1,438,365	1,214,745	1,108,348	1,289,779	<b>1,372,658</b>	<b>14,594,985</b>		
Net sales	1,682,462	1,341,456	1,131,864	1,245,772	<b>1,448,305</b>	<b>15,399,314</b>	<b>2</b>	
Operating income (loss)	27,363	(62,534)	23,174	31,145	<b>35,153</b>	<b>373,773</b>	<b>3</b>	
Operating margin (%)	1.6	(4.7)	2.0	2.5	<b>2.4</b>	–		
Ordinary income (loss)	31,829	(59,608)	22,207	35,241	<b>44,690</b>	<b>475,182</b>		
Net income (loss)	10,966	(53,354)	15,423	5,142	<b>13,195</b>	<b>140,302</b>	<b>4</b>	
Net income (loss) per share (yen / U.S. dollars)	15.24	(74.21)	21.46	7.16	<b>18.37</b>	<b>0.19</b>		
Net assets	395,809	367,618	351,287	365,492	<b>414,650</b>	<b>4,408,826</b>		
Total assets	1,725,645	1,590,667	1,505,697	1,618,748	<b>1,656,289</b>	<b>17,610,735</b>		
Equity ratio (%)	21.5	21.5	21.6	21.0	<b>23.2</b>	–		
Return on equity (ROE) (%) <sup>*1</sup>	2.7	–	4.6	1.5	<b>3.6</b>	–		
Dividends per share (yen/U.S. dollars)	8	8	8	8	<b>8</b>	<b>0.08</b>		
Cash flow from operating activities <sup>*2</sup>	(39,610)	16,156	1,096	65,755	<b>31,496</b>	<b>334,889</b>	<b>5</b>	
Cash flow from investing activities <sup>*2</sup>	1,699	(12,746)	(33,134)	(1,919)	<b>(29,151)</b>	<b>(309,960)</b>		
Cash flow from financing activities <sup>*2</sup>	62,427	(15,733)	10,611	(48,949)	<b>(28,977)</b>	<b>(308,108)</b>		
Cash and cash equivalents at end of period	143,821	132,425	108,999	121,682	<b>99,690</b>	<b>1,059,971</b>		
Interest-bearing debt (excludes PFIs and other project finance loans)	314,165	309,706	321,375	320,798	<b>306,323</b>	<b>3,257,031</b>		
Total liabilities and project finance loans	398,814	391,050	409,260	405,115	<b>388,168</b>	<b>4,127,261</b>	<b>5</b>	
Debt/equity ratio (times)	1.07	1.14	1.26	1.19	<b>1.01</b>	–		
Capital expenditure	16,028	9,876	49,043	17,017	<b>35,084</b>	<b>373,040</b>	<b>5</b>	
Research and development	7,269	8,018	8,561	9,093	<b>8,742</b>	<b>92,952</b>		
Depreciation	10,956	10,534	11,394	11,954	<b>10,916</b>	<b>116,066</b>		

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

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

\*3 U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥94.05 to US\$1, the prevailing rate of exchange at March 31, 2013.

 **Related information** Please refer to the Consolidated Financial Summary on page 47 for further details.

## Non-consolidated Social and Environmental Aspect Data

Fiscal years ended March 31	Unit	2009	2010	2011	2012	2013	
<b>Employees*<sup>1</sup></b>							
Consolidated employee headcount	Persons	15,150	14,476	14,639	12,870	<b>12,838</b>	
Employee headcount	Persons	9,294	9,222	9,246	8,305	<b>8,179</b>	
Men	Persons	8,140	8,070	8,089	7,193	<b>7,075</b>	
Women	Persons	1,154	1,152	1,157	1,112	<b>1,104</b>	
Average age	Years old	44.5	44.3	44.3	42.4	<b>42.4</b>	
Average years of continuous employment	Years	20.5	20.2	20.1	18.1	<b>18.0</b>	
<b>Safety</b>							
Accident frequency rate <sup>*2</sup>	–	0.79	0.56	0.50	0.71	<b>0.67</b>	<b>6</b>
Number of accidents resulting in more than four days of lost work	Cases	80	52	42	69	<b>70</b>	
<b>Environment</b>							
CO <sub>2</sub> emission volume	1,000 t-CO <sub>2</sub>	210	176	170	194	<b>224</b>	<b>7</b>
Waste emission volume	10,000 tons	196	162	214	213	<b>244</b>	
Water consumption volume	10,000 cubic meters	173	222	248	190	<b>154</b>	

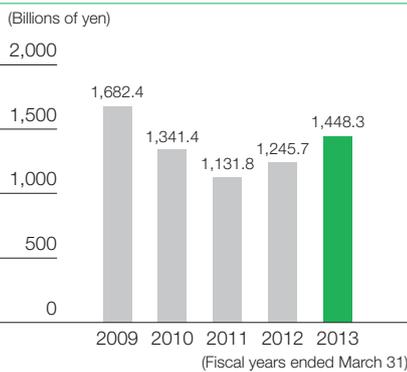
\*1 Some fixed-term employees were excluded from the employee headcount starting from the fiscal year ended March 31, 2012.

\*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

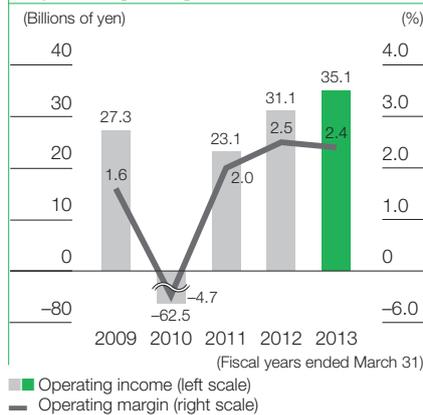
 **Related information** Please view pages 89 through 101 for further details.

- 1 Consolidated orders received increased from the previous fiscal year, primarily as a result of orders received in the domestic building construction business for multiple large-scale projects in the Tokyo metropolitan area.
- 2 Consolidated net sales increased from the previous fiscal year mainly due to an increase in net sales of construction contracts and net sales of real estate business and other of the Company and its subsidiaries.
- 3 Operating income increased as a result of the firm operating performance of its subsidiaries, despite a decrease in operating income of the Company mainly attributed to a decline in gross profit margin on large-scale projects received in recent years, and a substantial increase in labor and other construction costs.
- 4 Net income rose from the previous fiscal year due primarily to increases in operating income and foreign exchange gains.
- 5 Consolidated net cash provided by operating activities was used mainly to acquire properties for lease to further enhance and stabilize the Obayashi Group's earnings base, and reduce interest-bearing debt.

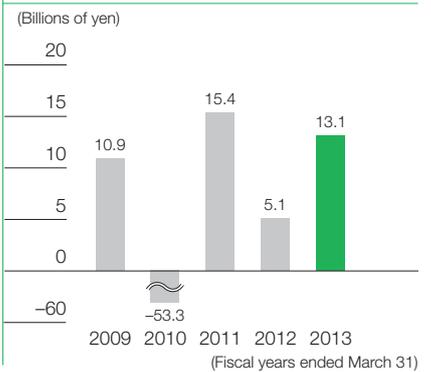
Net Sales



Operating Income and Operating Margin

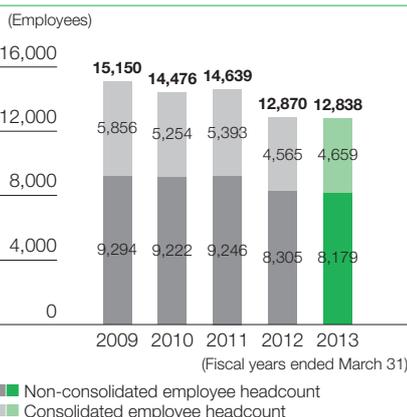


Net Income

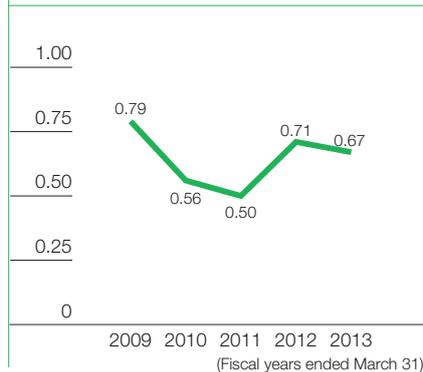


- 6 Obayashi's accident frequency rate declined mainly due to an increase in the total man-hours of labor despite a marginal increase in the number of accidents involving more than four days of lost work.
- 7 Since most of Obayashi's CO<sub>2</sub> emissions are discharged from construction sites, CO<sub>2</sub> emissions increased from the previous fiscal year as a result of an increase in completions.

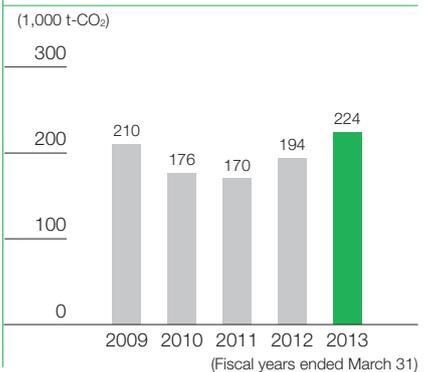
Employee Headcount



Accident Frequency Rate



CO<sub>2</sub> Emission Volume



# A Message to Our Stakeholders



Toru Shiraishi  
Representative Director  
President

## Introduction

The Obayashi Group formulated the Medium-Term Business Plan '12 in March 2012. This plan looks ahead to the Group's future and is a three-year plan culminating in the fiscal year ending March 31, 2015, outlining the management strategies that we must initiate immediately.

Medium-Term Business Plan '12 will utilize management resources more efficiently to pursue further growth in Obayashi's core businesses of domestic construction and real estate, while also applying a longer-term perspective to diversifying our earnings base.

## 1. Medium-Term Business Plan '12

### (1) Background and objectives

The Japanese economy faces numerous challenges, such as fiscal reconstruction and the impact of sovereign debt crises in the Eurozone, as well as recovery and reconstruction from the Great East Japan Earthquake. The construction industry is facing unprecedented changes in its business environment, including sluggish domestic market conditions and a transfer of capital expenditure overseas, mainly by the manufacturing industry.

With dramatic changes in the domestic construction market not expected anytime soon, and with investment in social infrastructure shifting from new installation to maintenance and replacement, we came to believe that continuing with the status quo, where the Obayashi Group's business domain was heavily dependent on the domestic construction business, would not be the path to further growth.

For those reasons, we concluded that growth strategies that included advances into new business fields would be indispensable for the Obayashi Group to maximize its corporate value, and formulated Medium-Term Business Plan '12.

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

**(2) Further growth in core businesses**

Medium-Term Business Plan '12 aims for further growth in our core domestic construction business and real estate business.

We will emphasize profitability in the domestic construction business. One of the numerical targets in the plan's final year (ending March 2015) is to attain ¥45 billion in operating income. Improvement of profitability in domestic construction, a core area of the Obayashi Group, will be crucial in achieving this target. For that reason, we will share information and pool technologies and assets to strengthen collaboration within the Group. In the domestic civil engineering business, we will engage in social infrastructure projects for disaster prevention and mitigation which provide for a safe and secure society.

In the real estate business, the Obayashi Group is working together to enhance a stable earnings base comprised of mainly the property leasing business, and will make investments for business expansion. We will increase leasing business profit by continuing to invest in office buildings in mainly the Tokyo and Osaka metropolitan areas, and add to profit by flexibly investing in the property for sale business. Through these efforts, we will develop the real estate business into a core area alongside the construction business and secure stable earnings.

**(3) Diversification of the earnings base**

In addition to further growth in core areas, Medium-Term Business Plan '12 will diversify the earnings base by advancing into new business fields. In order to achieve this, we have declared the following three basic policies.

The first is “**further strategic global expansion.**” In the overseas construction business, we have identified North America, Southeast Asia and the Middle East region and Oceania as priority regions from the perspective of risk management and selection and concentration of management resources, and will expand business strategically in ways suited to each region's characteristics. We will also broaden our business domains overseas, including with entry into new fields such as PPP\* at Kenaidan Group Ltd. (Canada) and the real estate business at Thai Obayashi Corporation Limited.



The second is “**creation of new enterprises through business innovation.**” This involves commercializing the technology and ingenuity built up within the Obayashi Group through new business models. We established Obayashi Clean Energy Corporation in July 2012, becoming the first in the Japanese construction industry to enter the renewable energy business. This company is working on generating energy through mostly solar, but also wind, geothermal, and small hydroelectric power generation. In addition, we plan to expand new business by engaging in the development of plant factories, other new forms of agriculture, forestry revitalization and woody biomass power generation.

The third is “**development of technology into direct sources of profit,**” by transforming technology, which to date has functioned as a source of competitiveness in our construction business. This will be achieved, for example, in fee businesses leveraging our technology, and by expanding the total coordination our engineering business provides in the construction of factories and other production facilities. We will utilize the diverse technology and ingenuity accumulated within the Group to generate new profits.

\* PPP: Public Private Partnership, which seeks to operate public services efficiently through co-operation between the public and private sectors.

#### (4) Numerical targets

Our numerical targets are as shown in the table below. We are focusing on the following three management indicators in confirming the progress of Medium-Term Business Plan '12.

##### ■ Overseas sales ratio (indicator for measuring further global expansion)

We will achieve further global expansion and increase the ratio of overseas sales within the construction business to more than 20%, and strive for 30% in the medium to long term after the completion of Medium-Term Business Plan '12 in March 2015.

##### ■ Ratio of operating income from areas other than domestic construction (indicator for measuring diversification of earnings base)

We will diversify the earnings base, aiming to increase the ratio of operating income from areas other than the domestic construction business (overseas construction business, real estate business and new businesses) to more than 40%, and target 50% longer term.

##### ■ Operating margin (indicator for measuring profit generation)

By achieving the above numerical targets, we will raise Group operating margin, which has been around 2% to date, to 3% in the year ending March 2015.

#### Numerical Targets (Consolidated)

							(Billions of yen)	
	FY2012.3 Result		FY2013.3 Result		FY2014.3 Forecast		FY2015.3 Target	Beyond FY2015.3
<b>Net sales</b>	1,245.7		1,448.3		1,500.0		1,500.0	Net sales (construction business)
<b>Construction business</b>	1,170.1		1,343.1		1,410.0		1,400.0	
<b>Domestic (%)</b>	86		82		81		80	
<b>Overseas (%)</b>	14		18		19		<b>20</b>	
<b>Real estate business, etc.</b>	75.6		105.0		89.0		90.0	
<b>New businesses</b>	—		0		1.0		10.0	
								30.0 or more
<b>Operating income (Operating margin) (%)</b>	Consolidated 31.1 (2.5)	Non-consolidated 22.0 (2.3)	Consolidated 35.1 (2.4)	Non-consolidated 14.2 (1.3)	Consolidated 26.0 (1.7)	Non-consolidated 8.0 (0.7)	45.0 <b>(3.0)</b>	Operating income
<b>Domestic construction (%)</b>	66		55		58		60	
<b>Other than the above (%) (overseas construction, real estate and new business, etc.)</b>	*34		45		42		<b>40</b>	
<b>Ordinary income</b>	35.2		44.6		30.0		47.0	

\* FY2008.3 – FY2012.3 average (excluding FY2010.3)

## 2. Review of the Fiscal Year Ended March 31, 2013

Our consolidated financial results for the fiscal year ended March 31, 2013, the first year of Medium-Term Business Plan '12, were as follows.

Orders received increased by 6.4% from the previous fiscal year to ¥1,449.5 billion, primarily due to an increase in orders for large-scale projects in the Tokyo metropolitan area for the domestic building construction business. Net sales increased by 16.3% to ¥1,448.3 billion from the same period last year due to an increase in net sales from mainly the construction business and real estate and other business of the Company and its subsidiaries. On the earnings front, operating income increased by 12.9% to ¥35.1 billion from the previous fiscal year, as subsidiaries saw strong earnings despite profits for the Company declining. Ordinary income increased by 26.8% to ¥44.6 billion from the previous fiscal year mainly due to an increase in operating income and an increase in foreign exchange gains.

Results of the three management indicators mentioned above were as follows.

### ■ Overseas sales ratio 18%

This ratio rose 4 percentage points from the previous fiscal year to 18% mainly due to sales from construction contracts of overseas subsidiaries such as Webcor, LP (U.S.), Thai Obayashi, and Taiwan Obayashi Corporation. Obayashi saw steady progress towards attainment of the 20% target by the final year of the Medium-Term Business Plan '12 ending March 31, 2015.

### ■ Ratio of operating income from areas other than domestic construction 45%

This ratio reached 45%, 5 percentage points above the target. This was partly due to contributions from enhanced profitability in the real estate business, but was also affected by lower profitability in the domestic construction business at the Company. Our stated aim is to raise the ratio from areas other than domestic construction while improving the profitability of the domestic construction business.

### ■ Operating margin 2.4%

Operating margin was at the same level as the previous fiscal year. The strong earnings subsidiaries such as Obayashi Road Corporation, Seiwa Real Estate Co., Ltd., and Thai Obayashi accrued was offset by a decline in the Company's operating margin attributed mainly to profitability waning on certain large-scale projects received in recent years, and a substantial increase in labor and other construction costs.



## 3. Outlook for the Fiscal Year Ending March 31, 2014

### (1) Business environment

In Japan, construction investment in the fiscal year ending March 31, 2014 is expected to increase 7.9% from the previous fiscal year to approximately ¥48 trillion, rising for the second consecutive year\*<sup>1</sup>, and there are some positive signs, such as a gradual uptrend in the unit price of private non-dwelling building starts (offices, factories, schools, etc.)\*<sup>2</sup>.

Looking overseas, capital expenditure by Japanese and multinational corporations is expected to be firm in Southeast Asia, and large-scale construction investment continues to be planned in the Middle East. There are signs of a recovery in North America, especially in the residential sector, so we believe the business environment is turning upward.

On the other hand, an acute increase in labor and other construction costs is pressuring profitability for the construction industry overall, and this impact is projected to continue in the year ending March 2014. We want to absorb the increase in costs and minimize the impact on profitability by receiving orders at appropriate prices based on estimated final construction costs.

\*<sup>1</sup> From "Quarterly Outlook of Construction and Macro Economy," Research Institute of Construction and Economy, Economic Research Association, July 24, 2013

\*<sup>2</sup> Unit price of building starts: Unit price calculated from the planned construction cost and total floor area listed in the Survey of Building Starts announced every month by the Ministry of Land, Infrastructure, Transport and Tourism

### (2) Earnings outlook

Orders received are expected to increase 4.2% from the previous fiscal year to ¥1,510 billion due to increases at overseas subsidiaries such as Webcor and Kenaidan. Net sales are forecasted to rise 3.6% from the previous fiscal year to



¥1,500 billion as construction contracts carried-forward at the start of the term rise as a result of the increase in orders received in the previous fiscal year. On the earnings front, on the other hand, operating income is expected to fall 26.0% from the previous fiscal year to ¥26 billion, and ordinary income is seen as falling 32.9% to ¥30 billion, due to the residual effect of an acute increase in labor and other construction costs for the Company's domestic building construction business, as in the previous fiscal year, and due to low profitability for some large construction projects. In this way, we are expecting harsh conditions on the earnings front in the year ending March 2014, the second year of Medium-Term Business Plan '12.

We recognize that an upturn in profitability for the Company's domestic construction business and improving the expected margin at the time of acceptance of orders in the year ending March 2014 will be pressing issues towards

attainment of Medium-Term Business Plan '12. We will focus all of our efforts to meet targets in the final year of the plan ending March 2015 by achieving both a revival of profitability in the domestic construction business and diversification of our earnings base.

### (3) Status of capital expenditure

Under Medium-Term Business Plan '12, the Obayashi Group will invest ¥150 billion from the year ended March 2013 through the year ending March 2015 in order to execute various initiatives in the construction, real estate and new businesses.

Of this, we will invest ¥60 billion in properties for lease, mainly in the Tokyo and Osaka metropolitan areas. As a target, we will increase gross profit on sales in the property leasing business by 60% from the year ended March 2012 (a year prior to the start of Medium-Term Business Plan '12) to ¥12 billion in the year ending March 2015. We will make the property leasing business a base for stable earnings for the Obayashi Group by making aggressive investments while rigorously analyzing the profitability of each property. We plan to invest approximately ¥65 billion by the year ending March 2014.

With regards to domestic and overseas investment in new businesses, we expect to diversify our earnings base by exceeding our target and investing approximately ¥23 billion in primarily the solar power generation business by the year ending March 2014. In North America, we continue to examine M&A opportunities with local companies in which synergies for the Group can be anticipated.

## Capital Expenditure Plan

(Billions of yen)					
Investment	FY2013.3–FY2015.3 Three-Year Plan	FY2013.3 Result	FY2014.3 Forecast	FY2013.3–FY2014.3 Two-Year Cumulative	
<b>Construction machinery and business facilities</b>	15.0	4.4	6.2	10.7	
<b>R&amp;D and ICT</b>	40.0	13.8	14.7	28.6	
<b>Real estate investment</b>	<b>Property for leasing</b>	60.0	26.4	38.5	64.9
	<b>Property for sale</b>	15.0	11.5	3.4	14.9
	<b>Subtotal</b>	75.0	37.9	41.9	79.8
<b>Domestic and overseas new businesses</b>	20.0	1.5	21.3	22.9	
<b>Total</b>	150.0	57.8	84.3	142.2	

## 4. Financial Strategy and Policy on Shareholder Returns

### (1) Financial strategy

We will prioritize the capital expenditure plan in allocating operating cash flow, while also reducing interest-bearing debt. Targets for the final year of the Medium-Term Business Plan '12 ending March 31, 2015 are interest-bearing debt balance of less than ¥360 billion and D/E ratio of lower than 0.9.

We aim for ROE of 8%. For that reason, we will work to improve profitability in the domestic construction business, and enhance asset efficiency by firmly reviewing our asset portfolio.

### (2) Policy on shareholder returns

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

### Management Indicators

Management indicators	FY2012.3 Result	FY2013.3 Result	FY2014.3 Forecast	FY2015.3 Target
<b>Interest-bearing debt</b> (billions of yen)	405.1	388.1	390.0	360.0 or less
<b>Debt/equity ratio</b> (times)	1.2	1.0	—	0.9 or less
<b>Return on equity (ROE)</b> (%)	1.5	3.6	—	8.0 or more
<b>Dividend payout ratio</b> (%)	111.7	43.5	41.0	20-30

## 5. Enhance the Corporate Governance Structure

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

We appointed a new outside director in June 2013. This director will provide us a perspective from an independent



and impartial standpoint in generally supervising the management of Obayashi, and the guidance he provides should improve our management efficiency further.

## 6. Towards Sustainable Growth

The Obayashi Group enhances not only economic value but environmental and social value as well, and is working to respond to the expectations and trust of stakeholders. By achieving both development of the Obayashi Group and sustainable development for society as a whole, we would like to maximize the corporate value of the Obayashi Group for all stakeholders.

Through reconstruction from the Great East Japan Earthquake and tackling the aging of social infrastructure, as well as responding to flood damage in Thailand, we have felt a strong sense of accomplishment and pride in the Obayashi Group's ability to provide safe, secure and comfortable lives for people, and contribute to society. Going forward, we will continue to contribute to the realization of a sustainable society through our business activities, and work to enhance corporate value.

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

August 2013

Toru Shiraishi  
Representative Director  
President

# Obayashi at a Glance

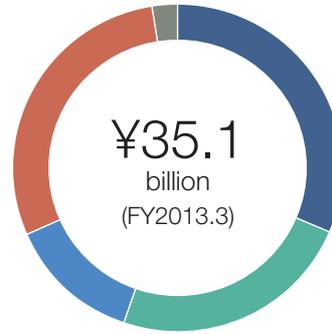
## Obayashi Group (Consolidated)

### By Business

Net sales



Operating income



Business	Net sales (billion)	Percentage	Operating income (billion)	Percentage
Domestic Building Construction Business	822.9	56.8%	11.0	31.5%
Domestic Civil Engineering Business	283.5	19.6%	8.4	23.9%
Overseas Construction Business	236.6	16.3%	4.6	13.3%
Real Estate Business	66.6	4.6%	10.1	28.9%
Other Businesses	38.4	2.7%	0.8	2.4%



TOKYO SKYTREE®



New Tomei Expressway Shimada No. 1 Inbound Tunnel



Colorado River Bridge at Hoover Dam, U.S.



oak omotesando

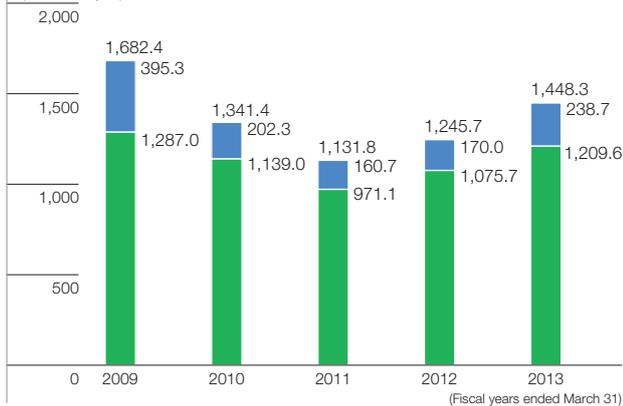


Mega-Solar Power Generation in Ashikita Town in Kumamoto Prefecture

### By Region

Net sales

(Billions of yen)



- Japan
- Overseas
  - North America
  - Asia
  - Others

Net sales composition

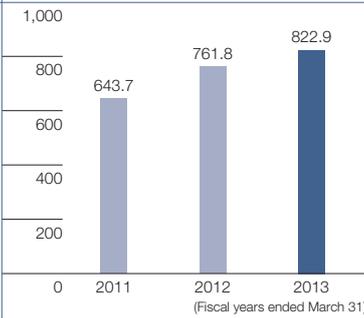


Japan	1,209.6 billion	83.5%
Overseas	238.7 billion	16.5%
North America	120.2 billion	8.3%
Asia	113.2 billion	7.8%
Others	5.2 billion	0.4%

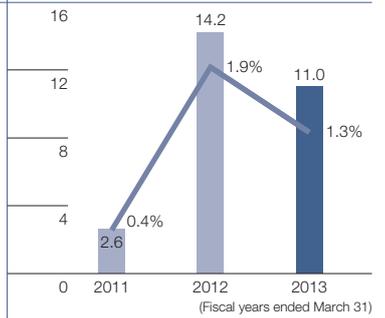
### Domestic Building Construction Business

We provide all types of buildings, such as offices, condominiums, commercial facilities, factories, hospitals and schools, that meet diverse needs including reduced environmental load, energy conservation, seismic resistance and disaster readiness for securing business continuity, and improved comfort and convenience. We have completed many historically and culturally emblematic projects like Tokyo Station, the Theme Pavilion at Expo '70, Roppongi Hills, and TOKYO SKYTREE®.

Net Sales (Billions of yen)

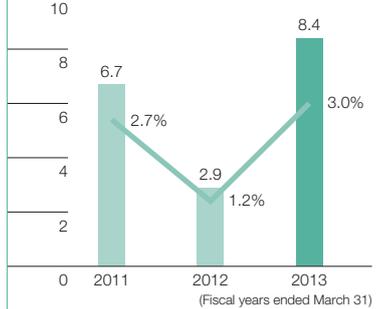
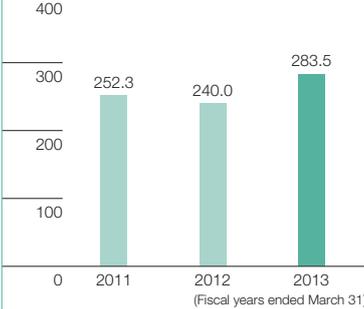


Operating Income and Margin (Billions of yen)



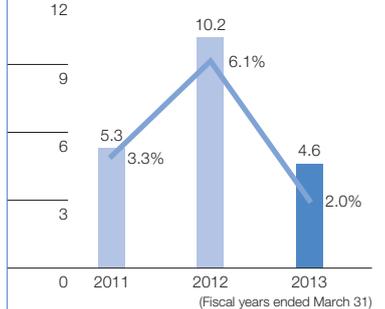
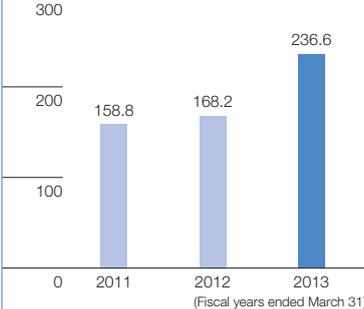
### Domestic Civil Engineering Business

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



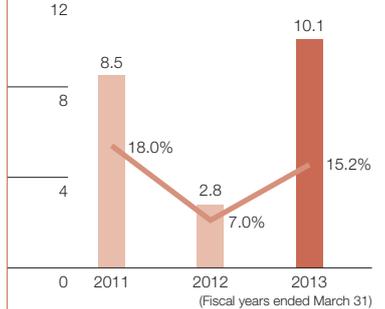
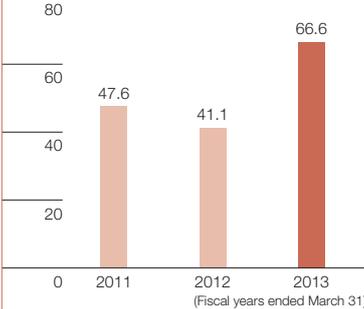
### Overseas Construction Business

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



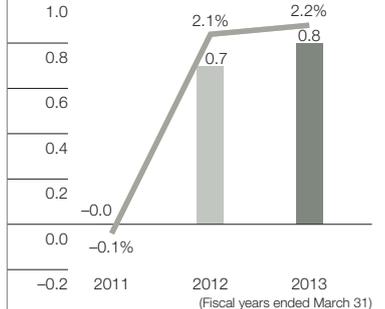
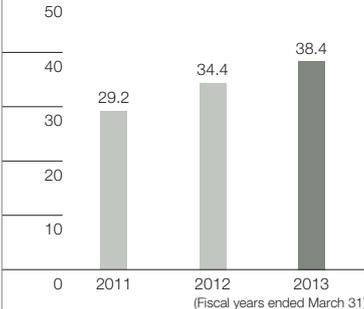
### Real Estate Business

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



### Other Businesses

Obayashi is also involved in renewable energy, private finance initiatives (PFI), and hotel and golf course operation. Obayashi was one of the first major Japanese construction companies to enter the renewable energy business in July 2012, and aims to expand solar power generation to 100 MW within the fiscal year ending March 31, 2014. In the PFI business, Obayashi was an early participant in PFI projects, such as the Sydney Olympics Main Stadium, and has established itself as a leading company in PFI.



# Domestic Building Construction Business

Strive to receive orders at appropriate prices and improve construction profitability

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

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



### Business Environment

Outlook for the Japanese economy remained unclear due to slowdown of the global economy in the fiscal year ended March 31, 2013. However, expectations for economic policies resulting from a change in political incumbency at the end of 2012 led to a correction in the yen's excessive appreciation, which in turn prompted improvements such as an uptrend in stock prices. Within the domestic construction market, capital investment had already begun recovering among non-manufacturers from 2012, though many manufacturers are still trying to discern future economic trends.

Meanwhile, government policies to cope with aging infrastructure were

enhanced with subsidies for the seismic-resistant and energy-efficient retrofit of buildings from the year ending March 2014 as an emergency economic stimulus measure. We believe that demand to make schools, factories, condominiums, and hospitals seismically resistant will remain firm, and will take active steps to make proposals and receive orders.

### Overview of Business Performance for the Fiscal Year Ended March 31, 2013

#### Orders Received

Orders increased by ¥71.2 billion (9.0%) from the previous fiscal year to ¥862.1 billion mainly due to strong orders for office buildings, hospitals, schools, and

### Major Completed Projects



Umeda Hankyu Building



ARK Hills Sengokuyama Mori Tower



Powertrain Development and Production Engineering Building, Toyota Motor Corporation

distribution facilities in the Tokyo metropolitan area.

**Net Sales**

Net sales increased by ¥61.1 billion (8.0%) from the previous fiscal year to ¥822.9 billion. This was mainly due to a rise in carried-forward contracts from the previous fiscal year, and sales on construction orders received increasing in the year ended March 2013.

**Operating Income**

Operating income decreased by ¥3.2 billion (22.5%) from the previous fiscal year to ¥11.0 billion, due mainly to profitability waning on large-scale projects received in recent years and a continued uptrend in labor and other construction costs.

**Measures to Improve Construction Profitability**

Profit on construction was harsh in the fiscal year ended March 31, 2013 despite the increase in sales. Obayashi has a strict policy of avoiding loss-leading construction orders of no strategic value. However, margins that have fallen at order intake due to severe price competition and increases in labor and other construction costs have squeezed construction profits. In order to improve profitability, we need to secure reliable profits when accepting orders by emphasizing profitability in our marketing activities, and resolutely avoiding loss-leading construction orders.

Obayashi's divisions for controlling cost were re-organized in January 2013 by establishing departments for centralized procurement and purchasing imported materials directly at all branches. Narrowing down the price-competitive suppliers and raising the precision of our estimates have enabled us to project final costs accurately and make appropriate decisions when bidding for orders.

The Ministry of Land, Infrastructure, Transport and Tourism raised its unit labor prices by 15% on average nationwide in March 2013 in response to rising labor costs. We intend to be persistent in making private-sector customers also understand and accept the increase in labor costs in the construction prices we invoice.

