OBAYASHI

OBAYASHI CORPORATE REPORT 2015

Fiscal Year Ended March 31, 2015

OBAYASHI CORPORATION

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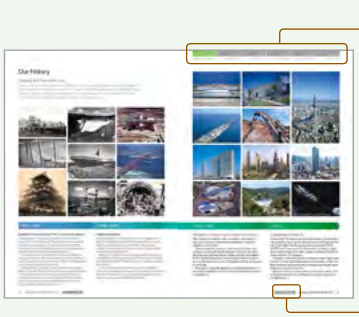
Readers' Guide to This Report



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Related information

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Purpose of Publication

The Obayashi Corporate Report is published to enable readers to understand the overall business activities of Obayashi and the Obayashi Group by disclosing its management strategy, financial information, and non-financial information in an integrated format.

Reporting Period

Fiscal 2015.3 (April 1, 2014–March 31, 2015, and coverage of some activities in fiscal 2016.3)

Caution Regarding Forward-Looking Statements

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

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Information Disclosure System The Obayashi Corporate Report concentrates on the key information needed to understand Obayashi. More detailed information is available on our website.

Financial Information	Non-Financial Information
Obayashi Corporate Report	
Website Investor Relations http://www.obayashi.co.jp/english/ir/	Website CSR http://www.obayashi.co.jp/english/csr/
Obayashi also discloses financial information in its annual and quarterly financial statements.	

Our History

Shaping the Times with Care

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


1914 Tokyo Central Station (currently Tokyo Station)


1924 Hanshin Koshien Stadium


1931 The Main Tower of Osaka Castle


1956 Nukabira Dam Power Generation Development


1964 Yoyogi National Stadium 2nd Gymnasium


1965 Musi River Bridge (Indonesia)


1970 Japan World Exposition (Theme Pavilion)


1972 Minato Bridge on Hanshin Expressway Route 5 Bayshore Line


1982 San Francisco Sewer (U.S.)

1892–1945

Building the Foundations of the Construction Business

The predecessor of Obayashi Corporation was founded on January 25, 1892 by Yoshigoro Obayashi as a civil engineering and building construction contractor in Osaka. At that time, directly after the Meiji Restoration, every industry in Japan was beginning to take steps towards modernization.

We were involved in construction of plants and offices for various industries as well as infrastructure construction projects such as ports and railroads. In February 1904, the company name was changed to Obayashi Corporation.

Starting with our successful construction of Tokyo Central Station (currently Tokyo Station) in 1914, we completed a string of iconic buildings for the time, including Hanshin Koshien Stadium and the reconstruction of the Main Tower of Osaka Castle. These achievements consolidated our position as a national-scale construction company.

1946–1990

Rapid Development

During the post-war reconstruction period, we applied our full attention to rebuilding key facilities throughout Japan, such as government offices, schools, and hospitals. We were also involved in several dam construction projects that pioneered electrical power development.

Thereafter, as Japan's car manufacturing, petrochemical, and synthetic fiber industries grew rapidly, the construction industry also advanced with the introduction of new materials and building methods.

In the 1960s, we became the first in Japan's construction industry to undertake overseas projects. We were also involved in numerous major projects in Japan as we developed into one of Japan's leading general contracting companies.


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


2002 Oasis 21


2012 TOKYO SKYTREE®


1997 Tokyo Bay Aqua-Line


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

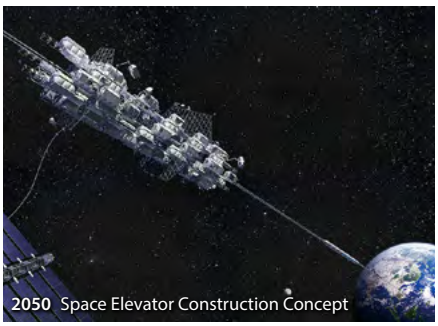

1998 Shinagawa Intercity


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


2014 Toranomon Hills


1999 Stadium Australia (Australia)


2012 Nyukawa Dam


2050 Space Elevator Construction Concept

1991–1999

Participation in Major Projects in Japan and Overseas

After marking its centenary, we continued to ride a wave of vigorous construction demand and expanded our business operations even further.

We participated in numerous major projects in Japan and overseas, including the Kansai International Airport, the Tokyo Bay Aqua-Line, the Akashi-Kaikyo Bridge, and the main stadium for the Sydney Olympics, as well as being involved in construction of urban landmarks, such as Shinagawa Intercity and Kyocera Dome Osaka.

We began to undertake aggressive overseas development in response to expanding overseas demand, widening the range of our operations.

2000–

Creating Value in a New Era

Entering the 21st century, we have participated in several distinctive projects in Japan, such as the construction of Roppongi Hills; the world's tallest free-standing broadcasting tower, TOKYO SKYTREE; and Toranomon Hills. We have also worked on urban development projects throughout Japan, including Grand Front Osaka and Oasis 21 in Nagoya.

Overseas construction projects include the Taiwan High Speed Rail, the Colorado River Bridge, and the Dubai Metro, while in the field of research and development we have proposed the Space Elevator Construction Concept.

We will continue to meet diverse construction needs, such as disaster prevention and mitigation and reducing environmental impact.

Business Fields

We will take steps to diversify our earnings base, taking "New Businesses" as a fourth pillar of income in addition to our three businesses in Building Construction, Civil Engineering, and Real Estate Development.

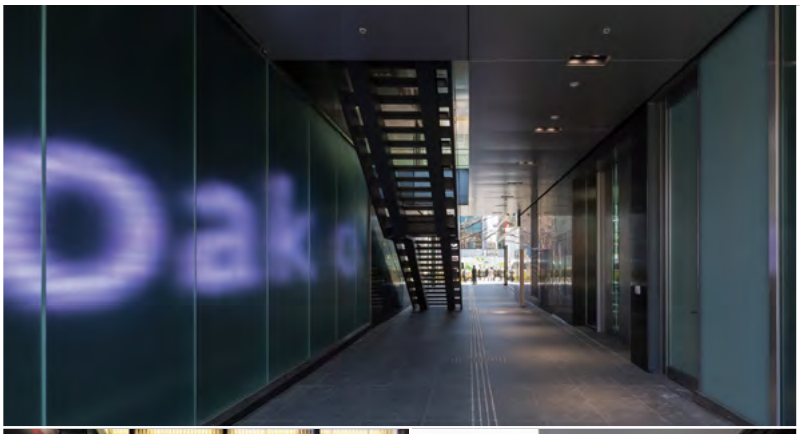
Photo courtesy of the Metropolitan Expressway Company Limited

Building Construction

We will help to enrich society by providing a wide range of buildings, such as offices, condominiums, schools, hospitals, production facilities, and stadiums.

Civil Engineering

We will support the vital infrastructure that underpins daily life, including roads, bridges, tunnels, railroads, and dams.



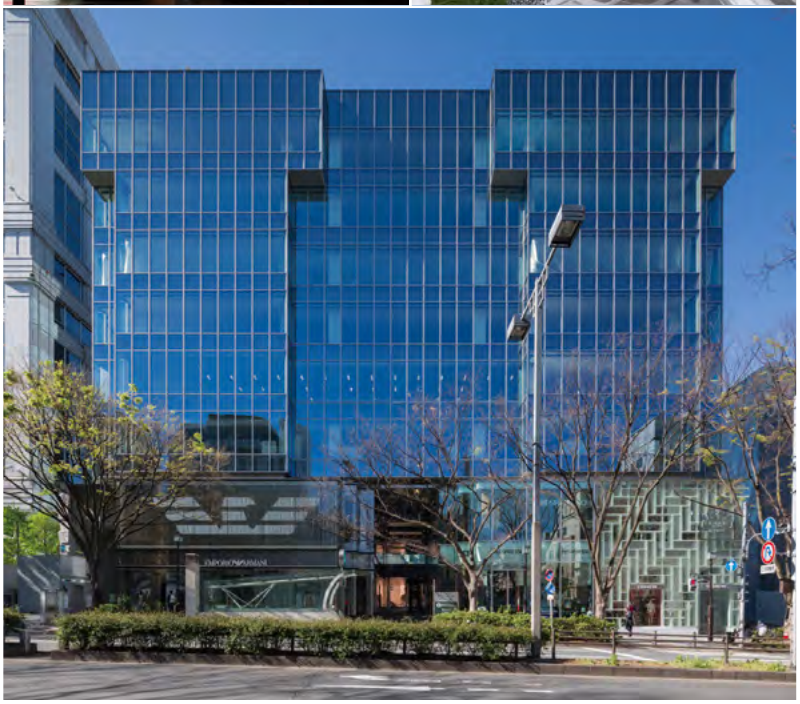


Photo courtesy of SPREAD Co., Ltd.

Real Estate Development

We will shape the future of our cities, utilizing the expertise we have developed in the construction business and adding ideas of our own.

New Businesses

We are expanding our renewable energy business, following solar power by promoting wind power, woodchip biomass, and geothermal power. In the agricultural field, we have launched a plant factory business.

Toward the Realization of a Sustainable Society

Guided by its corporate principles, the Obayashi Group is determined to offer solutions to social challenges in order to contribute to the creation of a sustainable society.

Major Challenges That Society Faces

Infrastructure

- Large scale natural disasters
- Aging infrastructure
- Insufficient infrastructure in emerging countries

Environment

- Climate change
- Depletion of resources
- Energy
- Biodiversity

Population

- Declining birthrate and aging population in Japan
- Rapid increase in the global population

The Obayashi Group's Mission for Society

Japan and countries around the world are facing various challenges arising from environmental issues such as climate change and the rapid evolution of society. These issues have a great influence on people's lives. We consider it our mission to offer solutions for these social challenges.

Creating a Safe, Enriched Society

- Ensure national security and safety (disaster prevention, mitigation, and response)
- Revitalize and extend the life of aging infrastructure
- Improve infrastructure in emerging countries

Fostering an Environmentally Responsible Society

- Environmental preservation
- Renewable energy

Building a work environment where all of our associates can exercise their unique talents

Specific Initiatives

Through Obayashi Group Medium-Term Business Plan 2015 (formulated in April 2015), CSR-Based management, and corporate activities that are controlled by corporate governance, the Obayashi Group will fulfill its social mission and thereby contribute to creating a sustainable society.

Obayashi Group Medium-Term Business Plan 2015

- Realize a safe, secure, comfortable society
- Promote diversification of the earnings base

► P.11

- Initiatives tailored to individual businesses

► P.17

CSR-Based Management

Quality/Environment/Human Resources/
Health and Safety/Suppliers/
Local Communities/Corporate Ethics

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Corporate Governance

- Ensure transparency and soundness of management
- Build a strong framework for business execution

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Key Business Performance

Consolidated Economic Aspect Data

					(Millions of yen)	(Thousands of U.S. dollars)*2
Fiscal years ended March 31	2011	2012	2013	2014	2015	2015
Orders received	¥1,180,639	¥1,362,702	¥1,449,567	¥1,653,005	**¥1,900,517**	**$15,815,238**
Orders received (construction business)	1,108,348	1,289,779	1,372,658	1,580,900	**1,797,441**	**14,957,488**
Net sales	1,131,864	1,245,772	1,448,305	1,612,756	**1,773,981**	**14,762,266**
Operating income	23,174	31,145	35,153	31,991	**48,388**	**402,668**
Operating margin (%)	2.0	2.5	2.4	2.0	**2.7**	–
Ordinary income	22,207	35,241	44,690	40,135	**59,913**	**498,573**
Net income	15,423	5,142	13,195	21,627	**28,695**	**238,788**
Net income per share (yen/U.S. dollars)	21.46	7.16	18.37	30.11	**39.96**	**0.33**
Net assets	351,287	365,492	414,650	448,108	**549,483**	**4,572,547**
Total assets	1,505,697	1,618,748	1,656,289	1,818,886	**1,996,193**	**16,611,416**
Equity ratio (%)	21.6	21.0	23.2	22.7	**25.4**	–
Return on equity (ROE) (%)	4.6	1.5	3.6	5.4	**6.2**	–
Dividends per share (yen/U.S. dollars)	8	8	8	8	**10**	**0.08**
Cash flow from operating activities*1	1,096	65,755	31,496	37,962	**74,646**	**621,177**
Cash flow from investing activities*1	(33,134)	(1,919)	(29,151)	(47,328)	**(7,442)**	**(61,934)**
Cash flow from financing activities*1	10,611	(48,949)	(28,977)	27,587	**(34,523)**	**(287,289)**
Cash and cash equivalents at end of period	108,999	121,682	99,690	121,177	**162,607**	**1,353,146**
Interest-bearing debt (excludes non-recourse loans)	321,375	320,798	306,323	351,592	**327,802**	**2,727,826**
Total amount of interest-bearing debt and non-recourse loans	409,260	405,115	388,168	428,444	**410,820**	**3,418,659**
Debt/equity (D/E) ratio (times)	1.26	1.19	1.01	1.04	**0.81**	–
Capital expenditure	49,043	17,017	35,084	69,110	**42,308**	**352,070**
Research and development	8,561	9,093	8,742	8,927	**9,391**	**78,152**
Depreciation	11,394	11,954	10,916	12,103	**14,392**	**119,771**

*1 In statements of cash flows, figures in ( ) represent the corresponding decrease in cash and cash equivalents.
*2 U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥120.17 to US$1, the prevailing rate of exchange at March 31, 2015.

Related information Please refer to the Consolidated Financial Summary on page 59 for further details.

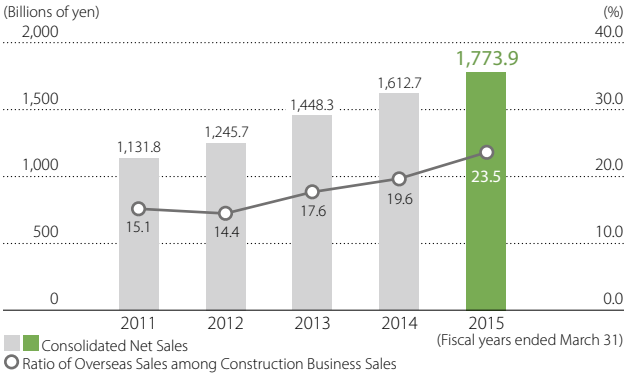
Non-Consolidated Social and Environmental Aspect Data

Fiscal years ended March 31	Unit	2011	2012	2013	2014	2015
Employees*1						
Consolidated employee headcount	Persons	14,639	12,870	12,838	12,856	**13,432**
Employee headcount	Persons	9,246	8,305	8,179	8,329	**8,369**
Men	Persons	8,089	7,193	7,075	7,058	**7,094**
Women	Persons	1,157	1,112	1,104	1,271	**1,275**
Average age	Years old	44.3	42.4	42.4	42.5	**42.4**
Average years of continuous employment	Years	20.1	18.1	18.0	17.7	**17.4**
Safety						
Accident frequency rate*2	–	0.50	0.71	0.67	0.71	**0.72**
Number of accidents resulting in four or more lost workdays	Cases	42	69	70	79	**82**

*1 Some fixed-term employees were excluded from the employee headcount starting from the fiscal year ended March 31, 2012.
*2 An indicator of the frequency of accidents measured as the number of accidental labor deaths and injuries recorded for every 1 million actual labor hours.

Environment						
CO_2 emission volume	1,000 t-CO_2	170	194	224	236	**228**
Waste emission volume	10,000 tons	214	213	244	294	**261**
Water consumption volume	10,000 cubic meters	248	190	154	152	**126**

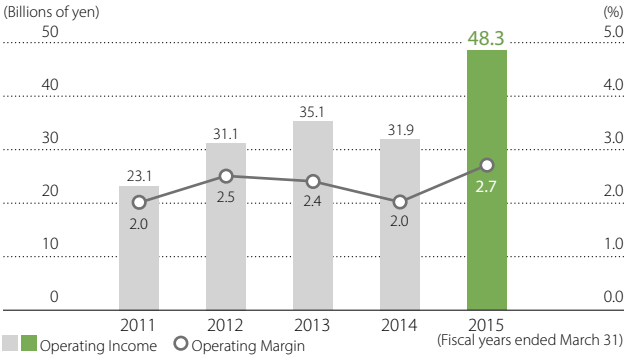
Consolidated Net Sales and Ratio of Overseas Sales among Construction Business Sales



↗ Consolidated net sales +¥161.2 billion
↗ Ratio of overseas sales +3.9 percentage points

Consolidated net sales increased from the previous fiscal year, mainly due to an increase in net sales of the Company and its subsidiaries from the construction business. The overseas sales ratio among construction business sales climbed 3.9 percentage points from the previous fiscal year to 23.5%, primarily due to an increase in net sales of overseas subsidiaries such as Webcor, LP and James E. Roberts-Obayashi Corporation.

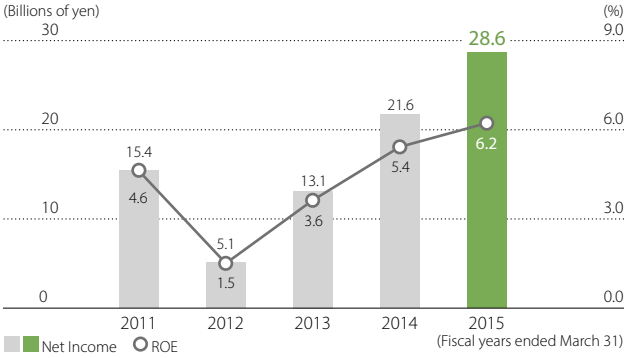
Operating Income and Operating Margin



↗ Operating income +¥16.3 billion
↗ Operating margin +0.7 of a percentage point

Operating income increased, mainly due to an increase in gross profit on completed construction contracts as a result of an increase in net sales of the construction business, as well as an increase in gross profit of real estate and other business. The operating margin rose 0.7 of a percentage point from the previous fiscal year to 2.7%.

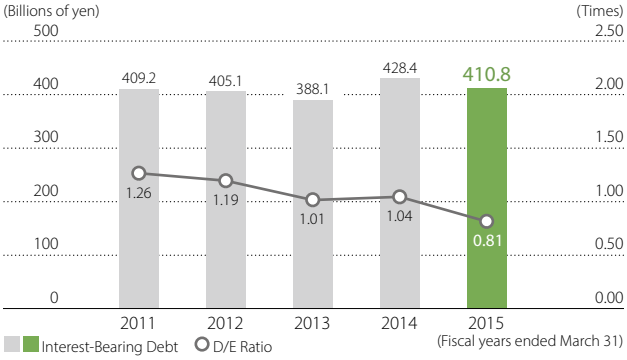
Net Income and ROE



↗ Net income +¥7.0 billion
↗ ROE +0.8 of a percentage point

Net income increased by ¥7.0 billion from the previous fiscal year to ¥28.6 billion, mainly due to an increase in operating income. ROE rose 0.8 of a percentage point from the previous fiscal year to 6.2%.

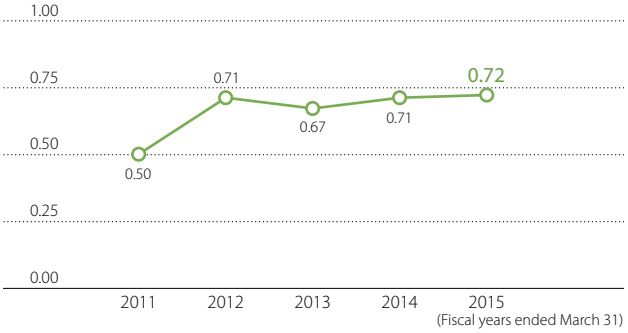
Interest-Bearing Debt and D/E Ratio



↘ Interest-bearing debt −¥17.6 billion
↘ D/E ratio −0.23 of a point

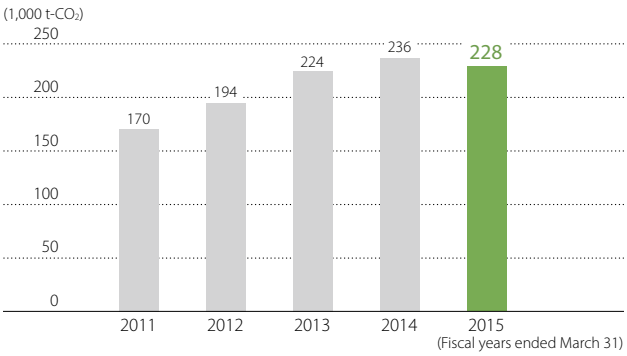
Interest-bearing debt decreased by ¥17.6 billion from the previous fiscal year to ¥410.8 billion, mainly due to positive cash flow from operating activities owing to improved net cash flow in the domestic construction business. The D/E ratio declined 0.23 of a point to 0.81 times.

Accident Frequency Rate



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

CO_2 Emission Volume



Most of Obayashi's CO_2 emissions are discharged from construction sites. CO_2 emissions decreased slightly from the previous fiscal year although completions remained at the same level as the previous fiscal year.

A Message to Our Stakeholders

—Toward the Realization of a Sustainable Society—

Toru Shiraishi
Representative Director
President

For over 120 years since its founding, the Obayashi Group has been committed to earning the trust of its customers, shareholders and investors, and other stakeholders by exercising true craftsmanship and employing superior technologies.

We will continue to contribute to the realization of a sustainable society through our efforts to provide safety, security, and comfort.

Creating a Safe, Enriched Society

Our daily lives are supported by buildings, such as our homes, schools, hospitals, and offices, as well as infrastructure, such as water and sewage pipes, roads, railroads, and dams. Recently, demand for buildings and infrastructure is diversifying—for example there is now an urgent need to create appealing communities through urban redevelopment and regional revitalization due to the falling birthrate and aging population, along with the advance of globalization. Moreover, the Tokyo 2020 Olympic and Paralympic Games are likely to spur accelerated efforts to upgrade infrastructure, especially in Tokyo. We will keep responding to the economic development and social environmental changes taking place in Japan, continuing to build the infrastructure needed to support the lifestyles and industries of each age.

On the other hand, the infrastructure that was built in Japan during the country's high-growth period is now aging. We need to strengthen and renew this infrastructure to extend its lifespan. We will also step up our initiatives in response to the nationwide call for disaster prevention and mitigation to protect society from major natural disasters. We provide services for customers' business continuity planning (BCP), such as state-of-the-art seismic isolation and vibration damping technologies, as well as earthquake damage prediction systems. We also offer studies and proposals for construction that requires high technical capabilities, such as maintenance and renewal of expressways and bridges that are currently in use. Through these initiatives, we will contribute to public safety and security.

Overseas, there is demand for action on intensive urbanization, environmental problems, and energy shortages in emerging countries that are experiencing rapid economic growth. Specifically, reducing chronic traffic congestion and air pollution will require upgraded urban expressway systems, addressing electricity shortages entails the construction of dams and power stations, while flood damage needs to be averted by constructing drainage tunnels and other structures. We have a rich and varied performance history complemented by technical and management capabilities honed over many years in Japan and overseas. We will leverage these advantages to build infrastructure for all countries.

Fostering an Environmentally Responsible Society

Amid a growing sense of crisis worldwide over the global spread of climate change, it is becoming more important to create communities with an awareness of the global environment.

Guided by our medium- to long-term environmental vision, Obayashi Green Vision 2050, we will continue doing our part to foster a society that has a low carbon footprint, is committed to recycling, and has a deep respect for the natural world.

Reducing CO_2 emissions is an urgent priority. We are promoting countermeasures at every stage of the building life cycle, from planning through to management after completion. First, at the planning stage, we are promoting planning and proposals of buildings with high environmental performance and use of construction materials that effectively reduce CO_2 emissions. Next, in the construction phase of the project, we strive to reduce construction waste and promote recycling of materials and energy-saving measures on construction sites. We also propose renewal plans to reduce the environmental burden of buildings after completion.

In the fiscal year ended March 31, 2015, we completed installation of a smart energy system at the Obayashi Technical Research Institute. The center's large distributed power sources are controlled by an energy management system (EMS) to achieve optimal efficiency, with the balance of electric power demand and supply being adjusted in real time. With the installation complete, we can now verify the effect of the system in reducing costs and saving energy by leveling the peak power demand of the large-scale research center and minimizing consumption of commercial electric power. We will continue to verify the effects of installation as we operate the system, building up expertise so that we can provide various solutions to meet our customers' needs.

Building Comfortable Work Environments

People are the most important management resource in our industry. It is vital that we create safe, comfortable work environments for the people who carry out our business operations.

In particular, one of the most important aspects for Obayashi as a prime contractor is ensuring the safety of people who work at construction sites. We strive to foster a corporate culture that always puts safety first. We also work with our subcontractors to eliminate and reduce potential hazards leading to workplace accidents, and take measures to prevent disasters.

We are also focusing on developing new technology that will improve the labor environment at construction sites, as well as increase productivity. Since the fiscal year ended March 31, 2015, we have been testing HAL® robot suits at construction sites. The suits reduce the load on workers' lower backs during heaving carrying operations and are expected to increase work efficiency and reduce the physical load on workers.

Moreover, we are conducting demonstration trials of a safety management system that utilizes the Internet of Things (IoT). The system uses clothing made from biosensing fabric that can acquire data such as the wearer's heart rate, and combines this with cloud computing to enable workers' physical changes to be checked in real time on a tablet device. We expect this will help to prevent accidents caused by physical illness during operations, such as heat stress during summer.

Meanwhile, the construction industry is ambitiously driving ahead with initiatives to establish work environments that are comfortable for female engineers and to promote work-life balance. The goal is to increase the opportunities and appeal of work in the industry for female engineers.

We deploy female employees to all kinds of worksites, including construction sites. We already have a large number of female managers. Looking ahead, we will work to improve the work environments at construction sites and to enhance our support systems for employees involved in childcare. To promote work-life balance, we will aim to increase productivity at construction sites even further, and to ensure appropriate construction lead times. These efforts will form part of our initiative to reduce overall work hours, including reducing overtime work and encouraging employees to take holidays. In the fiscal year ending March 31, 2016, we introduced a system to all employees, male and female, allowing them to take leave for childcare more easily. We will continue to make further advances in creating an environment where all employees can balance their work and home life with peace of mind according to their individual life stage.

The construction industry has a social mission of contributing to better lifestyles and economic development by creating infrastructure to support daily living, society, and industry. We will continue to identify the roles we should play in addressing the various issues that society is facing, and implement solutions to these issues.

Medium-Term Business Plan

We have formulated a new three-year medium term plan, Obayashi Group Medium-Term Business Plan 2015, which started from the fiscal year ending March 31, 2016. (See page 16)

Review of the Previous Medium-Term Business Plan

The Obayashi Group Medium-Term Business Plan '12 finished in the fiscal year ended March 31, 2015. Our plan was to diversify our earnings base by achieving further growth in the core domestic construction business and real estate development business, and by strategically expanding our overseas operations and fostering new businesses.

During the plan period, the construction business environment in Japan changed dramatically compared to the time when the plan was drafted. Demand for domestic construction has increased recently, and our construction orders received and net sales have both swelled considerably. However, construction costs rose sharply as the Japanese economy moved out of deflation and into inflation, making it temporarily difficult to secure profits in domestic building construction.

Meanwhile, our efforts to achieve a more diverse earnings base were met with a certain degree of success. Among other results, we built up our portfolio of leasing properties in the real estate development business, expanded our overseas construction business through M&As and other means, and developed new businesses centered on renewable energy.

Under these conditions, we achieved the highest consolidated net sales in the domestic construction industry for the fiscal years ended March 31, 2014 and 2015, achieving most of our numerical targets under medium-term plan '12.

New Medium-Term Business Plan

Obayashi Group Medium-Term Business Plan 2015 —Toward social safety, security and further stable management— Evolution 2015

Looking at the construction business, which is our core field, the domestic construction market is expected to see continued investment at a certain level. However, there is little potential for major growth in the future given Japan's low birthrate, aging society, and declining population.

Under the new plan, we will further promote the diversification of our earnings base, continuing this theme from the previous medium-term plan. Our goal is to establish a business structure that will continue to provide stable earnings in other business fields when the domestic construction business environment deteriorates. We are confident that these initiatives will enable us to build a foundation for future growth.

◇ Diversifying the Earnings Base

We have adopted the following key performance indicators to measure our progress on diversifying our earnings base.

[Operating income (stable) at around ¥45.0 billion; ratio of operating income from areas other than domestic construction: 45%]

This ¥45.0 billion is an essential target for achieving stable management. During the fiscal years covered by the new medium-term business plan, we will target further growth in earnings through measures such as improving project profitability in the domestic construction business amid the current robust business environment.

The ratio of operating income from areas other than domestic construction has been declining due to the recovery in domestic construction business earnings. We are aiming to achieve a ratio of 45% by expanding earnings in the real estate development business and new businesses.

[Ratio of overseas net sales in the construction business: 25%]

The ratio of net sales generated overseas has steadily increased as a result of promoting strategic overseas development. Under the new medium-term business plan, we believe we can achieve a target ratio of 25%.

Target Management Indicators (Consolidated)

Management Indicators	FY2013.3 Result	FY2014.3 Result	FY2015.3 Result	Medium-Term Business Plan 2015 Target
Operating income (Billions of yen)	35.1	31.9	48.3	(Stable) ¥45.0 billion
Ratio of operating income from areas other than domestic construction (%)	45	48	42	45
Ratio of overseas net sales in the construction business (%)	18	20	24	25

◇ Initiatives for Establishing "New Businesses" as a Fourth Pillar of Income

In addition to our three businesses in building construction, civil engineering, and real estate development, we have positioned new businesses as a fourth pillar of income to create new sources of earnings.

In the area of new businesses, we have been making steady progress in commercializing solar power generation since entering the renewable energy business in the fiscal year ended March 31, 2013. We have already decided to commercialize the solar power generation business with 125 MW of generation capacity. By April 2017, we plan to have all of these new power generation facilities up and running. Looking ahead, we will focus on commercializing additional power generation capacity utilizing wind power, woodchip biomass, and geothermal power. We are also taking steps to strengthen our initiatives on PPP* projects, making use of the expertise we have acquired through the private finance initiative (PFI) business, as well as entering the agriculture business and stepping up initiatives in the hydrogen-related business, among others.

* Public Private Partnership (PPP) is a concept that seeks to operate public services efficiently through cooperation between the public and private sectors.

Enhancing Corporate Governance

Along with building a strong framework for business execution, we believe that increasing transparency and sound management are critical to earning society's trust.

In June 2015, we added another outside director, establishing a structure with two outside directors and three outside corporate auditors. These five outside directors and corporate auditors each contribute from an independent position, offering advice on improving management efficiency, supervising management in general, and checking on management from an objective perspective. In this way, they play a large role in fair, swift, and resolute decision-making, as well as ensuring management transparency.

The Corporate Governance Code was applied in June 2015. With this in mind, we are working to increase the efficiency of management and achieve transparent and swift decision-making. As these measures realize sustainable growth and increase our enterprise value, we aim to win even greater trust from all our stakeholders as a company.

Toward the Realization of a Sustainable Society

Since our foundation, we have passed down a company spirit based on our three pledges: Quality, Efficiency, and Value. We have developed in step with society by providing new value to the public through construction. This spirit forms the core of the Obayashi Group, inspiring our efforts to meet the changing expectations of society in any age.

We will remain faithful to this founding spirit, contributing to the creation of a sustainable society by providing safe, secure, high-quality buildings and services; creating an environmentally responsible society; and ensuring that we foster a corporate culture that values people.

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

August 2015

Toru Shiraishi
Representative Director
President

Obayashi Group Medium-Term Business Plan 2015
—Toward social safety, security and further stable management—
Evolution 2015

Ⅰ Initiatives under Evolution 2015

- Provide social **security**, **safety**, **and comfort**, responding to diverse needs including preparation for imminent major natural disasters, and environment and energy measures.
- Create new sources of earnings in addition to the building construction, civil engineering and real estate development businesses, and promote diversification of the earnings base by taking **new businesses** as a fourth pillar of income.
- Improve the profitability of subsidiaries by implementing **solid Group management**, leveraging Obayashi's technology and financial capabilities.

Ⅱ Principal Management Indicators (Consolidated)

(Billions of yen)

	FY2015.3 Target under Medium-Term Business Plan '12	FY2015.3 Result	Obayashi Group Medium-Term Business Plan 2015		
			FY2016.3	FY2017.3	FY2018.3
Net sales	1,500.0	1,773.9	About **¥1,700.0** billion		
Construction business	1,400.0	1,673.0	About ¥1,600.0 billion		
Domestic	80%	76%	75%		
Overseas	20%	24%	25%		
Real estate development business	52.0	63.8	¥50.0–¥60.0 billion		
New businesses	48.0	37.0	¥22.0 billion	¥22.0 billion	¥28.0 billion
Others			About ¥10.0 billion		
Operating income	45.0	48.3	About **¥45.0** billion (stable)		
Domestic construction	60%	58%	60%	Promote Diversification of the Earnings Base	55%
Other than domestic construction (overseas construction, real estate development, new businesses)	40%	42%	40%		45%
EBITDA*	–	–	¥59.0 billion	¥61.0 billion	¥63.0 billion
Domestic construction	–	–	55%	53%	51%
Other than domestic construction	–	–	45%	47%	49%
Ordinary income	–	59.9	About **¥50.0** billion		
Interest-bearing debt	360.0 or less	410.8	About **¥400.0** billion (March 31, 2018)		
D/E ratio	0.9 times or less	0.8 times	About 0.9 times		
ROE	8.0% or more	6.2%	About 8% (over the medium to long term)		
Dividend payout ratio	20%–30%	25%	20%–30%		

* EBITDA = operating income + depreciation and amortization (earnings before interest, taxes, depreciation and amortization)

Ⅲ Investment to Diversify the Earnings Base

- R&D of construction technologies
- Real estate development business and new businesses (renewable energy business, etc.)

Capital Expenditure Plan

(Billions of yen)

	2012–2014 Plan (Cumulative)	2012–2014 Result (Cumulative)	2015–2017 Plan (Cumulative)	Average per Year
Construction machinery and business facilities	15.0	20.9	25.0	8.3
R&D and ICT	40.0	39.2	40.0	13.3
Real estate development business*	60.0	91.7	55.0	18.3
New businesses	20.0	29.5	60.0	20.0
Total	135.0	181.3	180.0	60.0

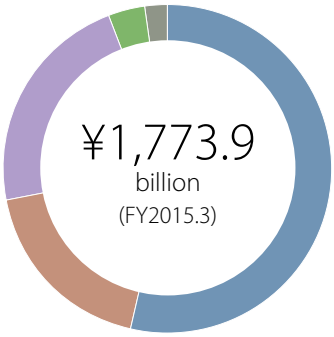
* New investment in real estate for lease (excluding real estate for sale)

Obayashi at a Glance

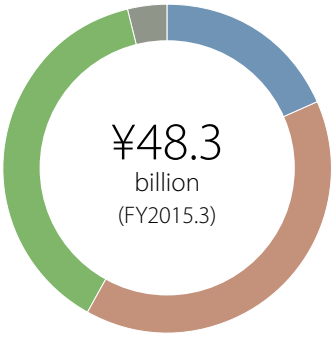
Obayashi Group (Consolidated)

By Business

Net Sales



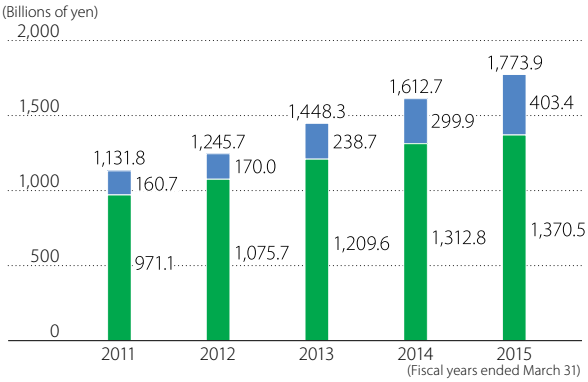
Operating Income



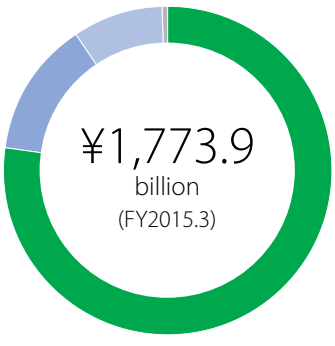
	Net Sales		Operating Income	
Domestic Building Construction Business	¥953.0 billion	53.7%	¥8.9 billion	18.6%
Domestic Civil Engineering Business	¥326.3 billion	18.4%	¥19.1 billion	39.7%
Overseas Construction Business	¥393.5 billion	22.2%	−¥0.1 billion	−0.4%
Real Estate Development Business	¥63.8 billion	3.6%	¥18.5 billion	38.4%
Other Businesses	¥37.0 billion	2.1%	¥1.7 billion	3.7%

By Region

Net Sales



Net Sales Composition



Japan	¥1,370.5 billion	77.3%
Overseas	¥403.4 billion	22.7%
North America	¥238.4 billion	13.4%
Asia	¥157.3 billion	8.9%
Other	¥7.6 billion	0.4%

TOKYO SKYTREE®

Akashi-Kaikyo Bridge

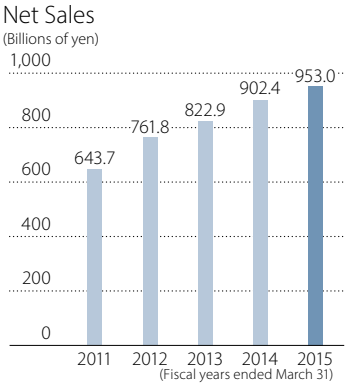
Golden Gate Bridge Seismic Retrofit (U.S.)