Based on the current state of carried-forward contracts and trends in unit labor prices, we expect further declines in profits and profit margins to be unavoidable in the year ending March 2014. However, we will work hard to realize a profit recovery in the year

ending March 2015 by having customers understand that construction costs will rise in an inflationary environment, and by receiving orders at appropriate prices based on estimated final construction costs.

**Initiatives to Achieve Medium-Term Business Plan '12**

**Raise our Share of Orders in the Tokyo Metropolitan Area**

Since domestic construction investment is concentrated in the Tokyo metropolitan area, we believe that enhancing our competitiveness in Tokyo is crucial in order to improve earnings over the medium to long term. Consequently, we will raise our market share in Tokyo while emphasizing profitability with actions that include a roughly 15% increase in sales staff covering the metropolis by the fiscal year ending March 31, 2015.

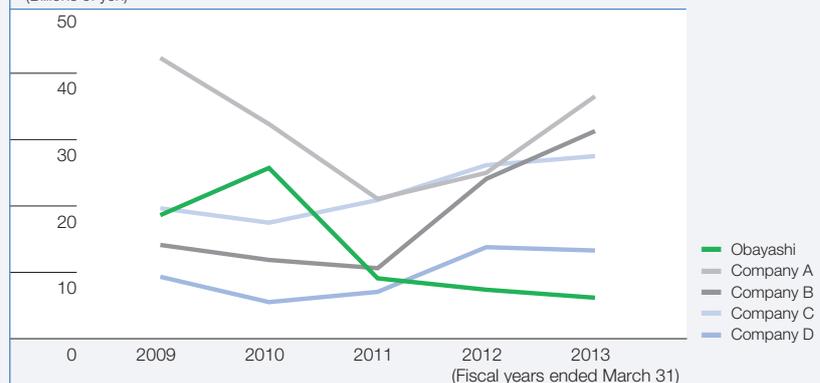
**Enhance the Profitability of Domestic Building Construction as a Core Field**

Among the management indicators the Obayashi Group is targeting in Medium-Term Business Plan '12, the

most important is to achieve a consolidated operating margin of 3%. To meet that target, we must enhance the profitability of our domestic building construction business as a core field, and secure construction profits. We will endeavor to secure those profits by emphasizing profitability at acceptance of orders in our marketing activities, and answering market demand such as the seismic-resistant retrofit of buildings. This will be done while abiding by our policy of avoiding loss-leading orders of no strategic value.

Obayashi Group's balance of provision for loss on construction contracts has continued to decline since peaking in the year ended March 2010, which shows that our stance of emphasizing profitability and avoiding loss-leading orders has taken hold.

**Trend in Consolidated Provision for Loss on Construction Contracts among Major Japanese Competitors**  
(Billions of yen)

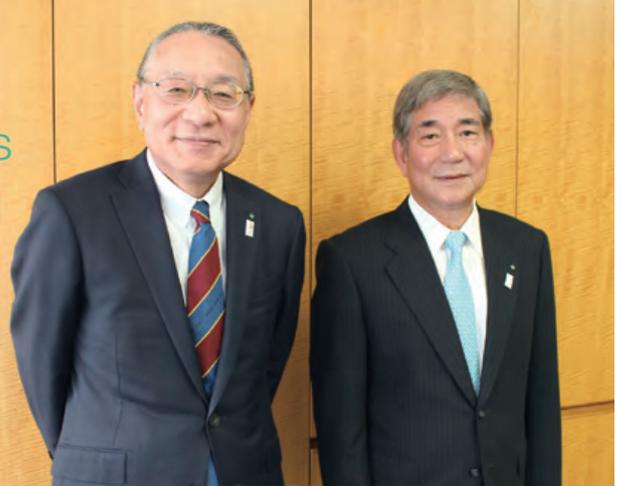


# Domestic Civil Engineering Business

Focus advanced technological capabilities on large-scale projects and demand for maintenance and replacement of infrastructure

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

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



## Business Environment

The Ministry of Land, Infrastructure, Transport and Tourism's budget for national resilience to prevent and mitigate natural disasters totaled approximately ¥7.7 trillion for the fiscal year ended March 31, 2013 supplementary budget and the fiscal year ending March 31, 2014 budget. Public construction investment is expected to increase, as ¥15 trillion in additional investments over the span of three years are planned under the Basic Act for National Resilience, as well.

Furthermore, allocations for addressing the upkeep of tunnels, bridges and other aging infrastructure were ¥616.0 billion and ¥384.5 billion, respectively, in the fiscal year ended March 31, 2013 supplemental budget and fiscal year ending March 31,

2014 budget. As a result, we are expecting the government to frontload its orders for replacing and repairing infrastructure. However, the government is still at the stage of prioritizing its projects, and the contracts tendered initially will probably be emergency work. While it is difficult to predict to how soon increases in public construction investment will contribute to the Group's performance, Obayashi will put a concerted effort into improving earnings.

## Changes in Public Construction Investment

(Trillions of yen)

Fiscal year	Initial budget	Supplementary budget	Total
2011	5.0	0.3	5.3
2012	4.6	2.4	7.0
2013	5.3	15-month budget of ¥7.7 trillion	

Source: The Ministry of Land, Infrastructure, Transport and Tourism

## Major Projects



Namikata National LPG Stockpiling Base



2nd Kinone Tunnel, Narita International Airport



Nyukawa Dam

## Overview of Business Performance for the Fiscal Year Ended March 31, 2013

### Orders Received

Orders received declined by ¥25.9 billion (9.1%) from the previous fiscal year to ¥260.5 billion, mainly in backswing from an order received in the previous fiscal year for disaster debris disposal in the Watari District, Miyagi Prefecture.

### Net Sales

Net sales increased by ¥43.5 billion (18.1%) from the previous fiscal year to ¥283.5 billion, as carried-forward contracts on construction work increased from the previous year, and sales accrual on the percentage of completions rose steadily.

### Operating Income

Operating income increased by ¥5.4 billion (184.2%) from the previous fiscal year to ¥8.4 billion in line with an increase in the volume of construction.

## Tenders Expected for Large-scale Projects

The projects shown in the right map are planned for the future. Obayashi will seek to apply its technological capabilities in major projects underpinning Japan's growth, such as ring roads around major cities (Gaikan Expressway, etc.) and the Linear (magnetic levitation) Shinkansen.

The importance of maintaining and replacing infrastructure has been reaffirmed. Demand in civil engineering for renewing infrastructure should increase for the expansion to four-lane expressways and for maintenance and repair of the Metropolitan Expressway. Maintaining and replacing existing infrastructure without interrupting its use requires mobility, accumulated from many years of experience, in addition to technological and R&D capabilities. Obayashi excels at completing this sort of work in a short period of time, which is more of a challenge technologically than construction from the ground up.

## Construction Related to Recovery and Reconstruction from the Great East Japan Earthquake

Obayashi is also striving to fulfill its social responsibility as a general contractor in the area of decontamination work in connection with the accidents at the Fukushima

Daiichi Nuclear Power Station. The Obayashi Group's comprehensive adaptive capabilities for coordinating large-scale projects and deploying manpower have been applied in the full-cycle development and operation of projects on contract from the Ministry of the Environment and local municipalities, including Fukushima City and Koriyama City.

As for projects rebuilding towns damaged in the earthquake and tsunami, including their relocation to higher ground, Obayashi was awarded to take charge of Yamada Town's reconstruction project in Iwate Prefecture in April 2013. Accordingly,

the Company is responsible for construction management of this project from the survey on up to design and construction. Leveraging their talents for supervising and coordinating entire projects, major general contractors have given rise to business models in which we put ourselves in the customers' shoes in supporting their reconstruction from disaster. Obayashi will make the most of its ingenuity and continue contributing to recovery from the Great East Japan Earthquake.

**Related information**  
P.34 Contribute to Reconstruction of Disaster-Affected Regions

### Tenders Expected for Large-scale Projects

**Remedies for aging infrastructure**  
(Life-cycle cost reduction)  
(Formulation of maintenance and management, and replacement plans)  
**Flood and landslide prevention**

**New Shinkansen lines**

**Reconstruction from disaster**  
(Roads for reconstruction, rebuilding towns)

**Missing link**  
**Ring roads around major cities**  
(Gaikan Expressway, etc.)

**Linear (magnetic levitation) Shinkansen**

**Earthquake and tsunami counteraction**  
(Earthquake directly underneath Tokyo)  
(Conceivable Great Nankai Trough Earthquake and Tsunami)

## Initiatives to Achieve Medium-Term Business Plan '12

### Enhance Profitability in Line with Changes in the Business Environment

We will advance into both the upstream and downstream portions of civil engineering projects (planning, surveying, design, maintenance and management, replacement) and diversify the earnings base by expanding new business domains.

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

Obayashi would like to contribute to the safety and security of people, while developing the necessary technology. We believe that reconstruction from disasters and building disaster readiness and solutions to aging infrastructure are also important social missions of construction companies.

# Insightful Construction

Obayashi creates new value by applying ingenuity and cutting-edge technology as insightful solutions to construction projects.



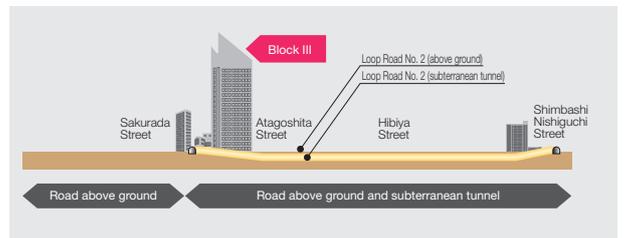


## STORY

### Insightful Urban Development Symbolizing Tokyo

A large-scale redevelopment project implemented by the Tokyo Metropolitan Government, named Loop Road (Kanjo) No. 2, Shimbashi-Toranomon Ward Project Block III, is under construction in the Toranomon area of Tokyo, near government offices. This is an insightful urban development and civil engineering project in which a super high-rise building with a major thoroughfare (Loop Road No. 2) piercing right through it is being built for the first time in Tokyo.

Obayashi is constructing a super high-rise building that will be the second-tallest in Tokyo, rising 247 meters high, with 5 floors below ground and 52 floors above ground. The building complex housing offices, residences, a hotel, shops, and conference facilities will be completed in 2014 as a new landmark for Tokyo.



**Related information**  
<http://www.obayashi.co.jp/projects/project16>  
 (currently available in Japanese only)

## OUR SOLUTION

### Respond to Short Schedules and High Degrees of Difficulty with Technology and Ingenuity

Obayashi brings complex projects to realization through technological capabilities and ingenuity.

#### Outer wall lifting system

Construction of super high-rise buildings requires transporting a large amount of materials up to great heights, so the challenge is coming up with a safe and efficient method of transport.

We adopted a novel system for transporting only curtain walls such as outer wall glass.

Obayashi achieved safe and efficient operations by separating the transport of these materials from other construction materials such as steel frames.



#### Total Station

This groundbreaking project has a subterranean tunnel curving under a super high-rise building. Achieving this required support pillars pile-driven very accurately into the invisible ground, and furthermore, along the curve of the road.

We used Total Station, the 3D laser surveying equipment we also used in the construction of TOKYO SKYTREE®, to pinpoint the positions of 237 support pillars, some weighing as much as 90 tons, to less than 3 mm in surveying error and more than 1/700 in vertical accuracy.



# Overseas Construction Business

Steadily develop overseas business while rigorously managing risks

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



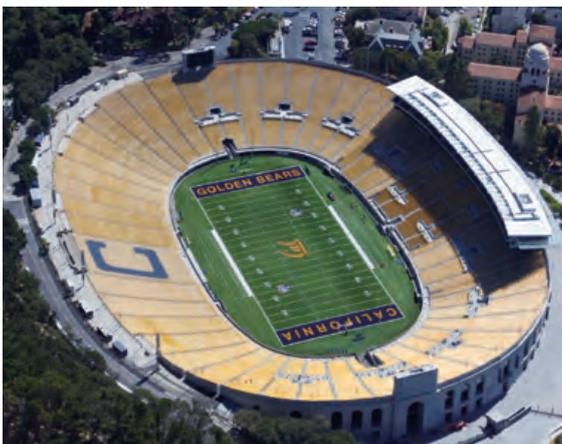
## Business Environment

From the standpoint of risk management and selection and concentration of management resources, the overseas construction business focuses on the North America, Southeast Asia and Middle East region and Oceania where legal systems, business practices, and socio-economic infrastructure have reached certain levels, and the political and security risks are relatively small.

The environment for public construction investment in the U.S. will remain harsh as a result of spending cuts by state and local governments. However, there are signs of revival in private-sector investment, mainly in housing. Infrastructure investment is forecast to

remain firm in Canada as a result of government-led public construction investment and the effects of the U.S. economic recovery. In Southeast Asia, we can expect strong domestic demand to underpin firm growth in 2013 as well. Investment by Japanese and multinational companies to capture growth in this region is expected to remain strong. In the Middle East, continued large-scale construction investment is expected in Qatar and Abu Dhabi, where the political situation is relatively stable and resources are plentiful. Long-term infrastructure projects for roads, railroads, and ports are planned and under construction in Oceania, which we view as a brisk construction market.

## Major Completed Projects



Renovation of California Memorial Stadium (U.S.)



Park Ventures (Thailand)



PT. Hokkan Indonesia New Factory (Indonesia)

## Overview of Business Performance for the Fiscal Year Ended March 31, 2013

### Orders Received

Orders received increased by ¥37.5 billion (17.7%) from the previous year to ¥250 billion, as orders were strong at building construction subsidiaries such as Webcor, LP (U.S.) and Thai Obayashi Corporation, and as a large civil engineering project order had been received by the Company.

### Net Sales

Net sales jumped by ¥68.3 billion (40.6%) from the previous fiscal year to ¥236.6 billion, as business bases in Asia, led by Thai Obayashi, saw significant sales growth.

### Operating Income

Despite Asian business bases posting earnings that were stronger than in previous fiscal years, operating income declined by ¥5.6 billion (54.5%) from the previous fiscal year to ¥4.6 billion due to a highly profitable large-scale project that had been completed in the previous fiscal year.

**Southeast Asia:** As the first Japanese general contractor to expand overseas, Obayashi is capable of responding to the demands of Japanese corporations in Southeast Asia, our main customers, with overseas subsidiaries that are firmly rooted in their respective regions. In Southeast Asia, Obayashi competes against local contractors and other Japanese contractors, as well as leading South Korean and Chinese contractors. Our project management skills, backed by our integrated design and construction framework and technological capabilities, pose a major advantage.

**Middle East:** In this region, there have been successive large-scale development projects backed by abundant funding from oil and natural gas resources. This is attracting contractors from all around the world and, as a result, competition has intensified. In large-scale projects that require a high level of tunneling technology and ability to manage schedules, we can

gain a competitive advantage by appealing to our world-class technological capabilities and abundant track record.

## Risk Management System

Based on past experience, we are penetrating new regions of the globe by collaborating over the medium to long term with trustworthy local partners that have plenty of construction experience and knowledge of local conditions. Moreover, we enter new regions only after establishing a system for dealing with claims, permits and other formalities on each project. We also properly analyze risks related to contracts and construction for each project, and enter into projects after establishing policies for managing such risks.

Having established a meticulous risk management system, the Obayashi Group makes the most of world-class technologies and the trustworthiness of its construction quality in contributing to a better world.

## Competitors and the Obayashi Group's Strengths in Priority Markets

**North America:** We are in competition with both leading and local U.S. contractors, as well as with leading European companies for large-scale projects, and the environment is harsh for receiving orders. However, we have a competitive advantage, combining the business network and track record of our local subsidiaries with Obayashi's technological capabilities and trustworthiness. For example, Webcor, our building construction subsidiary based in California, has acquired Leadership in Energy & Environmental Design\* (LEED) certification for almost 100% of its projects, giving it an advantage in orders received for environmentally friendly projects, which are increasing yearly. Furthermore, Obayashi has more than 40 years of business experience in North America, and we are the Japanese general contractor with the premier track record in public works projects there.

\* Leadership in Energy & Environmental Design (LEED): Rating system for environmental performance of buildings supervised by the U.S. Green Building Council

## Initiatives to Achieve Medium-Term Business Plan '12

### Raise the Consolidated Overseas Sales Ratio of our Construction Business to 20%, and Aim for more than 30% over the Medium to Long Term.

This ratio was 18% in the fiscal year ended March 31, 2013, up steadily from 14% in the previous year. To raise the ratio more, we will implement the following growth initiatives.

#### Overseas Building Construction Business

**North America:** We will pursue synergies in building construction in North America by sharing management resources such as construction experience, IT, and human resources among Group companies, and bolster competitiveness for receiving orders.

**Southeast Asia:** We will continue to support Japanese corporations entering Southeast Asia by collaborating with Obayashi's marketing departments in Japan, and enhance our ability to

propose solutions by strengthening our design capabilities. We will also further localize our branches and subsidiaries in the region. This will enable us to proactively engage in marketing to increase orders received not only from Japanese corporations in Southeast Asia, but from local and multinational companies as well.

**Middle East:** We are working with local companies to receive orders, mainly in Qatar and Abu Dhabi.

#### Overseas Civil Engineering Business

We will work mainly on tunnel, bridge and railroad projects, where we can differentiate ourselves through our abundant experience and strong technological capabilities. We will continue to aggressively bid on projects in Southeast Asia and North America, where we are already working on projects, and also focus on winning new projects in Australia and the Middle East.

# Contribute to Global Development

Thai Obayashi Corporation, established as a local subsidiary in 1974, has been conducting business rooted in Thailand for about 40 years.

Today, Thai Obayashi has established an unassailable standing in the construction industry within Thailand, and is continuing to develop.



In 2012, net sales increased substantially as a result of strong capital expenditure by Japanese corporations in Thailand. Going forward, we will become more selective in the orders we receive and apply centralized procurement in re-examining our cost structure to create a stable earnings structure. And we will also promote the introduction of Building Information Modeling (BIM) and other new information and communications technology (ICT) to improve operating efficiency. In addition to entering new business domains such as real estate development, engineering, and data centers, Thai Obayashi will develop business in Cambodia, Laos, Myanmar and other neighboring countries to expand its earnings base.

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



## STORY

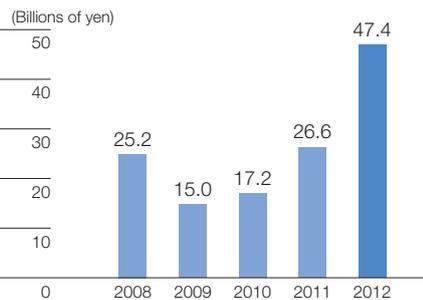
### Contribute to the Development and Prosperity of Both Japan and Thailand

Since its establishment in 1974, Thai Obayashi has steadily built up a track record, solidifying its position today as one of Thailand's leading construction companies, thereby contributing to the development and prosperity of both Japan and Thailand.

Thai Obayashi has for many years supported mainly Japanese manufacturing customers entering Thailand. In factory construction, in particular, Thai Obayashi has provided the same level of construction technology and ingenuity as in Japan. In areas other than construction, Thai Obayashi also supports customers comprehensively, for example, by providing information on land available for building.

Furthermore, Thai Obayashi has built superb business relationships in Thailand, with a long and rigorous history of localizing human resources and building operations firmly rooted in the region. We have handled numerous construction contracts from non-Japanese customers, such as leading Thai clients, and this includes a project building a guesthouse for the Royal Family of Thailand.

#### Thai Obayashi's Net Sales



\* Thai Obayashi's fiscal year is the calendar year ending in December



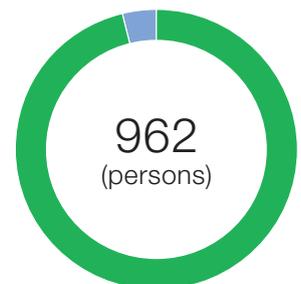
The Royal Family of Thailand's guesthouse

## OUR WAY

### Respecting History, Tradition and Culture, and Moving Forward Together

Thai Obayashi places priority on promoting localization. In order to develop human resources, Thai Obayashi has been sending between two to five Thai staff to Obayashi in Japan as trainees every year for more than 30 years. The trainees spend about a year and a half on hands-on training learning Obayashi's latest construction technologies and safety management methods, contributing to the enhancement of Thai Obayashi's technological capabilities and competitiveness. Today, about 10% of employees have experienced this training, and are occupying pivotal roles as managers and leaders at Thai Obayashi.

#### Composition of Thai Obayashi's Employees (As of December 31, 2012)



**Related information**  
P.40 Promote Human Resource Development

## Real Estate Business

Continue to enhance a stable earnings base centered on the leasing business

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



### Business Environment

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

The Great East Japan Earthquake has triggered an increase of interest in disaster readiness, energy conservation, and

business continuity planning (BCP) functions among tenants. We will provide highly functional offices and respond appropriately to tenant needs by combining the cutting-edge construction technologies we possess in the areas of seismic resistance, energy conservation, and environment with our leasing business.

Societal needs for renewable energy are increasing, giving rise to new business opportunities, such as making effective use of idle land holdings for such projects. Utilizing the technologies we have developed to date and our ingenuity, Obayashi will make maximum use of its assets and transform them into assets that can generate new earnings.

### Major Investments



Kumiyama Distribution Center



oak omotesando



Grand Front Osaka

## Overview of Business Performance for the Fiscal Year Ended March 31, 2013

### Net Sales

Net sales increased by ¥25.5 billion (62.2%) from the previous fiscal year to ¥66.6 billion. This was mainly attributable to Seiwa Real Estate Co., Ltd. saw strong sales of a large condominium in Kansai, and revenues from a large piece of property the Company developed and sold.

### Operating Income

Operating income increased by ¥7.2 billion (251.1%) from the previous fiscal year to ¥10.1 billion due to this growth in sales.

### New Investments

We increased our investment in properties for lease by ¥16 billion (153.6%) from the previous fiscal year to ¥26.4 billion.

## Business Expansion through Ties within the Obayashi Group

Further growth by Obayashi Real Estate Corporation and Seiwa Real Estate is imperative for the real estate business to expand. We will expand earnings by having each company make the most of their ingenuity and brand power, while collaborating effectively within the Obayashi Group. Accordingly, Obayashi, Obayashi Real Estate and Seiwa Real Estate will work as one to renovate and raise the value of existing leasing properties, rebuild, and actively pursue new investments to expand business.

In April 2013, we opened *oak omotesando* and Grand Front Osaka. The former was the project to rebuild the old Aoyama Obayashi Building, affectionately known as the *Hanae Mori Building*. Obayashi used its cutting-edge environmental and construction technologies in the *oak omotesando* project to transform the property into a high-quality building providing a comfortable, safe and secure office environment and quality commercial spaces. Grand Front Osaka was the development project for a large-scale building complex newly constructed in the priority development area of the Umekita redevelopment district on the north side of JR Osaka Station. Obayashi participated in this project as a member of the development, design, and construction teams.

## Office Buildings for Lease by Region

### Changes in the number of buildings



Region	2012.3	2013.6
Five downtown Tokyo wards (Chiyoda, Chuo, Minato, Shinjuku, Shibuya)	14 30%	20 33%
Tokyo (all others)	13 28%	17 28%
Osaka	9 19%	10 16%
Major regional cities (Sapporo, Sendai, Nagoya, etc.)	11 23%	14 23%

## Initiatives to Achieve Medium-Term Business Plan '12

### Enhance and Expand the Leasing (Asset) Business as a Stable Earnings Base

We plan to invest ¥60 billion over three years into the leasing (asset) aspect of our real estate business to purchase existing buildings, rebuild our properties, and develop new buildings. Our target is to have gross profit in the leasing business increase 60% from the start of Medium-Term Business Plan '12 to ¥12 billion by the year ending March 2015, the final year of the plan. Our progress in achieving this target has been steady so far.

### Asset Portfolio Improvement through Effective Use and Sale of Land Holdings

We will actively utilize our land holdings as sites for renewable energy projects, and examine and implement the generation of new leasing income through the construction of our buildings for lease by the Obayashi Group.

We will improve our asset portfolio by pushing forward with sales of idle land and real estate for sale, and

promoting new investments in more advantageous locations.

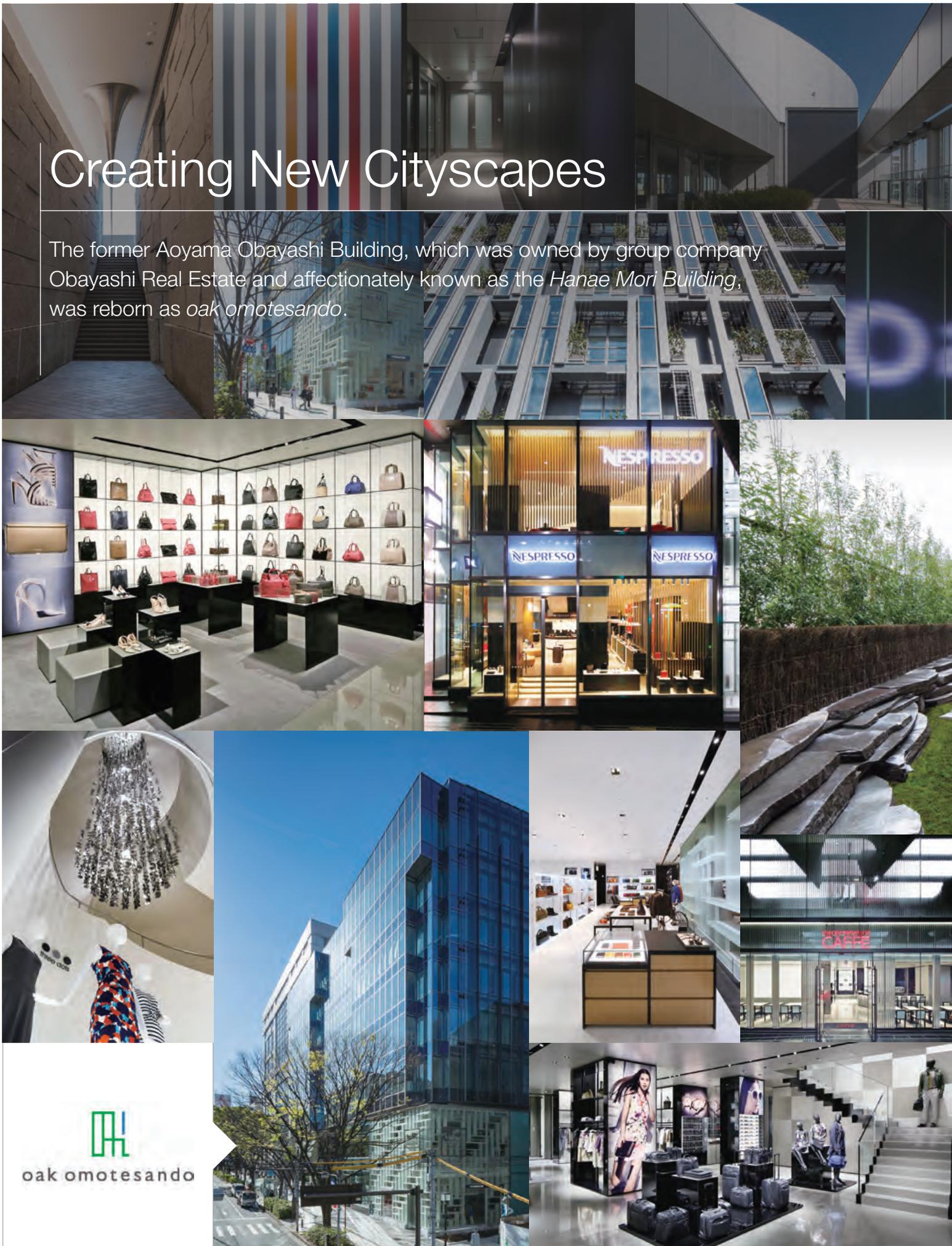
### Improvement in Profitability through Collaboration with the Building Construction Business

We will formulate and systematically execute plans to maintain and strengthen the competitiveness of our buildings for lease and provide high-quality services to tenants in collaboration with our building construction business. Those plans for enhancing the value of our real estate business will focus on 1) comfort and productivity, 2) safety and security and 3) environmental responsibility as key words in synchronizing the development of our buildings for lease with economic and social trends.

In collaborating with the building construction business, we will actively conduct large-scale redevelopment projects, real estate brokerage activities and other operations as we strengthen our marketing ability to propose real estate solutions to clients. The goal is to help Obayashi receive construction orders.

# Creating New Cityscapes

The former Aoyama Obayashi Building, which was owned by group company Obayashi Real Estate and affectionately known as the *Hanae Mori Building*, was reborn as *oak omotesando*.





## OPERATION

### New Landmark with Both Advanced Technology and Fashion Sense

The former Aoyama Obayashi Building, designed by Kenzo Tange, appeared on Omotesando in 1978. It is said that this building was the reason that the Omotesando and Harajuku area came to be called *Fashion Street*. Now that 35 years have passed, the latest rebuilding has resulted in a transformation into a new commercial facility, *oak omotesando*.

*oak omotesando*, which has achieved both functional and environmental performance, is a cutting-edge commercial facility befitting a new landmark. Obayashi applied its design and construction capabilities to incorporate advanced technologies to the fullest extent in this building that was co-designed with Tange Associates to strike a balance between art and nature, technology and design.

The Obayashi Group is moving ahead with plans to rebuild its properties and to purchase office buildings, mainly in urban areas, through real estate investments based on the Medium-Term Business Plan '12. We will secure stable earnings and expand further profit opportunities by vitalizing the leasing aspect of our real estate business.



#### Related information

<http://oakomotesando.com/>  
(currently available in Japanese only)

## TECHNOLOGY

### Minimize Business Operation Risk and Realize Harmony with the Environment

*oak omotesando* minimizes business operation risk arising from natural disaster and other contingencies for tenants, and contains functions such as food supplies for accepting people having difficulty returning home in times of disasters. Regarding business continuity planning (BCP), in particular, the building has ample facilities that enable businesses to continue operating for 72 hours following a disaster, and together with advanced seismic resistance and damping technology, has realized safety and security. This high level of design and construction was achieved efficiently by utilizing Building Information Modeling (BIM).



#### Related information

P.34 Utilize BIM to Streamline Construction Management

Clean-Crete low-carbon concrete, which reduces CO<sub>2</sub> emissions at the time of concrete production by as much as 80%, was used to construct *oak omotesando* in harmony with the environment. The rooftop garden reproduces vegetation indigenous to the area, and was the first rooftop garden to receive Japan Habitat Evaluation and Certification Program\* certification as a facility that gives consideration to biodiversity.

\* Japan Habitat Evaluation and Certification Program (JHEP) is a system for evaluating and certifying initiatives to protect and restore biodiversity.



#### Related information

P.37 Create a Nature-Compatible Society

## New Businesses

Make steady progress  
in solar power generation

Akihisa Miwa

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



### Business Environment

The need for stable supplies of energy and environmental responsibility, and the birth of new industries and globalization in recent years have changed the social and economic environment to create new business opportunities.

Obayashi will pursue business in new fields such as engineering, nuclear power and renewable energy, and business innovation to both diversify and enhance the Group's earnings base. This will be achieved by steadily executing business plans in those new fields.

### Engineering

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

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

In the fiscal year ended March 31, 2013, we restructured our Engineering Division's marketing approach to emphasize the cultivation of new customers in enhancing sales. As a result, we won orders for comprehensive EPC projects for pharmaceutical production and food processing facilities.

This engineering business is global and targets multinational companies as well. Our engineering business is expanding in Southeast Asia, in particular, and working to survey local markets and possible partners, as well as to unearth new projects.

In the year ending March 2014, we will strengthen these initiatives further, and expand the business.

### Energy

Demand for new forms of energy is increasing in line with deregulation and changes including the creation of a feed-in tariff (FIT) system. Examples



Cultivation of plants within test facilities using artificial light

include solar (mega solar power plants), wind and geothermal power generation. We see the new energy field as a new business opportunity, and will utilize the Group's land holdings to vigorously develop it based on the technologies we have amassed in the construction and engineering fields.

In the fiscal year ended March 31, 2013, Obayashi Clean Energy Corporation, our Group company, started operating power generation facilities at four locations in Japan, including the Kumiya Distribution Center (Kyoto Prefecture), and the business is getting on track.

Diversification of energy sources has become a social imperative since the Great East Japan Earthquake. The Obayashi Group is also considering entry into renewable energy businesses other than solar power generation in the year ending March 2014, such as wind, geothermal, and biomass power generation.

In the area of nuclear power generation, Obayashi contributes to safety-enhancement measures at domestic power plants, and strives to receive orders for overseas plant construction.

## Business Innovation

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

For example, our ingenuity in the design, construction and maintenance of production facilities was applied in the year ended March 2013 to start up a plant factory we jointly developed with Chiba University. Plant factories are attracting attention in recent years from the perspective of safety and stable supply of food, and we will combine our respective technologies and knowledge to continue development aimed at revolutionary results towards future commercialization.

## Renewable Energy Business Initiatives

Obayashi established a 100% subsidiary in the renewable energy business named Obayashi Clean Energy Corporation in July 2012, and entered the power generation business. We are continuing to work towards commercialization of 100 MW in power generation with mega solar facilities by March 31, 2014.



Location: Kumiya Town, Kyoto Prefecture  
Scale: Approx. 1.0 MW



Location: Ashikita Town, Kumamoto Prefecture  
Scale: Approx. 21.5 MW



Location: Akune City, Kagoshima Prefecture  
Scale: Approx. 2.8 MW

### Mega Solar-power Generation Business

#### Projects finalized for commercialization

Total scale	80.2 MW
No. of projects	16

(As of April 2013)

#### Commercialization target by March 31, 2014

Total scale	100 MW (Equivalent to electricity consumed annually by around 25,000 ordinary households)
No. of projects	Approx. 25

Related information  
[http://www.obayashi.co.jp/renewable\\_energy/](http://www.obayashi.co.jp/renewable_energy/)  
(currently available in Japanese only)

## OUR FUTURE

### Contribute to Society through Power Generation

We continue to work on a plan to develop around 25 mega solar power generation projects with approximately 100 MW of total output by March 31, 2014. Those projects will be commercialized leveraging Obayashi's EPC technologies and ingenuity for contributing to local communities. We expect net sales to reach approximately ¥4.0 billion once this plan is completed.

Obayashi Clean Energy aims to achieve sustainable business growth as a company developing all manner of renewable energy including wind and geothermal power.

Meanwhile, Obayashi is promoting net Zero Energy Construction (ZEC)\* initiatives to achieve net zero energy consumption through a combination of energy conservation and energy creation at construction sites, as one of the measures to the Obayashi Green Vision 2050 medium to long-term environmental vision. To this end, we will use our renewable energy business to contribute to Obayashi's prompt realization of ZEC, while also lending to diversification of the Group's earnings base.

\* ZEC: net Zero Energy Construction

This approach reduces net energy consumption at construction sites to zero by further promoting ongoing initiatives to conserve energy, and utilizing the renewable energy business of Obayashi Clean Energy to create energy for use on those sites.



Keishiro Iriya

President of Obayashi Clean Energy Corporation  
General Manager,  
Business Innovation Department,  
Technical Division,  
Obayashi Corporation

Related information  
P.35 Promote Obayashi Green Vision 2050

# 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 ingenuity to meet various needs and solve social issues. We believe that these technologies and ingenuity are crucial to improving our corporate value, while helping to pave the way for a sustainable society.

## Construction of Vertical Telescopic Breakwater, the World’s First Movable Breakwater



Breakwater rising around 7.5 meters above seawater

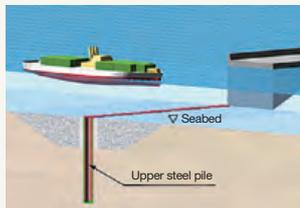
It has been estimated that damage from a conceivable Great Nankai Trough Earthquake could reach ¥220 trillion\*1, making disaster readiness and mitigation an urgent need.

Obayashi jointly developed\*2 the world’s first movable breakwater, the Vertical Telescopic Breakwater, to counteract tsunami, and built a section approximately 10 m long as a part of a tsunami countermeasure trial for the Kainan district of Shimotsu Port, Wakayama Prefecture (Kainan City, Wakayama Prefecture).

A Vertical Telescopic Breakwater rises above the seawater reliably in a very short amount of time during times of emergency such as a tsunami or high waves, protecting harbors and communities from damage. Because it is normally hidden under the seabed, it doesn’t hamper the passage of ships, and also maintains the ocean scenery.

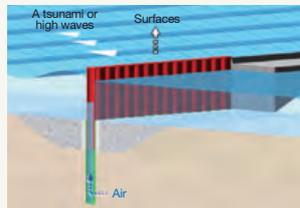
The trials confirmed that the breakwater would rise from 13.5 meters under seawater to around 7.5 meters above seawater within 10 minutes.

Under Normal Circumstances



Upper steel pile is held under the seabed

In an Emergency



Compressed air is supplied into the upper steel pile

\*1 Estimate by the Cabinet Office’s Central Disaster Management Council

\*2 Developed under a joint consortium comprised of the Port and Airport Research Institute, Obayashi Corporation, Nippon Steel & Sumikin Engineering Co., Ltd., Toa Corporation and Mitsubishi Heavy Industries Bridge & Steel Structures Engineering Co., Ltd.

## Technically Proficient Obayashi Secures First Place in Industry Patent Asset Ranking Two Years in a Row

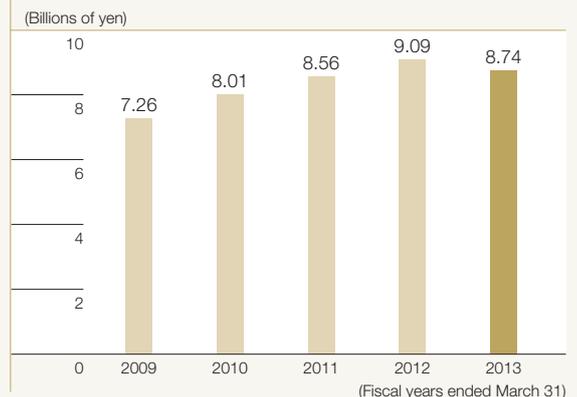
Obayashi was ranked No. 1 by Patent Result Co., Ltd., a patent analysis company, in terms of size of patent assets in 2012 in the construction industry.

This ranking covers patents registered in the 12 months between April 2011 and the end of March 2012. Data is compiled and evaluated on the basis of attention garnered by each patent. The criteria for evaluating patent assets are comprehensively and objectively based on both quality and quantity instead of just the number of patents.

Obayashi was evaluated as having strengths in foundation-building and tunnels, etc., with patents garnering the most attention in methods and structures for strengthening existing buildings, and was ranked No. 1 in the construction industry for the second consecutive year.

### Obayashi’s Consolidated R&D Investments (Reference)

Obayashi possesses strong technological capabilities as a leading company in the construction industry. Ongoing R&D investments enhance our technological advantage and further establish our competitiveness.



Major Achievements in Technological Development in the Fiscal Year Ended March 31, 2013

Category	Name of technology	Explanation	Expected impact	Development status			Application examples
				Development	Testing	Application	
Productivity and quality improvement	O-LiPROS	Lightning protection system for buildings using precast concrete construction method	Approximately 50% cost reduction in lightning rod facilities				GRAND-SUITE Azabudai Hilltop Tower (Minato Ward, Tokyo) Riverie (Kawasaki City, Kanagawa Prefecture)
	Automated Bar Arrangement Judgment System using a photograph	Automatic system for checking assembled reinforcement bars using a tablet computer. Number, diameter, and pitch of reinforcement bars measured and assessed from visual data	Reduces inspection time by around 30% per location while improving reliability of the inspection records				
	Wireless remote control construction technologies	Wireless remote control of construction machinery featuring 3D virtual reality	Approximately 20% improvement in work productivity				
	BIM air-conditioning load calculation system	Air-conditioning load calculation system that outputs construction data from BIM software for calculating air-conditioning load	Efficiently collates computational data, reducing work time by about 50% than before				
Safety and security	LINEART PANEL	Safe and secure large-tile finishing external walls with superior design that do not separate or fall	Cuts construction time, reduces cost 40% and obviates regular inspections and maintenance against tile falling				Sammu City Hall (Sammu City, Chiba Prefecture)
	Brake Damper	Low-cost and maintenance-free seismic damper for counteracting small to large earthquakes	Improved seismic resistance				TOKYO SKYTREE® EAST TOWER (Sumida Ward, Tokyo)
	Vibration Control Method Using Damper Connection for Automated Storage and Retrieval Systems	Vibration control technology that links warehouse buildings and racks, which have different stiffness, with dampers to reduce vibration during earthquakes	Improved seismic resistance for automated multi-level warehouses and preventing cargo from falling down from racks during earthquakes				New warehouse with automated racks built for a pharmaceutical company
	Bentoslope F-type	Method for burying waste including radioactive material	Isolating layer for covering designated waste can be constructed simply and at low cost				
	Tough-Road	Technology for minimizing road deformation when earthquakes trigger liquefaction	Prompt passage restoration following an earthquake				
	Heavy concrete with seawater	Technology for shutting out radiation using concrete with seawater and unwashed sea sand	Concrete 50 centimeters thick can shut out 99.6% of gamma rays				
Environment	Binos RD	Decontamination technique for asphalt-paved roads	Enables decontamination three times faster than before at same cost				Date City, Fukushima Prefecture and Kashiwa City, Chiba Prefecture
	Concrete with seawater and unwashed sea sand	Highly durable, high-strength concrete made with seawater and unwashed sea sand	Maximum of 10% cost reduction and 40% reduction in CO <sub>2</sub> emissions				Disaster recovery work at Soma Port, Fukushima Prefecture
	Cool Air Capture	Energy-saving air-conditioning system for data centers	Reduces electricity air-conditioning facilities consume by around 25%				Data centers
	Underground Thermal Energy System	Three-way ground heat utilization system with high efficiency, space-saving and low-cost characteristics (high-efficiency borehole method, vertical ground heat exchanger with retaining wall, horizontal heat exchanger under basement)	Reduces electricity consumed by about 40% (during summer, compared to existing systems)				TOKYO SKYTREE® (Sumida Ward, Tokyo)
	Upcycle Block	Construction material that makes effective use of disaster waste	Reduction in disposal volume of disaster waste				
Renovation	ELEBEST-CUT partition wall-type	Removes asbestos from within an elevator shaft while maintaining operation of multiple elevators	Shortens work time to approximately 2/3, without sacrificing building utility for tenants				Office building (Tokyo)
	Multiple-Nut Bar	Method for quickly reinforcing underground structures	High-strength reinforcement reduces the cost and time of construction by as much as 40%				Chemical plant pump tower (Okayama Prefecture), Thermal power plant water intake (Aomori Prefecture)
	Self-Climbing Outer Wall Inspection System	Vertically self-climbing robot for inspecting condominium exteriors	Automation of diagnosis, and restoration of security and privacy of residents				

**Related information**  
 Services and Technologies <http://www.obayashi.co.jp/english/services/technologies/>  
 R&D <http://www.obayashi.co.jp/rd> (currently available in Japanese only)

# Corporate Social Responsibility

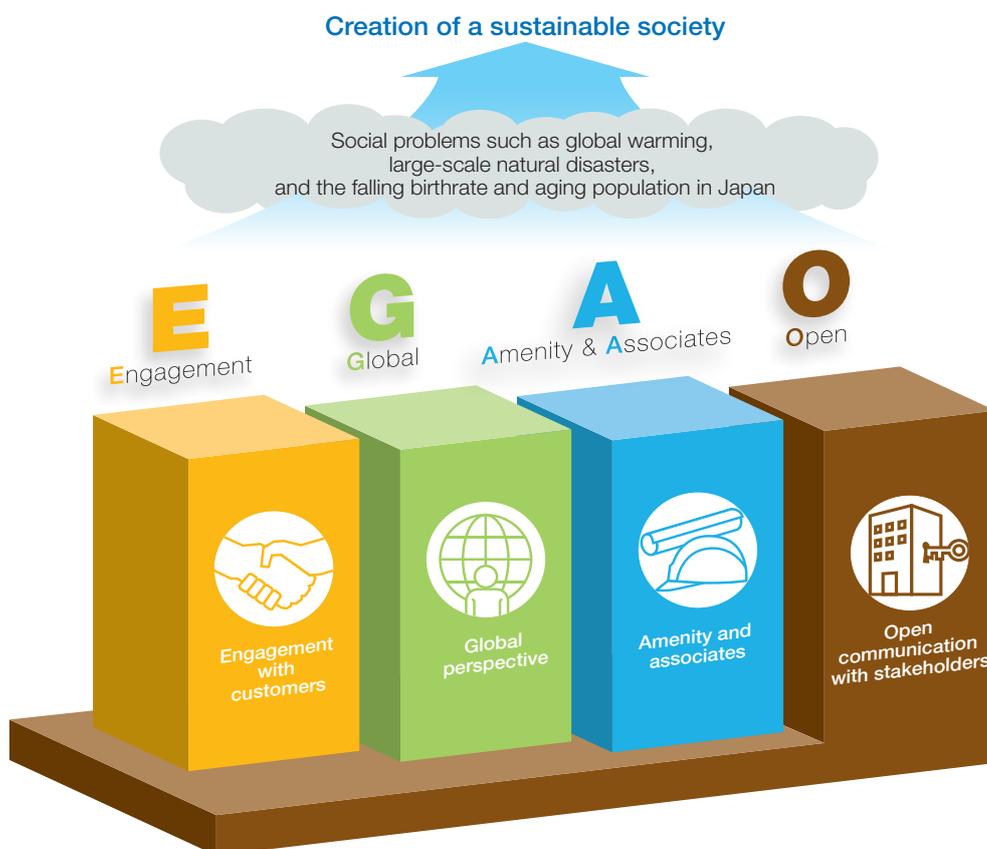
## Basic Policies

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.



## 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.

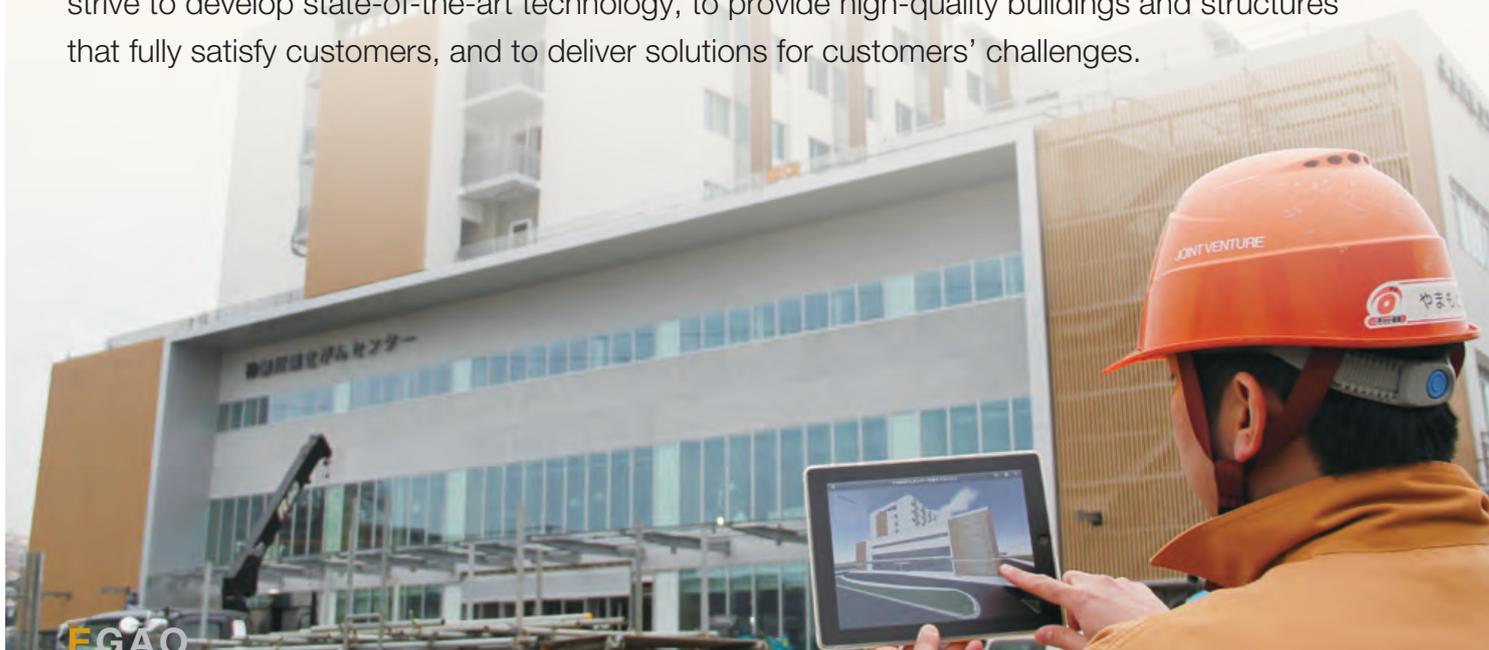
Obayashi is committed to meeting society's expectations and demands by reflecting the opinions and requests of stakeholders, obtained through dialogue, in its business activities.

### 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	Briefings and face-to-face meetings by personnel in charge Customer satisfaction questionnaire survey Website <i>Obayashi Corporate Report</i> Customer inquiry desk
	G for global perspective	Communities and society	Community residents Building good relationships Creating jobs Preventing accidents Respecting customs Offering support at times of disaster
Employees		Society Citizens NPOs and NGOs Government Contributing to society Contributing to the development of a construction culture Regard for the global environment Cooperating in environmental protection activities Payment of taxes	
A for amenity and associates	Suppliers	Employees and their families Seconded staff Temporary staff Maintaining and assuring employment Utilizing and training human resources Providing fair evaluation and job treatment Providing and supporting diverse work styles Providing comfortable workplace environments Protecting personal information	Labor-management consultation, and safety and health council meetings Personnel evaluation interview and self-evaluation system Internal reporting system Training and lecture sessions Intranet <i>Cafe Shirashi</i> (message from the president) Internal newsletter Employee satisfaction survey Consultation desk
	Shareholders	Specialist contractors Mechanical and electrical contractors Material and product suppliers, etc. Fair business transactions Cooperating with and supporting business activities Strengthening and improving safety measures	Briefings and face-to-face meetings with personnel in charge Training and lecture sessions Internal reporting system Website Consultation desk
O for open communication with stakeholders	Shareholders	Shareholders Investors Increasing corporate value Redistributing profits appropriately Disclosing timely and proper information	General Meeting of Shareholders and financial results briefings Business reports, annual securities report, financial statements and timely disclosure to the Tokyo Stock Exchange Meetings with institutional investors and securities analysts Investor conferences sponsored by securities companies Company facilities and construction site tours Website <i>Obayashi Corporate Report</i> Investor Relations desk

## 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.



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

### Provide High-Quality Construction

Obayashi Corporation is introducing new information and communications technology (ICT), such as tablet computers, cloud computing and building information modeling (BIM) for construction management, to transform construction site work styles. Through this ICT-driven transformation, we are working to improve operational efficiency, enhance quality control, and supply our customers with top-quality buildings that meet their expectations.

#### ■ Use of Tablet Computers

Approximately 3,000 tablet computers have been distributed to all on-site engineers managing construction.

Deployment of the tablet computers takes maximum advantage of their key characteristics—mobility and visual capabilities—to enable on-site engineers to review the latest data and process work even at the construction site. This new work style makes it possible for us to respond even more quickly to what is happening on-site.

Obayashi has developed and deployed construction management support applications utilizing these tablet computers, including inspection systems for reinforcing bar arrangements, equipment, and finishing inspections. These applications have streamlined tasks and enhanced our quality assurance functions.



#### Introduction of Cloud-based Blueprint Service

Obayashi has also introduced a cloud-based blueprint service. The latest blueprints are centrally managed on a cloud-based server, and can be viewed in the field using a tablet computer.

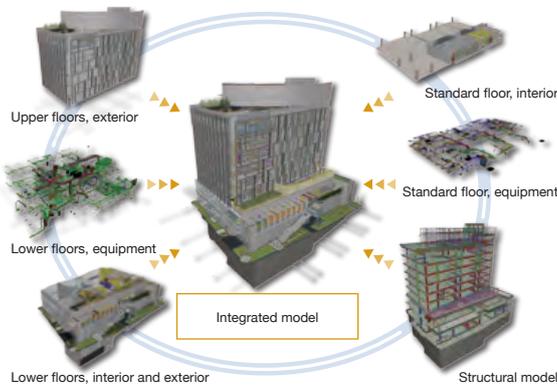
At a construction site, blueprints may be frequently revised during construction in response to diverse customer needs. In managing the construction work, on-site engineers were also required to carry around stacks of heavy, paper blueprints.

Introduction of this cloud-based service makes it possible to view the latest blueprint versions with a tablet computer, preventing re-work caused by confusion over blueprints, ensuring quality, and resulting in enhanced productivity.

On-site construction management using the latest blueprints over a secure wireless LAN

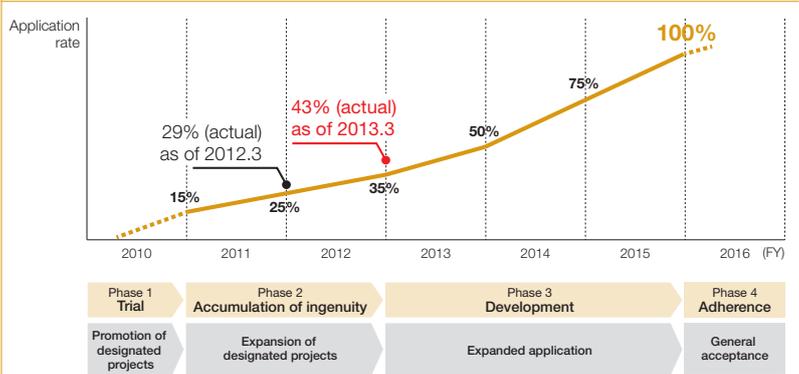
### Utilize BIM to Streamline Construction Management

BIM\* is the use on a construction project of three-dimensional computer models that include not only two-dimensional data on building shape, but also data on specifications such as the type and performance of materials, enabling those involved to better visualize the project.



An integrated model (the oak omotesando building) combining three-dimensional models of the structure, equipment, exterior, and interior. We made extensive use of this model during the construction process review and other phases of the project.

### BIM Application Track Record and Plans for the Future



Use of visualized building models assists information sharing and mutual understanding among everyone involved in a project, including clients, architects, and builders. It enables them to form a consensus on various aspects of the project during the early stages. The models can also run simulations to make pre-construction interference checks to find and resolve conflicts, eliminating re-work and contributing to smooth progress in construction and a quality product.

We are taking steps to apply BIM in all of our design and construction projects by the fiscal year ending March 31, 2016.

### Establish and Reinforce Internal Structures for Disaster Preparedness

As a construction company involved in maintaining public infrastructure, Obayashi has established a structure for quickly responding to disaster recovery. Our revised business continuity plan (BCP) of 2011 sets forth a number of critical tasks, including timely restoration of infrastructure, timely support for restoration of client-owned properties, and support for recovery and reconstruction of local communities. It also sets recovery timetables for various business processes. Additionally, we are working to continuously improve our BCP through regular tests and reviews.



Scene from an earthquake drill. Teleconferencing is used to connect and share information between the Head Office Earthquake-Response Headquarters and local Earthquake-Response Headquarters nationwide

### Contribute to Reconstruction of Disaster-Affected Regions



Portion of the town damaged by the tsunami

Municipalities affected by the Great East Japan Earthquake have entered into a partnership accord with the Urban Renaissance Agency (UR), under which UR is undertaking an integrated series of reconstruction projects in the areas affected by the disaster.

Under a construction management (CM) order from UR, an Obayashi joint venture\* is undertaking reconstruction in Yamada Town, a town on the central coast of Iwate Prefecture devastated by the tsunami of March, 2011. As part of the reconstruction process, the joint venture will provide integrated management of initial studies and surveying, design, and construction, and is striving to ensure the rapid reconstruction of the affected area, including preparation of land for relocation to higher ground and land reallocation projects.

\* Members of the joint venture include Obayashi Corporation; Toda Corporation; Tobishima Corporation; CTI Engineering Co., Ltd.; and Fukken Gijyutsu Consultant Co., Ltd.

# Global Perspective

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



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

## Promote Obayashi Green Vision 2050

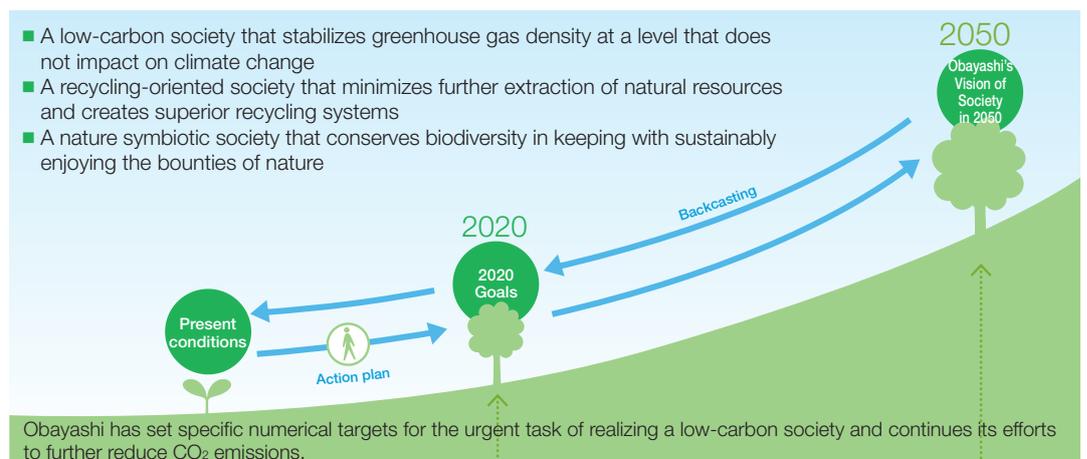


In February 2011, Obayashi formulated its “Obayashi Green Vision 2050,” a medium- to long-term vision for achieving a sustainable society by resolving global environmental issues through its business activities.

To realize its vision for society in 2050, Obayashi is implementing an action plan with a view to expanding into other business fields peripheral to its main business in construction.

### Obayashi's Vision of Society in 2050

- A low-carbon society that stabilizes greenhouse gas density at a level that does not impact on climate change
- A recycling-oriented society that minimizes further extraction of natural resources and creates superior recycling systems
- A nature symbiotic society that conserves biodiversity in keeping with sustainably enjoying the bounties of nature

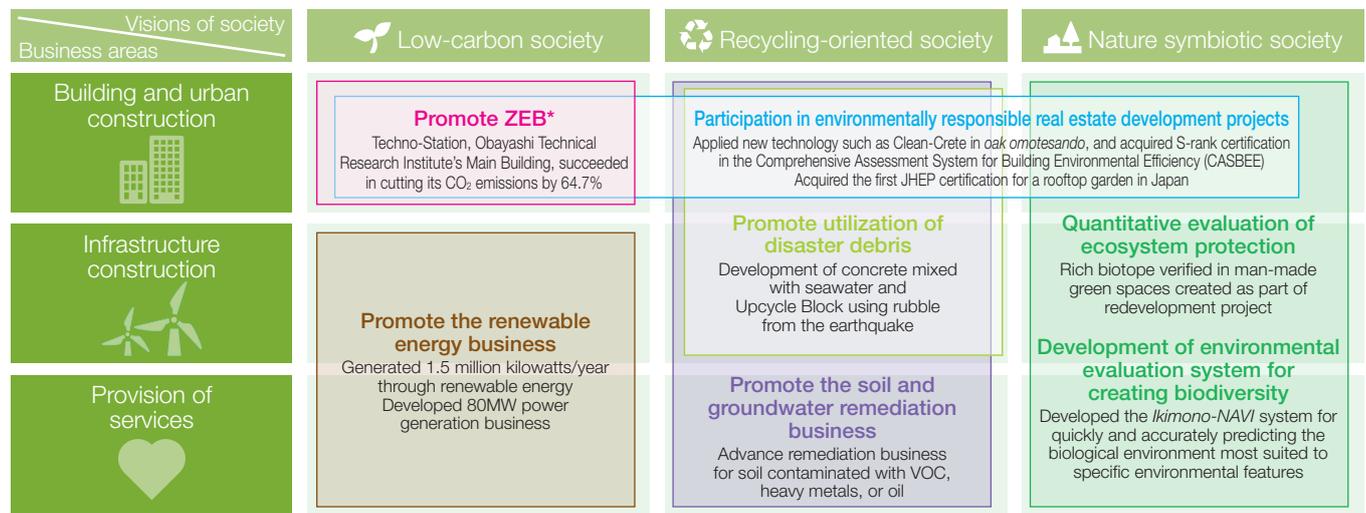


Obayashi has set specific numerical targets for the urgent task of realizing a low-carbon society and continues its efforts to further reduce CO<sub>2</sub> emissions.

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

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

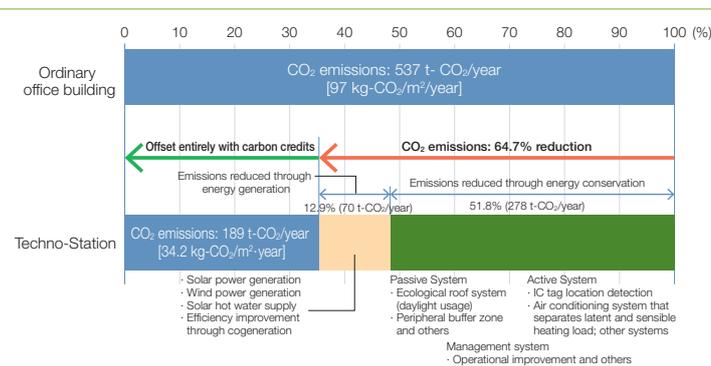
## Main Initiatives in the Fiscal Year Ended March 31, 2013



\* ZEB: net Zero Energy Building; buildings designed to consume net zero primary energy in operation through energy conservation and the generation of renewable energy

## Create a Low-Carbon Society

### Techno-Station Annual Operating Results (April 2012 to March 2013)



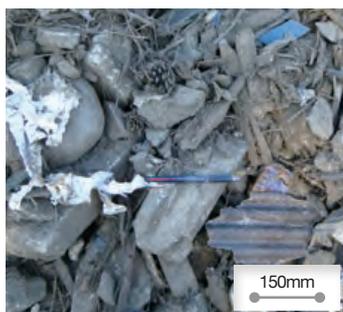
### Low-Carbon Buildings

As part of its efforts to achieve ZEB status, in the year ended March 2013, Techno-Station, Obayashi Technical Research Institute's Main Building, which was built using the most advanced environmental technology, succeeded in reducing its annual CO<sub>2</sub> emissions by 64.7%, among the highest rates of CO<sub>2</sub> reduction in Japan (versus ordinary office buildings). Thanks to efficient operation of the building's equipment, this rate significantly exceeded the initial target of reducing CO<sub>2</sub> emissions by 55%.

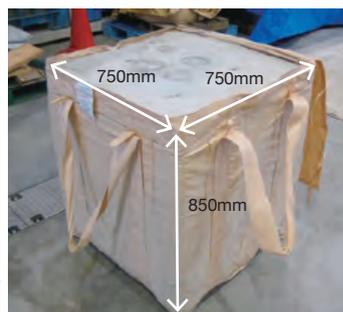
## Create a Recycling-Oriented Society

The Great East Japan Earthquake generated 18.8 million tons\* of disaster debris, raising the issue of how to dispose of it or reuse it. Obayashi provides technology for the effective use of disaster debris, and is fully committed to contributing to reconstruction projects in disaster-affected regions, and to achieving a recycling-oriented society.

\* Annual Report on the Environment, the Sound Material-Cycle Society and the Biodiversity in Japan 2012



A mixture of concrete rubble, wood, rubber, metals, earth and rock, plastic, tiles, and other materials (ranging between 25-150mm in diameter)



Upcycle Blocks for use in embankments

### Development of Upcycle Blocks

Obayashi co-developed\* Upcycle Blocks, a safe, high-quality building material that makes effective use of mixed waste (residual rubble), disaster debris that normally cannot be recycled. Used in seawalls, wind barrier forests, elevated evacuation sites and road embankments, these blocks reduce the volume of disaster debris that needs to be processed while providing useful building material.

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

**Development of Concrete Mixed with Seawater Using Concrete Rubble from the Earthquake**

Obayashi co-developed\* technology for manufacturing concrete blocks to be used in port construction through effective utilization of concrete rubble generated by the Great East Japan Earthquake. Employing proprietary concrete mixed with seawater developed by Obayashi, high-quality concrete can be produced using seawater. Because the technique greatly increases the initial strength of the blocks, allowing them to be removed from the forms quickly, production time is also reduced. In addition, because the concrete rubble can be used as-is, with no additional crushing or processing needed, costs can be reduced by about 35% compared to using fresh concrete.

\* Joint development between Obayashi Corporation, Tokyo Institute of Technology, and Tohoku University



Filling a tetrapod form with concrete rubble



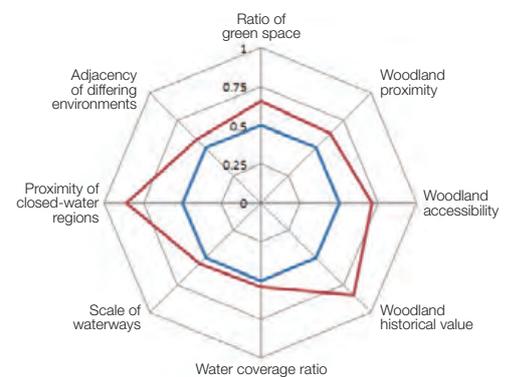
A completed tetrapod

**Create a Nature Symbiotic Society**

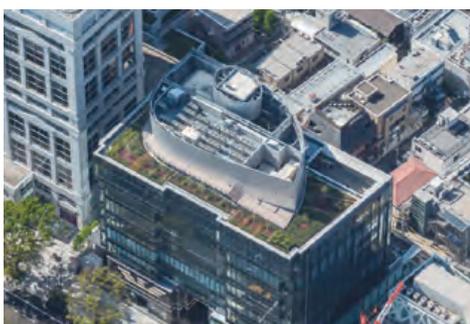
**Development of the *Ikimono-Navi* Environmental Evaluation System for Urban Biodiversity**

Obayashi has developed *Ikimono-Navi*, a system for estimating the habitats for living organisms without actual biological surveys. The system greatly reduces the time and cost required for such estimations.