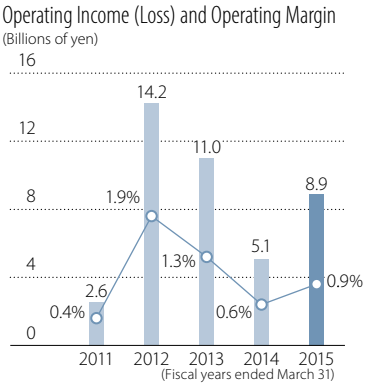
Grand Front Osaka

Ashikita Solar Power Station

Domestic Building Construction Business

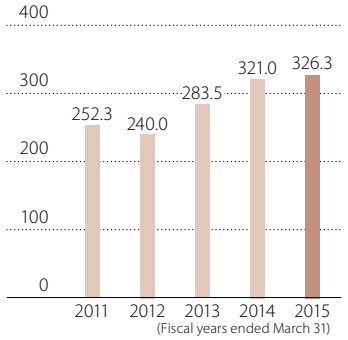
The Obayashi Group provides all types of buildings such as offices, condominiums, commercial facilities, factories, hospitals and schools that meet diverse needs including reduced environmental load and energy conservation, as well as seismic resistance and disaster readiness for securing business continuity.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

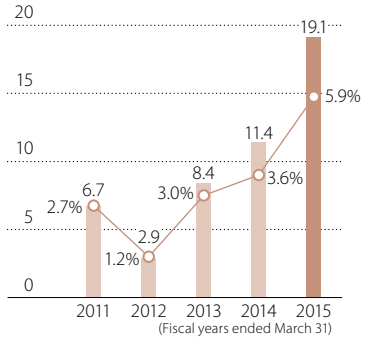




Domestic Civil Engineering Business

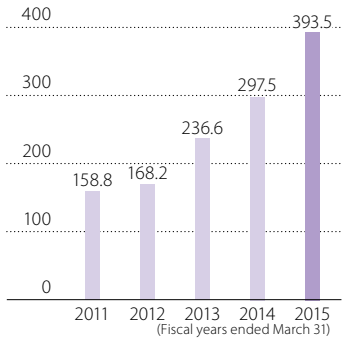
We build infrastructure essential to people's lives, such as tunnels, bridges, dams, riverbanks, railroads, and expressways. Such projects have a profound impact on forming the national landscape and are interlaced with nature. In projects to assist in recovery from the Great East Japan Earthquake, we are committed to helping create cities of the future. For example, we are involved in laying foundations for new residential areas on higher ground along the coastline, reconstructing roads in affected areas, and reinforcing embankments along rivers. We also contribute to disaster prevention and mitigation infrastructure projects.

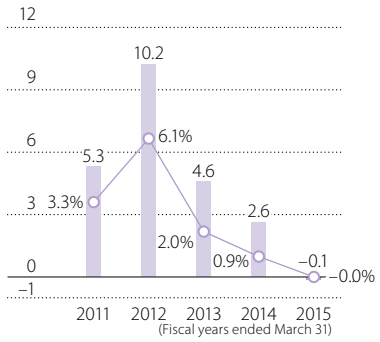




Overseas Construction Business

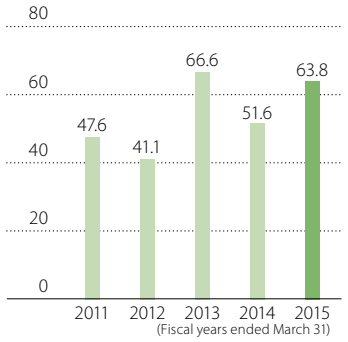
We have a proven track record in numerous overseas projects, such as the Taiwan High Speed Rail and the Colorado River Bridge at the Hoover Dam, underscored by our world-renowned technological capabilities like seismic resistance and shield tunneling construction methods. We also provide safety, security, and comfort to people's lives in developing nations through construction of infrastructure such as roads, bridges, and schools. We can offer customers optimal buildings and structures with our global network and half-century of experience overseas, especially in North America, Asia and Oceania.

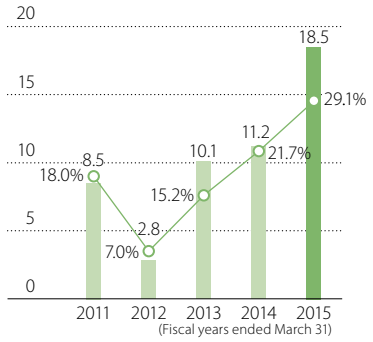




Real Estate Development Business

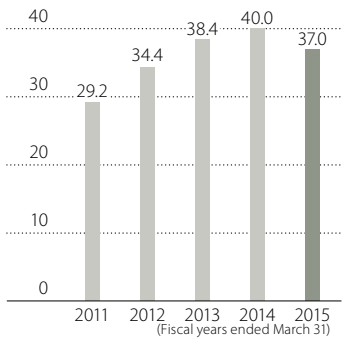
We develop and own excellent leasing properties in prime locations, primarily metropolitan areas, and provide safe, secure, and comfortable spaces for customers. In the urban redevelopment business, we are actively involved in the operation of large-scale projects, having accumulated extensive expertise from our experience in numerous projects as a project partner and specified agent. In 2010, we established the Real Estate Development Division. In addition, we merged together two real estate subsidiaries in 2014 to form Obayashi Shinseiwa Real Estate Corporation in a bid to reinforce the real estate development business and consolidate functions.

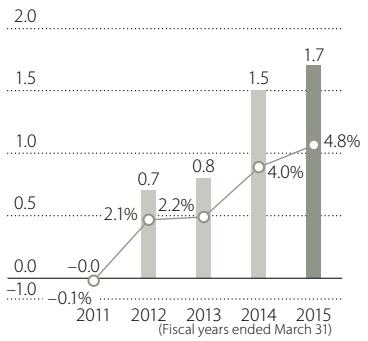




Other Businesses

Other businesses include renewable energy, PFI business, and golf course management. In 2014, we created the Technology Business Development Division and plan to move into domains such as renewable energy, PPP, and agriculture. In the renewable energy business, we decided to enter the solar power generation business with 125 MW in electric power generation capacity, and plan to have all of our facilities on line by April 2017. We will continue to make advances in the renewable energy field, expanding into wind power, woodchip biomass, and geothermal power. In PFI projects, we will make a full-fledged entry into the agriculture business while strengthening our efforts in PPP projects.





Domestic Building Construction Business

Obayashi will realize stable earnings by providing high-value-added services utilizing its advanced engineering technologies, while strengthening its competitiveness in growing markets such as the Tokyo metropolitan area and renewal projects.

Nao Sugiyama
Representative Director, Executive Vice President,
In charge of overall building construction, and
General Manager, Building Construction Division

Business Environment

We expect a robust business environment to prevail for the time being, with brisk redevelopment and increased upgrades to infrastructure ahead of the Tokyo 2020 Olympic and Paralympic Games, and a resurgence in private capital investment.

Since many of the buildings that were constructed during Japan's high growth period are due for renewal, we expect an increase in projects to upgrade their disaster resilience, environmental soundness, and overall quality.

However, with a high volume of orders received driven by a surge in demand in the construction market, we are pressing the limits of our project execution capacity due to a shortages of in-house engineers as well as skilled construction workers at our subcontractors. We are working urgently to train and secure skilled construction workers, as well as expand project execution capacity through higher productivity.

Business Strategies

The domestic building construction business is a core business of the Obayashi Group, accounting for around half of its net sales. While the business environment is favorable, we will lay the groundwork for the future and establish a robust business foundation that is resilient to changes in business conditions.

Specifically, we will increase orders received in growth fields, including acquiring large-scale private-sector projects in the Tokyo metropolitan area by proposing approaches to development, as well as increasing renewal projects by supporting BCP and new technologies for conserving, creating, and storing energy.

To better meet diverse customer needs and provide high-value-added services, we will focus our hallmark strengths in technological and comprehensive capabilities to achieve the following three objectives:

(1) Win turnkey orders for production facilities, encompassing everything from order receipt to handover, by proposing advanced engineering technologies.
(2) Strengthen design and proposal capabilities for facilities in growth fields, such as healthcare and logistics.
(3) Reinforce our ability to propose solutions by expanding our business scope into fields that are peripheral to construction.

Creating Social Value

While providing safe, secure, and comfortable buildings, we respond to the expectations of society by offering high-value-added services. We propose solutions to meet the needs of building owners and users throughout the building life cycle, as well as the needs of the times.

In the field of BCP, for example, we design buildings that are resilient to natural disasters, using technologies for seismic isolation, vibration control, and vibration dampening, as well as technology for preventing ceilings from falling. In the environmental field, we propose renewable energy projects leveraging our experience in solar power, wind power, and woodchip biomass power generation. With more than 120 years of experience in planning, engineering, construction, and maintenance, we use the latest technologies to provide our customers with the best possible services.

However, in the labor-intensive construction industry, skilled construction workers are approaching retirement while fewer young workers have been joining the industry. To address this issue, we make concerted efforts to sustain and develop the construction industry by training young workers to improve their skills at the Obayashi Rin-yu-kai Vocational Training School, and by passing down the skills of veterans through the Obayashi Excellent Site Supervisor Certification Program. We are also working to secure and expand project execution capacity through innovation of production systems using robotic technology and ICT.

Domestic Civil Engineering Business

Obayashi will improve productivity while targeting projects where it can leverage its advanced technologies. Through our business activities, we contribute to establishing safe and secure infrastructure for society.

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

Business Environment

Construction work has accelerated for updating infrastructure ahead of the Tokyo 2020 Olympic and Paralympic Games, including major maintenance on the Metropolitan Inter-City Expressway, Tokyo Outer Ring Road (Tokyo Gaikan Expressway) and Metropolitan Expressway. Major projects are also getting underway for the Linear Chuo (magnetic levitation) Shinkansen and interim storage facilities for radioactive waste.

An additional priority is preparedness for massive natural disasters, including major earthquakes directly below Tokyo or in the Nankai Trough, and widespread or prolonged flooding due to abnormal weather. Increasing national resilience is a key theme in responding to this challenge.

Business Strategies

We are targeting new infrastructure projects that require advanced technologies, such as the Linear Chuo Shinkansen, renovation projects for existing infrastructure, and projects for disaster prevention and mitigation.

We also aim to improve productivity in response to the growing construction work volume when we have limited human resources (engineers within the Obayashi Group and skilled construction workers at subcontractors). Our strategy is twofold:

(1) utilize construction information modeling (CIM) technology to improve quality and increase construction management efficiency by integrating and visualizing 3D data for all construction and production processes, from design and planning to construction and maintenance management and
(2) promote use of labor-saving construction methods such as the expanded use of concrete secondary products (precast parts and materials) made at factories.

Creating Social Value

We believe society expects the Obayashi Group to contribute to preparations for imminent major natural disasters as well as establishing infrastructure, including environmental and energy projects.

As a recent endeavor, we have been working on the development of three kinds of new advanced technologies:

(1) technologies for disaster prevention, such as portable unpowered siphons that avert the collapse of naturally occurring dams by rapidly diverting water during heavy rainfall;
(2) technologies for reducing environmental load, such as our energy-efficient shield tunneling machines which cut electricity consumption by 30% while increasing tunneling speed by 25% compared with conventional methods; and
(3) technologies for maintenance and reinforcement, such as our SLIM-Crete® ultra-high-strength fiber-reinforced concrete that can be used as a material for preventing water flow abrasion due to its high durability and abrasion resistance.

Moreover, there is an urgent need for infrastructure to prevent flooding in urban areas caused by heavy downpours and large typhoons. In Adachi Ward, Tokyo, our joint venture is constructing a pumping station for releasing rainwater temporarily stored underground into the Sumida River*. This flood control facility is one of the largest in Japan with a water storage capacity of 17,600 cubic meters, and will cover around 70% of the basin between the Arakawa and Sumida Rivers when completed. It is expected to help reduce flood damage in the city.

* Project owner: Tokyo Metropolitan Government

Overseas Construction Business

Obayashi aims to expand the overseas construction business through grassroots business developments in each country and region. We contribute to the development of countries and regions through the construction of infrastructure and the global reach of our environmental technologies.

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

Business Environment

In tandem with rapid economic development, especially in emerging countries, environmental problems, urbanization, and energy shortages have become more serious issues, prompting increased demand for infrastructure that will provide safety, security and comfort for society.

Investment in infrastructure and other construction is projected to expand in the regions where the Obayashi Group conducts business, including Southeast Asia, North America, and Oceania.

Business Strategies

From the standpoint of selection and concentration of management resources and risk management, our policy is to focus on the three regions of Southeast Asia, North America, and Oceania, where legal systems, business practices and socio-economic infrastructure have been established to a certain extent, and political and security risks are relatively small.

We believe firmly rooted business development in each country and region is key to growth in the overseas construction business.

In the building construction business, we have had a constant presence in Southeast Asia for more than 40 years, and we are forming local networks in each country. Looking ahead, we will localize operations further at our overseas affiliates by (1) assigning national (locally hired) staff to administrative and management positions and training personnel as candidates for core positions as well as (2) conducting technical training at Obayashi and transferring technology to local affiliates through personnel exchanges.

In the civil engineering business, we have managed numerous tunnel and bridge projects in North America that require a high level of technological capability, ever since we became the first Japanese construction company to win a public works contract in the U.S. in 1979.

After acquiring Canadian company Kenaidan Group Ltd. in 2011, Obayashi acquired U.S.-based Kraemer North America, LLC, a construction company with an extensive track record in bridge construction, in 2014. We aim for further growth in the infrastructure field through synergies between our credibility, technological capabilities, management capabilities in large projects, and the expertise of our overseas subsidiaries.

Creating Social Value

More than anything else, countries and regions expect the Obayashi Group to provide the infrastructure that is essential for daily living and economic activities, by leveraging its technologies and comprehensive capabilities.

In Indonesia, for example, we are building a high-speed urban rail system, the first in the country, extending 15.7 kilometers from the suburbs of Jakarta to the city center. When completed, the system is expected to help alleviate chronic traffic jams and reduce atmospheric pollution.

Meanwhile, in Laos, we are constructing one of the country's largest dams and hydroelectric power stations on the Nam Ngiep River, which flows through the border with Thailand. We expect the project to stimulate economic development in both Thailand and Laos, which suffer from electric power shortages as a result of accelerating economic development.

Furthermore, our Group company Webcor, LP in the U.S. has abundant experience as a consultant for LEED projects in the U.S. LEED is a benchmark for the environmental performance of buildings in the U.S. We are currently applying Webcor's expertise in LEED-compliant green buildings to operations in Thailand and Singapore, as well as North America. We will continue to meet demand for environmentally sound buildings in countries and regions around the world.

Real Estate Development Business

Obayashi aims to strengthen and stabilize the earnings capacity of the real estate development business by forming a high-quality leasing business portfolio. We strive to create attractive communities that are safe and secure by participating in urban redevelopment projects.

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

Business Environment

Office building vacancy rates have continued to decline and rents are expected to increase accordingly. The real estate investment market has been invigorated by the economic recovery and anticipation for the Tokyo 2020 Olympic and Paralympic Games, and we expect the market to remain strong going forward.

In the urban development business, the private sector has been incentivized to invest in redevelopment projects in preparation for 2020 and there is a need to strengthen the international competitiveness of Japanese cities. These trends have been spurred by government policies promoting urban redevelopment, such as the National Strategic Special Zones that aim to form international centers of economic activity.

Business Strategies

To increase profitability in the leasing business, a pillar of earnings in the real estate development business, we continue to shuffle its portfolio of properties with the aim of increasing value in its domestic office leasing business.

With central Tokyo as a key area, we are advancing the leasing business through new investments and by effectively leveraging its landholdings. We periodically renovate our buildings and implement BCP upgrades to ensure customer satisfaction over the long term.

In addition, we will work to diversify our leasing business portfolio by investing in rental housing (i.e., condominiums, etc.) and logistics facilities, with the aim of evolving an earnings structure that is able to flexibly adapt to changes in the business environment.

To achieve this objective, we plan to invest a total of ¥55 billion in the leasing business over the three-year period from the fiscal year ending March 31, 2016 to the fiscal year ending March 31, 2018.

Creating Social Value

The Obayashi Group has contributed to the creation of attractive communities by enhancing the international competitiveness of cities and reinvigorating regions through participation in urban redevelopment projects, as well as planning and assisting in numerous large-scale development projects, such as the Shinagawa district in Tokyo and the Umeda district in Osaka.

In striving to meet the expectations of society, we will continue to focus intently in the creation of attractive communities that are safe and secure. We will promote advanced use of land via redevelopment projects and integrated development of urban districts in order to improve disaster readiness in cities and upgrade the infrastructure of society in preparation for major natural disasters.

In the leasing business, we endeavor to reduce our environmental footprint. Our initiatives include implementing measures to prevent global warming, in such ways as using energy-saving equipment to cut CO_2 emissions, introducing energy management systems such as the building energy management system (BEMS), and upgrading to building materials and equipment with advanced environmental performance. When developing office buildings in particular, we apply the latest construction technologies through collaboration in design, technology, and construction to supply optimal solutions that fit the needs of building users and local communities, with features including safety and security, energy conservation, and BCP.

New Businesses

Obayashi aims to diversify its earnings base by making inroads into new business fields, such as renewable energy, PPP and agriculture. We are focusing our efforts on the creation of new business models, stable supplies of energy, and measures to address aging infrastructure.

Kenji Hasuwa
Director, Managing Officer, and
General Manager, Technology Business Development Division

Business Environment

Ever since the 2011 Great East Japan Earthquake, society has needed a stable supply of energy from a more diverse range of sources. Renewable energy has been promoted as a source of electricity that cannot be depleted and has low environmental impact.

As infrastructure and public facilities age, the finances of local public agencies are under increasing pressure. We therefore expect an increase in the number of PPP projects, which take advantage of private-sector expertise.

Moreover, with expected growth in the global population and changes in the global environment, there is an increasing need to ensure stable supplies of safe food.

Business Strategies

In October 2014, we created the Technology Business Development Division through the integration and reorganization of the Technical Division's Business Innovation Division and the PFI Division. We aim to diversify our earnings base by making inroads into new business fields, such as renewable energy, PPP, and agriculture, and growing new businesses into a fourth earnings pillar to follow construction, civil engineering, and real estate development.

In the renewable energy field, we have decided to commercialize the solar power generation business with at least 125 MW of generation capacity. By April 2017, we plan to have all of these new power generation facilities up and running. We will also move ahead with initiatives in natural energy power generation, such as wind power, woodchip biomass, and geothermal power.

In the PPP field, we will leverage our expertise accumulated in the PFI business, such as creating project schemes and raising funds.

In the agriculture field, we made a full-scale entry into the agriculture business, establishing an agricultural production company in Chiba Prefecture neighboring Tokyo and launching a plant factory business that uses sunlight. At the same time, we made preparations to form a business partnership for a plant factory that uses artificial light.

Moreover, we are examining new fields where we could leverage the Group's technologies, such as the hydrogen-related business.

Creating Social Value

We aim to examine the appropriate role for the Group in addressing society's various issues, and help to solve these issues by creating new business models that leverage the Group's technologies and expertise.

We are promoting the spread of renewable energy with the objective of realizing a low-carbon society and a society that respects the natural world, based on our vision for society in 2050. In woodchip biomass power generation, we aim to go beyond the management of power stations and help create local employment opportunities while revitalizing forests.

We are researching energy-saving and low-cost methods of producing plants in factories in an environmentally friendly way, and have launched a vegetable production business. This venture is based on a new business model that matches our expertise accumulated in the construction business, such as design, construction, and management of production facilities, with a growing call for food safety and security. We will thus respond to the needs of society by supplying safe food in a highly productive manner.

Technology Strategy

Obayashi promotes technological innovation in line with the needs of its customers and to address social issues. We also aim to generate profits and diversify our earnings base through technology by strengthening the engineering and nuclear power businesses.

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

Business Environment

R&D: There is a need for new technologies that satisfy diversifying customer needs and solve social issues such as energy, the environment, natural disasters, and aging infrastructure.
Engineering business: The construction of production facilities for pharmaceuticals and food—products that are fundamental to the health and lives of people—require advanced engineering skills to satisfy complex requirements such as safety, reliability, functionality, and environmental considerations.
Nuclear power business: In Japan, the restart of reactors at nuclear power plants presents major challenges from the standpoint of safety improvements and environmental issues. Overseas, we expect new demand for nuclear power stations, especially in emerging countries.