By creating a proprietary database of biological life in urban green spaces, we have made it possible to predict, with a high degree of accuracy, what types of life can be enticed to those areas. Utilizing geographic information systems (GIS), it is also possible to gain a quantitative understanding of the potential characteristics of the natural environment in a target area, enabling the creation of a habitat suited to those characteristics. Obayashi plans to deploy this system in Tokyo, Osaka and other metropolises with facilities of corporations strongly interested in supporting urban development and environmental responsibility. Utilizing the *Ikimono-Navi* system, Obayashi hopes to meet the diverse needs of its clients, while also providing for the creation of a society where people live in harmony with nature.



A chart of eight proprietary metrics for quantifying the underlying characteristics of a natural environment in a target area and creating a suitable habitat



Rooftop garden creates a richly refreshing urban space while remaining respectful of the local ecosystem



**Rooftop Garden Supports Biological Diversity, Gains JHEP\* Certification**

The rooftop garden installed at the *oak omotesando* building recreates the area's original vegetation, attracting birds and insects. This is the first rooftop green space to be independently JHEP certified by the Ecosystem Conservation Society—Japan, in recognition of its efforts to address biodiversity.

\* JHEP (Japan Habitat Evaluation and Certification Program) is a system for evaluating and certifying initiatives to protect and restore biodiversity

**Related information** Good Citizenship in Local Communities  
<http://www.obayashi.co.jp/english/csr/society/communities>

## Promotion of Social Contribution Activities

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



Members of local nature conservation groups gather to view the orchids

### Global Environmental Responsibility

#### Walk held to view *kinran*, an endangered variety of Japanese orchid, on the grounds of the Technical Research Institute

Obayashi owns woodlands that have been certified as one of the top 100 corporate projects for biodiversity preservation\* on the grounds of its Technical Research Institute (Kiyose City, Tokyo). Those woodlands are home to a large number of endangered Japanese *kinran* and *ginran* orchids, and Obayashi continues to research ways to preserve these species. In May, as the *kinran* blossomed, we invited approximately 70 people from local nature conservation groups to join us in viewing the flowers.

\* Sponsored by the Organization for Landscape and Urban Green Infrastructure

### Disaster Readiness and Post-Disaster Reconstruction

#### Newly recruited employees volunteer in support of the reconstruction of regions affected by the Great East Japan Earthquake

Newly recruited employees participated in volunteer efforts to assist in the reconstruction of Shichigahama Town in Miyagi Prefecture, an area affected by the Great East Japan Earthquake. Helping to remove debris, clear out gutters, and clean up inside flooded homes gave the volunteers a renewed sense of their roles as engineers responsible for maintaining the social infrastructure that underlies safe, secure living.



Removing debris

### Good Citizenship in Local Communities

#### Breakthrough ceremony for new Tomei Expressway tunnel held with 800 local residents

Breakthrough on two tunnels (the outbound lane of the Inagi Tunnel and the inbound lane of the Usugo Tunnel) was completed on the Shinshiro City, Aichi Prefecture portion of the Shin-Tomei Expressway, which is scheduled for completion in the year ending March 2015. The milestone was marked with a community-based ceremony, where local residents were invited to walk through the tunnels with the project crew. A total of approximately 800 people, including junior high school students and other local residents, participated in sharing the excitement of seeing the tunneling completed.



Explaining about the tunnels to local residents

### Inspiration for the Next Generation

#### Career path lecture at Guam Japanese School

Responding to a request from the local Japanese school, Obayashi's Guam (U.S. territory) office dispatched an employee to give a lecture on career paths to a group of junior high school students. The discussion with the students included an introduction to the many buildings Obayashi has constructed, the relationship between the construction



Obayashi employee giving a lecture on career paths

industry and society, and the importance and potential of the role that the construction industry plays.

### Other Initiatives

#### The Obayashi Foundation Scholarship Program

The Obayashi Foundation offers scholarships to students interested in future careers in urban-related businesses and academic research. In the year ended March 2013, 19 students at 18 universities were selected for scholarships.



The Obayashi Foundation scholarship presentation ceremony

# 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.



EGAO

Related information

Amenity in Association with Suppliers  
Amenity in Association with Employees

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

## Prevent Occupational Accidents

With so many of our people engaged on construction sites, we consider worksite safety our top priority. To prevent occupational accidents, we have established an Occupational Safety and Health Management System that integrates management methods for health and safety. We make constant improvements to this system by reviewing the policies we implemented each year.

We made eliminating fatal accidents one of our targets for the fiscal year ended March 31, 2013, carrying out the following priority measures.

### Priority measures

1. Prevent occupational accidents under the leadership of the project manager
2. Prevent falling accidents
3. Prevent machinery accidents
4. Provide instruction and support to improve suppliers' autonomous safety and health management
5. Create healthy work environments
6. Prevent occupational accidents in the course of recovery and reconstruction work from the Great East Japan Earthquake



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

The workplace accident frequency rate in the year ended March 2013 improved to 0.67, from 0.71 in the year ended March 2012.

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

Two project sites—namely for the construction of department store facilities at the Osaka Station North Gate Building (tentative name, Osaka Prefecture), and the Kinokawa B1 section reconstruction project (Wakayama Prefecture)—received an Award for Excellence the Fiscal 2012 Minister of Health, Labour and Welfare Awards for Safety and Health (sponsored by the Ministry of Health, Labour and Welfare).

Awards for excellence are given to project offices with exceptional and exemplary health and safety levels.



The head of the project office for department store facilities construction at the Osaka Station North Gate Building (tentative name) receiving an award certificate from the then Minister of Health, Labour and Welfare, Yoko Komiya

## Secure and Train Skilled Construction Workers

In recent years, the construction industry has been facing a shortage of skilled construction workers due to the aging workforce and a decline in younger recruits, coupled with the need to respond to reconstruction efforts following the Great East Japan Earthquake.

To address this problem, since 2011 Obayashi has offered its Obayashi Excellent Site Supervisor Certification Program, which certifies exceptional supervisors responsible for skilled construction workers, and provides an additional allowance for them.



One hundred and twenty-five supervisors received Excellent Supervisor certification at the ceremony in the year ending March 2014



Newly recruited employees attend an Rin-yu-kai joint training session, covering health and safety, quality assurance, and other construction site knowledge

In addition, we support our supplier groups, including the Rin-yu-kai and the Obayashi Accident Prevention Association, dispatching lecturers for training sessions and holding joint training sessions for newly recruited employees at the various member companies. These and other initiatives are aimed at improving hiring and retention rates to ensure the sustained development of the industry.

## Promote Human Resource Development

We consider human resources to be one of our most important management resources. We have established an educational committee chaired by the executive vice president, which meets regularly to promote continual

### Priority measures

1. Disseminate Obayashi's Vision, Values and Commitments, and Medium-Term Business Plan '12 through training
2. Develop globally capable human resources for diversifying the earnings base
3. Promote the acquisition of priority qualifications
4. Continually apply the PDCA (plan-do-check-act) cycle to education

improvement in human resource development. In the year ended March 2013, the committee focused on the following key measures.

In the development of globally capable human resources, Obayashi is coordinating with its Group companies overseas, to achieve further strategic global expansion set forth in its Medium-Term Business Plan '12.

### ■ Establishment of a Global Leadership Training Program

In addition to existing programs such as overseas study, dispatch to overseas companies, and the language study, in the year ending March 2014 Obayashi established a new Global Leadership Training program to offer structured study of the basic knowledge needed in global business. Participants in the program acquire expertise in the business customs of each country, the management methods of national (locally hired) staff overseas, risk management issues, and other subjects. This new program will be used for systematic development of about 30 mostly junior employees each year.



Global collaboration for sharing and accumulating expertise

### ■ Share the Ingenuity of Overseas Group Companies

There is a growing world-wide demand for energy-saving buildings with a low environmental impact. LEED\* certification, an objective measure of environmental performance, is increasingly being utilized as a differentiator.

Working with Webcor, LP, a U.S. subsidiary of Obayashi with a strong track record in LEED projects in the U.S., Obayashi is developing LEED certified professional staff.

\* Leadership in Energy & Environmental Design (LEED): An index for assessing the environmental performance of buildings, presided over by the U.S. Green Building Council.

### ■ Development of National Staff Overseas

With the expansion of our overseas business and increased hiring of national staff, the consolidated ratio of foreign employees in the Obayashi Group reached 15% as of March 31, 2013.

The Obayashi Group offers a continuing program of hands-on training in Japan for national staff hired by our overseas Group companies. The goal is to enable the staff to learn our latest construction technologies and safety management measures. Those who have gone through this training in Japan contribute to improving the technological capabilities of their respective Group companies, and are also active spearheading collaboration within the Group.

# Open Communication with Stakeholders

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



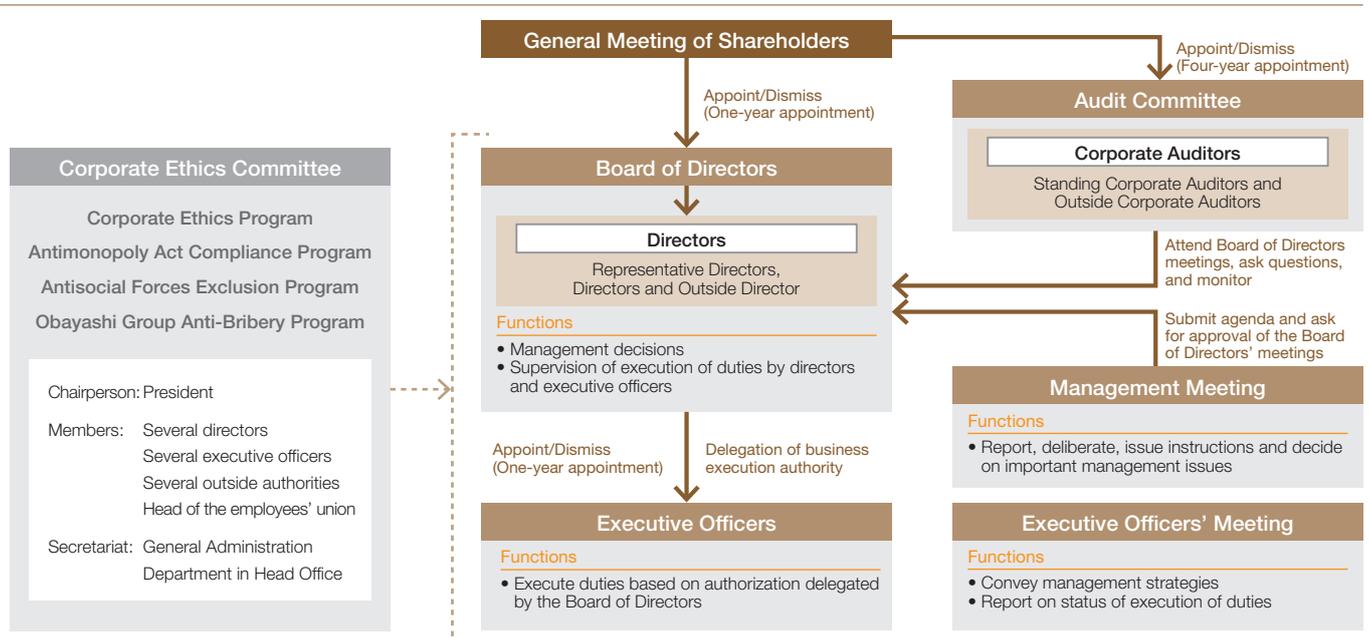
EGAO

Related information Management <http://www.obayashi.co.jp/english/csr/management/>

## Basic Policy

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

## Corporate Management Structure



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

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

## Appointment of Outside Director

In order to further strengthen corporate governance, Obayashi appointed one new outside director at the 109th Ordinary General Meeting of Shareholders held on June 27, 2013. Obayashi's standards for appointing outside directors/corporate auditors, including standards regarding independence, are as follows.

### Selection Criteria of Outside Director/Corporate Auditor Candidate

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

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

## Collaboration between Corporate Auditors and Independent Auditor, and Support System

Corporate auditors, the independent auditor, and 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 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 enhance corporate value. Specifically, the Board of Directors has set a remuneration table in accordance with title and earnings contribution ranking, and at the end of each business term, the Remuneration Committee, which is chaired by the president and comprises members delegated by the committee chairperson, appraises the degree of earnings contribution of individual directors and determines the amount of remuneration for the following fiscal year.

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

With regards to remuneration of the independent auditor (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, 2013)

Position	Total remuneration and other compensation
<b>Directors (9 directors)</b>	¥496 million
<b>Corporate auditors (6 auditors)</b>	¥81 million (of which compensation for three outside corporate auditors: ¥27 million)

Note: The above includes amounts for one corporate auditor who left his post as of the conclusion of the 108th Ordinary General Meeting of Shareholders held on June 28, 2012.

### Matters Pertaining to the Independent Auditor (Fiscal Year Ended March 31, 2013)

Name of independent auditor: Ernst & Young ShinNihon LLC

	Compensation paid for audit certification activities	Compensation paid for non-audit activities
<b>Obayashi Corporation</b>	¥ 97 million	¥3 million
<b>Consolidated subsidiaries</b>	¥ 88 million	—
<b>Total</b>	¥186 million	¥3 million

## Strict Implementation 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.



Shinichi Otake  
Outside Director

### Comments from an Outside Director

#### Q1. What is your impression of Obayashi?

My impression is that Obayashi is always taking on new challenges at the cutting edge in construction—from the first version of Osaka's iconic Tsutenkaku tower way back in 1912, to the TOKYO SKYTREE®, completed just last year. The company appears to me to have advanced technical capabilities and to be dedicated to the pursuit of technological innovation.

#### Q2. What are your thoughts on corporate governance?

Today, individual consumers are concerned with distinguishing which corporations they can trust. To build its business on the basis of rigorous compliance and earn the trust of its stakeholders, a company must have in place a corporate governance structure to maintain sound business practices and ensure transparency. Furthermore, there must be an ongoing effort to enhance corporate value.

#### Q3. How will you leverage your own experience as a top executive in the management of the Obayashi Group?

I've been involved for many years in the telecommunications industry, where technical innovation happens very quickly, and companies need to respond swiftly to customer needs. Over the years, I have faced many management issues, including the deregulation of telecommunications markets and the shift from government to private ownership. I want to bring the outside perspective I have gained in this different setting to my work with the management of the Obayashi Group.

## Strict Application of Corporate Ethics

Obayashi Corporation'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's Articles of Incorporation, Article 3 (Compliance and sensible course of action)

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

## Hold 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 outside authorities and the head of the employees' union.

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

## Corporate Ethics Training

In April of each year, workplace training in corporate ethics is held for all officers and employees in Japan and overseas, with the goal of ensuring compliance with relevant laws and regulations and sensible behavior. Using a Corporate Ethics Workplace Training Textbook produced by the Corporate Ethics Committee secretariat, the detailed training focuses discussion on specific cases addressing elimination of anti-social forces, prevention of accounting fraud and other issues.

### ■ Initiatives Overseas

Initiatives at Group companies outside of Japan are proceeding according to circumstances in each country. These include ethics training for national staff (locally hired staff) using versions of the Corporate Ethics Workplace Training Textbook translated into the language of each country.



Training session at Obayashi Vietnam

Textbook translated into different languages



Tokyo Rin-yu-kai training session

### ■ Initiatives with Suppliers

At its main branches nationwide, Obayashi holds an ongoing series of training sessions for suppliers who comprise the Rin-yu-kai, as part of our effort to help member firms build and establish corporate ethics within their own organizations.

In the one-year period starting October, 2011, 21 sessions were held nationwide, and attended mainly by around 1,600 owners of our suppliers.

# 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

Representative Director  
President

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 Representative Director  
President of the Corporation (incumbent)



### Tadahiko Noguchi

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

Date of birth May 11, 1947  
April 1970 Joined the 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

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  
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)

### Shinichi Otake

Director\*

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

## Corporate 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

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  
Corporate Auditor of Sanyei Corporation  
(incumbent)  
June 2010  
Corporate Auditor of the Corporation  
(incumbent)

### Yasutaka Kakiuchi

Corporate Auditor\*\*

Date of birth December 31, 1947  
July 1971

Joined the Ministry of Construction  
November 1997  
Deputy Director-General for Urban Living  
Environment, Minister's Secretariat,  
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  
Corporate Auditor of Sampo Japan  
Himawari Life Insurance Co., Ltd.  
(Currently NKSJ Himawari Life  
Insurance, Inc.) (incumbent)  
June 2010  
Corporate Auditor of the Corporation  
(incumbent)

### Tadatsuna Koda

Corporate Auditor\*\*

Date of birth December 24, 1944  
April 1967

Joined the Ministry of International Trade and  
Industry  
July 1994  
Deputy Director-General, Minister's Secretariat  
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.  
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  
Corporate Auditor of the Corporation (incumbent)  
June 2013  
Director of Nitto Boseki Co., Ltd. (incumbent)

\* Outside Director

\*\* Outside Corporate Auditor

# Consolidated Financial Summary

## Obayashi Group: Consolidated Financial Results

Fiscal years ended March 31	2003	2004	2005	2006
Orders received	¥1,214,759	¥1,269,559	¥1,478,252	¥1,533,215
Orders received (Construction business)	1,142,743	1,201,173	1,398,322	1,454,369
Net sales	1,341,003	1,346,297	1,404,640	1,476,424
Gross profit	108,889	118,631	119,263	121,708
Gross profit margin (%)	8.1	8.8	8.5	8.2
Selling, general and administrative expenses	80,397	80,657	75,907	75,050
Operating income (loss)	28,491	37,974	43,356	46,658
Operating margin (%)	2.1	2.8	3.1	3.1
Ordinary income (loss)	29,908	41,940	52,576	50,859
Net income (loss)	3,124	21,193	25,076	34,489
Net income (loss) per share (yen / U.S. dollars)	4.27	29.42	34.81	47.89
Net assets	260,359	344,273	364,301	486,017
Total assets	1,948,578	1,821,883	1,842,262	1,977,295
Net assets per share (yen / U.S. dollars)	361.47	477.80	505.81	674.94
Equity ratio (%)	13.4	18.9	19.8	24.6
Return on equity (ROE) (%) <sup>*1</sup>	1.1	7.0	7.1	8.1
Price earning ratio (PER) (times) <sup>*1</sup>	67.4	19.3	19.0	20.0
Dividends per share (yen / U.S. dollars) <sup>*2</sup>	6	8	8	12
Dividend payout ratio (%) <sup>*1</sup>	140.5	27.2	23.0	25.1
Cash flow from operating activities <sup>*3</sup>	17,072	38,591	52,049	17,793
Cash flow from investing activities <sup>*3</sup>	32,151	21,746	11,172	25,437
Cash flow from financing activities <sup>*3</sup>	(29,917)	(67,854)	(56,171)	(53,996)
Cash and cash equivalents at end of period	107,423	103,543	110,781	101,527
Number of personnel <sup>*4</sup>	13,170	13,695	13,533	13,704
[Average number of temporary personnel not included in the above]				
Interest-bearing debt (excludes PFIs and other project finance loans)	429,840	364,149	304,432	241,253
PFIs and other project finance loans	11,081	12,753	22,814	38,512
Total liabilities and project finance loans	440,922	376,903	327,247	279,766
Debt/equity ratio (times)	1.69	1.09	0.90	0.58
Financial balance	(477)	159	1,607	3,567
Capital expenditure	5,421	15,002	20,076	16,163
Research and development	8,687	8,686	7,887	7,206
Depreciation	11,867	11,594	11,619	10,517

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

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

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

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

\*5. U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥94.05 to US\$1, the prevailing rate of exchange at March 31, 2013.

						Millions of yen	Thousands of U.S. dollars <sup>*5</sup>
2007	2008	2009	2010	2011	2012	2013	2013
¥1,552,727	¥1,513,380	¥1,494,508	¥1,282,334	¥1,180,639	¥1,362,702	<b>¥1,449,567</b>	<b>\$15,412,731</b>
1,446,091	1,431,271	1,438,365	1,214,745	1,108,348	1,289,779	<b>1,372,658</b>	<b>14,594,985</b>
1,567,960	1,691,635	1,682,462	1,341,456	1,131,864	1,245,772	<b>1,448,305</b>	<b>15,399,314</b>
121,436	106,956	106,881	14,569	99,716	110,678	<b>114,687</b>	<b>1,219,434</b>
7.7	6.3	6.4	1.1	8.8	8.9	<b>7.9</b>	-
73,897	78,289	79,518	77,103	76,542	79,532	<b>79,534</b>	<b>845,660</b>
47,538	28,667	27,363	(62,534)	23,174	31,145	<b>35,153</b>	<b>373,773</b>
3.0	1.7	1.6	(4.7)	2.0	2.5	<b>2.4</b>	-
53,320	32,312	31,829	(59,608)	22,207	35,241	<b>44,690</b>	<b>475,182</b>
40,652	18,595	10,966	(53,354)	15,423	5,142	<b>13,195</b>	<b>140,302</b>
56.46	25.83	15.24	(74.21)	21.46	7.16	<b>18.37</b>	<b>0.19</b>
565,456	477,504	395,809	367,618	351,287	365,492	<b>414,650</b>	<b>4,408,826</b>
2,066,984	1,854,071	1,725,645	1,590,667	1,505,697	1,618,748	<b>1,656,289</b>	<b>17,610,735</b>
753.78	625.06	516.06	476.12	453.52	474.01	<b>535.67</b>	<b>5.69</b>
26.3	24.3	21.5	21.5	21.6	21.0	<b>23.2</b>	-
7.9	3.7	2.7	-	4.6	1.5	<b>3.6</b>	-
13.5	16.2	31.4	-	17.2	50.4	<b>24.5</b>	-
12	8	8	8	8	8	<b>8</b>	<b>0.08</b>
21.3	31.0	52.5	-	37.3	111.7	<b>43.5</b>	-
20,565	(47,631)	(39,610)	16,156	1,096	65,755	<b>31,496</b>	<b>334,889</b>
53,036	(18,924)	1,699	(12,746)	(33,134)	(1,919)	<b>(29,151)</b>	<b>(309,960)</b>
(38,325)	54,804	62,427	(15,733)	10,611	(48,949)	<b>(28,977)</b>	<b>(308,108)</b>
139,942	128,537	143,821	132,425	108,999	121,682	<b>99,690</b>	<b>1,059,971</b>
13,743	15,088	15,150	14,476	14,639	12,870	<b>12,838</b>	-
					[2,869]	<b>[3,031]</b>	-
183,454	242,448	314,165	309,706	321,375	320,798	<b>306,323</b>	<b>3,257,031</b>
74,295	85,373	84,649	81,343	87,885	84,316	<b>81,845</b>	<b>870,229</b>
257,750	327,822	398,814	391,050	409,260	405,115	<b>388,168</b>	<b>4,127,261</b>
0.47	0.73	1.07	1.14	1.26	1.19	<b>1.01</b>	-
5,482	5,631	4,384	2,445	2,650	3,433	<b>4,463</b>	<b>47,457</b>
13,856	38,959	16,028	9,876	49,043	17,017	<b>35,084</b>	<b>373,040</b>
6,793	6,947	7,269	8,018	8,561	9,093	<b>8,742</b>	<b>92,952</b>
10,340	10,462	10,956	10,534	11,394	11,954	<b>10,916</b>	<b>116,066</b>

### Maximize Corporate Value by Optimizing Investments for Growth, Financial Soundness and Shareholder Returns

Shozo Harada

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



During the fiscal year ended March 31, 2013, operating income increased from the previous fiscal year, consequent to the firm operating performance of real estate and overseas subsidiaries, despite a decline in operating income of the domestic construction business of the Company. These results reminded us of the importance of enhancing a stable earnings base while diversifying it, as set forth in Medium-Term Business Plan '12.

Under Medium-Term Business Plan '12, the Obayashi Group plans to invest ¥150 billion during the three years from the year ended March 2013 through the year ending March 2015 to execute various initiatives in the construction, real estate and new businesses. In the year ending March 2014, we will continue to invest in the real estate leasing business and new business centered on the energy-related fields, with a view to promoting the diversification of our earnings base. While making investments for growth, we will maintain and improve our financial soundness, keeping the level of interest-bearing debt under control. By the close of the year ending March 2015, the final year of Medium-Term Business Plan '12, we will reduce the interest-bearing debt balance by ¥28.1 billion from the close of the year ended March 2013 to ¥360 billion. We also target a debt/equity ratio of 0.9 times or less by the close of the year ending March 2015, compared with 1.01 times at the close of the year ended March 2013.

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

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

Obayashi continues to work on optimizing investments for growth, financial soundness, and shareholder returns to attain the numerical targets of Medium-Term Business Plan '12. In doing so, we will do our utmost to maximize Obayashi's corporate value.

## Analysis of Business Performance, Financial Position and Cash Flows

### Overview of the Fiscal Year Ended March 31, 2013

Outlook for the Japanese economy remained unclear due to slowdown of the global economy in the year ended March 2013. However, expectations for economic policies resulting from a change in political incumbency at the end of 2012 led to a correction in the yen's excessive appreciation, which in turn prompted improvements such as an uptrend in stock prices.

In the domestic construction market, public construction investment is increasing, mainly due to post-quake reconstruction demand, while growth has also been seen in private-sector construction. Nevertheless, with capital expenditure in the manufacturing sector weakening in the second half of the year ended March 2013 and other factors, market conditions have yet to show a convincing improvement.

#### (1) Business Performance

Consolidated net sales increased by 16.3% from the previous fiscal year to ¥1,448.3 billion in the year ended March 2013, mainly due to an increase in net sales of the construction business, and real estate business and other of both the Company and its subsidiaries.

On the earnings front, operating income increased by 12.9% from the previous fiscal year to ¥35.1 billion. This was mainly due to a rise in gross profit on construction contracts at subsidiaries and higher gross profit of real estate business and other at the Company and its subsidiaries. Ordinary income increased by 26.8% from the previous fiscal year to ¥44.6 billion. This was mainly due to an increase in operating income and an increase in foreign exchange gains. Net income increased by 156.6% from the previous fiscal year to ¥13.1 billion.

#### (2) Financial Position

Total assets at the close of the year ended March 2013 increased by ¥37.5 billion (2.3%) compared with the balance at the close of the previous fiscal year to ¥1,656.2 billion. The rise was due mainly to an increase in "notes receivable, accounts receivable from completed

construction contracts and other," as well as an increase in "investment securities" following mark-to-market valuation.

Total liabilities as of the close of the year ended March 2013 decreased by ¥11.6 billion (0.9%) compared to the balance at the close of the previous fiscal year to ¥1,241.6 billion. This was mainly due to a decrease in "long-term loans payable." Consolidated balance of interest-bearing debt at the close of the year ended March 2013 decreased by ¥16.9 billion (4.2%) to ¥388.1 billion compared with the balance at the close of the previous fiscal year.

Total net assets at the close of the year ended March 2013 increased by ¥49.1 billion (13.4%) compared with the balance at the close of the previous fiscal year to ¥414.6 billion. This was due mainly to an increase in "valuation difference on available-for-sale securities" following the mark-to-market valuation of investment securities.

As a result, the equity ratio at the close of the year ended March 2013 was 23.2%, up 2.2 percentage points from the close of the previous fiscal year.

#### (3) Cash Flows

During the year ended March 2013, consolidated net cash provided by operating activities amounted to ¥31.4 billion (net cash provided by operating activities was ¥65.7 billion in the previous fiscal year). This was primarily owing to the fact that net cash flow from the construction business was less than that of the previous fiscal year, despite an improvement in cash flow in the real estate business. Consolidated net cash used in investing activities amounted to ¥29.1 billion, due to the purchase of real estate properties for business use (net cash used in investment activities was ¥1.9 billion in the previous fiscal year). Consolidated net cash used in financing activities was ¥28.9 billion, primarily due to the repayment of loans (net cash used in financial activities was ¥48.9 billion in the previous fiscal year).

Consequently, cash and cash equivalents decreased by ¥21.9 billion to ¥99.6 billion compared with the balance at the close of the previous fiscal year.

### Outlook for the Fiscal Year Ending March 31, 2014

Regarding consolidated performance for the full fiscal year ending March 31, 2014, the Company expects orders received to be ¥1,510 billion (of which the real estate business and other will contribute ¥80 billion), and to achieve net sales of ¥1,500 billion (of which the real estate business and other will contribute ¥90 billion). We also forecast operating income of ¥26 billion, ordinary income of ¥30 billion and net income of ¥14 billion.

Note: The forecasts listed above are based on information available as of March 31, 2013. 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 2013 and Ending March 2014

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 expenditure for the future.

In line with our commitment to stable dividend payouts to shareholders, Obayashi will endeavor to return profits to shareholders in the near term based on a consolidated dividend payout ratio of 20% to 30% when Obayashi generates higher earnings.

For the fiscal year ended March 31, 2013, 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, 2013 was ¥8 per share.

For the year ending March 31, 2014, 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, 2013. Actual results may differ materially due to various factors.