Technology Strategy

We aim to diversify our earnings base and generate profits through technology.
R&D: We will focus on technological innovation to address social issues and meet customer needs, focusing on areas such as the environment, disaster preparedness, renovation, short construction times, low-cost construction, automation, and labor-saving techniques. In addition, we will research and develop new technologies to spur growth in the construction business and new business fields. We will also aim to enhance our ability to provide solutions for the environmental field and the healthcare field.
Engineering business: We believe the key to growth for the Obayashi Group is to strengthen and expand the engineering business even further in order to provide high-value-added products and services. To this end, we are

(1) creating an integrated project execution structure from engineering project order receipt to completion,
(2) reinforcing business development to win orders for engineering projects in Southeast Asia, and
(3) increasing earnings capabilities by utilizing our technologies and expertise.

Nuclear power business: In Japan, we aim to attract orders for projects that increase the safety of nuclear power plants by utilizing our seismic analysis technologies and tsunami and typhoon countermeasures. We also seek to secure projects for building interim storage facilities and deep geological repository facilities for radioactive waste, as well as for decommissioning nuclear power plants. Overseas, we aim to participate in plans to build new nuclear power plants.

Creating Social Value

We conduct research and development to solve problems related to energy and the global environment.

Specifically, we effectively utilize cogeneration waste heat along with installing solar power facilities and related measures at the Techno Station, the Obayashi Technical Research Institute's main building. As a first in Japan for a large-scale building, the Techno Station was recognized as a net zero energy building (ZEB), where sufficient renewable energy is generated for the annual energy needs of the building.

The Obayashi Technical Research Institute has a smart energy system in place that utilizes a diverse array of energy sources, centered on renewable energy, as well as big data to comprehensively control power generation, storage, and conservation functions.

We aim to package the expertise we gain through the operation of this smart energy system to provide services ranging from planning to operation and management. In this way, we will meet customer needs while contributing to the realization of a sustainable society.

CSR-Based Management

At Obayashi, we consider CSR initiatives to be the practical embodiment of our corporate principles and the essence of our corporate activities. In all of our activities, we strive to contribute to the realization of a sustainable society by implementing our corporate principles in line with society's expectations and demands.

Obayashi Principles

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 offer solutions to social challenges as a good corporate citizen.
3. Value everyone we come in contact with in our business.

Obayashi Code of Conduct

1. Fulfill our social mission
   - (1) Provide high-quality buildings, infrastructure and services
   - (2) Foster an environmentally responsible society
   - (3) Value every one of our associates
   - (4) Earn trust from suppliers
   - (5) Build good relationships with communities
2. Ensure strict adherence to corporate ethics
   - (1) Comply with laws and regulations and proper business conduct
   - (2) Promote fair and free competition
   - (3) Maintain appropriate relationships with stakeholders
   - (4) Avoid all contact with antisocial forces
   - (5) Ensure appropriate information disclosure and transparency of management

Obayashi's Three Pledges

Quality, Efficiency, and Value

Obayashi is a participant in the UN Global Compact, a global framework for realizing a sustainable international society.

THE GLOBAL COMPACT
Network Japan
WE SUPPORT

We will carry out our responsibilities to society and report on our CSR initiatives for contributing to the realization of a sustainable society in line with the following themes.

Provide high-quality buildings, infrastructure and services

Quality

Quality Management System

Developing Human Resources Who Can Support Quality

Use of ICT

Other

Foster an environmentally responsible society

Environment

Promoting Obayashi Green Vision 2050

Environmental Management System

Other

Value every one of our associates

Human Resources

Human Resources Development

Diversity Management

Promoting Work-Life Balance

Other

Value every one of our associates

Health and Safety

Occupational Health and Safety Management System

Three Major Initiatives for the Prevention of Workplace Accidents

Improving the Work Environment

Other

Earn trust from suppliers

Suppliers

Obayashi Excellent Site Supervisor Certification Program

Obayashi Rin-yu-kai Vocational Training School

Supporting Recruiting Activities

Other

Build good relationships with communities

Local Communities

Good Citizenship in Local Communities

Inspiration for the Next Generation

Other

Ensure strict adherence to corporate ethics

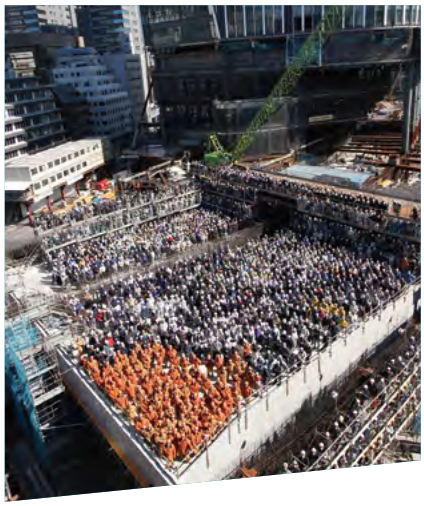
Corporate Ethics

Corporate Ethics Program

Corporate Ethics Promotion System

Corporate Ethics Training

Other



Quality

Our quality policy is to provide customers with buildings and infrastructure that will give them peace of mind, satisfaction, and a sense of pride. We employ quality management measures in every aspect of our operations, and work constantly to improve them.

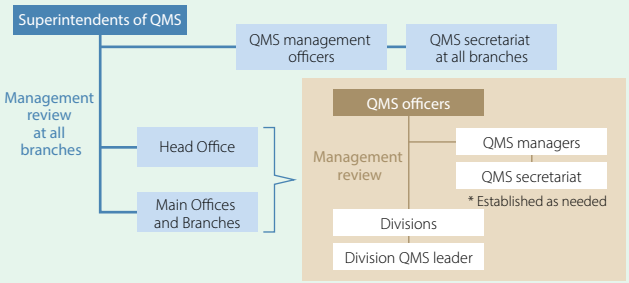
Quality Management System

Obayashi has implemented a quality management system (QMS) conforming to ISO 9001, under which we practice integrated quality management with a commitment to continuous quality improvement, at all stages from planning to design, construction, and after-sales service.

The superintendents of QMS receive reports from the QMS officers at the head office and each branch, as well as making visiting inspections. Through these reports and inspections, the superintendents regularly confirm that the QMS is appropriate and effective.

Based on the results of these confirmations, the superintendents of QMS work to disseminate policies and promote our QM measures.

QMS Promotion Framework



☐ **Management review report (QMS manager to QMS officer)**
1. Process supervision evaluation result 2. Internal and external audit results 3. Information on customer satisfaction 4. Information on defects 5. Information on in-house inspection of completed construction, etc.

☐ **Management review evaluation and guidance (QMS officer to QMS manager)**
1. QMS and process improvements 2. Construction quality improvements 3. Management resources required for 1 and 2

Developing Human Resources Who Can Support Quality

To provide customers with high-quality buildings and infrastructure, we conduct training programs designed to increase the capabilities of our engineers in managing construction work on-site. In the fiscal year ended March 31, 2015, we launched three new training programs.

Training for New Recruits

New recruits undergo a construction experience training program at the Fuji Education Training Center*.


Assembling pillar reinforcement bars and concrete molds

The training aims to provide a taste of the enjoyment and challenges of buildings through hands-on experience of core construction site operations, such as assembling steel frames and concrete molds, measuring, marking out, and materials inspection.

Moreover, the training takes place over a one-week retreat to help foster teamwork among trainees and improve their communication skills.

* An education training facility for construction engineers and skilled construction workers

Training for Junior and Mid-Level Employees

Training for junior and mid-level employees is conducted at a model construction site adjoining Obayashi's Osaka Machinery Works.


Finding multiple defects concealed in a model construction site

The trainees build their construction management skills to discern defects in reinforced concrete construction work and so forth.

The training is also intended to provide an opportunity for mid-level employees to pass on skills to younger employees.

Training for New Project Managers

We conduct training for new project managers, including veteran construction supervisors and junior project managers.


A lecture for newly appointed project managers

The program prepares the trainees mentally for the job, and equips them with skills for educating subordinates and negotiating with external parties.

Using ICT to Innovate Working Styles

Use of Tablets

Obayashi has been providing tablets to on-site engineers managing construction since 2012. As of June 30, 2015, a cumulative total of 5,300 tablets had been provided. Tablets are provided at a ratio of one for every two employees and are used at all construction sites.

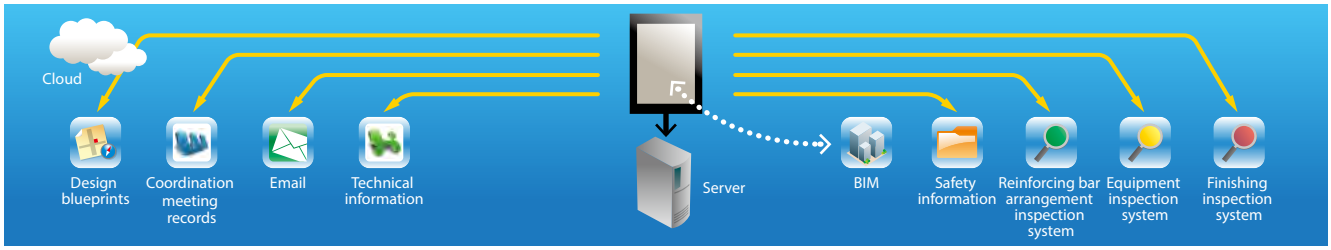
Displaying blueprints on a tablet to confirm construction work status

The tablets contain lots of information needed for on-site management, such as blueprints and specification sheets.

Other important data not stored on the tablets can be confirmed quickly via download from cloud-based servers when needed.

The tablets also enable inspection result data to be recorded on-site through the use of an original on-site inspection support system developed in-house (inspection systems for reinforcing bar arrangements, equipment, and finishing inspections).

We are creating a construction management system that takes maximum advantage of the key characteristics of tablets—mobility and visual capabilities—to enable us to respond even more quickly to what is happening on-site.



Example of systems installed on tablets

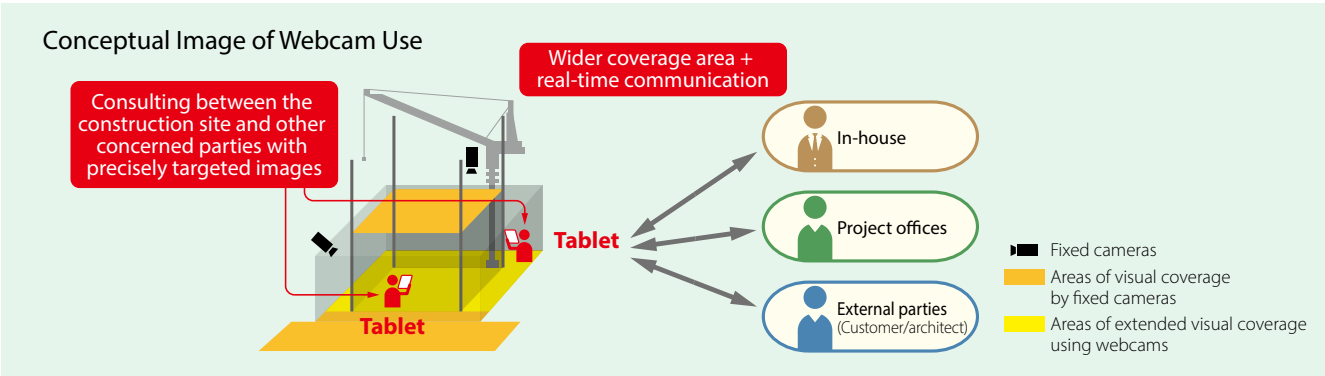
Use of Webcams

We are introducing the use of webcams at construction sites throughout Japan. They will enable the construction sites to be checked in real time, not only by the project offices, but also by people in remote locations who are concerned with the project, both in and outside of the Company.

We use the webcams in various new ways, such as checking on construction progress and safety management or assessing damage after an earthquake.

We introduced tablets with cellular network communication capability in April 2015. Linking with these tablets provides extended visual coverage by camera compared to the previous fixed-point inspections performed using fixed cameras.

Images transmitted by the tablet webcams can be used to enable all people concerned with a project to check various aspects with precisely targeted images during the construction work.



BIM and CIM to Enable "Visualization" of Construction Information Using 3D Models

We utilize building information modeling (BIM) in the building construction field and construction information modeling (CIM) in the civil engineering field to construct computer-based models of buildings or infrastructure, as a visualization technique. The models integrate 3D form information as well as information on material and component specifications and attributes such as costs and finishing. Use of 3D models assists information sharing and mutual understanding between people involved in projects, and enables them to form a consensus quickly.

BIM

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

As of March 31, 2015, we had achieved an 85% application rate in our projects.

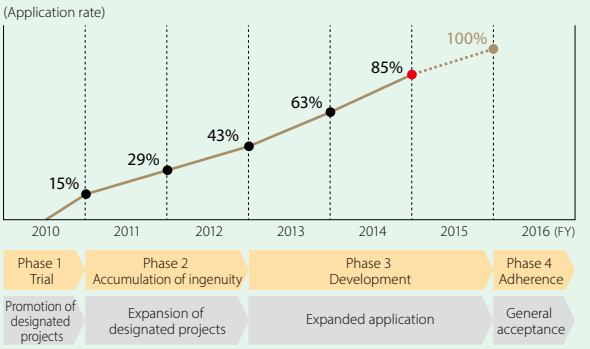
Combining BIM Models with the Real World Using MREAL*

MREAL is an imaging technology that combines the immediate real world with the virtual world of computer graphics in real time. It creates a high-precision synthesis of scenery images captured from an onboard camera in a head-mounted display and computer graphics, displaying scenes based on the wearer's standing position and line of sight.

We use MREAL in construction projects. By providing a 3D image that merges the actual scenery with the BIM model to give the feeling of actually being there, MREAL enables people involved in the project to confirm the scale and form of the building, as well as to compare with surrounding buildings, leading to a surer consensus formation.

* A mixed reality system developed by Canon Inc.

BIM Application Track Record and Plans for the Future



When users look through the head-mounted display, the image of the completed building appears superimposed on the unfinished construction site

TOPICS

Award Received at the 24th BELCA Awards

The Mitsui O.S.K Lines, Ltd. Kobe Branch Building (Kobe, Hyogo Prefecture) built by Obayashi in 1922 was selected for an award in the long life category at the 24th BELCA Awards*.

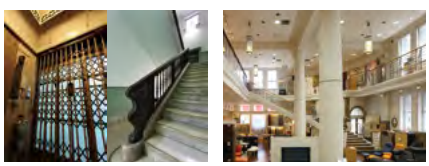
The BELCA Awards are presented to buildings that have had appropriate maintenance and preservation work or outstanding modifications. The long life category award is awarded each year to buildings over 30 years old that have been designed with a view to prolonging service life and have had ongoing maintenance and preservation work.

The Mitsui O.S.K Lines, Ltd. Kobe Branch Building was built to serve as the Kobe branch office of the predecessor of Mitsui O.S.K. Lines, Ltd. Since 1995, we have been carrying out earthquake repairs and improvements to the building.

The building was noted for the careful repair work to address damage sustained in the Great Hanshin Earthquake, and for continuing to serve as "the face of Kobe port" for over 90 years.

* Held by the Building and Equipment Long-life Cycle Association (BELCA)

Exterior view from the former residential area and beach road. The building contributes to Kobe's cityscape as a historical building that has retained its form at the time of initial completion



For common areas, the original internal fixtures have been preserved as far as possible (left). An interior decoration shop currently occupies the first and second floors (right)

CIM

We introduced CIM to our construction management for civil engineering projects in 2012. As of June 30, 2015, CIM is in use at around 70 construction sites, including tunnels, bridges, and mega-solar power stations—the highest number of CIM applications in the domestic construction industry.

By collating measurements and other construction information in a 3D model, CIM helps people to grasp the status of the construction work easily, and enables gains in quality and construction management efficiency. We are promoting new initiatives such as using state-of-the-art technology in a wide range of project phases from measurement through to maintenance management. These include unmanned aerial vehicles (UAVs), 3D laser scanners, and sensors.

Using CIM in Rebuilding Disaster Area Sites

Yamada Town in Iwate Prefecture was damaged by the tsunami that followed the Great East Japan Earthquake. Obayashi's joint venture* is undertaking major land development work there, such as relocating houses to higher ground or elevating low-lying areas.

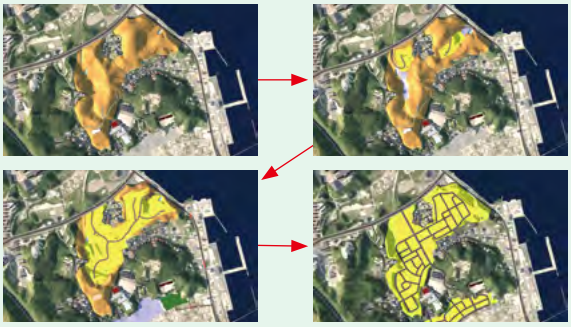
We are using CIM in this project to provide a 3D visualization of the process at each stage.

In the land development process, there are impacts on daily life for local residents, such as changes to roads. At public information meetings, we use a CIM model to help explain these processes. By providing a visual representation of the construction process and the completed result with the explanation, we have been able to give the public a much clearer image of the construction work than before. This has contributed greatly to increasing acceptance within the local community.

* Members of the joint venture include Obayashi Corporation, TODA CORPORATION, TOBISHIMA CORPORATION, CTI Engineering Co., Ltd., and Fukken Gijyutsu Consultants Co., Ltd.

CIM model of the high-ground relocation plan at Yamada Town

CIM in use at a public information meeting



The construction process for land development shown with a CIM model

TOPICS

JSCE Awards Fiscal 2013 Outstanding Civil Engineering Achievement (OCEA) Award Group I

At the JSCE Awards*1 Fiscal 2013, Obayashi's "Kawajiri Tunnel at Sagami Longitudinal Expressway Project—Rapid Construction of Road Tunnel Using Flat Sectional Shield Tunneling by Shallow, Ultra-Close Conjoint Construction" was selected for an award.

The JSCE Award is given in recognition of outstanding civil engineering projects in Japan or overseas, as well as new technologies or significant contributions to civil engineering or civil engineering work. The Outstanding Civil Engineering Achievement Award Group I is awarded to individual technologies that have contributed to social development, including in planning, design, execution, or maintenance and management.

The Kawajiri Tunnel at Sagami Longitudinal Expressway Project includes a double, two-lane tunnel 417 m in length that forms part of the Metropolitan Inter-City Expressway.

Application of the URUP method*2 to a shallow tunnel that would previously have been constructed using the open-cut method was highly evaluated for maintaining the living environment of neighboring residents and effectively reducing construction time and environmental impact.

View of the tunnel entrance of the Kawajiri Tunnel at Sagami Longitudinal Expressway Project

A shield tunneling machine beginning the tunnel above ground (left) and arriving at the other end of the tunnel (right)

*1 Held by the Japan Society of Civil Engineers

*2 The Ultra Rapid Under Pass construction method was developed by Obayashi. Using a shield tunneling machine from the ground-level, a shallow tunnel is excavated. The underpass construction is completed by bringing the machine back to the surface at the other end of the tunnel.