# Consolidated Financial Statements

## Consolidated Balance Sheets

OBAYASHI CORPORATION  
At March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2013	2012	2013	2012
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits (Notes 6 and 12) . . . . .	¥ 99,717	¥ 121,714	\$ 1,060,264	\$ 1,294,141
Notes and accounts receivable from completed construction contracts and other (Notes 6 and 12) . . . . .	531,196	486,544	5,648,026	5,173,250
Short-term investment securities (Notes 12 and 13) . . . . .	3,104	2,783	33,009	29,598
Real estate for sale . . . . .	20,546	40,841	218,459	434,248
Costs on uncompleted construction contracts (Note 6) . . . . .	47,970	48,251	510,051	513,041
Costs on real estate business . . . . .	17,901	15,093	190,344	160,485
Inventories for PFI and other projects (Note 6) . . . . .	66,507	65,607	707,149	697,585
Other inventories . . . . .	5,148	5,393	54,737	57,349
Deferred tax assets (Note 16) . . . . .	20,753	18,381	220,668	195,439
Accounts receivable—other (Note 12) . . . . .	66,411	73,192	706,129	778,234
Other . . . . .	13,993	11,222	148,788	119,327
Allowance for doubtful accounts . . . . .	(312)	(744)	(3,317)	(7,914)
Total current assets . . . . .	892,940	888,282	9,494,312	9,444,788
<b>Noncurrent assets</b>				
Property, plant and equipment, net (Note 6)				
Buildings and structures (Note 6) . . . . .	94,727	78,371	1,007,206	833,293
Machinery, vehicles, tools, furniture and fixtures (Note 6) . . . . .	10,353	8,493	110,082	90,303
Land (Note 6) . . . . .	269,832	261,799	2,869,031	2,783,618
Leased assets . . . . .	351	607	3,739	6,457
Construction in progress (Note 6) . . . . .	1,224	8,915	13,016	94,797
Total property, plant and equipment, net . . . . .	376,489	358,186	4,003,076	3,808,470
Intangible assets . . . . .	5,407	6,046	57,497	64,288
Investments and other assets				
Investment securities (Notes 6, 12 and 13) . . . . .	317,386	264,365	3,374,660	2,810,900
Long-term loans receivable (Note 6) . . . . .	4,335	3,460	46,098	36,792
Deferred tax assets (Note 16) . . . . .	3,881	39,854	41,269	423,760
Other . . . . .	60,375	63,240	641,949	672,414
Allowance for doubtful accounts . . . . .	(4,539)	(4,699)	(48,268)	(49,964)
Total investments and other assets . . . . .	381,439	366,221	4,055,708	3,893,903
Total noncurrent assets . . . . .	763,336	730,454	8,116,282	7,766,663
<b>Deferred assets</b> . . . . .	13	11	139	119
<b>Total assets</b> . . . . .	¥1,656,289	¥1,618,748	\$17,610,735	\$17,211,571

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2013	2012	2013	2012
<b>Liabilities</b>				
<b>Current liabilities</b>				
Notes and accounts payable for construction contracts and other (Notes 6 and 12) . . . . .	¥ 531,300	¥ 525,536	\$ 5,649,130	\$ 5,587,838
Short-term loans payable (Notes 6, 12 and 23) . . . . .	126,622	132,514	1,346,332	1,408,982
Current portion of PFI and other project finance loans (Notes 6, 12 and 23) . . . . .	6,778	10,676	72,073	113,520
Commercial papers (Notes 12 and 23) . . . . .	5,000	–	53,163	–
Current portion of bonds (Notes 12 and 22) . . . . .	10,000	–	106,326	–
Lease obligations (Note 23) . . . . .	127	320	1,354	3,408
Income taxes payable . . . . .	3,682	2,391	39,152	25,432
Deferred tax liabilities (Note 16) . . . . .	592	463	6,301	4,933
Advances received on uncompleted construction contracts (Note 6) . . . . .	61,579	62,250	654,748	661,892
Deposits received (Note 12) . . . . .	60,756	69,334	645,999	737,204
Provision for warranties for completed construction . . . . .	2,845	2,642	30,259	28,096
Provision for loss on construction contracts (Note 6) . . . . .	6,175	7,374	65,665	78,411
Other . . . . .	68,816	65,109	731,698	692,290
Total current liabilities . . . . .	884,277	878,616	9,402,206	9,342,010
<b>Noncurrent liabilities</b>				
Bonds payable (Notes 12 and 22) . . . . .	60,000	60,000	637,958	637,958
Long-term loans payable (Notes 6, 12 and 23) . . . . .	104,701	128,284	1,113,251	1,363,998
PFI and other project finance loans (Notes 6, 12 and 23) . . . . .	75,066	73,639	798,156	782,986
Lease obligations (Note 12 and 23) . . . . .	161	225	1,713	2,402
Deferred tax liabilities (Note 16) . . . . .	4,478	–	47,616	–
Deferred tax liabilities for land revaluation (Note 16) . . . . .	28,687	29,786	305,021	316,705
Provision for retirement benefits (Note 15) . . . . .	62,093	63,329	660,221	673,364
Provision for loss on real estate business and other . . . . .	993	–	10,558	–
Provision for environmental measures . . . . .	1,032	1,032	10,980	10,980
Other . . . . .	20,147	18,341	214,224	195,015
Total noncurrent liabilities . . . . .	357,362	374,639	3,799,702	3,983,412
Total liabilities . . . . .	1,241,639	1,253,255	13,201,908	13,325,422
<b>Net assets</b>				
<b>Shareholders' equity</b>				
Capital stock . . . . .	57,752	57,752	614,063	614,063
Capital surplus . . . . .	41,750	41,750	443,920	443,920
Retained earnings . . . . .	161,666	152,278	1,718,944	1,619,122
Treasury stock . . . . .	(1,547)	(1,530)	(16,451)	(16,270)
Total shareholders' equity . . . . .	259,622	250,251	2,760,476	2,660,835
<b>Accumulated other comprehensive income</b>				
Valuation difference on available-for-sale securities . . . . .	106,707	72,198	1,134,580	767,662
Deferred gains (losses) on hedges . . . . .	(108)	(143)	(1,154)	(1,529)
Revaluation reserve for land (Note 6) . . . . .	21,382	23,302	227,351	247,769
Foreign currency translation adjustments . . . . .	(2,873)	(5,145)	(30,551)	(54,707)
Total accumulated other comprehensive income . . . . .	125,107	90,212	1,330,227	959,195
<b>Minority interests</b> . . . . .	29,919	25,028	318,122	266,118
Total net assets . . . . .	414,650	365,492	4,408,826	3,886,148
<b>Total liabilities and net assets</b> . . . . .	¥1,656,289	¥1,618,748	\$17,610,735	\$17,211,571

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

# Consolidated Statement of Income

OBAYASHI CORPORATION  
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2013	2012	2013	2012
<b>Net sales:</b>				
Construction contracts (Note 7) . . . . .	¥1,343,183	¥1,170,192	\$14,281,585	\$12,442,242
Real estate business and other . . . . .	105,122	75,579	1,117,729	803,611
Total net sales . . . . .	1,448,305	1,245,772	15,399,314	13,245,854
<b>Cost of sales:</b>				
Construction contracts (Note 7) . . . . .	1,249,120	1,073,050	13,281,455	11,409,364
Real estate business and other (Note 7) . . . . .	84,496	62,043	898,423	659,690
Total cost of sales . . . . .	1,333,617	1,135,094	14,179,879	12,069,054
Gross profit:				
Construction contracts . . . . .	94,062	97,142	1,000,129	1,032,878
Real estate business and other . . . . .	20,625	13,535	219,305	143,921
Total gross profit . . . . .	114,687	110,678	1,219,434	1,176,800
<b>Selling, general and administrative expenses</b> (Note 7) . . . . .	79,534	79,532	845,660	845,637
Operating income . . . . .	35,153	31,145	373,773	331,163
<b>Other income/(expenses):</b>				
Interest and dividend income . . . . .	8,018	7,403	85,255	78,714
Foreign exchange gains (losses), net . . . . .	4,556	582	48,445	6,192
Interest expense . . . . .	(3,486)	(3,886)	(37,072)	(41,327)
Gain on sales of investment securities . . . . .	4,306	14,144	45,791	150,389
Gain on sales of noncurrent assets . . . . .	88	350	944	3,724
Loss on sales and disposal of noncurrent assets (Note 7) . . . . .	(814)	(757)	(8,664)	(8,051)
Impairment loss (Note 7) . . . . .	(3,173)	(19,759)	(33,746)	(210,090)
Provision and other for loss on real estate business and other (Note 7) . . . . .	(2,635)	–	(28,018)	–
Expenses for assisting businesses after earthquake . . . . .	–	(899)	–	(9,559)
Other, net (Note 7) . . . . .	(803)	(4,727)	(8,542)	(50,262)
Total other income/(expenses) . . . . .	6,056	(7,549)	64,392	(80,271)
<b>Income before income taxes and minority interests</b> . . . . .	41,209	23,596	438,166	250,891
<b>Income taxes</b> (Note 16)				
Income taxes—current . . . . .	6,127	2,960	65,148	31,476
Income taxes—deferred . . . . .	18,020	14,809	191,604	157,462
Total income taxes . . . . .	24,147	17,769	256,753	188,939
<b>Income before minority interests</b> . . . . .	17,061	5,826	181,413	61,952
<b>Minority interests in earnings (losses) of consolidated subsidiaries</b> . . . . .	3,866	683	41,111	7,269
<b>Net income</b> . . . . .	¥ 13,195	¥ 5,142	\$ 140,302	\$ 54,683

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

## Consolidated Statement of Comprehensive Income

OBAYASHI CORPORATION

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2013	2012	2013	2012
<b>Income before minority interests</b> .....	<b>¥17,061</b>	¥ 5,826	<b>\$181,413</b>	\$ 61,952
Other comprehensive income				
Valuation difference on available-for-sale securities .....	<b>34,547</b>	12,348	<b>367,327</b>	131,298
Deferred gains (losses) on hedges .....	<b>35</b>	(197)	<b>372</b>	(2,095)
Revaluation reserve for land .....	<b>18</b>	4,202	<b>201</b>	44,687
Foreign currency translation adjustments .....	<b>3,514</b>	(1,862)	<b>37,364</b>	(19,802)
Share of other comprehensive income of affiliates accounted for by the equity method .....	<b>41</b>	(54)	<b>444</b>	(578)
Total other comprehensive income (Note 8) .....	<b>38,157</b>	14,437	<b>405,710</b>	153,509
<b>Comprehensive income</b> .....	<b>¥55,218</b>	¥20,264	<b>\$587,123</b>	\$215,462
Comprehensive income attributable to:				
Shareholders .....	<b>¥50,030</b>	¥20,389	<b>\$531,953</b>	\$216,791
Minority interests .....	<b>5,188</b>	(124)	<b>55,169</b>	(1,329)

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

# Consolidated Statement of Changes in Net Assets

OBAYASHI CORPORATION  
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2013	2012	2013	2012
<b>Shareholders' equity</b>				
Capital stock				
Balance at the beginning of current period . . . . .	¥ 57,752	¥ 57,752	\$ 614,063	\$ 614,063
Balance at the end of current period . . . . .	57,752	57,752	614,063	614,063
Capital surplus . . . . .				
Balance at the beginning of current period . . . . .	41,750	41,750	443,920	443,920
Balance at the end of current period . . . . .	41,750	41,750	443,920	443,920
Retained earnings				
Balance at the beginning of current period . . . . .	152,278	151,684	1,619,122	1,612,808
Dividends from surplus . . . . .	(5,746)	(5,748)	(61,095)	(61,121)
Net income . . . . .	13,195	5,142	140,302	54,683
Reversal of revaluation reserve for land . . . . .	1,938	1,199	20,615	12,752
Balance at the end of current period . . . . .	161,666	152,278	1,718,944	1,619,122
Treasury stock				
Balance at the beginning of current period . . . . .	(1,530)	(1,379)	(16,270)	(14,664)
Purchase of treasury stock . . . . .	(17)	(151)	(181)	(1,606)
Balance at the end of current period . . . . .	(1,547)	(1,530)	(16,451)	(16,270)
Total shareholders' equity . . . . .	259,622	250,251	2,760,476	2,660,835
<b>Accumulated other comprehensive income</b>				
Valuation difference on available-for-sale securities				
Balance at the beginning of current period . . . . .	72,198	59,863	767,662	636,502
Net changes during the period . . . . .	34,508	12,335	366,918	131,159
Balance at the end of current period . . . . .	106,707	72,198	1,134,580	767,662
Deferred gains (losses) on hedges				
Balance at the beginning of current period . . . . .	(143)	82	(1,529)	879
Net changes during the period . . . . .	35	(226)	375	(2,408)
Balance at the end of current period . . . . .	(108)	(143)	(1,154)	(1,529)
Revaluation reserve for land				
Balance at the beginning of current period . . . . .	23,302	20,446	247,769	217,395
Net changes during the period . . . . .	(1,920)	2,856	(20,418)	30,374
Balance at the end of current period . . . . .	21,382	23,302	227,351	247,769
Foreign currency translation adjustments				
Balance at the beginning of current period . . . . .	(5,145)	(4,264)	(54,707)	(45,338)
Net changes during the period . . . . .	2,271	(881)	24,155	(9,368)
Balance at the end of current period . . . . .	(2,873)	(5,145)	(30,551)	(54,707)
Total accumulated other comprehensive income . . . . .	125,107	90,212	1,330,227	959,195
<b>Minority interests</b>				
Balance at the beginning of current period . . . . .	25,028	25,351	266,118	269,548
Net changes during the period . . . . .	4,891	(322)	52,004	(3,430)
Balance at the end of current period . . . . .	29,919	25,028	318,122	266,118
<b>Total net assets . . . . .</b>	<b>¥414,650</b>	<b>¥365,492</b>	<b>\$4,408,826</b>	<b>\$3,886,148</b>

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

# Consolidated Statement of Cash Flows

OBAYASHI CORPORATION

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2013	2012	2013	2012
<b>Net cash provided by (used in) operating activities</b>				
Income before income taxes and minority interests	¥ 41,209	¥ 23,596	\$ 438,166	\$ 250,891
Depreciation and amortization	10,916	11,954	116,066	127,111
Impairment loss	3,173	19,759	33,746	210,090
Increase (decrease) in allowance for doubtful accounts	(602)	(205)	(6,409)	(2,183)
Increase (decrease) in provision for loss on construction contracts	(1,205)	(1,715)	(12,812)	(18,241)
Increase (decrease) in provision for retirement benefits	(1,250)	(1,720)	(13,299)	(18,291)
Loss (gain) on valuation of short-term and long-term investment securities	126	2,782	1,341	29,586
Interest and dividend income	(8,018)	(7,403)	(85,255)	(78,714)
Interest expense	3,486	3,886	37,072	41,327
Loss (gain) on sales of short-term and long-term investment securities	(4,273)	(14,139)	(45,434)	(150,342)
Decrease (increase) in notes and accounts receivable—trade	(40,809)	(71,560)	(433,910)	(760,874)
Decrease (increase) in costs on uncompleted construction contracts	290	4,582	3,091	48,722
Decrease (increase) in inventories	16,981	(3,546)	180,561	(37,708)
Decrease (increase) in inventories for PFI and other projects	(899)	(679)	(9,563)	(7,223)
Decrease (increase) in other assets	7,727	(13,220)	82,162	(140,565)
Increase (decrease) in notes and accounts payable—trade	2,658	96,744	28,266	1,028,653
Increase (decrease) in advances received on uncompleted construction contracts	(1,430)	2,514	(15,210)	26,738
Increase (decrease) in other liabilities	(3,730)	8,534	(39,668)	90,749
Other, net	7,430	4,110	79,000	43,707
Subtotal	31,780	64,277	337,911	683,437
Interest and dividend received	7,867	7,532	83,654	80,088
Interest paid	(3,537)	(3,965)	(37,614)	(42,165)
Income taxes (paid) refunded	(4,614)	(2,088)	(49,062)	(22,207)
Net cash provided by (used in) operating activities	31,496	65,755	334,889	699,152
<b>Net cash provided by (used in) investing activities</b>				
Purchase of property, plant and equipment and intangible assets	(33,801)	(17,540)	(359,402)	(186,506)
Proceeds from sales of property, plant and equipment and intangible assets	778	3,949	8,278	41,989
Purchase of short-term and long-term investment securities	(5,102)	(5,433)	(54,253)	(57,772)
Proceeds from sales and redemption of short-term and long-term investment securities	9,989	15,626	106,214	166,150
Payments of loans receivable	(1,127)	(2,579)	(11,984)	(27,421)
Collection of loans receivable	189	177	2,015	1,884
Proceeds from purchase of subsidiaries' shares resulting in change in scope of consolidation	-	3,706	-	39,409
Other, net	(77)	174	(829)	1,852
Net cash provided by (used in) investing activities	(29,151)	(1,919)	(309,960)	(20,413)
<b>Net cash provided by (used in) financing activities</b>				
Net increase (decrease) in short-term loans payable	1,601	14,102	17,031	149,947
Net increase (decrease) in commercial papers	5,000	(40,000)	53,163	(425,305)
Repayments of lease obligations	(321)	(626)	(3,420)	(6,660)
Proceeds from long-term loans payable	20,100	43,627	213,716	463,872
Repayment of long-term loans payable	(56,781)	(56,326)	(603,742)	(598,901)
Proceeds from PFI and other project finance loans payable	11,423	9,774	121,459	103,925
Payment of PFI and other project finance loans payable	(13,894)	(13,343)	(147,736)	(141,873)
Proceeds from issuance of bonds	10,000	10,000	106,326	106,326
Redemption of bonds	-	(10,000)	-	(106,326)
Cash dividends paid	(5,746)	(5,748)	(61,095)	(61,121)
Cash dividends paid to minority shareholders	(326)	(256)	(3,472)	(2,728)
Other, net	(31)	(152)	(338)	(1,621)
Net cash provided by (used in) financing activities	(28,977)	(48,949)	(308,108)	(520,466)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	4,640	(2,202)	49,343	(23,413)
<b>Net increase (decrease) in cash and cash equivalents</b>	(21,992)	12,683	(233,836)	134,859
<b>Cash and cash equivalents at beginning of period</b>	121,682	108,999	1,293,807	1,158,947
<b>Cash and cash equivalents at end of period (Note 10)</b>	¥ 99,690	¥121,682	\$1,059,971	\$1,293,807

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, 2013 and 2012

## 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 ¥94.05 to US\$1, the rate of exchange prevailing at March 31, 2013, and were then rounded down to the nearest thousand. The approximate rate of exchange prevailing at May 31, 2013 was ¥101.18=U.S.\$1. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

## 3. Summary of Significant Accounting Policies

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

The Company had 87 subsidiaries at March 31, 2013. The consolidated financial statements as of and for the years ended March 31, 2013 and 2012 included the accounts of the Company and all subsidiaries. All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (28 companies for 2013) are accounted for by the equity method.

### (2) Business year for consolidated subsidiaries

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

### (3) Goodwill

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

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

### (4) Foreign currency translation

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

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

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

**(5) Cash equivalents**

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

**(6) Short-term investment securities and investment securities**

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

**(7) Inventories**

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

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

The net book value of inventories in the balance 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 loss on real estate business and other

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

(16) 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.

(17) Derivatives and hedge accounting

(a) Method of hedge accounting

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

(b) Hedging instruments and hedged items

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

(c) Hedging policy

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

(d) Assessment of hedge effectiveness

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

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

(18) Recognizing revenues and costs of construction contracts

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

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

(19) Revenues and expenses associated with finance lease transactions

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

(20) Consumption taxes

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

(21) Income taxes

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

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

(22) Consolidated taxation system

The Companies adopted the consolidated taxation system.

#### 4. Standards Issued but Not Yet Effective

“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26) and  
“Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25)

(1) Summary

Actuarial gains and losses and prior service cost that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) Effective date

This standard and related guidance are effective as of the end of fiscal years beginning on or after April 1, 2013.

(3) Impact on applying this standard and related guidance

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

#### 5. Change in Accounting Policies

With the revision of the Corporation Tax Act, the Company and domestic subsidiaries have changed the method of depreciation of tangible noncurrent assets acquired on or after April 1, 2012.

This change has little impact on operating income and income before income taxes of the fiscal year.

#### 6. Notes to Consolidated Balance Sheets

##### (1) Accumulated depreciation of property, plant and equipment

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
	<b>¥173,684</b>	¥171,817	<b>\$1,846,724</b>	\$1,826,871

##### (2) Investments in affiliates

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
	<b>¥3,688</b>	¥2,957	<b>\$39,216</b>	\$31,444

##### (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	
	2013	2012	2013	2012
Assets pledged as collateral:				
Buildings and structures . . . . .	¥14,257	¥16,177	\$151,595	\$172,007
Machinery, vehicles, tools, furniture and fixtures . . . . .	143	174	1,530	1,857
Land . . . . .	19,662	21,679	209,064	230,505
Investment securities . . . . .	1,720	2,713	18,295	28,854
Long-term loans receivable . . . . .	—	65	—	699
Total . . . . .	¥35,784	¥40,810	\$380,486	\$433,924
Liabilities secured thereby:				
Short-term loans payable . . . . .	¥ 7,054	¥ 8,665	\$ 75,012	\$ 92,137
Advances received on uncompleted construction contracts . . . . .	—	516	—	5,494
Long-term loans payable . . . . .	10,244	16,598	108,928	176,482
Total . . . . .	¥17,299	¥25,780	\$183,940	\$274,114

#### (5) Contingent liabilities

The Companies were contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Guarantees of long-term debt of customers, affiliates and employees . . . . .	¥1,024	¥1,118	\$10,888	\$11,891
Repurchase obligation for notes receivable sold . . . . .	567	306	6,034	3,254
Transferred notes by endorsement . . . . .	—	30	—	318

#### (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	
	2013	2012	2013	2012
	¥46	¥322	\$497	\$3,428

#### (7) Matured notes

As financial institution closed at March 31, 2013 and 2012, notes included the matured notes.

The matured notes were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Notes receivable—trade . . . . .	¥ 514	¥1,326	\$ 5,474	\$14,103
Notes payable—trade . . . . .	3,003	3,162	31,930	33,624

#### (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	
	2013	2012	2013	2012
Buildings and structures . . . . .	¥ 17	¥22	\$ 181	\$242
Machinery, vehicles, tools, furniture and fixtures . . . . .	0	—	1	—
Land . . . . .	139	—	1,479	—
Construction in progress . . . . .	10	—	107	—
Total . . . . .	¥166	¥22	\$1,770	\$242

**(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	
	2013	2012	2013	2012
Cash and deposits	¥ 8,818	¥ 8,380	\$ 93,761	\$ 89,106
Notes and accounts receivable from completed construction contracts and other	10,757	11,228	114,382	119,388
Inventories for PFI and other projects	66,507	65,607	707,149	697,585
Buildings and structures	5,061	5,309	53,812	56,453
Machinery, vehicles, tools, furniture and fixtures	188	236	2,000	2,514
Land	19	19	207	207
<b>Total</b>	<b>¥91,352</b>	<b>¥90,782</b>	<b>\$971,313</b>	<b>\$965,256</b>

**(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, 2013 and 2012, 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	
	2013	2012	2013	2012
Contract amount	¥50,000	¥50,000	\$531,632	\$531,632
Outstanding borrowings	—	—	—	—
<b>Available amount</b>	<b>¥50,000</b>	<b>¥50,000</b>	<b>\$531,632</b>	<b>\$531,632</b>

**(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 of syndicated loan was as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Short-term syndicated loan (Transferred from long-term loan)	¥13,500	¥10,000	\$143,540	\$106,326
Long-term syndicated loan	—	13,500	—	143,540
<b>Total</b>	<b>¥13,500</b>	<b>¥23,500</b>	<b>\$143,540</b>	<b>\$249,867</b>

**7. Notes to Consolidated Statement of Income****(1) Revenues from construction contracts recognized by the percentage-of-completion method**

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
	¥1,125,517	¥933,290	\$11,967,223	\$9,923,345

**(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	
	2013	2012	2013	2012
	¥4,138	¥6,028	\$44,006	\$64,094

### (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	
	2013	2012	2013	2012
	¥1,055	¥2,719	\$11,228	\$28,920

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Employees' salaries and allowances . . . . .	¥32,773	¥31,654	\$348,470	\$336,575
Retirement benefit expenses . . . . .	2,331	2,601	24,792	27,664
Research study expenses . . . . .	8,742	9,093	92,952	96,684

### (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	
	2013	2012	2013	2012
	¥8,742	¥9,093	\$92,952	\$96,684

### (6) Write-down of inventories included in "Provision and other for loss on real estate business and other"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
	¥1,642	¥-	\$17,460	\$-

### (7) Loss on sales and disposal of noncurrent assets was from the disposal of buildings and structures, and from the sales of land and buildings, respectively.

### (8) 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	
	2013	2012	2013	2012
Other expenses				
Reversal of foreign currency translation adjustment . . .	¥490	¥-	\$5,217	\$-

### (9) Impairment loss

The following table summarizes the impairment losses recognized for the years ended March 31, 2013 and 2012.

#### Classification by purpose

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

Use	Type of assets	Location	2012
			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
Idle real estate and others . . . . .	Land, buildings and others	Miyagi and others	4

## Breakdown by account

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Buildings and structures	¥ 725	¥ 373	\$ 7,718	\$ 3,969
Machinery, vehicles, tools, furniture and fixtures	74	66	787	703
Land	2,307	18,091	24,531	192,356
Construction in progress	–	1,228	–	13,061
Others	66	–	708	–
<b>Total</b>	<b>¥3,173</b>	<b>¥19,759</b>	<b>\$33,746</b>	<b>\$210,090</b>

## Valuation method

The Companies recognize impairment losses for individual items classified as; 1) Real estate for lease; 2) Asphalt plants; 3) Real estate reclassified as “held for development”; 4) Idle real estate; and 5) Others. Due to the decrease in fair value and profitability of real estate, the Companies reduced the carrying values of these assets to their recoverable amounts and recognized the declines as impairment losses.

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

## 8. Notes to Consolidated Statement of Comprehensive Income

The following table presents reclassification adjustments as amounts reclassified to net income for the years ended March 31, 2013 and 2012 which were recognized in other comprehensive income for the years ended on or before March 31, 2013 and 2012 and tax effect allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2012.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Valuation difference on available-for-sale securities				
Occurred during the year	¥ 57,808	¥ 9,832	\$ 614,654	\$104,543
Reclassification adjustments	(4,251)	1,510	(45,202)	16,060
Valuation difference on available-for-sale securities before tax effect	53,556	11,342	569,451	120,604
Tax effect	(19,009)	1,005	(202,123)	10,694
Valuation difference on available-for-sale securities	34,547	12,348	367,327	131,298
Deferred gains (losses) on hedges				
Occurred during the year	(177)	(379)	(1,891)	(4,034)
Reclassification adjustments	266	76	2,830	813
Deferred gains (losses) on hedges before tax effect	88	(302)	938	(3,221)
Tax effect	(53)	105	(566)	1,126
Deferred gains (losses) on hedges	35	(197)	372	(2,095)
Revaluation reserve for land				
Occurred during the year	–	–	–	–
Tax effect	18	4,202	201	44,687
Revaluation reserve for land	18	4,202	201	44,687
Foreign currency translation adjustments				
Occurred during the year	4,004	(1,882)	42,582	(20,016)
Reclassification adjustments	(490)	20	(5,217)	214
Foreign currency translation adjustments	3,514	(1,862)	37,364	(19,802)
Share of other comprehensive income of affiliates accounted for by the equity method				
Occurred during the year	35	(54)	376	(578)
Reclassification adjustments	6	–	67	–
Share of other comprehensive income of affiliates accounted for by the equity method	41	(54)	444	(578)
Total other comprehensive income	¥ 38,157	¥14,437	\$ 405,710	\$153,509

## 9. Notes to Consolidated Statement of Changes in Net Assets

### (1) Type and number of outstanding shares

For the year ended March 31, 2013

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

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

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.

### (2) Dividends

#### (a) Dividends paid to shareholders

For the year ended March 31, 2013

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 28, 2012)	Common stock	¥2,873	\$30,548	¥4	\$0.04	March 31, 2012	June 29, 2012
Board of Directors (November 12, 2012)	Common stock	¥2,872	\$30,547	¥4	\$0.04	September 30, 2012	December 4, 2012

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	\$30,566	¥4	\$0.04	March 31, 2011	June 29, 2011
Board of Directors (November 9, 2011)	Common stock	¥2,873	\$30,555	¥4	\$0.04	September 30, 2011	December 9, 2011

#### (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, 2013

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date	
		Millions of yen	Thousands of U.S. dollars	Paid from	Yen			U.S. dollars
Annual General Meeting of Shareholders (June 27, 2013)	Common stock	¥2,872	\$30,546	Retained earnings	¥4	\$0.04	March 31, 2013	June 28, 2013

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	Paid from	Yen			U.S. dollars
Annual General Meeting of Shareholders (June 28, 2012)	Common stock	¥2,873	\$30,548	Retained earnings	¥4	\$0.04	March 31, 2012	June 29, 2012

**(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.

**10. Notes to Consolidated Statement of Cash Flows**

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Cash and deposits	¥99,717	¥121,714	\$1,060,264	\$1,294,141
Time deposits with a maturity of more than three months	(27)	(31)	(293)	(334)
Cash and cash equivalents at end of period	¥99,690	¥121,682	\$1,059,971	\$1,293,807

**11. Lease Transactions****Operating leases**

## (a) Lessee's accounting

Future minimum payments under non-cancelable lease contracts at March 31, 2013 and 2012 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Within 1 year	¥ 2,136	¥1,184	\$ 22,714	\$12,596
Over 1 year	11,364	1,376	120,838	14,633
Total	¥13,501	¥2,560	\$143,552	\$27,229

## (b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2013 and 2012 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Within 1 year	¥ 3,996	¥2,212	\$ 42,494	\$ 23,521
Over 1 year	21,345	7,265	226,955	77,256
Total	¥25,341	¥9,478	\$269,449	\$100,778

## 12. Financial Instruments

### (1) Overview

#### (a) Policy for financial instruments

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

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

“Notes 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, 2013	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
<b>Assets</b>						
Cash and deposits . . . . .	¥ 99,717	¥ 99,717	¥ -	\$ 1,060,264	\$ 1,060,264	\$ -
Notes and accounts receivable from completed construction contracts and other . . . . .	531,196	531,178	(18)	5,648,026	5,647,829	(197)
Short-term investment securities and investment securities . . . . .	295,687	295,711	23	3,143,944	3,144,189	245
Accounts receivable—other . . . . .	66,411	66,411	-	706,129	706,129	-
Subtotal . . . . .	¥993,014	¥993,018	¥ 4	\$10,558,365	\$10,558,413	\$ 48
<b>Liabilities</b>						
Notes and accounts payable for construction contracts and other . . . . .	¥531,300	¥531,300	¥ -	\$ 5,649,130	\$ 5,649,130	\$ -
Short-term loans payable . . . . .	126,622	126,622	-	1,346,332	1,346,332	-
Current portion of PFI and other project finance loans . . . . .	6,778	6,778	-	72,073	72,073	-
Commercial papers . . . . .	5,000	5,000	-	53,163	53,163	-
Current portion of bonds . . . . .	10,000	10,000	-	106,326	106,326	-
Deposits received . . . . .	60,756	60,756	-	645,999	645,999	-
Bonds payable . . . . .	60,000	60,558	558	637,958	643,901	5,943
Long-term loans payable . . . . .	104,701	105,534	833	1,113,251	1,122,115	8,863
PFI and other project finance loans . . . . .	75,066	79,000	3,933	798,156	839,984	41,828
Subtotal . . . . .	¥980,225	¥985,552	¥5,326	\$10,422,391	\$10,479,026	\$56,635
Derivative transactions <sup>(*)</sup> . . . . .	¥ (237)	¥ (237)	¥ -	\$ (2,523)	\$ (2,523)	\$ -

At March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
<b>Assets</b>						
Cash and deposits . . . . .	¥121,714	¥ 121,714	¥ -	\$ 1,294,141	\$ 1,294,141	\$ -
Notes and accounts receivable from completed construction contracts and other . . . . .	486,544	486,959	414	5,173,250	5,177,661	4,410
Short-term investment securities and investment securities . . . . .	244,060	244,070	10	2,595,008	2,595,118	109
Accounts receivable—other . . . . .	73,192	73,192	-	778,234	778,234	-
Subtotal . . . . .	¥925,511	¥ 925,936	¥ 425	\$ 9,840,635	\$ 9,845,155	\$ 4,520
<b>Liabilities</b>						
Notes and accounts payable for construction contracts and other . . . . .	¥525,536	¥ 525,536	¥ -	\$ 5,587,838	\$ 5,587,838	\$ -
Short-term loans payable . . . . .	132,514	132,514	-	1,408,982	1,408,982	-
Current portion of PFI and other project finance loans . . . . .	10,676	10,676	-	113,520	113,520	-
Commercial papers . . . . .	-	-	-	-	-	-
Current portion of bonds . . . . .	-	-	-	-	-	-
Deposits received . . . . .	69,334	69,334	-	737,204	737,204	-
Bonds payable . . . . .	60,000	60,195	195	637,958	640,039	2,080
Long-term loans payable . . . . .	128,284	129,444	1,160	1,363,998	1,376,336	12,337
PFI and other project finance loans . . . . .	73,639	77,526	3,886	782,986	824,314	41,328
Subtotal . . . . .	¥999,985	¥1,005,228	¥5,242	\$10,632,488	\$10,688,235	\$55,746
Derivative transactions <sup>(*)</sup> . . . . .	¥ (263)	¥ (263)	¥ -	\$ (2,803)	\$ (2,803)	\$ -

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

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

Assets

Cash and deposits

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

Notes and accounts receivable from completed construction contracts and other

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

Short-term investment securities and investment securities

The fair value of stocks is determined based on 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 13 "Securities."

Accounts receivable—other

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

Liabilities

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

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

Bonds payable

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

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

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

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

Derivatives

See Note 14 "Derivative Transactions."

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

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Non-listed stocks . . . . .	<b>¥18,532</b>	¥18,476	<b>\$197,052</b>	\$196,450
Non-listed preferred equity securities . . . . .	<b>1,913</b>	933	<b>20,340</b>	9,920
Investments in silent partnership . . . . .	<b>669</b>	721	<b>7,116</b>	7,674
Stocks of affiliates . . . . .	<b>3,671</b>	2,918	<b>39,038</b>	31,034
Investments in capital of affiliates . . . . .	<b>16</b>	38	<b>178</b>	410
Total . . . . .	<b>¥24,803</b>	¥23,088	<b>\$263,726</b>	\$245,490

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
<b>At March 31, 2013</b>				
Cash and deposits				
Deposits	¥ 99,360	¥ -	¥ -	¥ -
Notes and accounts receivable from completed construction contracts and other	448,714	73,131	5,657	3,693
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	20	29	480	-
Corporate bonds	6	45	-	-
Accounts receivable—other	66,411	-	-	-
<b>Total</b>	<b>¥614,512</b>	<b>¥73,206</b>	<b>¥6,138</b>	<b>¥3,693</b>

	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
<b>At March 31, 2013</b>				
Cash and deposits				
Deposits	\$1,056,463	\$ -	\$ -	\$ -
Notes and accounts receivable from completed construction contracts and other	4,771,016	777,579	60,153	39,276
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	212	315	5,110	-
Corporate bonds	66	478	-	-
Accounts receivable—other	706,129	-	-	-
<b>Total</b>	<b>\$6,533,887</b>	<b>\$778,374</b>	<b>\$65,264</b>	<b>\$39,276</b>

	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 and 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	-	-	-
<b>Total</b>	<b>¥627,781</b>	<b>¥37,100</b>	<b>¥12,253</b>	<b>¥4,086</b>

	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	\$1,286,197	\$ -	\$ -	\$ -
Notes and accounts receivable from completed construction contracts and other	4,610,472	393,473	125,857	43,446
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	-	527	4,365	-
Corporate bonds	66	478	66	-
Accounts receivable—other	778,234	-	-	-
<b>Total</b>	<b>\$6,674,971</b>	<b>\$394,479</b>	<b>\$130,289</b>	<b>\$43,446</b>

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

	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
<b>At March 31, 2013</b>						
Short-term loans payable . . . . .	¥ 80,891	¥ -	¥ -	¥ -	¥ -	¥ -
Commercial papers . . . . .	5,000	-	-	-	-	-
Bonds payable . . . . .	10,000	-	25,000	10,000	25,000	-
Long-term loans payable . . . . .	52,509	73,487	24,206	17,348	9,911	54,813
Lease obligations . . . . .	127	73	45	24	14	2
<b>Total . . . . .</b>	<b>¥148,528</b>	<b>¥73,560</b>	<b>¥49,252</b>	<b>¥27,373</b>	<b>¥34,926</b>	<b>¥54,816</b>

	Thousands of U.S. dollars					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
<b>At March 31, 2013</b>						
Short-term loans payable . . . . .	\$ 860,092	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial papers . . . . .	53,163	-	-	-	-	-
Bonds payable . . . . .	106,326	-	265,816	106,326	265,816	-
Long-term loans payable . . . . .	558,313	781,366	257,378	184,463	105,388	582,809
Lease obligations . . . . .	1,354	777	488	263	153	29
<b>Total . . . . .</b>	<b>\$1,579,249</b>	<b>\$782,143</b>	<b>\$523,683</b>	<b>\$291,054</b>	<b>\$371,358</b>	<b>\$582,839</b>

	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
<b>At March 31, 2012</b>						
Short-term loans payable . . . . .	¥ 77,851	¥ -	¥ -	¥ -	¥ -	¥ -
Commercial papers . . . . .	-	-	-	-	-	-
Bonds payable . . . . .	-	10,000	-	25,000	10,000	15,000
Long-term loans payable . . . . .	65,339	53,516	68,367	19,072	12,548	48,418
Lease obligations . . . . .	320	132	53	26	9	5
<b>Total . . . . .</b>	<b>¥143,511</b>	<b>¥63,648</b>	<b>¥68,420</b>	<b>¥44,098</b>	<b>¥22,558</b>	<b>¥63,423</b>

	Thousands of U.S. dollars					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
<b>At March 31, 2012</b>						
Short-term loans payable . . . . .	\$ 827,768	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial papers . . . . .	-	-	-	-	-	-
Bonds payable . . . . .	-	106,326	-	265,816	106,326	159,489
Long-term loans payable . . . . .	694,734	569,023	726,931	202,786	133,426	514,816
Lease obligations . . . . .	3,408	1,403	563	276	103	55
<b>Total . . . . .</b>	<b>\$1,525,911</b>	<b>\$676,753</b>	<b>\$727,495</b>	<b>\$468,879</b>	<b>\$239,855</b>	<b>\$674,361</b>

Note: 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."

## 13. 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)
<b>At March 31, 2013</b>						
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds . . . . .	¥496	¥520	¥23	\$5,283	\$5,533	\$250
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds . . . . .	33	32	(0)	355	350	(4)
Corporate bonds . . . . .	51	51	-	544	544	-
Subtotal . . . . .	84	84	(0)	900	895	(4)
Total . . . . .	¥581	¥604	¥23	\$6,183	\$6,429	\$245

	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	\$4,275	\$4,388	\$112
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds . . . . .	58	57	(0)	617	614	(3)
Corporate bonds . . . . .	57	57	-	611	611	-
Subtotal . . . . .	115	115	(0)	1,229	1,226	(3)
Total . . . . .	¥517	¥528	¥10	\$5,504	\$5,614	\$109

### (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)
<b>At March 31, 2013</b>						
Securities whose carrying value exceeds their acquisition cost:						
Stock . . . . .	¥272,178	¥102,480	¥169,698	\$2,893,980	\$1,089,638	\$1,804,342
Other . . . . .	446	400	45	4,743	4,256	487
Subtotal . . . . .	272,624	102,880	169,744	2,898,723	1,093,894	1,804,829
Securities whose acquisition cost exceeds their carrying value:						
Stock . . . . .	19,818	23,658	(3,840)	210,722	251,556	(40,833)
Other . . . . .	2,662	2,677	(14)	28,313	28,465	(151)
Subtotal . . . . .	22,481	26,336	(3,854)	239,036	280,021	(40,985)
Total . . . . .	¥295,106	¥129,216	¥165,889	\$3,137,760	\$1,373,915	\$1,763,844

It is extremely difficult to determine the fair values for non-listed stocks and non-listed preferred equity securities (carrying value ¥21,115 million (US\$224,509 thousand)), since they have no quoted market prices available. Thus, they are not included in "Other securities" above.

At March 31, 2012	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 . . . . .	¥214,130	¥ 96,035	¥118,095	\$2,276,769	\$1,021,106	\$1,255,662
Other . . . . .	229	224	5	2,444	2,389	54
Subtotal . . . . .	214,360	96,259	118,100	2,279,214	1,023,496	1,255,717
Securities whose acquisition cost exceeds their carrying value:						
Stock . . . . .	26,599	32,315	(5,716)	282,822	343,603	(60,781)
Other . . . . .	2,583	2,603	(20)	27,467	27,684	(217)
Subtotal . . . . .	29,182	34,919	(5,736)	310,289	371,287	(60,998)
Total . . . . .	¥243,542	¥131,179	¥112,363	\$2,589,503	\$1,394,784	\$1,194,719

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\$214,045 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, 2013	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock . . . . .	¥9,066	¥4,303	¥33	\$ 96,395	\$45,753	\$357
Other . . . . .	548	3	—	5,826	37	—
Total . . . . .	¥9,614	¥4,306	¥33	\$102,222	\$45,791	\$357

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥35 million (US\$378 thousand) and aggregate gain: ¥18 million (US\$193 thousand))

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	\$153,407	\$150,359	\$85
Other . . . . .	9	2	—	95	29	—
Total . . . . .	¥14,436	¥14,144	¥8	\$153,503	\$150,389	\$85

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥14,279 million (US\$151,824 thousand), aggregate gain: ¥14,112 million (US\$150,048 thousand) and aggregate loss: ¥8 million (US\$85 thousand))

(d) Write down of securities

For the year ended March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Other stocks . . . . .	¥123	¥2,782	\$1,316	\$29,586
Non-listed stocks included in "Other stocks" above . . . . .	¥123	¥1,242	\$1,316	\$13,214

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

## 14. Derivative Transactions

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

Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
<b>At March 31, 2013</b>								
Foreign exchange forward contract								
Sell								
EURO . . . . .	¥ 148	¥ 148	¥ 5	¥ 5	\$ 1,577	\$ 1,577	\$ 59	\$ 59
Buy								
EURO . . . . .	1,419	246	(75)	(75)	15,089	2,621	(808)	(808)
US\$ . . . . .	550	444	(33)	(33)	5,852	4,722	(360)	(360)
AUS\$ . . . . .	389	248	(12)	(12)	4,144	2,639	(130)	(130)
JPY . . . . .	101	58	(22)	(22)	1,081	623	(241)	(241)
Total . . . . .	¥2,609	¥1,145	¥(139)	¥(139)	\$27,746	\$12,184	\$(1,481)	\$(1,481)

	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)	\$ 1,301	\$ 1,301	\$ (5)	\$ (5)
Buy								
EURO . . . . .	1,475	1,000	(16)	(16)	15,689	10,632	(175)	(175)
US\$ . . . . .	502	496	(20)	(20)	5,347	5,276	(222)	(222)
AUS\$ . . . . .	380	327	(6)	(6)	4,050	3,482	(67)	(67)
JPY . . . . .	96	81	(8)	(8)	1,025	864	(86)	(86)
Total . . . . .	¥2,578	¥2,027	¥(52)	¥(52)	\$27,412	\$21,556	\$(558)	\$(558)

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

Compound financial instruments

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
<b>At March 31, 2013</b>								
Derivative-embedded deposits:								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits) . . .								
	¥300	¥300	¥(14)	¥(14)	\$3,189	\$3,189	\$(157)	\$(157)

	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)	\$3,189	\$3,189	\$(422)	\$(422)

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

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

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

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

	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
<b>At March 31, 2013</b>							
Benchmark method:							
Foreign exchange forward contract (Buy US\$)	Accounts payable for construction contracts (Forecasted transaction) . . . . .	¥ 716	¥68	¥130	\$ 7,615	\$726	\$1,386
	Imports of materials (Forecasted transaction) . . . . .	117	—	12	1,251	—	134
Translated at the contracted rate:							
Foreign exchange forward contract (Sell US\$)	Accounts receivable from completed construction contracts	10,516	—	[*1]	111,818	—	[*1]
<b>Total</b> . . . . .		<b>¥11,350</b>	<b>¥68</b>	<b>¥143</b>	<b>\$120,684</b>	<b>\$726</b>	<b>\$1,521</b>

	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
At March 31, 2012							
Benchmark method:							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction) . . . . .	¥ 85	¥—	¥0	\$ 907	\$—	\$5
Translated at the contracted rate:							
Foreign exchange forward contract (Buy US\$)	Accounts receivable from completed construction contracts	7,561	—	[*1]	80,399	—	[*1]
<b>Total</b> . . . . .		<b>¥7,646</b>	<b>¥—</b>	<b>¥0</b>	<b>\$81,306</b>	<b>\$—</b>	<b>\$5</b>

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

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

Interest-related transactions

	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
<b>At March 31, 2013</b>							
Benchmark method:							
Interest rate swaps: Payment fixed/Receive floating	PFI and other project finance loans (Forecasted transaction) . .	¥11,490	¥11,487	¥(189)	\$122,169	\$122,137	\$(2,010)
Short-cut method:							
Interest rate swaps: Payment fixed/Receive floating	Long-term loans payable . . . . .	46,034	25,248	[*2]	489,463	268,458	[*2]
	PFI and other project finance loans . . . . .	3,530	3,062	[*2]	37,539	32,561	[*2]
	PFI and other project finance loans as of affiliate company's [*3]	354	—	(3)	3,768	—	(33)
Interest rate swaps: Payment floating/Receive fixed	PFI and other project finance loans as of affiliate company's [*3]	354	—	3	3,768	—	35
<b>Total</b> . . . . .		<b>¥61,763</b>	<b>¥39,797</b>	<b>¥(188)</b>	<b>\$656,707</b>	<b>\$423,156</b>	<b>\$(2,008)</b>

At March 31, 2012	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	¥(136)	\$122,169	\$122,169	\$(1,451)
Short-cut method:							
Interest rate swaps: Payment fixed/ Receive floating	Long-term loans payable . . . . .	60,045	40,899	[*2]	638,439	434,866	[*2]
	PFI and other project finance loans . . . . .	3,995	3,530	[*2]	42,483	37,539	[*2]
	PFI and other project finance loans as of affiliate company's [*3] . . . .	3,531	354	(21)	37,543	3,768	(225)
Interest rate swaps: Payment floating/ Receive fixed	PFI and other project finance loans as of affiliate company's [*3] . . . .	3,531	354	22	37,543	3,768	238
<b>Total</b> . . . . .		<b>¥82,592</b>	<b>¥56,628</b>	<b>¥(135)</b>	<b>\$878,179</b>	<b>\$602,111</b>	<b>\$(1,438)</b>

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

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

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

## 15. 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 (cash balance plan)" based on the "Defined Benefit Corporate Pension Law" were introduced effective April 1, 2004. The following tables show the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2013 and 2012 of the Company and its domestic subsidiaries.

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Projected benefit obligations . . . . .	<b>¥(132,579)</b>	¥(137,064)	<b>\$(1,409,672)</b>	\$(1,457,355)
Plan assets at fair value . . . . .	<b>68,662</b>	66,753	<b>730,066</b>	709,766
Unfunded projected benefit obligations . . . . .	<b>(63,916)</b>	(70,310)	<b>(679,605)</b>	(747,589)
Unrecognized actuarial loss . . . . .	<b>1,726</b>	6,923	<b>18,358</b>	73,617
Unrecognized prior service cost . . . . .	<b>269</b>	260	<b>2,869</b>	2,771
Amount reported on the consolidated balance sheet . . . .	<b>(61,920)</b>	(63,126)	<b>(658,378)</b>	(671,200)
Prepaid pension costs . . . . .	<b>173</b>	203	<b>1,843</b>	2,163
Provision for retirement benefits . . . . .	<b>¥ (62,093)</b>	¥ (63,329)	<b>\$ (660,221)</b>	\$ (673,364)

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, 2013 and 2012 are outlined as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Service cost . . . . .	¥ 4,666	¥ 4,823	\$ 49,620	\$ 51,282
Interest cost . . . . .	3,352	3,507	35,650	37,295
Expected return on plan assets . . . . .	(1,631)	(1,680)	(17,348)	(17,865)
Amortization of actuarial differences . . . . .	1,909	2,575	20,299	27,382
Amortization of prior service cost . . . . .	31	20	329	222
<b>Total . . . . .</b>	<b>¥ 8,328</b>	<b>¥ 9,246</b>	<b>\$ 88,551</b>	<b>\$ 98,318</b>

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

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

At March 31	2013	2012
Method of attributing the projected benefit obligations to periods of service . . . . .	<b>Straight-line basis</b>	Straight-line basis
Discount rates . . . . .	<b>1.8% or 2.5%</b>	1.8% or 2.5%
Expected rates of return on plan assets . . . . .	<b>1.8% or 2.5%</b>	1.8% or 2.5%
Amortization period for prior service cost . . . . .	<b>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.)</b>	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 . . . . .	<b>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.)</b>	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.)

## 16. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2013 and 2012 are summarized as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Deferred tax assets:				
Tax loss carryforwards . . . . .	¥ 31,525	¥ 39,048	\$ 335,198	\$ 415,186
Impairment loss . . . . .	23,531	24,045	250,202	255,663
Provision for retirement benefits . . . . .	22,696	23,449	241,323	249,335
Provision for loss on construction contracts . . . . .	2,326	2,764	24,741	29,397
Loss on valuation of real estate for sale . . . . .	1,704	3,131	18,118	33,297
Other . . . . .	21,763	22,051	231,400	234,467
	<b>103,547</b>	114,491	<b>1,100,984</b>	1,217,348
Valuation allowance . . . . .	(21,911)	(14,162)	(232,974)	(150,582)
<b>Total deferred tax assets . . . . .</b>	<b>81,636</b>	100,329	<b>868,010</b>	1,066,765
Deferred tax liabilities:				
Valuation difference on available-for-sale securities . . . . .	(57,161)	(39,776)	(607,777)	(422,924)
Reserve for advanced depreciation of noncurrent assets . . . . .	(1,624)	(1,829)	(17,270)	(19,449)
Other . . . . .	(3,286)	(952)	(34,942)	(10,124)
<b>Total deferred tax liabilities . . . . .</b>	<b>(62,072)</b>	(42,557)	<b>(659,989)</b>	(452,498)
<b>Net deferred tax assets . . . . .</b>	<b>¥ 19,564</b>	¥ 57,771	<b>\$ 208,020</b>	\$ 614,266

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	
	2013	2012	2013	2012
Current assets—Deferred tax assets . . . . .	<b>¥20,753</b>	¥18,381	<b>\$220,668</b>	\$195,439
Noncurrent assets—Deferred tax assets . . . . .	<b>3,881</b>	39,854	<b>41,269</b>	423,760
Current liabilities—Deferred tax liabilities . . . . .	<b>(592)</b>	(463)	<b>(6,301)</b>	(4,933)
Noncurrent liabilities—Deferred tax liabilities . . . . .	<b>(4,478)</b>	–	<b>(47,616)</b>	–

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
	<b>¥28,687</b>	¥29,786	<b>\$305,021</b>	\$316,705

A reconciliation between the statutory tax rates and the effective tax rates for the years ended March 31, 2013 and 2012 are summarized as follows:

For the years ended March 31	2013	2012
Statutory tax rates . . . . .	<b>37.8%</b>	40.5%
Reconciliation:		
Permanent non-deductible items . . . . .	<b>2.9</b>	4.6
Permanent non-taxable items . . . . .	<b>(2.5)</b>	(5.5)
Per-capita inhabitant tax . . . . .	<b>1.0</b>	1.7
Change in valuation allowance . . . . .	<b>18.7</b>	(6.6)
Change in tax rate . . . . .	<b>–</b>	37.9
Other . . . . .	<b>0.7</b>	2.7
Effective tax rates . . . . .	<b>58.6%</b>	75.3%

## 17. Asset Retirement Obligations

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

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
<b>(1) Estimated total unrefundable deposits . . . . .</b>	<b>¥4,128</b>	¥4,138	<b>\$43,899</b>	\$44,000

At March 31	2013	2012
<b>(2) Estimated period of use . . . . .</b>	<b>7–38 years from the initial day of the contract</b>	7–38 years from the initial day of the contract

## 18. Investment and Rental Properties

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

Profit and impairment loss from these real estate properties for the year ended March 31, 2013 were ¥7,979 million (US\$84,848 thousand) and ¥2,133 million (US\$22,684 thousand), respectively. Profit and impairment loss from these real estate properties for the year ended March 31, 2012 were ¥7,438 million (US\$79,089 thousand) and ¥19,415 million (US\$206,439 thousand), respectively. Sales and costs on real estate are recorded as “Net sales on real estate business and other” and “Cost of sales on real estate business and other,” respectively. Impairment loss is included in “Other income/(expenses).”

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Carrying value				
At the beginning of current period . . . . .	<b>¥222,296</b>	¥220,950	<b>\$2,363,595</b>	\$2,349,289
Increase (decrease)—net . . . . .	<b>19,110</b>	1,345	<b>203,198</b>	14,306
At the end of current period . . . . .	<b>241,406</b>	222,296	<b>2,566,793</b>	2,363,595
Fair value at the end of current period . . . . .	<b>274,963</b>	258,239	<b>2,923,584</b>	2,745,770

1. The carrying value represents the acquisition cost less the accumulated depreciation.
2. "Increase (decrease)—net" for the year ended March 31, 2013 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥26,221 million (US\$278,803 thousand) and decrease in depreciation cost in the amount of ¥2,774 million (US\$29,504 thousand) and impairment loss in the amount of ¥2,133 million (US\$22,684 thousand)  
 "Increase (decrease)—net" for the year ended March 31, 2012 mainly consists of: increase in rental properties of new consolidated company in the amount of ¥19,180 million (US\$203,944 thousand) and decrease in impairment loss in the amount of ¥19,415 million (US\$206,439 thousand)
3. Fair value at March 31, 2013 and 2012, was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

## 19. Segment Information

### (1) Segment information

#### (a) Overview of reportable segments

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

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

The overview of each reportable segment is as follows:

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

Thousands of U.S. dollars

For the year ended March 31, 2013	Reporting segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Subtotal		
Net sales:								
Sales to third parties . . . .	\$8,749,991	\$2,085,170	\$3,015,326	\$431,096	\$709,060	\$14,990,645	\$408,668	\$15,399,314
Inter-segment sales and transfers . . . . .	478,127	230	157,527	-	20,486	656,372	79,431	735,803
Segment sales . . . . .	9,228,119	2,085,400	3,172,854	431,096	729,546	15,647,017	488,100	16,135,118
Operating income (loss):								
Operating income (loss) from sales to third parties (Note 2) . . . . .	117,671	68,361	89,432	(18,523)	107,925	364,868	8,905	373,773
Inter-segment operating income and transfers . . . .	2,080	-	(2,689)	(19)	(8)	(637)	(2,389)	(3,027)
Segment income (loss) . . .	\$ 119,752	\$ 68,361	\$ 86,743	\$ (18,542)	\$107,916	\$ 364,230	\$ 6,515	\$ 370,746

Note 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" 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.

Millions of yen

For the year ended March 31, 2012	Reporting segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Subtotal		
Net sales:								
Sales to third parties . . . .	¥761,807	¥137,241	¥240,085	¥31,058	¥41,103	¥1,211,296	¥34,476	¥1,245,772
Inter-segment sales and transfers . . . . .	40,574	23	10,444	-	1,927	52,970	8,504	61,474
Segment sales . . . . .	802,382	137,265	250,530	31,058	43,030	1,264,267	42,980	1,307,247
Operating income:								
Operating income from sales to third parties (Note 2) . . . . .	14,288	1,118	2,959	9,174	2,891	30,432	713	31,145
Inter-segment operating income and transfers . . . .	1,130	-	(247)	-	(0)	882	(17)	864
Segment income . . . . .	¥ 15,418	¥ 1,118	¥ 2,711	¥ 9,174	¥ 2,891	¥ 31,314	¥ 695	¥ 32,010

For the year ended March 31, 2012	Reporting segment							Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Subtotal			
	Thousands of U.S. dollars								
Net sales:									
Sales to third parties . . .	\$8,100,028	\$1,459,242	\$2,552,739	\$330,231	\$437,040	\$12,879,283	\$366,571	\$13,245,854	
Inter-segment sales and transfers . . . . .	431,414	252	111,057	-	20,492	563,216	90,422	653,639	
Segment sales . . . . .	8,531,443	1,459,495	2,663,797	330,231	457,532	13,442,500	456,993	13,899,494	
Operating income:									
Operating income from sales to third parties (Note 2) . . . . .	151,924	11,896	31,463	97,549	30,741	323,576	7,586	331,163	
Inter-segment operating income and transfers . .	12,019	-	(2,634)	-	(1)	9,383	(187)	9,195	
Segment income . . . . .	\$ 163,943	\$ 11,896	\$ 28,829	\$ 97,549	\$ 30,740	\$ 332,959	\$ 7,399	\$ 340,358	

- Note 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 statement 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 and operating income as shown in the consolidated statement of income

For the year ended March 31, 2013	Millions of yen	Thousands of U.S. dollars
Income		
Total reportable segment . . . . .	¥34,255	\$364,230
Income from "Others" . . . . .	612	6,515
Elimination of inter-segment transactions . . . . .	284	3,027
Operating income in the statements of income . . . . .	¥35,153	\$373,773

For the year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Income		
Total reportable segment . . . . .	¥31,314	\$332,959
Income from "Others" . . . . .	695	7,399
Elimination of inter-segment transactions . . . . .	(864)	(9,195)
Operating income in the statements of income . . . . .	¥31,145	\$331,163

## (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, 2013					Thousands of U.S. dollars				
Millions of yen									
Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
¥1,209,602	¥120,219	¥113,276	¥5,206	¥1,448,305	\$12,861,271	\$1,278,254	\$1,204,424	\$55,362	\$15,399,314

For the year ended March 31, 2012					Thousands of U.S. dollars				
Millions of yen									
Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
¥1,075,768	¥101,240	¥66,683	¥2,080	¥1,245,772	\$11,438,260	\$1,076,451	\$709,016	\$22,125	\$13,245,854

## Tangible assets by region

As Japan-based tangible assets account for over 90% of total tangible assets at March 31, 2013 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, 2013 and 2012.

**(3) Impairment loss on noncurrent assets by reportable segment**

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

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Others (Note)	Total
<b>For the year ended March 31, 2013</b>	\$-	\$-	\$2,299	\$-	\$23,740	\$7,706	\$33,746

Note: Impairment loss of real estate reclassified as "held for development" in the amount of ¥724 million (US\$7,706 thousand), which is not divided by reporting segment, is included in Others.

Millions of yen							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Others (Note)	Total
For the year ended March 31, 2012	¥-	¥ 63	¥-	¥-	¥ 19,415	¥ 279	¥ 19,759

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Others (Note)	Total
For the year ended March 31, 2012	\$-	\$677	\$-	\$-	\$206,439	\$2,973	\$210,090

Note: Impairment loss of real estate reclassified as "held for development" and underutilized real estate in the amount of ¥279 million (US\$2,973 thousand), which is not divided by reporting segment, is included in Others.

**(4) Amortization and balance of goodwill by reportable segment**

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

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Others	Total
<b>For the year ended March 31, 2013</b>							
Amortization amount . . . . .	\$-	\$2,540	\$3	\$3,326	\$-	\$-	\$5,870
Balance . . . . .	-	-	-	9,975	-	-	9,975

Millions of yen							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Others	Total
For the year ended March 31, 2012							
Amortization amount . . . . .	¥-	¥449	¥0	¥ 280	¥-	¥-	¥ 730
Balance . . . . .	-	224	-	1,122	-	-	1,347

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Others	Total
For the year ended March 31, 2012							
Amortization amount . . . . .	\$-	\$4,779	\$2	\$ 2,982	\$-	\$-	\$ 7,764
Balance . . . . .	-	2,389	-	11,937	-	-	14,327

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

None.

## 20. Related Party Transactions

### (1) Transactions of the Company with related parties

Details of transactions with related parties and the respective balances as of and for the years ended March 31, 2013 and 2012 were as follows:

#### For the year ended March 31, 2013

Classification	Related party	Address	Capital		% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction <sup>(*)</sup>		Accounts	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
Director's close relative	Takako Obayashi	-	-	Close relative of the Company's director	-	Purchase of the real estates	Purchase of land	¥23	\$252	-	-	-

\* Purchase price is based on real estate appraisal.

For the year ended March 31, 2012

None.

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

Details of transactions with related parties and the respective balances as of and for the years ended March 31, 2013 and 2012 were as follows:

#### For the year ended March 31, 2013

Classification	Related party	Address	Capital		% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction <sup>(*)</sup>		Accounts	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
Director's close relative	Takako Obayashi	-	-	Close relative of the Company's director	-	Purchase of real estates	Purchase of land by Obayashi real estate	¥254	\$2,700	-	-	-

\* Purchase price is based on real estate appraisal.

For the year ended March 31, 2012

None.

## 21. Amounts per Share

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

Diluted net income per share was not presented for the years ended March 31, 2013 and 2012 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, 2013 and 2012 were as follows:

For the years ended March 31	Yen		U.S. dollars	
	2013	2012	2013	2012
Net assets per share	¥535.67	¥474.01	\$5.69	\$5.03
Basic net income per share	18.37	7.16	0.19	0.07

## 1. Net assets per share

At March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Net assets . . . . .	<b>¥414,650</b>	¥365,492	<b>\$4,408,826</b>	\$3,886,148
Amounts deducted from net assets (Minority interests) . . . . .	<b>29,919</b>	25,028	<b>318,122</b>	266,118
Net assets applicable to shareholders of common stock . . . . .	<b>384,730</b>	340,463	<b>4,090,703</b>	3,620,030
Number of shares of common stock at the year end (thousands of shares) . . . . .	<b>718,220</b>	718,265	<b>718,220</b>	718,265

## 2. Basic net income per share

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Net income . . . . .	<b>¥ 13,195</b>	¥ 5,142	<b>\$140,302</b>	\$ 54,683
Net income not attributable to shareholders of common stock . . . . .	-	-	-	-
Net income attributable to shareholders of common stock . . . . .	<b>13,195</b>	5,142	<b>140,302</b>	54,683
Average number of shares issued and outstanding during the period (thousands of shares) . . . . .	<b>718,240</b>	718,444	<b>718,240</b>	718,444

## 22. Corporate Bonds

At March 31	Issued by	Issue type	Issue date	Millions of yen		Thousands of U.S. dollars		Interest rate (%)	Collateral	Maturity
				2013	2012	2013	2012			
	Obayashi Corp.	9th unsecured straight bond	Jun. 3, 2003	<b>¥ 10,000</b> <b>(10,000)</b>	¥10,000	<b>\$ 106,326</b> <b>(106,326)</b>	\$106,326	1.07	None	Jun. 3, 2013
	Obayashi Corp.	14th unsecured straight bond	Aug. 30, 2010	<b>15,000</b>	15,000	<b>159,489</b>	159,489	0.85	None	Aug. 28, 2015
	Obayashi Corp.	15th unsecured straight bond	Oct. 26, 2010	<b>10,000</b>	10,000	<b>106,326</b>	106,326	0.68	None	Oct. 23, 2015
	Obayashi Corp.	16th unsecured straight bond	Oct. 26, 2010	<b>15,000</b>	15,000	<b>159,489</b>	159,489	0.96	None	Oct. 26, 2017
	Obayashi Corp.	17th unsecured straight bond	Sep. 13, 2011	<b>10,000</b>	10,000	<b>106,326</b>	106,326	0.624	None	Sep. 13, 2016
	Obayashi Corp.	18th unsecured straight bond	May. 9, 2012	<b>10,000</b>	-	<b>106,326</b>	-	0.588	None	May. 9, 2017
	Total			<b>¥ 70,000</b> <b>(10,000)</b>	¥60,000	<b>\$ 744,284</b> <b>(106,326)</b>	\$637,958			

1. The amounts in parentheses are due within 1 year.
2. The annual repayment schedule of corporate bonds subsequent to March 31, 2013 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year . . . . .	<b>¥10,000</b>	<b>\$106,326</b>
Over 1 year less than 2 years . . . . .	-	-
Over 2 years less than 3 years . . . . .	<b>25,000</b>	<b>265,816</b>
Over 3 years less than 4 years . . . . .	<b>10,000</b>	<b>106,326</b>
Over 4 years less than 5 years . . . . .	<b>25,000</b>	<b>265,816</b>

## 23. Loans

At March 31	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2013	2012	2013	2012		
Short-term loans payable . . . . .	<b>¥ 80,891</b>	¥ 77,851	<b>\$ 860,092</b>	\$ 827,768	0.54	–
Current portion of long-term loans payable . . . . .	<b>52,509</b>	65,339	<b>558,313</b>	694,734	1.35	–
Current portion of lease obligations . . . . .	<b>127</b>	320	<b>1,354</b>	3,408	–	–
Long-term loans payable (excluding current portion) . . . . .	<b>179,767</b>	201,923	<b>1,911,407</b>	2,146,984	1.56	2014–2037
Lease obligations (excluding current portion) . . . . .	<b>161</b>	225	<b>1,713</b>	2,402	–	2014–2019
Commercial paper . . . . .	<b>5,000</b>	–	<b>53,163</b>	–	0.10	–
<b>Total . . . . .</b>	<b>¥318,457</b>	¥345,661	<b>\$3,386,044</b>	\$3,675,298		

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, 2013 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years . . . . .	<b>¥73,487</b>	<b>\$781,366</b>
Over 2 years less than 3 years . . . . .	<b>24,206</b>	<b>257,378</b>
Over 3 years less than 4 years . . . . .	<b>17,348</b>	<b>184,463</b>
Over 4 years less than 5 years . . . . .	<b>9,911</b>	<b>105,388</b>
Lease obligations		
Over 1 year less than 2 years . . . . .	<b>¥ 73</b>	<b>\$ 777</b>
Over 2 years less than 3 years . . . . .	<b>45</b>	<b>488</b>
Over 3 years less than 4 years . . . . .	<b>24</b>	<b>263</b>
Over 4 years less than 5 years . . . . .	<b>14</b>	<b>153</b>

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.

## 24. Subsequent Event

None.

## Independent Auditor's Report



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### Independent Auditor's Report

The Board of Directors  
OBAYASHI CORPORATION

We have audited the accompanying consolidated financial statements of OBAYASHI CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and its consolidated subsidiaries as at March 31, 2013, 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 28, 2013  
Tokyo, Japan

A member firm of Ernst & Young Global Limited

# Activity Results for the Fiscal Year Ended March 31, 2013

We have sorted 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. Based on this, we have set activity themes and are promoting initiatives corresponding to each aspect.