Environment

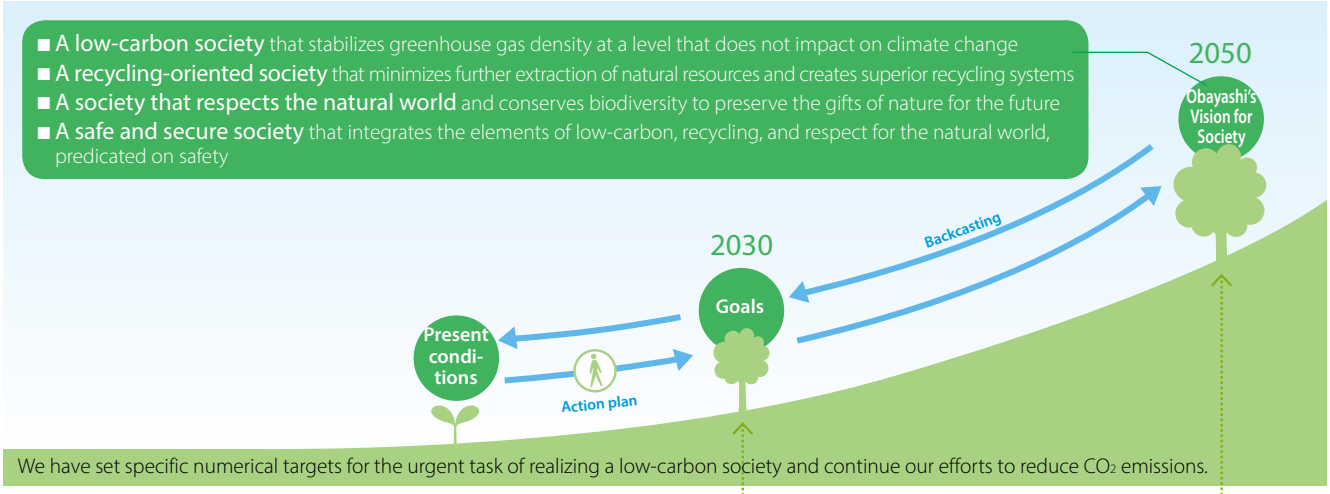
We will work to advance the "Obayashi Green Vision 2050," a medium- to long-term vision for achieving a sustainable society, as well as environmental protection activities.

Promoting Obayashi Green Vision 2050

Related information

In February 2011, Obayashi formulated "Obayashi Green Vision 2050," a medium- to long-term vision for achieving a sustainable society by resolving global environmental issues through its business activities. To realize our vision for society in 2050, we implement an action plan to expand from our main construction business to other peripheral businesses as well.

Obayashi's Vision for Society in 2050



We have set specific numerical targets for the urgent task of realizing a low-carbon society and continue our efforts to reduce CO_2 emissions.

	By 2030	By 2050
Action plan for direct contributions (Reduction of carbon footprint at facilities and adoption of low-carbon construction methods)	–85%	–85%
Action plan for indirect contributions (Development and popularization of low-carbon technologies and materials, and proposals and design of energy-conserving buildings)	–25%	–45%

* Base year: 2013

Measures to Ensure Steady Progress

We are taking steps to ensure reliable progress on the medium- to long-term environmental vision, Obayashi Green Vision 2050, given the changes in Japan's social environment since the Great East Japan Earthquake. We held numerous discussions with outside experts at our conference "Future Vision for the Environment." As a result of these discussions, we will now work to realize our vision for society in 2050 from the following three perspectives.

1. 3 + 1 Society

We have created our vision for society in 2050, adding "a safe and secure society" to the previous three aspects of "a low-carbon society," "a recycling-oriented society," and "a society that respects the natural world." Based on this vision, we will work to realize a sustainable society.

2. Integrated approach

To address environmental issues and social needs, we will combine the elements of the 3 + 1 Society approach to propose solutions, for example combining initiatives for a low-carbon society with initiatives for a safe and secure society. We will also take an integrated approach to considering business activities.

3. Promoting partnerships

In our initiatives to realize our vision for society in 2050, we will look beyond the Obayashi Group and examine opportunities for collaboration with other companies, governments, and research facilities.

Specifically, we have formulated action plans in each of our three business areas, and we will promote initiatives using an integrated approach.

Relationship between Action Plans and the 3+1 Society

Business Areas	Action Plan	3+1 Society			
		Low-Carbon	Recycling-Oriented	Respect for the Natural World	Safe and Secure
Building and urban construction (buildings, urban development, and management)	Promote environmentally responsible real estate development projects	○	○	○	○
	Realize Smart Cities	◎	○	△	○
	Promote ZEB*	◎	△	–	○
	Promote the soil and groundwater remediation business	△	◎	○	○
	Reduce impact on ecosystems	–	△	◎	○
	Implement initiatives to invigorate communities mainly on the power generation business	◎	◎	○	○
Infrastructure construction (construction and operation of infrastructure)	Promote the renewable energy business	◎	○	○	○
	Renew and extend the life of infrastructure	–	◎	○	◎
Provision of services (other services)	Implement initiatives in hydrogen energy services	◎	○	–	○

* Net Zero Energy Buildings designed to consume net zero energy in operation through energy conservation and the generation of renewable energy.

Relatedness △ ○ ◎
Low ◄—► High

Opinions from Outside Committee Members on the Future Vision for the Environment

As 21st century Japan responds to continuing population decline and aging, we need to take an integrated approach to realizing enriched lifestyles in a mature society. For example, we need to make our cities more compact and efficient, while taking steps to promote green infrastructure for creating natural environments and mitigating disasters. Obayashi's Future Vision for the Environment (Obayashi Green Vision 2050) is a bold initiative that aims to integrate low-carbon, recycling, and respect for the natural world in society atop a foundation of safety and security from a corporate and social value creation (CSV) perspective. I have great expectations for the future development of this project for mainstreaming these initiatives within the construction industry.

Kazuhiko Takeuchi, Director and Professor, Integrated Research System for Sustainability Science, University of Tokyo

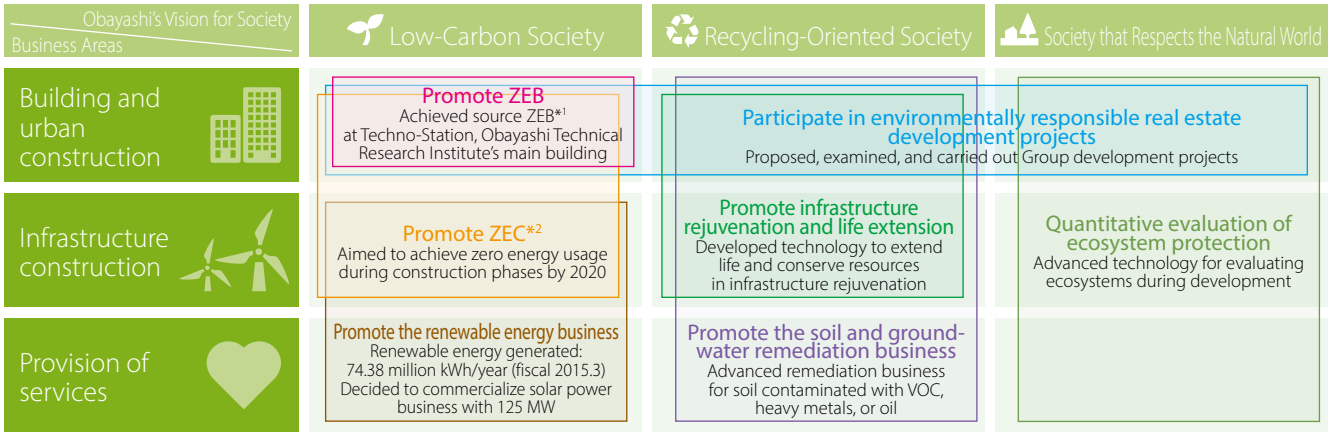
It is important for Obayashi to take initiatives throughout the value chain as a general contractor, and to leverage its strengths as a construction business to proactively introduce its urban development expertise at the urban concept stage. Participating in urban development from the upstream stage enables Obayashi to consider the elements and methods that will be required for final urban development efficiently, and to incorporate post-construction aspects such as management and maintenance from the initial stage. Ultimately, Obayashi needs to realize urban development that meets public demand, and the construction industry should advance its efforts to increase the value of cities through proposal, dissemination, commercialization, and maintenance.

Miki Muraki, Professor, Graduate School of Engineering, Department of Urban Environment Systems, Chiba University

I believe the central theme of the Future Vision for the Environment is "consider specific measures for achieving a sustainable society through urban development, and implement them through our business in collaboration with various stakeholders and partners." This is a declaration of Obayashi's endeavor to innovate its business model by surpassing conventional industry boundaries and focusing on social value. I hope that Obayashi will continue striving to realize its vision for society in 2050 by taking the lead in the creation of sustainable societies and urban development, and promoting innovation.

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

Main Initiatives in the Fiscal Year Ended March 31, 2015



*1 Source Zero Energy Building. Buildings designed to reduce the overall net consumption of primary energy to zero throughout the year with the use of renewable energy and other means.
*2 Net Zero Energy Construction. This approach reduces energy consumption at construction sites on a net basis to zero. The means employed include promoting ongoing initiatives to conserve energy and utilizing the renewable energy business of the Obayashi Group to create energy for use on those sites.

Create a Low-Carbon Society

We envisage a low-carbon society that stabilizes greenhouse gas density at a level that does not impact on climate change. We are working to reduce energy consumption over the total life cycle of buildings and to achieve lower carbon emissions in society overall. Our efforts include achieving zero-energy construction operations, providing energy-saving buildings, and entry into the renewable energy business.

Promoting net zero energy construction (ZEC)

We are working on ZEC to reduce net energy usage in building and civil engineering construction in Japan to zero by 2020. Specific initiatives include reducing energy usage on construction sites through use of energy-saving construction methods and offsetting energy usage with energy creation in the renewable energy business.

Reduction in Energy Used in Construction

	FY2011.3	FY2013.3	FY2014.3	FY2015.3
Primary Energy Use Intensity (GJ/¥1 billion of completed work)	32.9	32.5	30.9	28.0
Compared to base fiscal year (FY2011.3)	—	–1.2%	–6.1%	–14.9%

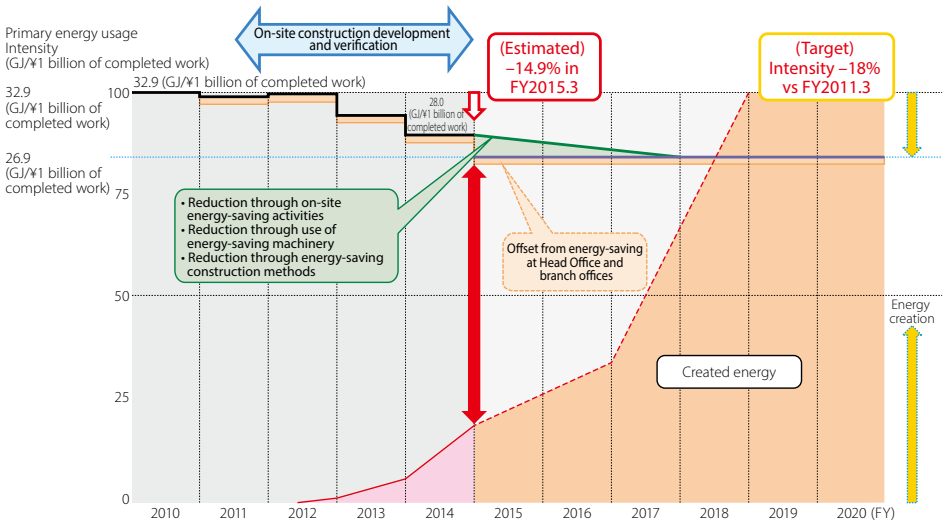
(Figures for FY2014.3 and FY2015.3 are estimates)

ZEC Roadmap to 2020

We are working towards a targeted 18% reduction in energy usage (compared to the fiscal year ended March 31, 2011) by the fiscal year ending March 31, 2021.

In the fiscal year ended March 31, 2015, we achieved a reduction of 14.9% (estimated; compared to the fiscal year ended March 31, 2011).

We plan to achieve net zero energy usage during the fiscal year ending March 31, 2019 by offsetting energy usage with energy created in our renewable energy business.



Use of Low-Carbon Materials

In May 2010, we developed Clean-Crete*, a type of concrete that can dramatically reduce CO_2 emissions. We aim to continue developing environmentally friendly concrete while taking steps to promote it throughout the entire construction industry as part of our efforts to achieve a sustainable society.

* A concrete that reduces CO_2 emissions by around 80% compared with ordinary concrete by replacing part of the cement component with industrial by-products such as blast furnace slag from steel-making, which has low CO_2 emissions.

Use of Clean-Crete

	to FY2013.3	FY2014.3	FY2015.3	Total
Amount used (Approx.)	7,000 m^3	15,000 m^3	21,000 m^3	43,000 m^3
Number of projects	11	7	12	30

Examples Using Clean-Crete

Placing Clean-Crete

oak omotesando

Tokyo Garden Terrace (residential block)

Construction of Low-Carbon Buildings

The Naoetsu To-unryo corporate residence of INPEX CORPORATION (design and construction by Obayashi; Joetsu City, Niigata Prefecture) has a key role in the Company's BCP, and was therefore designed to meet the requirements of the BCP and to have energy saving features.

Specifically, the facility is equipped with a BCP-compatible micro-grid to enable integrated control of diverse energy sources in addition to a standard commercial power supply, such as solar power generation, a gas cogeneration system, emergency diesel generators, and lithium-ion batteries. This enables it to cope with various disaster scenarios, including interrupted power or gas supplies.

Annual CO_2 emissions have been reduced by over 30% compared with an ordinary building by incorporating illumination design based on an index of "perceived brightness," as well as a system that cuts electric power in coordination with locking of unit doors, use of LED lighting in all areas, automatic lighting activation using human perception sensors, natural lighting and ventilation systems, and other features.

The facility received the Chairman's Award in the private sector category for the FY2014 Cogeneration Grand Prize* awards in recognition of its BCP-compliant power supply system making active use of renewable energy.

* Held by the Advanced Cogeneration and Energy Utilization Center Japan

The Naoetsu To-unryo corporate residence of INPEX CORPORATION

Create a Recycling-Oriented Society

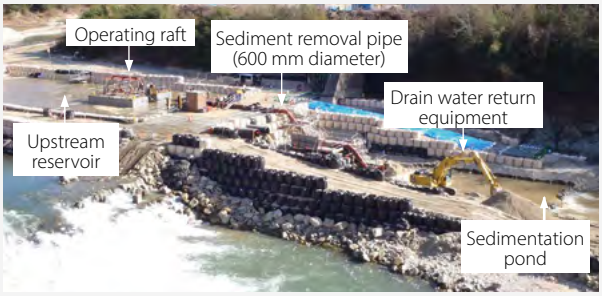
Our vision for a recycling-oriented society is one that minimizes further extraction of natural resources and creates superior recycling systems. In addition to reducing and recycling construction waste through our net zero emission construction site initiative, we are also developing technologies for reducing resource use, such as reusing piles and underground frame work as well as extending the service life of infrastructure.

Developing Technology to Extend the Service Life of Infrastructure

We are working on development of technology to extend the service life of civil engineering structures such as dams, tunnels, and bridges. Examples include developing methods to remove sediment efficiently from dams where it has accumulated more quickly than estimated, and remote foundation survey robots that will alleviate the workload on employees in performing pre-inspections of infrastructure. Using these life-extending technologies can reduce the use of resources compared to a complete rebuild of civil engineering structures, helping to create a recycling-oriented society.

Mobile sediment dredging method employing a suction system that uses a water head difference

This system for sediment removal employs the principle of the siphon, making use of the water head difference to remove built-up sediment. It is an energy-saving method that requires no motive power, relying entirely on the potential energy of the water in the dam.



A demonstration test of using large-diameter (600 mm) sediment removal pipe to remove sediment that has accumulated at the bottom of a river

Unmanned ground investigation robot

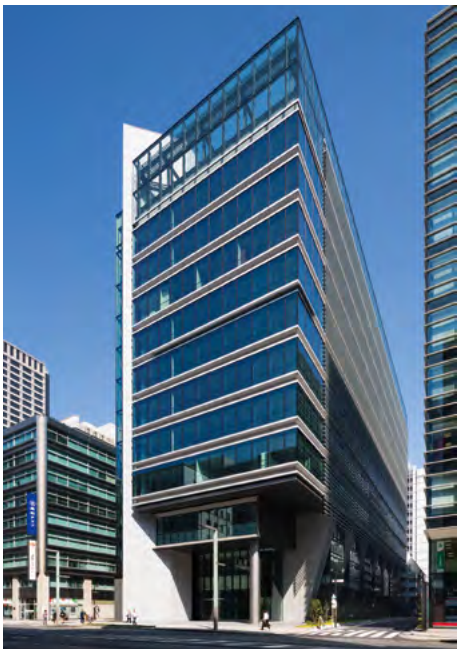
This robot is equipped with remote monitoring technology, a low-latency radio communication system, and remote operation technology for use in maintenance operations for infrastructure such as tunnels.

It has been selected by the Ministry of Land, Infrastructure, Transport and Tourism in a public invitation for robotics technologies and systems for next-generation social infrastructure.

Reuse of Existing Frames

Growing demand is anticipated for rebuilding office towers constructed during Japan's high economic growth period. Reusing the existing underground frames when rebuilding office buildings can alleviate environmental impact by reducing the volume of scrap and excavated earth involved in demolition, as well as curtailing building time and cost. It also reduces the impact on adjacent buildings around tightly spaced inner-city sites.

We have established technologies for evaluating and controlling deterioration of existing concrete underground frames to promote their reuse. We applied these technologies in our plan for rebuilding the headquarters building of DIC Corporation, (design and construction by Obayashi; Chuo Ward, Tokyo). By reducing the amount of scrap from demolition, we achieved a 4,500 t reduction in CO_2, and at the same time, the construction period was shortened by about one year compared to the option of demolishing the underground frame and rebuilding from scratch.



DIC Corporation headquarters

Create a Society that Respects the Natural World

Our vision for a society that respects the natural world, is one that conserves biodiversity to preserve the gifts of nature for the future. We consider ways to preserve nature at every stage, including planning, design, and construction. We are also working on regenerating ecosystems and ecosystem-friendly urban development.

Use of Technologies that Reduce the Impact on Ecosystems

Making reference to the local flora, we work to regenerate the original ecosystems for each area, planting shrubs and other foliage to encourage birds and insects. By creating rooftop gardens in consideration of the natural environment, we will provide abundant green spaces that are friendly to people and the environment.

Rooftop Garden Design Using an Ecosystem Evaluation Model

The first rooftop garden to acquire JHEP certification (Ecosystem Conservation Society-Japan)

oak omotesando

Human-Created Green Spaces Utilize Knowledge and Data Acquired through Continuous Investigation

Namba Parks

Protecting Precious Living Organisms

The Nikko River Lock Gate is positioned at the mouth of the Nikko River, which runs into Ise Bay. The gate plays an important role in reducing the damaging effects of floods and high tides. In a project to rebuild the gate, the construction zone was adjacent to the Fujimae-higata tidal flat, which is registered under the Ramsar Convention. We therefore took measures to protect the environment by considering the ecosystem of the flora and fauna living there.

We took particular care to ensure that bottom-dwelling organisms that provide food for the birdlife were not affected by water pollution from construction activities. Specifically, we eliminated the need to stop the flow of the river, which can cause pollution, by adopting a hybrid pier construction method. In this method, caissons were built in factories on land beforehand to sidestep processes such as assembling steel frames or concrete molds in the river.

Moreover, we prevented water pollution by using piping and a water treatment facility to prevent concrete from falling into the river or leaching out. We also used low-noise and low-vibration construction machinery to minimize the impact on the arrival of migratory birds, reducing noise levels by about 11 dB and vibration levels by about 5 dB.

Nikko River Lock Gate

Overview of Environmental Impact of Obayashi's Business Activities

CO_2

Our main input of energy and resources is in construction projects. Since the bulk of our energy use is for motive power for construction machinery and vehicles, leading to CO_2 emissions, it is important to reduce emission at construction sites.

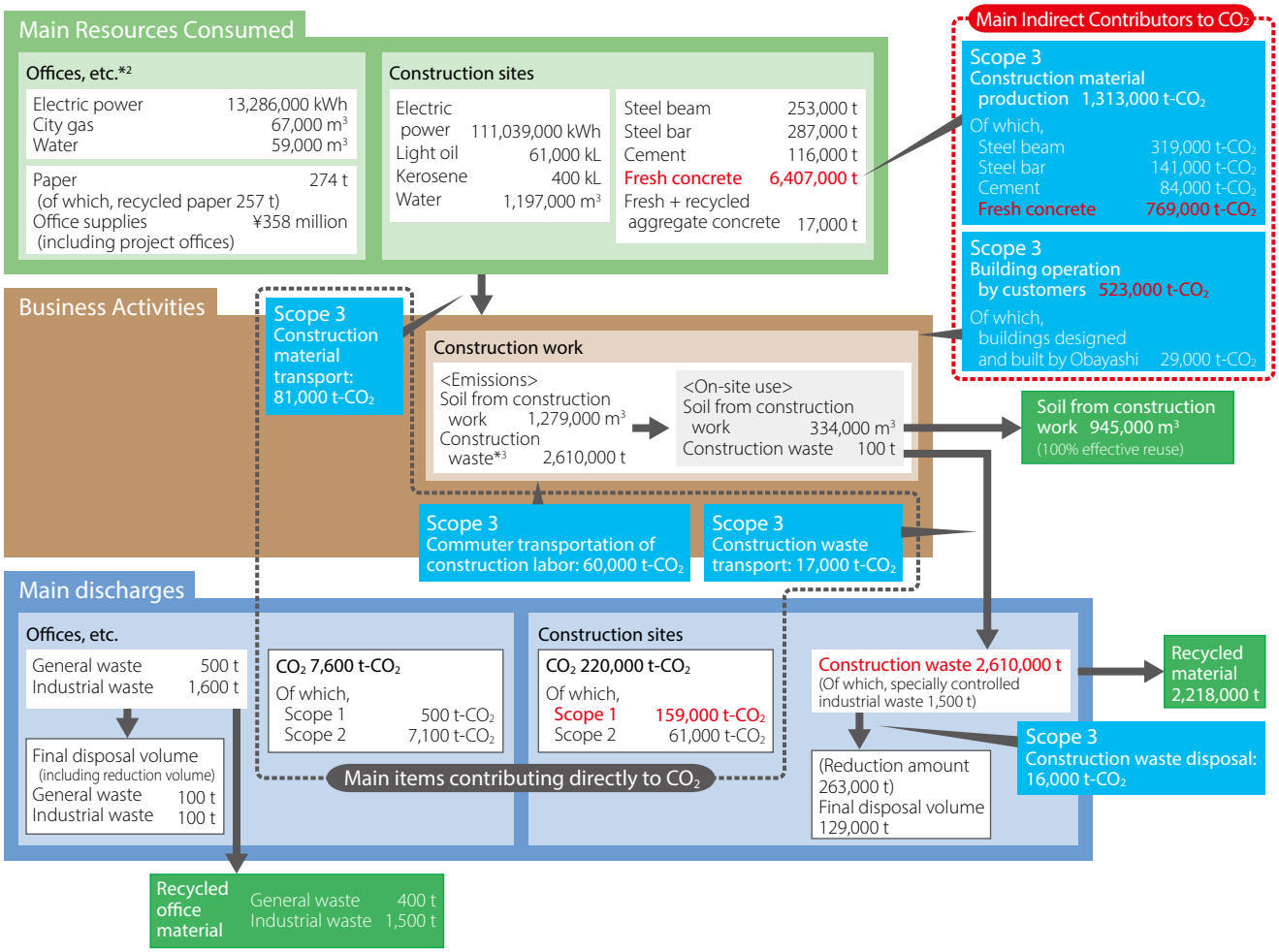
Of the CO_2 emitted in connection with the construction business, a large proportion is from building operations and production of construction materials, which corresponds to Scope 3*[1]. Therefore, we offer proposals for energy-saving designs and renewals, while promoting the spread and development of Clean-Crete (p. 34) to reduce CO_2 emissions from fresh concrete, which accounts for around 60% of our material production.

Items related to our direct and indirect initiatives to reduce CO_2 under Obayashi Green Vision 2050 are enclosed by the dotted lines (⋯⋯) in the chart below.

Construction Waste

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. We strive to recycle or effectively reuse waste and displaced soil to the extent possible, and the remainder is buried at final disposal sites.

Overview of Obayashi's Material Flow in Fiscal 2014



*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 Obayashi 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.

Promoting Environmental Initiatives

We have formulated and operate a Company-wide environmental management system (EMS) that has received ISO 14001 certification. After gaining an overview of our environmental impact, we set corresponding targets and are working steadily to implement and improve our environmental activities.

We also work to raise the environmental awareness of our employees through various means in order to make our environmental activities more effective.

Related information Environmental management

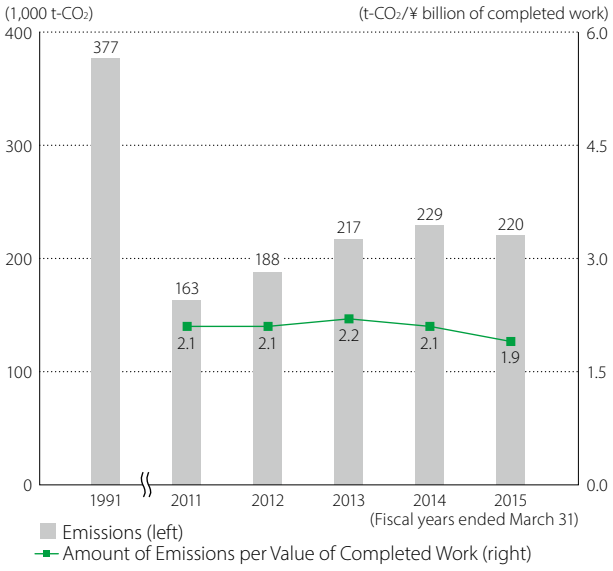
http://www.obayashi.co.jp/english//csr/environment/management/

Reducing CO_2 Emissions on Construction Sites

CO_2 emissions during the construction stage for the fiscal year ended March 31, 2015 improved in terms of absolute emission volume and amount of emissions per value of completed work, even though amount of completions was approximately the same as the previous fiscal year. We achieved a 42% reduction in CO_2 emissions compared to the fiscal year ended March 31, 1991.

We will continue to advance towards achievement of ZEC through efforts such as reducing fuel consumption in construction machinery and vehicle operation.

CO_2 Emission Volume during Construction



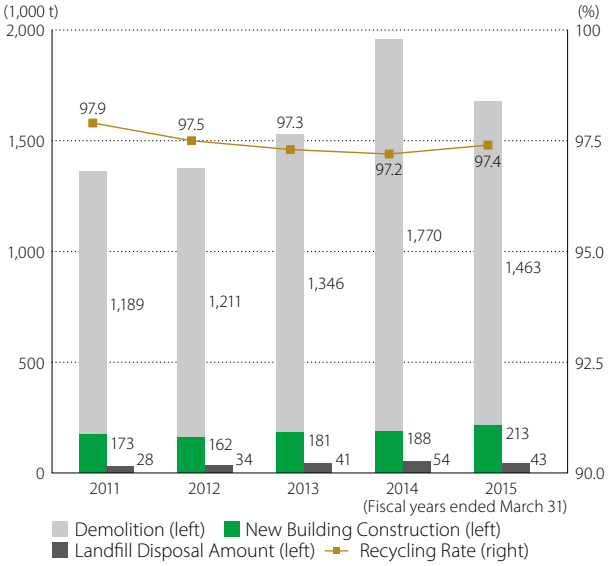
Reducing the Volume of Construction Waste

The operations of the construction business generate large quantities of construction waste. We became the first in Japan's construction industry to conduct zero-emissions activities in 1999. Since 2005, we have endeavored to limit waste generation and reduce final disposal volume at all construction sites.

We will promote full implementation of recycling in demolition projects, which generate a large amount of construction waste. Moreover, in new building construction we will focus on reducing waste and using resources effectively.

Amount of Construction Waste Emissions

(Excluding Sludge)



Environmental Awards

The Group's 6th Environmental Award was held in January 2015, recognizing advanced or sustained exemplary projects among the Group's environmental initiatives.

This year, 15 projects were submitted, with 5 receiving an award.

- Blast Silencer Development and Penetration
- Salt-Damaged Farmland Recovery Using Wood Chips
- Reduction of Environmental Impact during Building Operation
- High Environmental Performance Advanced Logistics Facility Construction
- Environmental Protection in Taipei Subway Construction

Related information Environmental Initiatives

http://www.obayashi.co.jp/csr/environment/award
(currently available in Japanese only)

Human Resources

Corporate activities are supported by each and every employee.
We create a work environment where all of our associates can exercise their unique talents.

Human Resources Development

Obayashi has in-house training systems, such as a staff instructor system where senior employees guide their younger colleagues, as well as a system where employees can express the position that they wish to work in. We also have level-specific training and specialist training for specific roles, as well as training for each business unit and type of operation.

Employees are also encouraged to acquire national and public qualifications related to their work, and we support their self-development by providing subsidies and incentives.

Nurturing Global Human Resources

Global Leadership Training

Developing human resources to support global expansion is one of our top priorities.

In addition to overseas study, dispatch to overseas companies, and language training, in the fiscal year ended March 31, 2014, we established a Global Leadership Training program to foster understanding of the business customs of various countries and risk management skills. Around 30 people join the program each year, mainly young employees. These employees are now working in a wide range of roles in Japan and overseas.

Nurturing National Staff Overseas

Trainees from Taiwan Obayashi Corporation participate in BIM training

We offer a program of hands-on training for national (locally hired) staff at overseas Group companies. The goal is to enable national staff to learn our latest construction technologies and safety management measures.

In the fiscal year ended March 31, 2015, there were 12 participants. Upon returning to their home countries, they take on key roles in local Group companies.

Fair Personnel Evaluations

The foundation of Obayashi's personnel management system is fair pay and benefits based on fair personnel evaluations. Personnel evaluations are conducted every six months, with managers and subordinates taking time to discuss targets and achievements in detail. To ensure transparency and acceptance of the personnel evaluations, the system allows employees to check their final evaluations.

Our personnel system makes no distinction between men and women with regard to the assignment of roles, promotions, and compensation and benefits. Our employees actively demonstrate their individual capabilities.

Respect for Human Rights

In order to promote recognition of human rights, a Human Rights Awareness Promotion Committee chaired by the executive officer responsible for human resources is held regularly.

Every employee needs to recognize the importance of acting without discrimination and having a correct sense and awareness of human rights. To this end, we conduct training on issues such as racism, sexual harassment, and international human rights.

Group companies also conduct training tailored to their business activities and regional characteristics, based on the policies determined by the Human Rights Awareness Promotion Committee.

Promoting Employment of People with Disabilities

We promote employment of people with disabilities to provide them with greater work opportunities. The employment rate of people with disabilities as of March 31, 2015 was 2.11%, surpassing the legally mandated rate of 2.0%.

At our special subsidiary, Oak Friendly Service Corporation, 62 people as of March 31, 2015 are employed and undertake duties such as assisting Obayashi Corporation's operations. The company accepts students from local special needs schools as interns for work experience throughout the year to support social participation of people with disabilities.

Rehiring of Retirees

We have a system to provide ongoing employment opportunities for people after they have reached the mandatory retirement age of 60. The system contributes to the transfer of experience and specialized knowledge in various fields from veteran employees to younger employees.

A senior employee with highly developed expertise provides on-site support as a deputy project manager

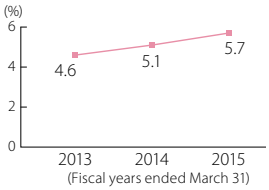
As of March 31, 2015, 798 people have been rehired, representing a rehire rate of 87.3%.

Promoting Opportunities for Female Employees

In August 2014, we saw our first female project manager. The ratio of female managers as of March 31, 2015 stood at 5.7%, the highest level in the domestic construction industry.

We aim to double the number of female managers by 2024 and to achieve a ratio of female employees in engineering-related positions of around 10%.

Ratio of Female Managers



Promoting Work-Life Balance

We have received certification from the Ministry of Health, Labour and Welfare under the Act on Advancement of Measures to Support Raising Next-Generation Children, and acquired the next-generation approval mark ("Kurumin" mark).

"Kurumin" mark

This certification is given to companies that have systematically taken steps to provide a work environment where employees can balance working and childcare and that have met certain conditions.

To create a work environment where employees with children can work with peace of mind, we have established systems to help them, such as a system of working shorter hours for childcare.

Over the two years from April 2015 to March 2017, we will pursue the following targets under our Fifth Action Plan.

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

TOPICS

Obayashi Employee Represents Women Working in Construction in a Courtesy Visit to the Prime Minister and the Minister of Land, Infrastructure, Transport and Tourism

In September 2014, a group of female engineers and skilled workers working on construction sites paid a courtesy visit to Prime Minister Shinzo Abe and Minister of Land, Infrastructure, Transport and Tourism Akihiro Ohta. Obayashi was represented by the project manager of the Akasaka Area Urban Redevelopment Civil Engineering Project.

The Ministry of Land, Infrastructure, Transport and Tourism and five construction industry groups, including the Japan Federation of Construction Contractors, have formulated an action plan for the construction industry to promote greater involvement of women. The plan targets an increase in the number of female engineers and skilled workers from the current 100,000 to 200,000 within five years.

During the courtesy visit, Obayashi's first female project manager was introduced to represent construction engineers. She received strong encouragement from Prime Minister Abe.

Obayashi's employee (left) pays a courtesy visit to Prime Minister Abe together with a group of female engineers and skilled workers

Health and Safety

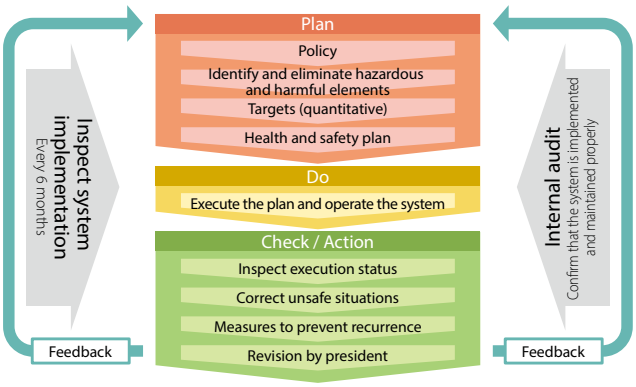
Guided by our Health and Safety Principles, we carry out daily health and safety activities as part of our commitment to preserving the health and safety of workers and providing a comfortable work environment.

Occupational Health and Safety Management System

Our Occupational Health and Safety Management System is designed not only to achieve zero workplace accidents, but eliminate the risk of such accidents from our workplaces.

With this system, Obayashi sets policies and targets each year, and works through a Plan, Do, Check, Action (PDCA) cycle to eliminate or reduce the potential risks for workplace accidents. We also share expertise and take measures to foster an organizational culture that prioritizes safety.

Occupational Health and Safety Management System

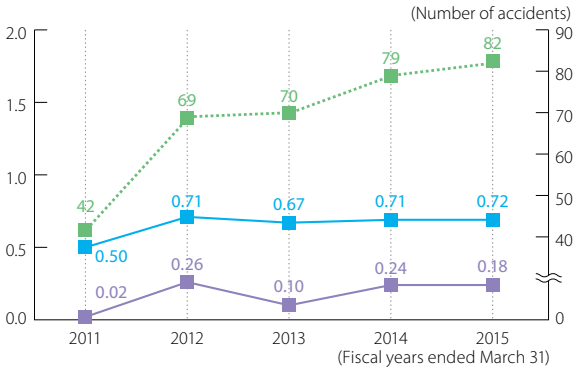


Targets and Priority Measures

We made eliminating fatal accidents one of our targets for the fiscal year ended March 31, 2015, carrying out the following priority measures.

1. Prevent occupational accidents under the leadership of the project manager
2. Prevent falling accidents
3. Prevent machinery accidents
4. Increase health and safety management capabilities
5. Promote creation of healthy work environments
6. Prevent damage to third-parties due to accidents

Safety Track Record



Number of accidents resulting in four or more lost workdays (right)
Accident frequency rate: The number of accidental labor deaths and injuries recorded for every 1 million labor hours (left)
Severity rate: The number of workdays lost to workplace accidents recorded for every 1,000 labor hours (left)

Three Major Initiatives for the Prevention of Workplace Accidents

To prevent faults in safety equipment and unsafe behavior on construction sites, we are rigorously implementing the following measures.

Initiative for Enhancing On-Site Inspections

Our employees and supplier supervisors check directly on the implementation of safety measures at worksites. Any faults are corrected on the spot.

Initiative to Encourage Calling

Under our construction site rules, workers who see someone doing something unsafe are required to verbally caution them. We strive to make an environment where people can call out to each other freely.

ATKY Initiative

Our employees and others working on construction sites actively employ pointing and calling to ensure safety, inspection, and check (in Japanese, *anzen*, *tenken*, *kakunin* or "ATK") and hazard prediction (*kiken yochi* or "KY"). This method enables them to identify hazards and harmful factors before starting an operation and take proper countermeasures.

A poster encouraging people to use ATKY even when working alone

Safety Patrols

We conduct patrols to check on the health and safety of construction sites throughout Japan. In the fiscal year ended March 31, 2015, we carried out around 5,000 patrols.

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

In September and December 2014, Obayashi's central officer in charge of safety and health (executive vice president) conducted special patrols and gave direct instructions on what improvements were to be made.

Safety Training

We provide an e-learning course for young employees to enhance their awareness of safety and understanding of relevant laws and regulations.

Digital e-learning textbook (excerpt)

In the fiscal year ended March 31, 2015, the coursework theme was high falls and overturning accidents, which have a high potential to be serious accidents including fatalities. Case studies were used to teach about the situations in which accidents occurred, the causes, and countermeasures.

Safety Training for Suppliers

We cooperate with the Obayashi Accident Prevention Association, which is organized by suppliers, to run activities for promoting safety.

Slinging Skills Improvement Training

Slinging is the operation of transporting a suspended load by attaching the hook of a crane or other lifting machine to the load using a hoisting attachment such as a wire rope.

Inspection and maintenance of slinging equipment

In the fiscal year ended March 31, 2015, we conducted training for workers with sling operation qualifications, aiming to prevent workplace accidents caused by sling work and to improve workers' skills. The training was conducted at 16 locations throughout Japan, and around 250 workers attended.

Dispatch Training

Each construction site has its own working environment and methods. When skilled construction workers are dispatched to a construction site for the first time, the supplier conducts mental preparation for safe operations as well as health and safety measures and accident prevention activities beforehand.

Dispatch training DVD

We have produced a DVD for use in training dispatch workers. The DVD introduces our safety rules, such as the Three Major Initiatives for the prevention of workplace accidents.

TOPICS

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

The project office for the new building construction project in the Tenroku Hankyu Building Rebuilding Plan received an Award for Excellence in the Fiscal 2014 Minister of Health, Labour and Welfare Awards for Safety and Health*.

The project manager received the award certificate

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

* Sponsored by the Ministry of Health, Labour and Welfare

Construction Excellence Award Received for a Second Consecutive Year

At the BCA Awards 2014*, the Halliburton HCT Sing 3 - Phase 1 received the Construction Excellence Award.