## Main Results of Activities in the Fiscal Year Ended March 31, 2013 and Goals Going Forward

	Activity theme	Main achievements in the fiscal year ended March 31, 2013
E (Engagement with customers)	<b>Provide High-Quality Construction</b> <ul style="list-style-type: none"> <li>Provide services that accurately respond to customer needs</li> <li>Promote various educational and informative initiatives related to quality control and technology</li> <li>Promote and popularize quality management techniques that use ICT technology</li> <li>Expand projects applying BIM<sup>*1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Operation of quality management system (ISO 9001). External audits discovered no irregularities</li> <li>Promoted internal dissemination of information using the intranet (concerning improvements, non-compliance, construction methods, technologies)</li> <li>Held briefings and training seminars on quality and technology, including production technology and technological development presentations</li> </ul>
	<b>Technological Development that Leads to Solutions to Societal Issues</b> <ul style="list-style-type: none"> <li>R&amp;D and the deployment of technology that leads to environmental responsibility and safety and security (technology that realizes a low-carbon society, a recycling-oriented society, and a nature-compatible society)</li> <li>(natural disaster countermeasures and the development of technology that contributes to disaster recovery)</li> <li>(renovation technology related to operation and maintenance of existing buildings and public infrastructure)</li> <li>Appropriate management and use of intellectual property</li> </ul>	<ul style="list-style-type: none"> <li>Constructed a Vertical Telescopic Breakwater</li> <li>Developed technology for shutting out radiation using concrete with seawater and unwashed sea sand</li> <li>Jointly developed plant factories using artificial light with Chiba University</li> <li>Ranked No. 1 by Patent Result Co., Ltd. in terms of size of patent assets in 2012, for the 2nd consecutive year, in the construction industry</li> </ul>
	<b>Work that Gives Peace of Mind to Customers and Local Communities</b> <ul style="list-style-type: none"> <li>Construction management with regard for customers and areas surrounding construction sites</li> </ul>	<ul style="list-style-type: none"> <li>Selected construction methods and technologies in consideration of areas surrounding construction sites</li> </ul>
G (Global perspective)	<b>Support Customers in Efforts to Minimize Disaster Risk</b> <ul style="list-style-type: none"> <li>Inspect and enhance emergency readiness through drills based on BCP<sup>*2</sup> for the event of an earthquake</li> <li>Strengthen services for supporting BCM<sup>*3</sup> of customers</li> </ul>	<ul style="list-style-type: none"> <li>Held earthquake drills based on BCP. Distributed Earthquake Initial Response Card and personal emergency ration kits to employees</li> <li>Compiled emergency contact information for prompt customer response and damage assessment in the event of an earthquake</li> </ul>
	<b>Create a Low-Carbon Society</b> <ul style="list-style-type: none"> <li>Promote energy-saving designs toward realization of ZEB<sup>*4</sup></li> <li>Conserve energy at the construction stage</li> <li>Participate in environmentally responsible real estate development projects</li> <li>Enter the renewable energy businesses</li> <li>Conserve energy at Obayashi's own facilities</li> </ul>	<ul style="list-style-type: none"> <li>Progress in the renewable energy business (decided to commercialize an 80 MW facility in the solar power generation business)</li> <li>Progress in environmentally responsible real estate development projects (<i>oak omotesando</i>)</li> </ul>
	<b>Create a Recycling-Oriented Society</b> <ul style="list-style-type: none"> <li>Commercialize recycled aggregate concrete</li> <li>Enter the soil decontamination business</li> <li>Promote zero-emission activities for construction waste</li> </ul>	<ul style="list-style-type: none"> <li>Commercialized recycled aggregate concrete</li> <li>Progress in the soil decontamination business</li> <li>Developed the Upcycle Block for effectively recycling earthquake debris</li> </ul>
	<b>Create a Nature-Compatible Society</b> <ul style="list-style-type: none"> <li>Quantify the assessment of ecosystem preservation</li> <li>Promote regard for the ecosystem at every stage of proposing, designing and constructing projects</li> </ul>	<ul style="list-style-type: none"> <li>Developed the <i>Ikimono-Navi</i> environmental assessment system for contributing to urban biodiversity</li> <li>Received the first JHEP certification for a rooftop garden in Japan (<i>oak omotesando</i>)</li> </ul>
	<b>Steadily Promote Environmental Initiatives</b> <ul style="list-style-type: none"> <li>Compliance with environmental laws and regulations</li> <li>Improve environmental awareness                             <ul style="list-style-type: none"> <li>Promote green procurement</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operation of quality management system (ISO 14001)</li> <li>Continuation of the Obayashi Environmental Award program</li> <li>Practiced green procurement (construction materials and machinery, office supplies)</li> </ul>
<b>Promote Social Contribution Activities</b> <ul style="list-style-type: none"> <li>Promote activities based on the Obayashi Social Responsibility Policy</li> </ul>	<ul style="list-style-type: none"> <li>Global Environmental Responsibility (<i>kinran</i> orchid viewing walk at the Obayashi Technical Research Institute, Ecocap movement)</li> <li>Disaster Readiness and Post-Disaster Reconstruction (volunteer work in disaster-stricken areas by newly recruited civil engineers, disaster recovery assistance)</li> </ul>	
A (Amenity and associates)	<b>Utilize Diverse Human Resources</b> <ul style="list-style-type: none"> <li>Spread the Obayashi Statement on Human Rights</li> <li>Build a workplace environment where diverse human resources can succeed</li> </ul>	<ul style="list-style-type: none"> <li>Held training sessions for increasing human rights awareness</li> <li>Revised the employment system for seniors in compliance with the Revised Act on Employment of the Elderly</li> <li>Progress employing persons with disabilities</li> </ul>
	<b>Promote Human Resource Development</b> <ul style="list-style-type: none"> <li>Initiatives in educational priority areas</li> <li>Develop national (locally hired) staff overseas</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of a Global Leadership Training Program</li> <li>Shared the ingenuity of overseas Group companies</li> <li>Development of national staff overseas</li> <li>Promoted the acquisition of priority qualifications</li> </ul>
	<b>Promote Work-Life Balance</b> <ul style="list-style-type: none"> <li>Reduce overall work time (reducing overtime work and improving the rate of employees taking yearly paid vacations)</li> <li>Practice the Fourth Action Plan for work-life balance that provides support for nurturing the next generation, while enhancing childcare and nursing care benefits</li> <li>Promote healthy minds and bodies of employees and their families</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives reducing overall work time (No Overtime Days and encouraging employees to take their yearly paid vacations)</li> <li>Extension of the authorized period of childcare care leave and shortened working hours</li> <li>Held mental health training sessions</li> </ul>
	<b>Strengthen Relationships with Suppliers</b> <ul style="list-style-type: none"> <li>Disseminate the Obayashi Group CSR Procurement Guidelines</li> <li>Secure and train construction site supervisors</li> <li>Support training sessions held by suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Progress with CSR procurement</li> <li>Continuation of the Obayashi Excellent Site Supervisor Certification Program (Recipients of Excellent Site Supervisor certification: 98 in FY2013.3, 125 in FY2014.3)</li> </ul>
	<b>Prevent Occupational Accidents</b> <ul style="list-style-type: none"> <li>Eliminate fatal accidents</li> <li>Introduce safety management techniques overseas</li> </ul>	<ul style="list-style-type: none"> <li>Continual operation of the Occupational Safety and Health Management System</li> <li>Continually held safety patrols and the three major campaigns for the prevention of occupational accidents</li> </ul>
O (Open communication with stakeholders)	<b>Enforcement of Internal Controls</b> <ul style="list-style-type: none"> <li>Secure the propriety of business operations with properly managed internal control systems</li> </ul>	<ul style="list-style-type: none"> <li>Performed internal audits at 22 sites, including overseas offices and subsidiaries</li> <li>Held e-learning sessions on Internal Control and the Antimonopoly Act Compliance Program for employees</li> </ul>
	<b>Strict Application of Corporate Ethics</b> <ul style="list-style-type: none"> <li>Practice corporate ethics throughout the Group while emphasizing priority areas</li> <li>Strict application and strengthening of information security</li> </ul>	<ul style="list-style-type: none"> <li>Continually held Corporate Ethics Committee meetings</li> <li>Held training sessions on corporate ethics within the workplace</li> <li>Held e-learning sessions on Information Security and Privacy for employees</li> <li>Administered questionnaire on information security checks</li> </ul>
	<b>Proactive Disclosure of Information and Enhanced Communications</b> <ul style="list-style-type: none"> <li>Transmit information and enhance communications with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Disclosed earnings-related information</li> <li>Held financial results briefings, analysts' presentations and one-on-one meetings</li> </ul>

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

\*2 BCP = Business Continuity Plan

\*3 BCM = Business Continuity Management

\*4 ZEB = net Zero Energy Building; buildings designed to consume net zero primary energy in operation through energy conservation and the generation of renewable energy.

	Objectives going forward	Page listing
<ul style="list-style-type: none"> <li>Use of tablet computers (distributed 3,000 tablets to engineering staff and introduced cloud-based blueprint services)</li> <li>Expanded projects applying BIM (application rate of BIM to construction projects: 43%)</li> </ul>	<ul style="list-style-type: none"> <li>Continue to provide services that accurately respond to customer needs</li> <li>Continue to promote various educational and informative initiatives related to quality management and technology</li> <li>Continue to promote and popularize quality management techniques that use ICT technology</li> <li>Continue to expand projects applying BIM</li> </ul>	33-34
	<ul style="list-style-type: none"> <li>Continue R&amp;D and the deployment of technology that leads to environmental responsibility and 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)</li> <li>Continue appropriate management and use of intellectual property</li> </ul>	29-30
	<ul style="list-style-type: none"> <li>Continue construction management with regard for customers and areas surrounding construction sites</li> </ul>	—
<ul style="list-style-type: none"> <li>Nurtured personnel certified as Emergency Risk Discriminators</li> <li>Took part in the reconstruction of towns damaged in the Great East Japan Earthquake</li> </ul>	<ul style="list-style-type: none"> <li>Continue to inspect and enhance emergency readiness with earthquake drills based on BCP</li> <li>Continue to strengthen services for supporting BCM of customers</li> </ul>	34
<ul style="list-style-type: none"> <li>Energy conservation at Obayashi's own facilities (annual CO<sub>2</sub> emissions reduced 64.7% at the main building of the Obayashi Technical Research Institute)</li> <li>Reduced CO<sub>2</sub> emissions</li> </ul>	<ul style="list-style-type: none"> <li>Continue to promote energy-saving designs toward realization of ZEB</li> <li>Continue to conserve energy at the construction stage</li> <li>Continue to expand the renewable energy business</li> <li>Continue to promote environmentally responsible development projects</li> <li>Continue to promote the use of Clean-Crete, low-carbon concrete</li> </ul>	36
<ul style="list-style-type: none"> <li>Developed concrete mixed with seawater using concrete rubble from the earthquake</li> <li>Reduced the volume of waste materials</li> </ul>	<ul style="list-style-type: none"> <li>Continue to commercialize recycled aggregate concrete</li> <li>Continue to promote the soil decontamination business</li> <li>Continue to promote zero-emission activities for construction waste</li> <li>Promote resource conservation at the construction stage</li> </ul>	36-37
	<ul style="list-style-type: none"> <li>Continue quantifying the assessment of ecosystem preservation</li> <li>Continue to promote regard for the ecosystem at every stage of proposing, designing and constructing projects</li> </ul>	37
	<ul style="list-style-type: none"> <li>Continue to comply with environmental laws and regulations</li> <li>Continue to improve environmental awareness</li> <li>Continue to promote green procurement</li> </ul>	—
<ul style="list-style-type: none"> <li>Good Citizenship in Local Communities (construction site tours, cleaning activities in the vicinity of construction sites)</li> <li>Inspiration for the Next Generation (experiences in the workplace, KidZania pavilion)</li> </ul>	<ul style="list-style-type: none"> <li>Continue to promote activities based on the Obayashi Social Responsibility Policy [Priority areas]                             <ol style="list-style-type: none"> <li>Global Environmental Responsibility</li> <li>Disaster Readiness and Post-Disaster Reconstruction</li> <li>Good Citizenship in Local Communities</li> <li>Inspiration for the Next Generation</li> </ol> </li> </ul>	38
	<ul style="list-style-type: none"> <li>Continue to spread the Obayashi Statement on Human Rights</li> <li>Continue to build a workplace environment where diverse human resources can succeed</li> </ul>	—
	<ul style="list-style-type: none"> <li>Initiatives in educational priority areas [Priority areas]                             <ol style="list-style-type: none"> <li>Develop human resources in line with globalization</li> <li>Promote the acquisition of priority qualifications</li> <li>Conduct interactive group training</li> <li>Continue to develop national staff overseas</li> </ol> </li> </ul>	40
	<ul style="list-style-type: none"> <li>Continue to reduce overall work time (reduce overtime and improve the rate of employees taking yearly paid vacations)</li> <li>Continue to practice the Fourth Action Plan for work-life balance that provides support for nurturing the next generation, while enhancing childcare and nursing care benefits</li> <li>Continue to promote healthy minds and bodies of employees and their families</li> </ul>	—
<ul style="list-style-type: none"> <li>Support for suppliers holding training on safety and health education, corporate ethics and other issues</li> </ul>	<ul style="list-style-type: none"> <li>Procurements in line with the Obayashi Group CSR Procurement Guidelines</li> <li>Continue to secure and train construction site supervisors</li> <li>Continue support for training sessions held by suppliers</li> </ul>	40
	<ul style="list-style-type: none"> <li>Continue to eliminate fatal accidents</li> <li>Continue the introduction of safety management techniques overseas</li> </ul>	39
	<ul style="list-style-type: none"> <li>Continue to secure the propriety of business operations with properly managed internal control systems</li> </ul>	43
	<ul style="list-style-type: none"> <li>Continue to practice corporate ethics throughout the Group while emphasizing priority areas [Priority areas]                             <ol style="list-style-type: none"> <li>Exclusion of antisocial forces</li> <li>Compliance with Construction Industry Act</li> <li>Prevention of collusion</li> <li>Prohibition on abuse of dominant position</li> <li>Strict prohibition on improper accounting (prevention of kickbacks, etc.)</li> <li>Continue to strictly apply and strengthen information security</li> </ol> </li> </ul>	44
<ul style="list-style-type: none"> <li>Held construction site tours</li> <li>Published OBAYASHI CORPORATE REPORT 2012</li> </ul>	<ul style="list-style-type: none"> <li>Continue to transmit information and enhance communications with stakeholders</li> </ul>	—

# Social Aspect Data

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

## Human Resource Data

### Employee Headcount and Composition (as of March 31)

Item	Unit	2009	2010	2011	2012	2013
Consolidated employee headcount*1	Persons	15,150	14,476	14,639	12,870	12,838
Employee headcount*1	Persons	9,294	9,222	9,246	8,305	8,179
Men	Persons	8,140	8,070	8,089	7,193	7,075
Women	Persons	1,154	1,152	1,157	1,112	1,104
Average age	Years old	44.5	44.3	44.3	42.4	42.4
Average years of continuous employment	Years	20.5	20.2	20.1	18.1	18.0
Average annual salary	Yen	8,805,684	8,640,696	8,530,688	8,785,493	8,853,890
Turnover rate of regular recruits within three years of hire*2	%	2.8	4.3	0.8	4.4	1.0

\*1 Some temporary employees were excluded from the employee headcount starting from the fiscal year ended March 31, 2012.

\*2 Figures under each year are the ratio of those among regular recruits who resigned within three years of hire.

### Status of Female Managers (as of March 31)

Item	Unit	2009	2010	2011	2012	2013
Headcount of female managers	Persons	120	143	165	210	231

### Headcount and Ratio of Retirement Age Employees Who Were Rehired (as of March 31)

Item	Unit	2009	2010	2011	2012	2013
Headcount of rehired employees	Persons	570	645	823	775	728
Rehiring ratio	%	65.7	67.8	71.8	75.3	75.2

### Employment Rate of Persons with Disabilities (as of March 31)

Item	Unit	2009	2010	2011	2012	2013
Employment rate of persons with disabilities	%	1.90	2.02	1.98	2.09	2.01

### Recruitment Count

Recruitment category	Gender	Unit	2009	2010	2011	2012	2013
New graduates	Men	Persons	214	259	253	210	183
	Women	Persons	31	35	43	35	22
	Total	Persons	245	294	296	245	205
Mid-career recruits	Men	Persons	60	14	3	11	27
	Women	Persons	0	2	1	0	1
	Total	Persons	60	16	4	11	28
Total			305	310	300	256	233

### Recruitment of Foreign Students Studying in Japan

Item	Unit	2009	2010	2011	2012	2013
Foreign students recruited	Persons	3	1	6	1	2

### Nationality of Foreign Employees (as of March 31)

Item	Unit	2011	2012	2013
North America	Persons	37	39	35
Southeast Asia	Persons	101	127	133
Middle East	Persons	64	15	15
Oceania	Persons	1	5	6
Others	Persons	18	33	34
Total	Persons	221	219	223

### Employees with Human Rights Awareness Training

Item	Unit	2009	2010	2011	2012	2013
Number of trained employees	Accumulative headcount	4,474	4,426	5,415	4,573	4,643

## Occupational Accidents Data

### Status of Occupational Accidents

Item	Unit	2009	2010	2011	2012	2013
Accident frequency rate*1	–	0.79	0.56	0.50	0.71	0.67
Severity rate*2	–	0.10	0.19	0.02	0.26	0.03
Number of accidents involving more than four days of lost work	Cases	80	52	42	69	70

\*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 manhours of labor

## Vacation Data

### Trend in Ratio of Employees Who Took Annual Paid Vacations

Item	Unit	2009	2010	2011	2012	2013
Ratio of employees who took their annual paid vacations	%	35.7	38.8	37.5	36.2	35.4

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		2013	
	Number of employees on leave	Number of days taken	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	388	586
Construction site paid vacation days (during transfers)*2			116	303	–	–
Vacations during transfers*3	–	–	566	1,270	759	1,859
“Refresh” vacation days*4	357	2,450	400	2,084	472	3,696
Accumulated vacation day carryovers taken (personal illness and injury)*5	163	3,104	177	3,233	170	3,374
Accumulated vacation day carryovers taken (spouse giving birth)*5	10	33	11	30	24	72
Nursing leave and accumulated vacation day carryovers taken (nursing)*6	12	47	23	75	36	131
Nursing-care leave and accumulated vacation day carryovers taken (nursing care)*6	10	211	8	119	14	308
Leave for volunteer activities (accumulated vacation day carryovers taken)*7	–	–	7	12	2	5

\*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: 72.1% (during the year ended March 31, 2013)

Number of employees who were awarded “Refresh” vacation days in the year ended March 31, 2012

who took their “Refresh” vacations during the eligibility period from April 1, 2011 through March 31, 2013

Employees who were awarded “Refresh” vacation days in the year ended March 31, 2012

\*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	2009	2010	2011	2012	2013
Men	Number of employees on leave	Persons	1	1	0	0	0
	Ratio of employees on leave	%	0.4	0.4	0	0	0
	Ratio of employees on leave who returned to work	%	100	100	–	–	–
Women	Number of employees on leave	Persons	43	32	45	32	42
	Ratio of employees on leave	%	102.4	97.0	104.7	100	100
	Ratio of employees on leave who returned to work	%	95.2	100	100	97.5	96.7

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, 2011

$$\frac{\text{Number of employees who went on childcare leave within the fiscal year}}{\text{Number of employees who had a child within the fiscal year}}$$

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.

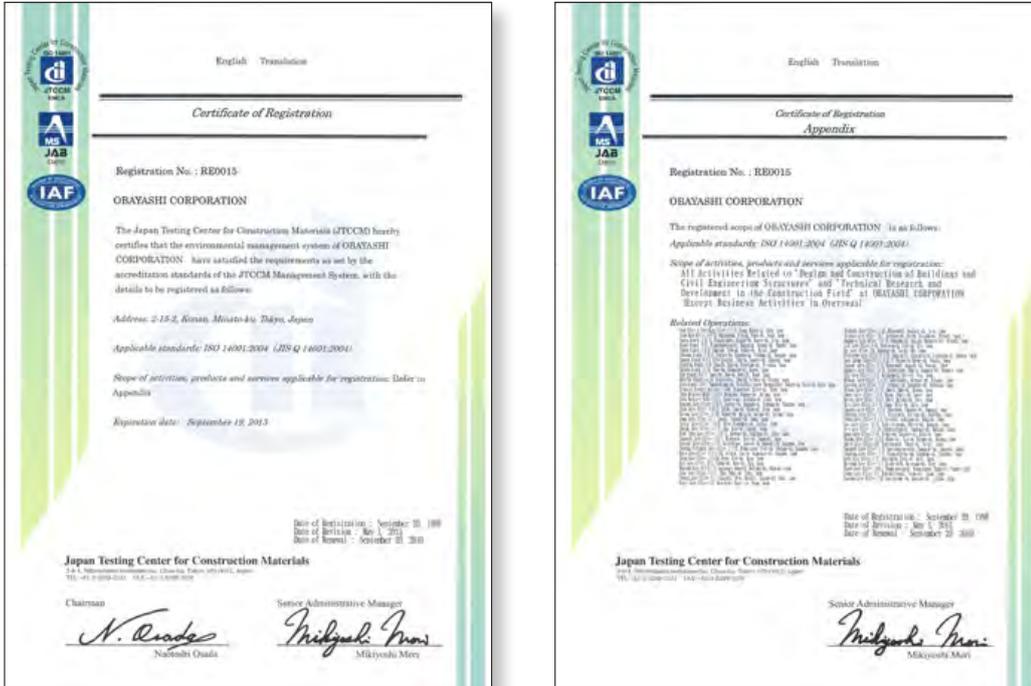
### Employees on Shortened Working Hours for Childcare

Item	Unit	2011	2012	2013
Number of employees who went on shortened working hours for childcare	Persons	91	112	107

# Environmental Aspect Data

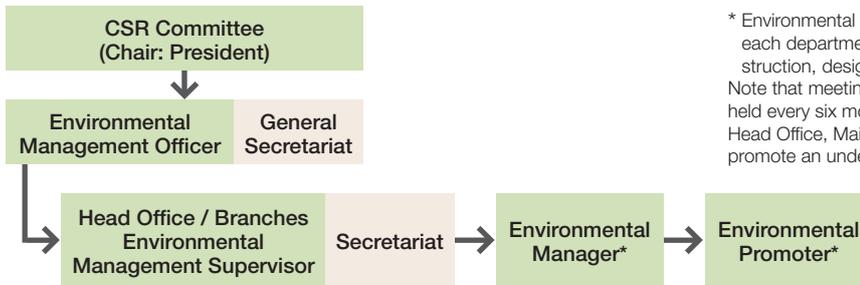
## Environmental Management System (EMS)

### 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, 2013)



\* 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		2013
Registration body		Japan Testing Center for Construction Materials
Implementation period		From September 24 to October 1, 2012
Assessed items		Head Office, Tokyo Main Office, Tohoku Branch, Shikoku Branch, Kyushu 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		2013	
Audited items		All branches and departments	
Number of audits	Permanent divisions	Planned	56
		Implemented (Implementation rate)	59 (105%)
	Construction offices	Planned	211
		Implemented (Implementation rate)	194 (92%)
	Secretariats	Planned	9
		Implemented (Implementation rate)	9 (100%)
Total	Planned	276	
	Implemented (Implementation rate)	262 (95%)	
Number of internal auditors (active)		502	
Number of deficiencies		13	
Number of items under observation		109	

## Environmental Management System (EMS) (continued)

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

### Environmental targets and results

Environmental targets	Unit	2009	2010	2011	2012	2013			2014	2015
		Actual				Target	Actual	Evaluation	Target	Medium-term target*1
<b>Reduce resource and energy consumption</b>										
Reduce power consumption in offices*2 *3	kWh/person	1,845	1,695	1,605	1,495	1,539 or less	1,309	○	1,300 or less	1,300 or less
Reduce paper usage in offices*2	kg/person	58	54	53	54	53 or less	57	X	53 or less	50 or less
Reduce water usage in offices*2	m <sup>3</sup> /person	8.1	6.8	6.8	6.4	6.4 or less	6.2	○	6.2 or less	6.0 or less
Reduce water usage at construction sites (targets established from the fiscal year ending March 31, 2013)	m <sup>3</sup> /billions of yen	-				Civil engineering: 28.0 or less Building construction: 12.0 or less	29.5 11.2	△	Civil engineering: 29.0 or less Building construction: 11.0 or less	Civil engineering: 26.0 or less Building construction: 10.0 or less
<b>Reduce waste emissions</b>										
Improve the percentage of construction sites satisfying*5 the Company's zero emission achievement standards*4	%	84	83	81	81	S: 35 or more A: 53 or more B: 77 or more C: 86 or more	33 45 73 84	△	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*6 for construction waste (excluding sludge)	%	97.9	97.8	97.9	97.5	98 or more	97.3	X	98 or more	98 or more
Improve the usage rate of electronic manifests at construction sites	%	59	74	82	80	82 or more	86.3	○	85 or more	85 or more
Reduce the amount of general waste emissions*7	kg/person	109	90.5	95.4	89.8	90 or less	91.5	X	90 or less	85 or less
Improve the recycling rate for general waste*7	%	76	75	77	79	79 or more	80.7	○	81 or more	82 or more
Improve the recycling rate for industrial waste*8	%	81	91	92	91	92 or more	88.8	X	92 or more	95 or more
<b>Reduce CO<sub>2</sub> emissions</b>										
Improve the reduction rate for CO <sub>2</sub> emissions during operation of buildings to be designed*9	%	24	27	25	32	20 or more	38	○	25 or more	25 or more
Improve the reduction rate for CO <sub>2</sub> emissions from construction work (vs. fiscal 1990 level)	%	46	55	57	50	50 or more	43	X	50 or more	56 or more
<b>Reduce hazardous substances</b>										
Reduce the amount of PRTR Act substances handled*8 *10	kg	533	461	568	1,044	-	980	-	Shift to daily management from the fiscal year ended March 31, 2013	
<b>Implement green procurement</b>										
Improve the green procurement ratio*11 for construction materials and supplies	%	18	16	51	48	50 or more	47	X	50 or more	55 or more
Improve the green procurement ratio for office supplies, etc.*7	%	75	81	82	83	84 or more	86	○	87 or more	88 or more

#### Legend and notes

○: Targets achieved

△: Targets have yet to be achieved, but results have improved from the previous fiscal year

X: Targets have yet to be achieved, with results deteriorating from the previous fiscal year

\*1 Medium-term targets for the fiscal year ending March 31, 2015 differ from those published in the OBAYASHI Corporate Report 2012 due to revisions in targets based on results, business forecasts and other factors.

\*2 Scope of facilities: buildings tenanted by Head Office, Tokyo Main Office, Osaka Main Office and various branches

\*3 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.

\*4 For years prior to the fiscal year ended March 31, 2012, the achievement standard for 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/m<sup>2</sup> or less.

From the fiscal year ended March 31, 2013 onward, the achievement standard for waste disposal has been 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/m<sup>2</sup>.

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/m<sup>2</sup>.

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/m<sup>2</sup>.

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/m<sup>2</sup>.

\*5 For years prior to the fiscal year ended March 31, 2012, waste emissions from retrofitting work were not included in the data. From the fiscal year ended March 31, 2013 onward, emissions of less than 1,000 t (excluding sludge) from retrofitting work and emissions of less than 10 t from civil engineering work were not included in the data.

\*6 Ratio of waste processing other than landfill disposal (recycling, compacting, etc.) (=100 (%) - landfill disposal rate (%)).

\*7 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

\*8 Scope of facilities: various machinery works

\*9 Figures from the fiscal year ended March 31, 2012 onward 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.

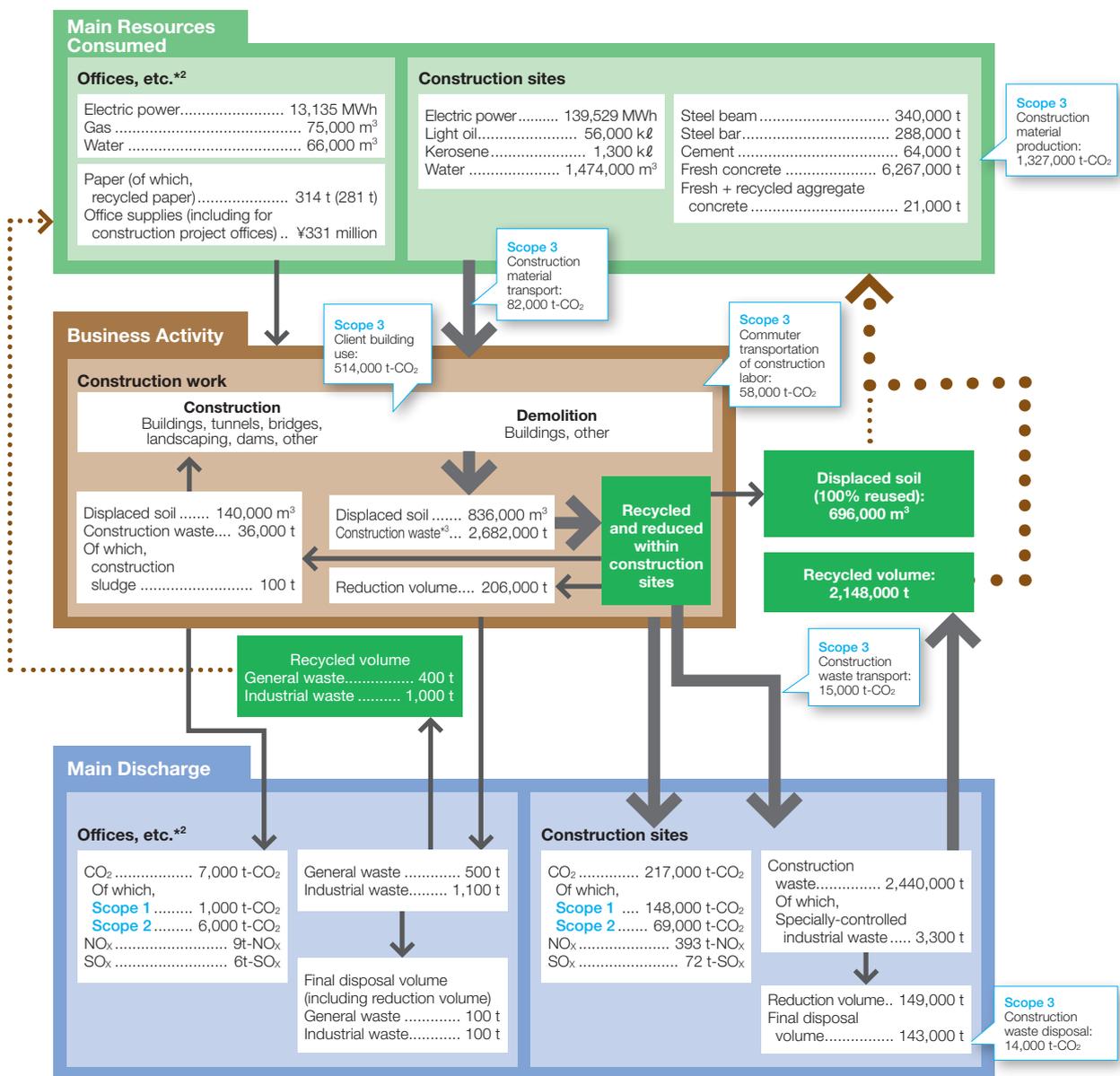
\*11 The ratio of the green procurement value to the total procurement value of all monitored items for the green procurement ratio

## 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 CO<sub>2</sub> emitted in connection with construction, a large proportion is from building operations and production of construction materials, which corresponds to Scope 3\*<sup>1</sup>.

### Overview of Obayashi's Material Flow in the Fiscal Year Ended March 31, 2013



\*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 construction project offices **Industrial waste:** construction sludge, concrete scraps, etc. **Specially-controlled industrial waste:** asbestos, etc.

## Low-Carbon Society

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

### Amount of CO<sub>2</sub> emissions during the construction stage

Items	Unit	2009	2010	2011	2012	2013
Total amount of emissions	1,000 t-CO <sub>2</sub>	203	169	163	188	217
Amount of emissions per value of completed work	t-CO <sub>2</sub> /billions of yen	2.0	2.0	2.1	2.1	2.2

### Composition of CO<sub>2</sub> emissions sources during the construction stage

Items	Unit	2009	2010	2011	2012	2013
Electricity	%	32	32	28	29	32
Light oil	%	67	67	71	70	67
Transport vehicles	%	26	28	25	27	16
Drilling machinery	%	20	21	24	15	19
Other construction machinery	%	21	18	22	28	30
Kerosene	%	1	1	1	1	1

### Reduction rate for CO<sub>2</sub> emissions of designed buildings

Items	Unit	2009	2010	2011	2012	2013
Number of designed buildings	Cases	27	24	19	83	89
Total area of designed buildings	m <sup>2</sup>	153,156	71,783	62,564	1,101,715	966,706
Amount of CO <sub>2</sub> emissions reduced	1,000 t-CO <sub>2</sub> /year	3.5	1.9	1.5	15.9	13.7
CO <sub>2</sub> emissions reduction rate	%	24	27	25	32	38

Note: 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 from the fiscal year ended March 31, 2012 onward represent comparisons with CASBEE reference values. The scope of aggregation includes all building uses.

### Power usage during office work

Items	Unit	2009	2010	2011	2012	2013
Power usage	kWh/person	1,845	1,848	1,759	1,495	1,161

Note: Scope of facilities includes 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.)

## Recycling-Oriented Society

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

### Zero emissions standards\*1 achievement rate of construction sites

Items	Unit	2009	2010	2011	2012	2013
Building construction*2	%	86	85	83	82	83
Civil engineering*2	%	82	81	79	80	86
Total	%	84	83	81	81	84

\*1 Previous to the fiscal year ended March 31, 2012, the achievement standard for the landfill disposal rate was 5% or less for construction waste (excluding sludge). However, for new building construction work, the achievement standard for landfill disposal was either as above or amounted to 5 kg/m<sup>2</sup> or less.

In the fiscal year ended March 31, 2013, the achievement standard for landfill disposal rate was less than 5% for construction waste (excluding sludge). However, for new building construction work, the achievement standard for landfill disposal was either as above or less than 5 kg/m<sup>2</sup>.

\*2 For years prior to the fiscal year ended March 31, 2012, waste emissions from retrofitting work were not included in the data. For the fiscal year ended March 31, 2013, emissions of less than 1,000 t (excluding sludge) from retrofitting work and emissions of less than 10 t from civil engineering work were not included in the data.