The project manager received the award certificate

This award is given to projects that have received the highest evaluations on quality, engineering capability, and health and safety management.

* Sponsored by the Singapore Government Building and Construction Authority

Improving the Work Environment at Construction Sites

Creating Comfortable Work Environments for Women

In the construction industry, we are promoting work environments where women can play an even greater role, aiming to enhance the vitality, appeal, and creativity of the overall industry.

Many female engineers and skilled construction workers are active at Obayashi's construction sites and we are making further improvements to the work environment in terms of placement of women's toilets, locker rooms, and more.

Women are also leveraging their unique viewpoints to make construction sites more attractive in such ways as through the Nadeshiko Construction Team* comprised exclusively of female engineers and skilled construction workers.

* A team developed by the Japan Federation of Construction Contractors to support more women being active on construction sites.

Women engineers active on construction sites

HAL® Wearable Robot

HAL® (Hybrid Assistive Limb®), a wearable robot developed by CYBERDYNE INC., has been used at Obayashi construction sites and machinery factories since the fiscal year ended March 2015.

We are using the HAL® for Labor Support, which is a robot worn around the waist to reduce the load when lifting heavy objects. This will lighten the burden on skilled construction workers and lead to working environment improvements and enhanced productivity.

We have conducted workplace tests at construction sites and machinery factories for duties coinciding with transferring labor such as plastering and reinforcement processing and confirmed that the robot improves work productivity.

Skilled construction workers wearing HAL® lift a (25 kg) bag of cement

HAL® for Labor Support (lumbar type)

Photo by CYBERDYNE INC.

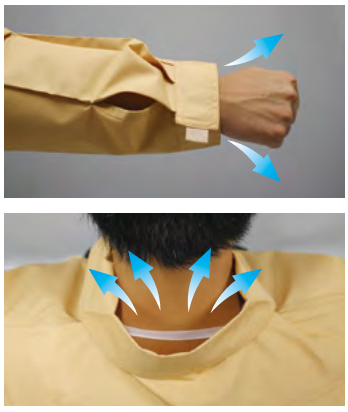
Air-Conditioned Clothing to Enhance Safety and Productivity

We have started using air-conditioned clothes developed by KUCHOFUKU CO., LTD. for the purpose of improving the working environment in hot places.

Air-conditioned clothing has a fan in the waist on the rear of the garment which draws in air, blowing air on the surface of the body, evaporating perspiration and lowering the body temperature.

The garment not only prevents heat exhaustion, but also counters the effects of heat, including reduced attentiveness and impaired judgment abilities, as well as reduces physical burdens.

Airflow diagram



Air exhaust

A Safety Management System Utilizing the IoT

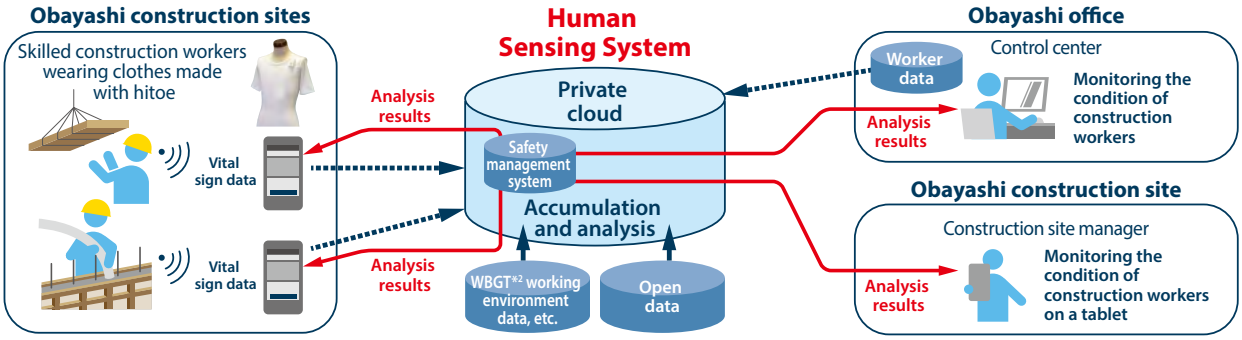
We are conducting demonstration trials of a safety management system for construction workers jointly developed with NTT Communications Corporation that utilizes the Internet of Things (IoT).

The system uses clothing made from a functional textile called hitoe*1 that can acquire vital data such as the wearer's pulse and combine this with cloud computing to visualize worker's heat stress in conjunction with rises in the temperature.

An Obayashi employee can monitor the construction laborer's physical state on a tablet in real time and utilize the system to prevent accidents caused by heat stress.

Vital sign images displayed on a tablet

Clothes using the functional material hitoe



1) Vital sign data is collected from a skilled construction worker wearing hitoe and sent via smartphone to the NTT Communications cloud, where it is analyzed.
2) Analyzed data is displayed and confirmed on the skilled construction worker's smartphone or a tablet being used by a construction site manager. Real-time alerts can also be sent.

*1 Hitoe was developed by NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) and Toray Industries, Inc. This functional material enables acquiring heart rate and electrocardiograph readings simply by being worn. Hitoe is a registered trademark of both companies.
*2 WBGT: Wet bulb globe temperature in degrees Celsius
WBGT is an index first proposed in the U.S. in 1954 for the purpose of preventing heat exhaustion. Like the weather, it is expressed in terms of degrees Celsius, but the figure differs from the actual temperature. The heat index focuses on the interaction between a human body and heat in the outside air (heat balance) and accounts for the factors with a significant effect on the heat balance of the body, which are: (1) humidity, (2) peripheral heat environment such as sunlight and radiation, and (3) temperature. (Source: Ministry of the Environment Heat Exhaustion Prevention Information Site)

TOPICS

Won the Award for Excellence at the Fifth Pleasant Workplace Awards

An Obayashi joint venture*1 won the Award for Excellence in the Pleasant Workplace Awards*2. These awards commend excellence in construction office workplace creation for construction laborers.

The Obayashi joint venture presented with the Award for Excellence works on environmental improvement with supervisors and joint venture employees working in unity under the principle of involving all people on the site.

Women's opinions were also incorporated in details, resulting in the promotion of segregated smoking sections in rest areas and confirmation of appearance during morning roll calls, which were among the contributions toward forming a pleasant work environment for all employees.

The fiscal 2014 Award for Excellence

*1 The joint venture is comprised of Obayashi Corporation and OHMOTO GUMI CO., LTD.
*2 Held by the Japan Federation of Construction Contractors

Suppliers

We conduct fair transactions with suppliers and build strong relationships of trust that result in mutual growth.

Obayashi Excellent Site Supervisor Certification Program

In recent years, the construction industry has been confronted with the problem of a shortage of skilled construction workers. This is due to the aging workforce and a decline in younger recruits and retention rates.

We introduced the Obayashi Excellent Site Supervisor Certification Program with the aim of raising the motivation of young skilled workers. Under the system, Obayashi began certifying and raising the pay of particularly exceptional supervisors*.

In the fiscal year ending March 31, 2016, 237 supervisors were certified, an increase of 43 from the previous fiscal year.

We have been working to increase the scope of the system. The number of applicable occupational categories was expanded from 9 to 25 and the eligible age limit was increased from 60 to 65.

Excellent Supervisor Award ceremony in the fiscal year ending March 31, 2016

* A skilled worker who provides instructions to subordinates at construction worksites and the like

Obayashi Rin-yu-kai Vocational Training School

The vocational training school opened in April 2014 to nurture skilled construction workers and pass on the skills they have acquired to future generations. Employees from Obayashi or our suppliers are the lecturers who train young skilled construction workers.

Training continues for about two months and participants acquire the expertise and technical skills necessary for construction worksites, including skills for construction, safety management, and computer-assisted design (CAD) tools.

In the first fiscal year (the fiscal year ended March 31, 2015), three courses were held on scaffolding, ferro-concrete reinforcement, and formwork, and 23 young skilled construction workers took part.

In April 2015, we were certified by the Tokyo Metropolitan Government as the first general contractor to implement a Ministry of Health, Labour and Welfare system as a regional organization conducting occupational training.

From the fiscal year ending March 31, 2016, we have also added incentives by paying a bonus to those who complete the program.

Assembling a scaffold

Assembling a tower crane platform

Obayashi Rin-yu-kai

The Rin-yu-kai, organized by the Obayashi Group's suppliers, was established in 1906. We work together with members of the Rin-yu-kai with the objective of enabling members to cooperate with each other.

To provide high-quality buildings and infrastructure, Rin-yu-kai members work with Obayashi to enhance quality and health and safety.

Obayashi Excellent Company and Excellent Site Supervisor Certification Program

We commend suppliers and site supervisors displaying exemplary excellence in fields such as quality, safety and health, the environment and risk management.

Various Types of Training

We dispatch our employees as instructors for various types of training, such as quality, health and safety and compliance, held by Rin-yu-kai and the Obayashi Accident Prevention Association.

We also hold joint training for newly recruited employees from Rin-yu-kai member companies to support training of young workers.

Compliance training

Joint training sessions for new employees

Supporting Recruiting Activities

Promoting recruitment of skilled construction workers who will lead future generations and passing on techniques is not an issue solely for suppliers, but a matter in which we can play an important role. We work together with suppliers to convey the appeal of the construction industry.

Joint Company Introduction Seminars

We work together with the Rin-yu-kai to hold joint company introduction seminars for high school career guidance counselors. The first briefing was held in the fiscal year ended March 31, 2015.

Holding a joint briefing seminar at the Obayashi Nagoya branch

At the briefing, nine companies engaged in six types of work—scaffolding and civil engineering construction, formwork, steel structures, plastering, woodwork and interior—took part to convey the appeal of the specialized construction industry.

A recruitment pamphlet produced by the Rin-yu-kai and Obayashi

Distributing Pamphlet Folders

We produced pamphlet folders containing recruitment forms provided to high schools. These are distributed by member companies from the Rin-yu-kai to high schools.

The pamphlet folders contain messages from our suppliers who have been involved in Obayashi projects such as the TOKYO SKYTREE® to give an idea of the appeal of the construction industry and the roles it plays.

A pamphlet folder with the Obayashi logo

Utilizing a Recruiting DVD

We produced a DVD for high school students in which skilled workers and supervisors working at construction sites describe their daily duties and work environments.

The recruitment DVD

Young workers through to veteran skilled construction workers appear in the DVD to describe their thoughts and motivations regarding work and to convey the attractions of craftsmanship.

Individual member companies of the Rin-yu-kai conduct recruitment activities using the DVD with the purpose of providing an opportunity for students to deepen their understanding of the construction industry and gain an image of themselves in the future as they thrive on a construction worksite.

TOPICS

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

A supervisor involved in an Obayashi construction project was honored with an award for excellence at the Fiscal 2014 Minister of Health, Labour and Welfare Awards for Supervisor Safety Excellence*.

This award is presented to outstanding supervisors with excellent technical skills and experience as well as advanced awareness applied appropriately to provide safe guidance with the purpose of further vitalizing safety activities at workplaces and within local communities.

There were 133 people selected for Supervisor Safety Excellence (73 people from the construction industry) and a supervisor from the Suzuki Group Corporation was also awarded.

* Sponsored by the Ministry of Health, Labour and Welfare

A supervisor from the Suzuki Group Corporation receives the letter of commendation

Local Communities

Obayashi promotes social contribution activities as a good corporate citizen.

Good Citizenship in Local Communities

Holding Construction Site Tours to Learn about the Roles of Pump Stations

Local children taking part in a tour

An Obayashi joint venture* is building an enormous pump station in Tokyo's Adachi Ward as a measure against flooding.

We have held more than 100 construction site tours visited by over 2,000 people and communicated the role pump stations play in protecting cities from floods, as well as conveying the attractions of the construction industry.

* Joint venture comprised of Obayashi Corporation and OHMOTO GUMI CO., LTD.

Planning a Temporary Enclosure Art Project in Fukushima Prefecture

Kawauchi residents taking part in the art project

An Obayashi joint venture* is engaged in decontamination work in Fukushima Prefecture.

Along with providing employee lodgings in Kawauchi Village, we have also offered areas for the community to gather, as well as implemented a project to display children's artwork in an enclosure. Participation came from 29 children, 80% of all the village's children.

* Joint venture comprised of Obayashi Corporation, TOA CORPORATION, Morimoto Corporation, Daiwa Odakyu Construction Co., Ltd. and TOBU CONSTRUCTION Co., Ltd.

Holding a Viewing of Endangered Kinran Orchids

Appreciating flowers like kinran and ginran orchids in a copse

We own woodlands that have been certified as one of the top 100 corporate projects for biodiversity preservation* on the grounds of the Obayashi Technical Research Institute (Kiyose City, Tokyo). These woodlands are home to a large number of endangered Japanese kinran orchids.

In May 2014, members of local nature conservation groups gathered for the annual viewing of the orchids.

* Sponsored by the Organization for Landscape and Urban Green Infrastructure

Cooperating with the Kiyose Fire Department in Training Sessions

An Obayashi employee explains about the solar power facilities

The Obayashi Technical Research Institute cooperated in training sessions with about 120 members of the Kiyose Fire Department.

After giving a lecture about the solar power facilities and fire prevention measures, we also explained about solar power facilities on the roof of the main building of the Obayashi Technical Research Institute, where roughly 770 solar panels are located.

Inspiration for the Next Generation

Private-Sector Internship Training for Elementary and Junior High School Teachers

Teachers on a construction site tour listen to an explanation given by an Obayashi employee

We conducted private-sector internship training for elementary and junior high school teachers from Kokubunji City, Tokyo.

The training is held for the purpose of teachers deepening their understanding to pass on to children about work in the construction industry. Teachers learn through construction site tours and practical experience. This was the seventh year the training was held.

Holding the Obayashi Cup U-12 Soccer Festival

Participants came from 22 teams from six organizations (298 people)

The Obayashi Cup U-12 Soccer Festival in Kijimadaira was held by F.C. Tokyo with Obayashi as a special sponsor.

The event had the objective of not only enabling players to improve their soccer skills and strengthen their teams, but also to promote children's healthy mental and physical development by experiencing nature and interacting with other teams.

Other Initiatives

Obayashi Foundation Scholarship Program

The Obayashi Foundation offers assistance to researchers and international conferences involved in urban planning, as well as operates an award program for researchers in the field. The foundation also provides scholarships to students studying to become urban planning professionals or researchers.

The Obayashi Foundation scholarship presentation ceremony for the fiscal year ended March 31, 2015

In the fiscal year ended March 31, 2015, 20 students from 20 designated universities were selected for scholarships.

Supporting Special Olympics Nippon

The Special Olympics is an international organization that aims to improve the quality of life for people with intellectual disabilities by promoting their independence and participation in society through the continuous provision of sports training and competitions.

We support these activities as an official sponsor of Special Olympics Nippon.

Holding Summer Vacation Woodworking Classes for Children

The Obayashi Group's Naigai Technos Corporation held woodworking classes for elementary school pupils at its head office plant in Fujimi City, Saitama Prefecture.

The 29 children who took part made magazine racks under the guidance of an engineer.

Children taking part in the woodworking class

Introduced the Matching Gift Program

In the fiscal year ended March 31, 2015, we introduced a Matching Gift Program where it matched donations voluntarily made by employees.

In June 2015, we delivered employee and matching donations to 10 organizations, including those aimed at recovery from the Great East Japan Earthquake and social welfare.

TOPICS

Donated 3,000 Original Notebooks to Children's Facilities

Obayashi Vietnam Corporation produced original study notebooks and presented these to impoverished children and children living in social welfare facilities. The notebooks needed for study were donated following consideration about how the company could support children living in harsh or deprived environments.

Just before the start of the new school year in September, the company visited 10 private social welfare facilities supporting children from low-income households or orphans and donated 3,000 notebooks. The cover of the notebooks featured Obayashi's Space Elevator Construction Concept, which aimed to thrill the children and give them dreams for the future even amid their impoverished living conditions.

The delighted children who received two brand new notebooks each had broad smiles and they passed on their feelings of gratitude by saying, "Cảm ơn! (thank you)."

Children with original notebooks

Corporate Ethics

We comply with laws and regulations and practice proper business conduct while striving to foster a strong awareness of ethics in each director and employee.

Policy

Obayashi's Articles of Incorporation stipulate a strong determination to comply with laws and regulations in order to ensure thorough awareness of compliance issues, including corporate ethics, and create a sound corporate culture.

Moreover, the Code of Conduct within the Obayashi Principles stipulates thorough adherence to corporate ethics throughout the Company, led by top management.

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).

Obayashi Code of Conduct

(Ensure Strict Adherence to Corporate Ethics)

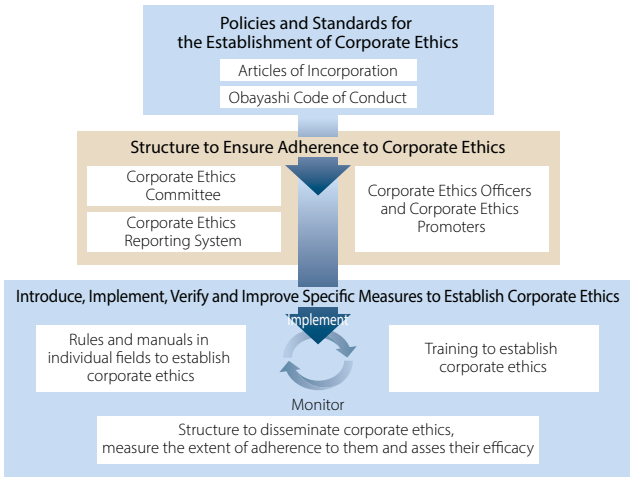
1. Comply with laws and regulations and proper business conduct
2. Promote fair and free competition
3. Maintain appropriate relationships with stakeholders
4. Avoid all contact with antisocial forces
5. Ensure appropriate information disclosure and transparency of management

Corporate Ethics Program

The Corporate Ethics Program was created to establish corporate ethics and ensure adherence.

In the program, Obayashi set out policies and standards, established systems, and introduced specific measures, which we are rigorously implementing. The program incorporates a Plan, Do, Check, Action (PDCA) cycle which includes regularly reviewing the implementation status of each measure.

Corporate Ethics Program



Corporate Ethics Promotion System

The Corporate Ethics Committee, chaired by the president, has been established to deliberate on important issues such as the formulation of basic policies for establishing corporate ethics, and to ensure adherence to corporate ethics. In addition, a Corporate Ethics Promotion Committee, comprised primarily of general managers, was established in the fiscal year ended March 31, 2014 to strengthen the framework. In order to incorporate assessments from independent parties, both of the committees include outside authorities and the head of the employees' union.

Corporate Ethics Reporting System

We have established a corporate ethics reporting system for people involved in our operations (including employees, temporary employees, incoming transferred employees, part-time staffers, personnel of suppliers, and so forth).

In addition to an internal contact, an outside law office is available as an external point of contact to make the system easier to utilize for whistle-blowers. Whistle-blowers can be anonymous and are thoroughly protected against prejudicial treatment.

All reports of impropriety are followed promptly by a fact-finding investigation and necessary actions.

A poster promoting the Corporate Ethics Reporting System

Rules and Manuals

We have set forth and abide by rules and manuals for individual fields, starting with the Antimonopoly Act Compliance Program, the Antisocial Forces Exclusion Program, and the Obayashi Group Anti-Bribery Program, and also including the Occupational Health and Safety Manual and the Quality Manual.

Monitoring

We monitor the implementation of our corporate ethics programs, including the Bid-Rigging Monitoring Program conducted by the Audit Committee and monitoring of internal audits by the Business Administration Department.