### Amount of waste emissions and recycling rate for construction waste (excluding sludge)

Items	Unit	2009	2010	2011	2012	2013
Waste emissions	1,000 t	1,504	1,218	1,362	1,373	1,527
Concrete debris	1,000 t	1,156	905	1,052	1,021	1,127
Asphalt and concrete debris	1,000 t	157	130	125	127	129
Wood scraps	1,000 t	31	35	33	30	56
Other sorted waste	1,000 t	99	95	117	155	169
Mixed waste	1,000 t	61	53	35	40	46
Landfill disposal amount	1,000 t	32	27	28	34	41
Recycling rate	%	97.9	97.8	97.9	97.5	97.3

## Recycling-Oriented Society (continued)

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

### Breakdown of amount of emissions from new building construction and demolition

Items	Unit	2009	2010	2011	2012	2013
New building construction	1,000 t	152	213	173	162	181
Demolition	1,000 t	1,351	1,004	1,189	1,211	1,346
<b>Total</b>	<b>1,000 t</b>	<b>1,503</b>	<b>1,217</b>	<b>1,362</b>	<b>1,373</b>	<b>1,527</b>

### Waste processing and disposal ratio by type of waste

Items	Unit	2009	2010	2011	2012	2013
Concrete debris	Landfill disposal	%	0	0	0	0
	Reduction	%	0	0	0	0
	Recycling and reuse	%	100	100	100	100
Asphalt and concrete debris	Landfill disposal	%	0	0	0	0
	Reduction	%	0	0	0	0
	Recycling and reuse	%	100	100	100	100
Wood scraps	Landfill disposal	%	1	1	0	0
	Reduction	%	3	2	6	6
	Recycling and reuse	%	96	97	94	94
Other sorted waste	Landfill disposal	%	19	18	17	15
	Reduction	%	2	5	3	2
	Recycling and reuse	%	79	77	80	83
Mixed waste	Landfill disposal	%	15	16	22	24
	Reduction	%	16	14	8	9
	Recycling and reuse	%	69	70	70	67
(Reference)						
Construction sludge	Landfill disposal	%	12	7	12	5
	Reduction	%	26	26	23	18
	Recycling and reuse	%	62	67	65	77

### Amount of waste emissions (excluding sludge) and mixed waste per floor area from construction work (new building construction)

Items	Unit	2009	2010	2011	2012	2013
Construction waste (excluding sludge)	kg/m <sup>2</sup>	16.6	17.9	21.2	19.9	21.1
Mixed waste	kg/m <sup>2</sup>	4.2	3.8	4.1	4.6	5.0

### Amount of asbestos processed

Items	Unit	2009	2010	2011	2012	2013
Amount processed	t	1,298	2,439	2,437	2,582	1,858.4

### Electronic manifests: number of sheets used and usage rate

Items	Unit	2009	2010	2011	2012	2013
Number of sheets used	Thousands of sheets	175	188	259	266	315
Usage rate	%	59	74	82	80	86

### CFC and halon gases: amount collected and processed

Items	Unit	2009	2010	2011	2012	2013
CFC gas	t	3.3	3.5	2.0	9.6	6.1
Halon gas	t	0.0	0.0	0.2	1.2	0.5
<b>Total</b>	<b>t</b>	<b>3.3</b>	<b>3.5</b>	<b>2.2</b>	<b>10.8</b>	<b>6.6</b>

## Recycling-Oriented Society (continued)

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

### Results of soil contamination surveys and remediation work

Items	Unit	2009	2010	2011	2012	2013
Surveys (including those associated with remediation work)	Cases	110	96	140	140	112
Remediation work	Cases	74	49	86	62	63

### Amounts of resource usage and waste emissions, etc., during office work

Items	Unit	2009	2010	2011	2012	2013
Water usage <sup>*1</sup>	m <sup>3</sup> /Person	8.1	6.8	6.8	6.4	6.4
Paper usage <sup>*2</sup>	kg/Person	58	54	53	54	57
Recycled paper	kg/Person	37	42	41	41	51
Other	kg/Person	21	12	12	13	6
Recycled paper usage rate	%	64	78	77	76	89
Amount of general waste emissions <sup>*2</sup>	kg/Person	109	91	95	90	90
Recycling	kg/Person	83	68	73	71	72
Other	kg/Person	26	23	22	19	18
Recycling rate	%	76	75	77	79	80

\*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 Symbiotic Society

### Activities to preserve biodiversity at construction sites (Fiscal year ended March 31, 2013)

#### Regard for Agriculture and Fisheries

- In a project for improving soft ground distributed across a wide belt of rice paddies where humus had accumulated, we took care to minimize our impact on surrounding rice paddies and to manage the water quality of pump water.
- In tunnel-digging operations near bays and rivers, we considered the impact on the running salmon and changed our method during the autumn salmon-fishing period from a blast method to a mechanical method to reduce noise and vibrations.

#### Protection for Wild Animals

- In a worksite adjacent to tidal mudflats that were designated in the Ramsar Convention, we took measures to control noise and vibration for the sake of the wild birds that visit the mudflats. For example, we banned the use of large-size hydraulic breakers in crushing concrete and rocks.
- When operating in a mountainous area, we made sure to use opaque light for night illumination and took other measures to avoid startling raptorial birds that nested in the area.
- To protect fireflies inhabiting an urban riverbank construction site, we followed the survey and advice of an entomologist to avoid construction work during the breeding season, and took pains to reduce the negative impact of light during construction work.

#### Preserve and Restore Natural Areas

- To protect the natural secondary forest near a construction site, we set up elevated walkways for workers to prevent people involved in the project from trampling on grass, flowers and tree roots.
- After using stone from a quarry for a large-scale dam project, we filled in the quarry with rocks and soil, covered it with topsoil, and planted trees of the surrounding varieties, as well as seeds, in order to restore greenery in line with the local natural habitat.

## Others

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

### Major green purchases of construction materials

Items	Unit	2009	2010	2011	2012	2013	
Liquefied stabilized soil	Millions of yen	353	316	273	369	159	
Soil from construction sites	1,000 m <sup>3</sup>	141	465	573	835	270	
Recycled concrete aggregate, etc.	1,000 t	283	383	310	147	288	
Recycled asphalt and concrete	1,000 t	47	54	41	46	28	
Blast furnace cement	1,000 t	16	24	63	33	58	
Blast furnace concrete	1,000 m <sup>3</sup>	393	247	254	378	248	
Recycled steel (electric arc furnace steel)	Steel frame	1,000 t	160	36	134	93	164
	Reinforcing bars	1,000 t	280	241	243	289	288
Precast concrete products	Millions of yen	11,914	10,771	9,906	14,524	14,233	

### Green procurement ratio\* for office products and other items

Items	Unit	2009	2010	2011	2012	2013
Procurement amount	Millions of yen	93	93	115	104	114
Procurement rate	%	75	81	82	83	86

\* 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	2009	2010	2011	2012	2013
Xylene	kg	173	234	147	267	248
Toluene	kg	22	31	105	61	39
Ethylbenzene	kg	28	55	35	43	25
Trimethylbenzene	kg	268	133	215	277	444
Others	kg	42	8	66	396	224
<b>Total</b>	<b>kg</b>	<b>533</b>	<b>461</b>	<b>568</b>	<b>1,044</b>	<b>980</b>
<b>Tokyo Machinery Works</b>						
Xylene	kg	94	96	90	157	151
Toluene	kg	9	3	11	9	9
Ethylbenzene	kg	7	6	20	24	16
Trimethylbenzene	kg	138	96	126	117	112
Others	kg	24	3	6	218	205
<b>Subtotal</b>	<b>kg</b>	<b>272</b>	<b>204</b>	<b>253</b>	<b>525</b>	<b>493</b>
<b>Osaka Machinery Works</b>						
Xylene	kg	79	138	57	110	97
Toluene	kg	13	28	94	52	30
Ethylbenzene	kg	22	49	15	19	9
Trimethylbenzene	kg	130	37	89	160	332
Others	kg	17	5	60	178	19
<b>Subtotal</b>	<b>kg</b>	<b>261</b>	<b>257</b>	<b>315</b>	<b>519</b>	<b>487</b>

\* A law to improve the monitoring and management of releases to the environment of designated chemical substances

Note: A revision to the PRTR Law increased the number of substances subject to this law in the fiscal year ended March 2012.

### Removal\*<sup>1</sup> of PCB waste materials\*<sup>2</sup>

Items	Unit	2009	2010	2011	2012	2013
Capacitors	Units	57	16	143	31	0
Transformers	Units	1	0	0	0	0

\*<sup>1</sup> 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.

\*<sup>2</sup> 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)

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

### A training session concerning environmental laws and regulations

Items	Unit	2009	2010	2011	2012	2013
Number of training sessions held	Times	227	209	194	175	167

### Deficiencies\* and complaints

Items	Unit	2009	2010	2011	2012	2013
Deficiencies	Cases	4	4	0	0	4
Claims	Cases	876	870	1,122	1,075	995

\* 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 involving more than a small fine

Note: Obayashi strives to prevent conflicts for reoccurring by aptly responding to the complaints it receives and caring for the environment surrounding its sites.

### Soil Remediation Measures at Land Owned by the Company

Of the land the Company owns, 0 sites were the subject of an investigation based on the Soil Contamination Countermeasures Act in the fiscal year ended March 31, 2013.

### Selection of environmental protection activities at construction sites

(Number of construction project offices)

Environmental protection activities are selected from the following list	2009	2010	2011	2012	2013
Reduce consumption of resources and energy	434	441	499	526	510
Reduce the volume of waste materials	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Reduce the volume of surplus soil from construction activities	242	263	299	334	315
Reduce the amount of engine exhaust gas	452	454	494	531	511
Reduce the generation of dust	419	423	477	500	491
Reduce the generation of CO <sub>2</sub>	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Reduce the generation of substances harmful to the ozone layer	66	80	91	105	93
Reduce the use of tropical timber for concrete forms	140	153	189	207	203
Reduce noise	448	436	497	520	503
Reduce vibrations	428	421	485	510	498
Reduce odors	158	193	220	246	252
Reduce the generation of hazardous chemical substances	106	131	151	154	171
Reduce the generation of water pollutants	344	352	395	421	418
Reduce the generation of soil pollutants	152	188	211	247	265
Reduce ground subsidence	111	144	177	203	224
Prevent disruptions of train operations	77	84	96	93	76
Reduce gas generated within tunnels	26	32	33	47	39
Use green procurement	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Reduce changes in the natural environment and ecosystem	46	54	71	58	83

Note: Obayashi construction sites use an Environmental Site Navipack, which is an environmental management system implementation tool produced for those sites. The tool selects environmental protection activities from the 19 items shown above and implements these activities.

## Environmental Accounting

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

### Cost of environmental protection

Items		Unit	2009	2010	2011	2012	2013
Cost within business area	Preventing pollution	Millions of yen	8,625	5,914	5,787	5,444	5,918
	Protecting the global environment	Millions of yen	783	280	151	524	331
	Recycling resources	Millions of yen	14,229	14,060	13,049	13,369	17,716
	Subtotal	Millions of yen	23,637	20,254	18,987	19,337	23,965
Upstream and downstream cost	Environmental design elements	Millions of yen	1,455	1,464	1,483	1,637	1,684
Cost of management activities	Environmental management system	Millions of yen	178	105	115	86	90
	Information disclosure and environmental advertisements	Millions of yen	71	64	60	51	79
	Supervision and measurements	Millions of yen	94	113	226	166	227
	Environmental education	Millions of yen	4	2	3	8	16
	Improving appearance of area near the construction site	Millions of yen	93	40	76	42	34
	Departments associated with environmental activities	Millions of yen	356	244	387	396	323
Subtotal	Millions of yen	796	568	867	749	769	
R&D costs	Environmental R&D activities	Millions of yen	2,153	2,273	2,666	2,968	3,619
Social activities costs	Contributions and assistance for environmental organizations	Millions of yen	14	12	13	3	14
Cost of correcting environmental damage	Nature restoration activities	Millions of yen	10	0	46	41	50
	Allowances and insurance for damage to the environment	Millions of yen	28	10	18	1	94
	Subtotal	Millions of yen	38	10	64	42	144
<b>Total</b>		Millions of yen	<b>28,093</b>	<b>24,581</b>	<b>24,080</b>	<b>24,736</b>	<b>30,195</b>

### Environmental performance indicators

Items	Unit	2009	2010	2011	2012	2013
CO <sub>2</sub> emissions	Millions of yen/ t-CO <sub>2</sub>	4.99	5.01	4.73	4.87	4.59
Construction waste discharges	Millions of yen /t	6.64	3.98	4.45	5.63	5.48
Green procurement*	%	18	16	51	48	47

\* 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.

Note: Calculation formula

CO<sub>2</sub> emissions: total sales from a project divided by CO<sub>2</sub> 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

#### Basic unit for calculating environmental protection benefits (fiscal year ended March 2013)

Items	Electricity	Light oil	Kerosene	Gas
Primary energy* <sup>1</sup>	9.97MJ/kWh	37.7MJ/L	36.7MJ/L	44.8MJ/m <sup>3</sup>
CO <sub>2</sub> * <sup>2</sup>	By electric utility company* <sup>4</sup>	2.58 kg-CO <sub>2</sub> /L	2.49 kg-CO <sub>2</sub> /L	2.23 kg-CO <sub>2</sub> /Nm <sup>3</sup>
SOx* <sup>3</sup>	0.424 g-SOx/kWh	0.00298 g-SOx/MJ	0.00358 g-SOx/MJ	0.00318 g-SOx/MJ
NOx* <sup>3</sup>	0.673 g-NOx/kWh	0.06965 g-NOx/MJ	0.04998 g-NOx/MJ	0.05353 g-NOx/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

CO<sub>2</sub> emission coefficients for individual electric utilities  
(Announced on November 6, 2012), Ministry of the Environment

\*4 Emission coefficients for individual electric utilities

Power companies	Effective emission factor (kg-CO <sub>2</sub> /kWh)
Hokkaido Electric Power Co., Inc.	0.485
Tohoku Electric Power Co., Inc.	0.547
Tokyo Electric Power Co., Inc.	0.464
Chubu Electric Power Co., Inc.	0.518
Hokuriku Electric Power Company	0.641
The Kansai Electric Power Co., Inc.	0.450
The Chugoku Electric Power Co., Inc.	0.657
Shikoku Electric Power Co., Inc.	0.552
Kyushu Electric Power Co., Inc.	0.525
The Okinawa Electric Power Co., Inc.	0.932
Alternative	0.550

#### 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)

Obayashi Corporation on a non-consolidated basis unless noted otherwise  
Fiscal years ended March 31

### Impact on environmental protection

Items		Unit	2009	2010	2011	2012	2013	
Input	Energy consumption	Construction sites	TJ*1	3,568	2,937	2,873	3,340	3,554
		Portion of electricity purchased	GWh	156	127	117	139	140
		Offices, etc.*2	TJ	173	161	170	146	136
		Electricity purchased	GWh	16	15	16	14	13
	Water usage	Construction sites*3	1,000 m <sup>3</sup>	1,650	2,141	2,395	1,832	1,474
		Offices, etc.*2	1,000 m <sup>3</sup>	81	76	83	67	66
	Green procurement amount	Construction materials	Millions of yen	83,376	55,475	47,114	52,325	55,769
		Recycled paper*2	Millions of yen	43	43	46	42	50
Office supplies*4		Millions of yen	208	193	195	199	162	
Siteware		Millions of yen	86	73	121	99	71	
Output	CO <sub>2</sub> emissions	Construction sites	1,000 t-CO <sub>2</sub>	203	169	163	188	217
		Of which, Scope 1*5	1,000 t-CO <sub>2</sub>	136	115	117	134	148
		Of which, Scope 2*5	1,000 t-CO <sub>2</sub>	67	54	46	54	69
		Offices, etc.*2	1,000 t-CO <sub>2</sub>	7	7	7	6	7
		Of which, Scope 1*5	1,000 t-CO <sub>2</sub>	1	1	1	1	0.5
		Of which, Scope 2*5	1,000 t-CO <sub>2</sub>	6	6	6	5	6
	SOx emissions	Construction sites	t-SOx	72	59	55	64	72
		Offices, etc.*2	t-SOx	7	7	8	6	6
	NOx emissions	Construction sites	t-NOx	243	201	197	229	393
		Offices, etc.*2	t-NOx	11	11	12	10	9
	Volume of construction waste (including sludge)		1,000 t	1,964	1,618	2,139	2,132	2,440
	Construction waste reuse (on site) ratio (including sludge)		%	4	3	2	5	1.3
	Construction waste recycling ratio (including sludge)		%	89	89	85	89	88
	Construction waste landfill disposal (including sludge)		1,000 t	95	65	142	90	143
	Construction waste landfill disposal ratio (excluding sludge)		%	2	2	2	3	2.7
	Products and services	CO <sub>2</sub> emission reduction due to use of environmental design*6*7	1,000 t-CO <sub>2</sub>	123	67	54	557	480

### Economic impact

Items		Unit	2009	2010	2011	2012	2013	
Input	Cost reductions due to resource and energy conservation measures at construction sites	Electricity used*8 (vs. previous year)	Millions of yen	1,128	646	214	-476	657
		Light oil used*8 (vs. previous year)	Millions of yen	-42	645	-88	-1	605
		Kerosene used*8 (vs. previous year)	Millions of yen	6	6	2	0	38
		Materials purchased*9 (actual amount)	Millions of yen	113	112	64	261	24
Output	Benefits from sorting construction site waste	Millions of yen	133	17	13	30	6	

\*1 Unit for energy: 1 terajoule = 1 × 10<sup>12</sup> joules

\*2 Locations included: Head office / Tokyo Main Office, Osaka Main Office, buildings housing other branch offices, machinery works, material/equipment centers, and the Technical Research Institute.

\*3 The calculation method has been changed, and figures for the fiscal year ended March 31, 2012, and earlier, have been restated accordingly.

\*4 Calculated using the Biznet procurement system for office supplies, etc.

\*5 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)

\*6 Comparison with CASBEE reference figures. Data cover all applications. In the fiscal year ended March 2011 and the 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."

\*7 Figures assume a useful building life of 35 years.

\*8 Conversions for reductions in volume used from the 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 (¥119,000/k) Kerosene (¥90,000/k)  
Source: March 2012 issue of Sekisan Shiryō magazine, published by the Economic Research Association

\*9 Waste materials reused at the construction site have been converted to construction material equivalents as follows:

Construction sludge → Backfilling soil (¥3,000/m<sup>3</sup>)  
Concrete debris → Recycled crushed stone (¥1,150/m<sup>3</sup>)  
Asphalt/concrete debris → Recycled crushed stone (¥1,150/m<sup>3</sup>)

Source: March 2013 issue of Sekisan Shiryō magazine, published by the Economic Research Association

Wood scraps → Wood chips (¥4,000/m<sup>3</sup>)  
Sample price for 50 frequently used hardwood trees in Saitama Prefecture  
Source: Website of Forestation Section, Department of Agriculture and Forestry, Saitama Prefectural Government

## External organizations in which Obayashi is a participant

### Charters, proposals and other external guidelines that Obayashi follows and supports

#### 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](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 participates (As of March 31, 2013)

- Sustainability Science Consortium (SSC)
- Special Project on Eco-innovation and Eco-business for Sustainable Development (SPEED)
- Green Energy Partnership
- Green Purchasing Network (GPN)
- Network for Sustainability Communication (NSC)
- Keidanren Committee on Nature Conservation
- Yamashina Institute for Ornithology
- Zero Energy Construction Promotion Council
- Japan Sustainable Building Consortium
- Japan Smart Community Alliance (JSCA)

## Obayashi Group Environmental Data

(Fiscal years ended March 31)

Items		Unit	2009	2010	2011	2012	2013
CO <sub>2</sub> emissions	Obayashi Group	1,000 t-CO <sub>2</sub>	302	262	271	305	337
	Group excluding parent company	1,000 t-CO <sub>2</sub>	92	87	101	111	113
Waste discharges	Obayashi Group	10,000 t	227	197	246	240	279
	Group excluding parent company	10,000 t	31	35	32	27	35
Paper usage	Obayashi Group	t	382	373	362	391	371
	Group excluding parent company	t	62	55	54	63	56

Note: Scope of Group companies\*1

[Construction Business]

Obayashi Road Corporation, Naigai Technos Corporation, Obayashi Facilities Corporation, Oak Setsubi Corporation, Tokken Corporation, Soma Environmental Service Corporation, ATELIER G&B Co., Obayashi Design Partners

[Real Estate Business]

Obayashi Real Estate Corporation, Seiwa Real Estate Co., Ltd.

[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.

<Renewable energy generation related>

Obayashi Clean Energy Corporation\*2

\*1 Excludes companies for which separate data does not need to be collected, such as companies that operate within Obayashi offices

\*2 Company newly included in data starting from the fiscal year ended March 2013

Note: 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



The Museum of Japanese Art *Yamato Bunkakan*



TOKYO SKYTREE®



Obayashi Technical Research Institute Main Building



National University of Singapore Research Laboratory



Dubai Metro



URUP (Ultra Rapid Under Pass) Method

Award name	Awards sponsor	Award-winning object/party
Good Design Awards 2012	Japan Institute of Design Promotion	Facility for employing people with disabilities (Nissay Chifune Building) Medical clinic tenant building (Karasuma Hi-Medic Court)
53rd BCS (Building Contractors Society) Awards	Japan Federation of Construction Contractors	Hoki Museum
22nd BELCA Awards	Building and Equipment Longlife Cycle Association (BELCA)	<b>Long-life Category:</b> Sumitomo Building <b>Best Renovation Category:</b> The Museum of Japanese Art <i>Yamato Bunkakan</i>
42nd Japan Industrial Technology Awards Prime Minister's Prize	The Nikkan Kogyo Shimbun, Ltd.	Construction of TOKYO SKYTREE®
51st The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan Awards Technology Prize Renovation Prize	The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan	<b>Technology Prize:</b> Formulation and implementation of an energy conservation plan at Obayashi Technical Research Institute's Main Building <b>Renovation Prize:</b> Net ZEB (zero energy building) renovation and evaluation of Tokyo Gas Co., Ltd.'s Kohoku New Town Building (Earthport)
1st Carbon Neutral Grand Awards Assessment Committee Special Prize	Japan Building Mechanical and Electrical Engineers Association	Net CO <sub>2</sub> emission ZEB design of Obayashi Technical Research Institute's Main Building
Fiscal 2012 Awards for Achievement in Promoting Reduce, Reuse, Recycle Activities (3R Awards) Minister of Land, Infrastructure, Transport and Tourism Prize	Reduce, Reuse, Recycle Promotion Council	Reduce, reuse, recycle initiatives in a challenging renovation project converting an existing office building into an engineering laboratory (Materials & Chemical Engineering Laboratory, Obayashi Technical Research Institute)
Construction Excellence Awards 2013	Building and Construction Authority (Singapore)	<b>Commercial/Mixed Development Buildings Category:</b> Ocean Financial Centre <b>Institutional Buildings Category:</b> CREATE Project, National Research Foundation (National University of Singapore)
Civil Engineering Design Awards 2012, Technological Development Prize, Tanaka Prize, etc.	Japan Society of Civil Engineers	<b>Technological Development Prize:</b> Development of the Dual Anchored Sheet Pie Wall Method (technology for deepening and seismically reinforcing an existing wharf while still in use) <b>Tanaka Prize (Structural Work Category):</b> Dubai Metro viaduct
14th National Civil Engineering Technology Development Awards, Grand Prize for Excellence	Japan Institute of Country-ology and Engineering Coastal Development Institute of Technology	URUP (Ultra Rapid Under Pass) method: An innovative tunneling technology for launching and retrieving a pressured-face TBM at ground level
Fiscal 2012 Minister of Health, Labour and Welfare Awards for Safety and Health, Award for Excellence	Ministry of Health, Labour and Welfare	Department store facilities work, Osaka Station North Gate Building (tentative name) Kinokawa B1 section reconstruction project
Third Pleasant Workplace Awards, Grand Prize for Excellence	Japan Federation of Construction Contractors	Osaka Main Office's Shin-Meishin Expressway Takatsuki Junction Project Office

## 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 2013).



# Corporate Data

## Business Outline

Company Name	: OBAYASHI CORPORATION
Founded	: January 1892
Established	: December 1936
President	: Toru Shiraishi
Head Office	: Shinagawa Intercity Tower B, 2-15-2, Konan, Minato-ku, Tokyo 108-8502, Japan
Capital	: 57,752 million yen
Employees	: 8,179 (as of March 31, 2013)
Construction Business Permission	: Government Permit (Toku/Han-21) 3000
Real Estate Business License	: Government License (13) 791
Business Activities	: Construction work in and outside Japan, regional development, urban development, ocean development, environmental improvement, and other construction-related businesses, including engineering, management, consulting, and real estate, etc.

## Major Business Offices:

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

## Research Institute:

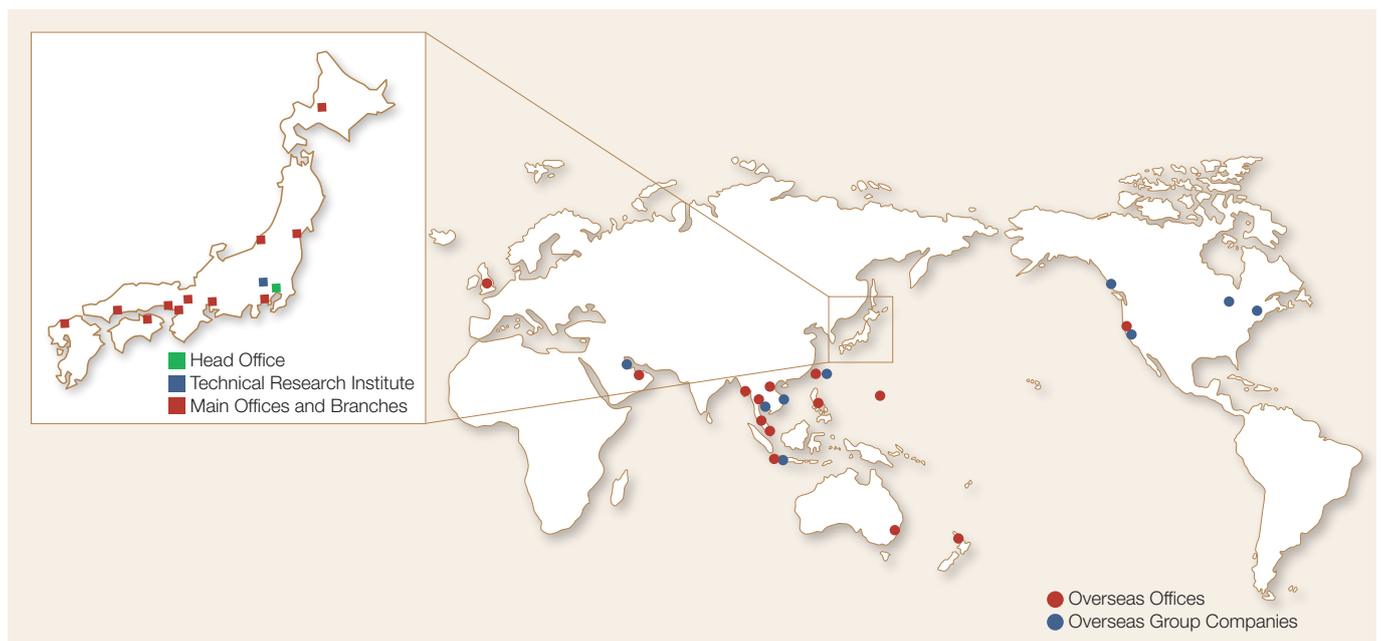
Technical Research Institute (Tokyo)

## Overseas Offices:

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

## Major Group Companies:

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



# Stock Information/Editorial Policy

## Stock Information (As of March 31, 2013)

Number of Shares	1,224,335,000 shares
Authorized:	(No change from the end of the previous fiscal year)
Total Number of Shares Issued and Outstanding:	721,509,646 shares (No change from the end of the previous fiscal year)
Number of Shareholders:	48,662
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

Note: The Company's stock is currently listed on the two exchanges in Tokyo and Fukuoka, as the Osaka Securities Exchange was merged with the Tokyo Stock Exchange on July 16, 2013.

## Major Shareholders (As of March 31, 2013)

	Shareholdings	
	Shares held (Thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	63,706	8.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,566	5.93
Nippon Life Insurance Company	26,131	3.64
Takeo Obayashi	21,564	3.00
Japan Trustee Services Bank, Ltd. (Trust Account 9)	18,853	2.62
SSBT OD05 OMNIBUS ACCOUNT— TREATY CLIENTS	14,665	2.04
Obayashi Employee Shareholding Association	12,109	1.69
Northern Trust Co. AVFC Re U.S.Tax Exempted Pension Funds	10,198	1.42
State Street Bank and Trust Company 505225	10,055	1.40
Sumitomo Realty & Development Co., Ltd.	9,159	1.28

Note: Shareholding ratios exclude treasury stock (3,288,988 shares).

## Editorial Policy

Starting in 2012, we decided to issue an Obayashi Corporate Report each year, as a single, comprehensive document to present our economic, social, and environmental activities over one year in a unified and clear format, providing a general yet concise picture of our business activities for stakeholders to understand.

This report consists of an opening chapter titled About Obayashi Corporation, which includes A Message to Our Stakeholders from top management. This is followed by two reporting chapters outlining our major activities and achievements titled Business Overview and Together with Stakeholders. In the back is a Corporate Data chapter showing trends in Obayashi's key performance indicators.

The two reporting chapters spotlight two different yet integral aspects of Obayashi's activities. The Business Overview chapter provides a status report on the business strategy and medium-term business plan objectives for each of Obayashi's business segments. In contrast, the Together with Stakeholders chapter describes the Groups major activities from the perspective of four key elements; 1) Engagement with customers, 2) Global perspective, 3) Amenity and associates, and 4) Open communication with stakeholders. These elements are the building blocks to CSR at Obayashi.

The Obayashi Corporate Report is an important communication tool of Obayashi for fostering an understanding of the Group's business activities among all stakeholders. In editing the report, attention was paid to universal design with an emphasis on readability.

### Consideration Given to Coverage and Importance:

Furthermore, Obayashi strives to announce the economic, social and environmental aspects of activities picked up in this report more broadly on the Company webpage in a concise and timely manner.

This report features the initiatives Obayashi considers vital in addressing matters of good corporate citizenship important to both society and the Company. Along with the references and guidelines listed to the right, and the content of questionnaires on socially responsible investment (SRI), Obayashi turns to shareholder opinions for guidance for those initiatives.

Information not recorded in this report due to paper limitations is recorded on the Company website with notice thereof and the URL.

### • Organizations Covered:

The economic section covers Obayashi Corporation and the Obayashi Group, while social, and environmental sections cover Obayashi Corporation (initiatives at some Group companies also listed).

### • Period Covered:

Fiscal 2013.3 (April 1, 2012–March 31, 2013, and coverage of some activities in fiscal 2014.3)

### • 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 2012* by the Ministry of the Environment of Japan
- *ISO 26000* by Japan Standards Association

### • Published:

October 2013

Previous issue: October 2012

Next issue: Scheduled for October 2014

### • Prepared by:

CSR Department, Head Office

### • Contact:

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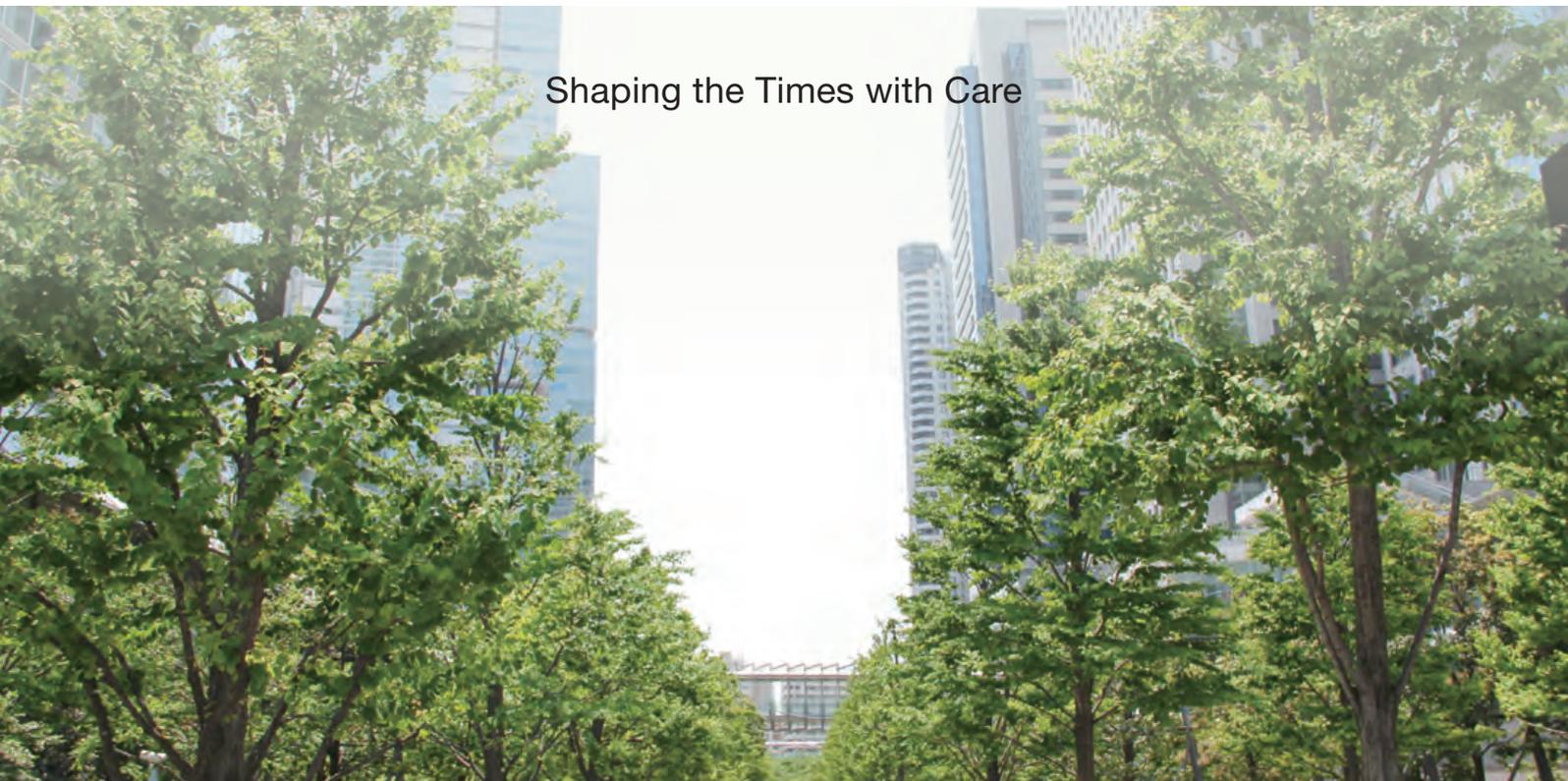
### Contact for Additional Information:

- **Homepage to Obayashi's website:**  
<http://www.obayashi.co.jp/english>
- **Financial information on Obayashi's website:**  
<http://www.obayashi.co.jp/english/ir>
- **CSR activities on Obayashi's website:**  
<http://www.obayashi.co.jp/english/csr/>

# OBAYASHI CORPORATION

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Shaping the Times with Care



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