We verify that corporate ethics are being instilled throughout the Company and that manuals are being implemented into routines by conducting workplace training in corporate ethics in each division, as well as follow-up e-learning sessions.

Corporate Ethics Training

In April of each year, workplace training in corporate ethics is held for all employees in Japan and overseas.

A textbook produced by the Corporate Ethics Committee is used. The detailed training focuses discussion on specific cases addressing themes such as compliance with the Construction Industry Act and exclusion of antisocial forces, in addition to prevention of bribing foreign government officials, information security, and other issues. The rate of attendance at training sessions in the fiscal year ended March 31, 2015 was 100%.

TOPICS

Obayashi Group Compliance Guidebook Published

In April 2015, we published the Obayashi Group Compliance Guidebook to help increase employee's awareness of compliance.

The guidebook provides an overview of our perspective on compliance along with 30 case studies.

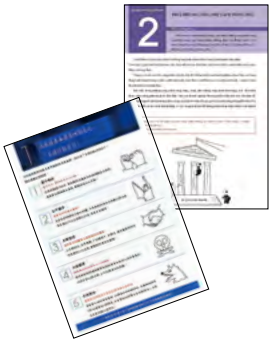
The guidebook is distributed to employees who have recently joined the Company.

Obayashi Group Compliance Guidebook

Initiatives at Overseas Group Companies

At overseas Group companies, we conduct education and training programs in accordance with the laws, regulations, and regional characteristics of each country.

The training materials used in Japan are translated into local languages for use in training so that all Group companies in and outside of Japan can advance together in ensuring adherence to corporate ethics.



Textbook translated into different languages

Corporate Governance
Directors and Corporate Auditors

Front row from the left: Kozaburo Tsuchiya, Shozo Harada, Takeo Obayashi, Toru Shiraishi, and Nao Sugiyama
Back row from the left: Kenichi Shibata, Makoto Kishida, Shinichi Otake, Shinichi Koizumi, Akihisa Miwa, and Kenji Hasuwa

Representative Directors

Takeo Obayashi
Chairman
Representative Director

Toru Shiraishi
Representative Director
President

Shozo Harada
Representative Director
Executive Vice President

Nao Sugiyama
Representative Director
Executive Vice President

Kozaburo Tsuchiya
Representative Director
Executive Vice President

Directors

Makoto Kishida
Director
Senior Managing Executive Officer

Akihisa Miwa
Director
Senior Managing Executive Officer

Kenichi Shibata
Director
Senior Managing Executive Officer

Kenji Hasuwa
Director
Managing Officer

Shinichi Otake
Director

Shinichi Koizumi
Director

Front row from the left: Hiroshi Yokokawa, Yasutaka Kakiuchi, and Hiroshi Murao
Back row from the left: Masaru Mizuno and Hiroshi Tadokoro

Corporate Auditors

Hiroshi Tadokoro
Standing Corporate Auditor

Masaru Mizuno
Standing Corporate Auditor

Yasutaka Kakiuchi
Corporate Auditor

Hiroshi Murao
Corporate Auditor

Hiroshi Yokokawa
Corporate Auditor

Corporate Governance

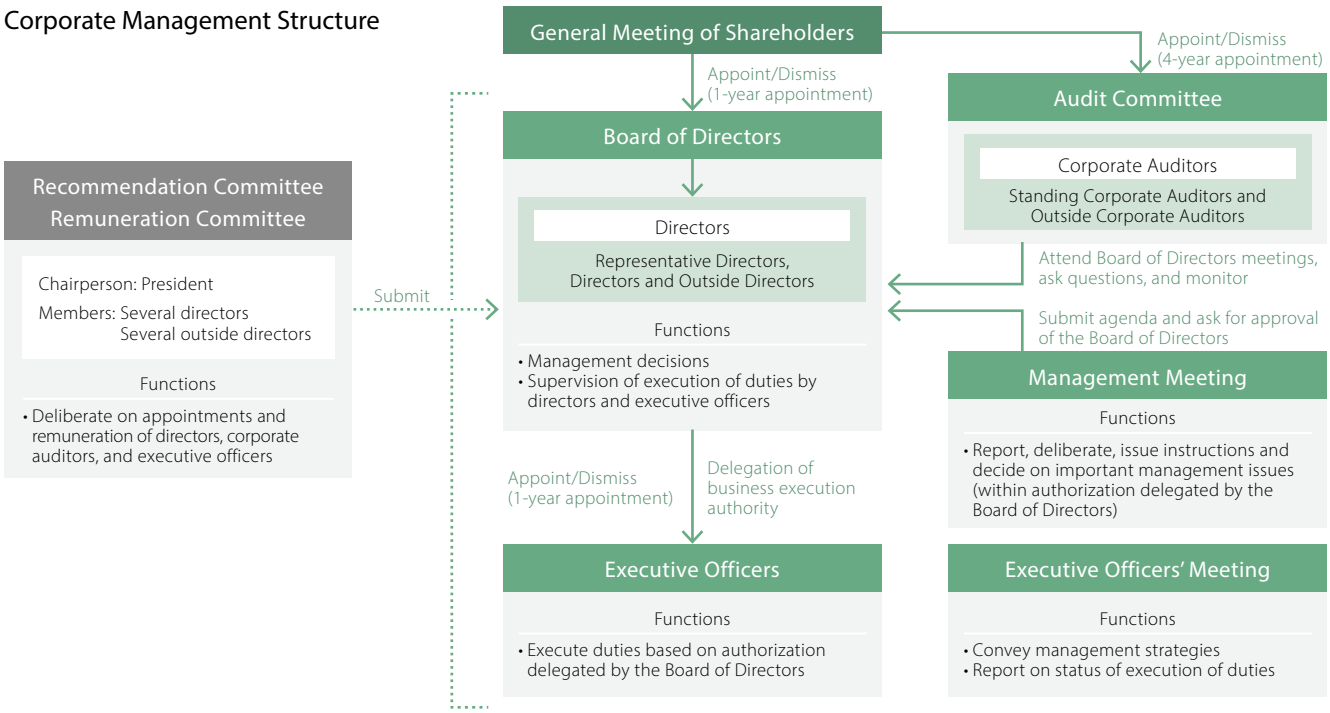
Basic Policy

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

Management Structure

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

Corporate Management Structure



Board of Directors

The Board of Directors is composed of up to 15 directors. Each director is responsible for management decision-making and business execution, as well as supervision of the execution of duties by other directors, executive officers and employees. The tenure for directors is one year, which enables us 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, we have established a Recommendation Committee and a Remuneration Committee with members including outside directors.

Audit 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 to ensure that the status of business execution by the directors, executive officers, and employees is in compliance with the law and the Articles of Incorporation. At the same time, to ensure the appropriateness of the financial statements, the corporate auditors monitor and verify the work of the independent auditor (accounting firm).

Management Meeting

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

Executive Officers

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

Executive Officers' Meeting

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

Overview of the Corporate Governance Structure

Form of organization		Company with corporate auditors
Directors		
	Number of directors provided in Articles of Incorporation	15
	Number	11
	Of which outside directors	2
	Appointment term	1 year
	Remuneration	Basic remuneration and stock remuneration in line with contribution to performance
Corporate Auditors		
	Number	5
	Of which outside corporate auditors	3
Number of independent directors and corporate auditors		5
Executive officer system		Yes
Independent auditor		Ernst & Young ShinNihon LLC
Discretionary committees		Recommendation Committee regarding directors, corporate auditors and executive officers. Remuneration Committee regarding executive remuneration

(As of June 26, 2015)

Main Initiatives to Enhance Corporate Governance

1994	Established Audit Committee. Changed the maximum number of corporate auditors from 3 to 5 Changed the appointment term for corporate auditors from 2 years to 3 years	Responded to revision of the law
2002	Changed the appointment term for corporate auditors from 3 years to 4 years	Responded to revision of the law
2004	Increased the number of outside corporate auditors from 2 to 3	Strengthened independence of corporate auditors
2005	Introduced executive officer system. Changed the maximum number of directors from 50 to 15	Clarified roles of managing officers, enabled meetings of the Board of Directors to be held flexibly to expedite decision-making
2007	Changed appointment term for directors from 2 years to 1 year	Clarified management responsibility during appointment term
2013	Elected 1 independent outside director	Enhanced the corporate governance structure
2015	Increased the number of independent outside directors from 1 to 2	Enhanced the corporate governance structure
	Introduced performance-linked stock remuneration for directors and executive officers	Incentivized contribution to improving earnings and increasing corporate value over the medium to long term

Appointment of Outside Directors and Outside Corporate Auditors

We have appointed two outside directors and three outside corporate auditors. The outside directors provide advice on improving management efficiency, along with supervision of all aspects of management from an independent position. The outside corporate auditors are responsible for ensuring that corporate governance functions effectively by providing checks from a third-party position independent of management.

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

Requirements for selection as an Outside Director/Corporate Auditor candidate

1. The capabilities, knowledge, experience and character of the Outside Director/Corporate Auditor candidate (hereinafter referred to as the "Candidate") are suitable for an Outside Director/Corporate Auditor at the Corporation, and the Candidate is able to provide directions and opinions to the Corporation's management from an independent and impartial standpoint.
2. The Candidate is not a former Director/Corporate Auditor or employee of the Corporation or any of its associated companies.
3. The Candidate does not currently belong, and has not belonged in the past, to an Accounting Auditor, law office or main bank with which the Corporation currently has a contract.
4. The Candidate is not a major shareholder with an ownership stake of 10% or more (or a person that currently belongs or has belonged in the past to an entity that is a major shareholder).
5. The Candidate does not currently belong, and has not belonged in the past, to an entity that has a business relationship with the Corporation in which the annual amount of transactions has exceeded 2% of the net sales of both the Corporation and such entity during the last three fiscal years.
6. The Candidate does not currently work, and has not worked in the past, as an executive at a non-profit organization to which the Corporation has made an annual donation exceeding 20 million yen during the last three fiscal years.
7. If the Candidate does not meet the requirements in 3. through 6., at least five years have passed since the candidate left the relevant entity.
8. The Candidate meets the requirements for an independent director/auditor pursuant to the provisions of the Tokyo Stock Exchange's Securities Listing Regulations.

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

Outside Director	Reason for Appointment	Activity
Shinichi Otake Chief Executive Counselor, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	In order to have Mr. Otake's ample experience and advanced knowledge from many years of involvement in corporate management reflected in the appropriate decision-making and supervision of Obayashi's Board of Directors, from an independent standpoint	Attendance at Board of Directors Meetings in the fiscal year ended March 31, 2015: 10 out of 11 meetings (91% attendance)
Shinichi Koizumi Senior Advisor, Toray Industries, Inc. * Appointed at the Ordinary General Meeting of Shareholders held in June 2015	In order to have Mr. Koizumi's ample experience and advanced knowledge from many years of involvement in corporate management reflected in the appropriate decision-making and management supervision of Obayashi's Board of Directors, from an independent standpoint	—

Outside Corporate Auditor	Reason for Appointment	Activity
Yasutaka Kakiuchi Outside Corporate Auditor, Sompo Japan Nipponkoa Himawari Life Insurance, Inc.	In order to have Mr. Kakiuchi's ample experience from many years of involvement in the administration of government policy on land, infrastructure and transport reflected in Obayashi's audits, from an independent standpoint	Attendance at Board of Directors Meetings in the fiscal year ended March 31, 2015: 11 out of 11 meetings (100% attendance) Attendance at Audit Committee Meetings in the fiscal year ended March 31, 2015: 16 out of 16 meetings (100% attendance)
Hiroshi Murao President, Murao Certified Public Accountant Office	In order to have Mr. Murao's specialized knowledge as a certified public accountant and ample experience in corporate accounting reflected in Obayashi's audits, from an independent standpoint	Attendance at Board of Directors Meetings in the fiscal year ended March 31, 2015: 9 out of 9 meetings (100% attendance) Attendance at Audit Committee Meetings in the fiscal year ended March 31, 2015: 12 out of 12 meetings (100% attendance) (Since his appointment in June 2014)
Hiroshi Yokokawa President, Japan Association of Athletics Federations * Appointed at the Ordinary General Meeting of Shareholders held in June 2015	In order to have Mr. Yokokawa's ample experience from many years of involvement in the administration of government policy on economy and industry as well as corporate management reflected in Obayashi's audits, from an independent standpoint	—

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

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

Policies for Determining Remuneration

The basic policy with regards to director and executive officer remuneration is to determine the amount of basic remuneration and stock 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 and executive officer to improve earnings and enhance corporate value.

Specifically, for basic remuneration, 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 includes outside directors as members, appraises the degree of earnings contribution of individual directors and executive officers to determine the amount of remuneration for the following fiscal year.

Stock remuneration was introduced from the fiscal year ending March 31, 2016, with the goal of incentivizing contributions to increasing earnings mainly over the medium to long term. The system distributes Obayashi shares to directors and executive officers based on the degree of achievement of earnings targets for each fiscal year. The standard for distributing shares is determined in advance by the Board of Directors after deliberation by the Remuneration Committee.

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 according to full-time and part-time status, and so forth through discussions among corporate auditors, and remuneration for each corporate auditor is determined in line with those standards.

Total Amount of Director and Corporate Auditor Remuneration (Fiscal Year Ended March 31, 2015)

Position	Total Remuneration and Other Compensation
Directors (10 directors)	¥507 million
Corporate auditors (7 auditors)	¥82 million
Of which outside directors/ corporate auditors (5)	¥39 million

Note: The above includes amounts for two corporate auditors (including one outside corporate auditor) who left their posts as of the conclusion of the 110th Ordinary General Meeting of Shareholders held on June 27, 2014.

Matters Pertaining to the Independent Auditor (Fiscal Year Ended March 31, 2015)

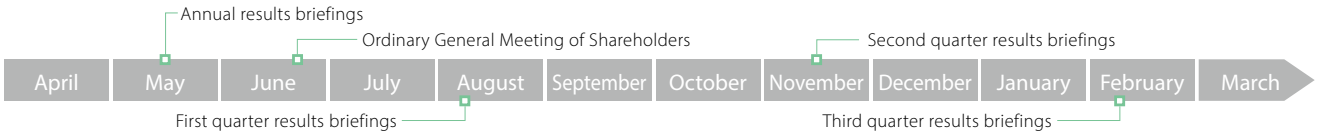
Category	Compensation Paid for Audit Certification Activities	Compensation Paid for Non-Audit Activities
Obayashi Corporation	¥97 million	¥5 million
Consolidated subsidiaries	¥81 million	¥1 million
Total	¥179 million	¥6 million

Name of the independent auditor: Ernst & Young ShinNihon LLC

Constructive Dialogue with Shareholders

We consider the General Meeting of Shareholders to be an important forum for dialogue with shareholders. At the meetings, we promote constructive dialogue with shareholders through the presentation of business reports and explanations by the president, Q&A sessions with directors, and other activities. We also hold financial results briefings for second-quarter and annual financial results, and conduct results briefings by conference calls for the first- and third-quarter results. Other opportunities include holding construction site tours (twice a year) and participation in securities companies' investment conferences (four times a year), as well as small meetings and other such activities.

IR Calendar



Establishment and Implementation of Internal Control System

We have established an internal control system in accordance with the Companies Act and Ordinance for Enforcement of the Companies Act. The purpose of the system is to ensure appropriate business operations throughout the Group. We continue to supplement and revise the system based on revisions to the Companies Act and self-inspections.

Message from an Outside Director

Building Management Mechanisms That Will Deliver Increased Corporate Value

The essence of corporate governance, I believe, is to build management mechanisms that will deliver sustainable development and increased corporate value through resolute decision-making that is transparent, fair, and swift, while incorporating the perspectives of all stakeholders.

I have been involved in the management of Toray Industries, Inc., where we have achieved sustainable business expansion and profit growth in a challenging business environment due to pressure from progress by manufacturers in emerging countries. Our success has been achieved through ceaseless efforts at technological innovation, aggressive overseas expansion supported by careful risk management, construction of our own value chain through alliances with partner corporations, and other measures.

Obayashi is being asked to leverage its outstanding technologies and sincere construction activities in providing solutions to global issues that affect all of humanity. Specifically, it needs to develop its business in response to rapidly expanding infrastructure development, mainly in Asia, and to steadily expand its business in new areas. Moreover, as a leading company, Obayashi needs to introduce an innovative business model that encompasses the entire value chain, and continue striving to increase its productivity and competitive advantages.

To further enhance corporate value, Obayashi needs to create mechanisms to promote an even more robust entrepreneurial spirit than before—to aim towards achieving "proactive governance." I intend to use my global management insight and networks to assist in management.

Shinichi Koizumi
Senior Advisor of Toray Industries, Inc.

Mr. Koizumi has a wealth of experience based on his involvement in corporate management over many years. He was appointed outside director in June 2015.

Message from an Outside Corporate Auditor

A Corporate Culture of Sincerity and Valuing Stakeholders Will Lift Corporate Value Higher

A corporate governance system that ensures transparent, fair decision-making is an important part of conducting business activities that fulfill a company's responsibilities to society. I believe that governance is functioning effectively at Obayashi. Outside directors and outside corporate auditors monitor the performance of duties by directors, executive officers, and employees from a perspective that is independent of management, and they provide advice and monitoring from an independent viewpoint to assist the management decision-making process. In addition, the Corporate Ethics Committee and various programs are in place to ensure that officers and employees maintain a strong awareness of business risks, laws and regulations, and compliance issues that require their careful attention. As such, I have seen for myself that governance is working effectively throughout the entire Company.

Upon accepting the appointment of outside corporate auditor, my impression was that Obayashi has a very sincere team of officers and employees. Customers, suppliers, and employees are valued, quality standards and deadlines are met, and careful attention is paid to risks and compliance. It can be challenging for the Company to secure appropriate profits while ensuring this level of care. Obayashi seems to have built up its corporate value by remaining faithful to this stance throughout its long history.

Over the past 40 years or so in my work as a CPA and an auditor, I have viewed companies objectively from an external perspective and as a professional specialist. In my appointment as an outside corporate auditor at Obayashi specializing in accounting, I consider my mission is to take the same approach in identifying risks in financial data and other information, and help the Company to uphold its responsibility for fair disclosure of information.

Hiroshi Murao
President of Murao Certified Public Accountant Office

Mr. Murao has specialized knowledge and a wealth of experience as a CPA. He was appointed outside corporate auditor in June 2014.

Consolidated Financial Summary

Obayashi Group: Consolidated Financial Results

Fiscal years ended March 31	2005	2006	2007	2008
Orders received	¥1,478,252	¥1,533,215	¥1,552,727	¥1,513,380
Orders received (construction business)	1,398,322	1,454,369	1,446,091	1,431,271
Net sales	1,404,640	1,476,424	1,567,960	1,691,635
Gross profit	119,263	121,708	121,436	106,956
Gross profit margin (%)	8.5	8.2	7.7	6.3
Selling, general and administrative expenses	75,907	75,050	73,897	78,289
Operating income (loss)	43,356	46,658	47,538	28,667
Operating margin (%)	3.1	3.1	3.0	1.7
Ordinary income (loss)	52,576	50,859	53,320	32,312
Net income (loss)	25,076	34,489	40,652	18,595
Net income (loss) per share (yen / U.S. dollars)	34.81	47.89	56.46	25.83
Net assets	364,301	486,017	565,456	477,504
Total assets	1,842,262	1,977,295	2,066,984	1,854,071
Net assets per share (yen / U.S. dollars)	505.81	674.94	753.78	625.06
Equity ratio (%)	19.8	24.6	26.3	24.3
Return on equity (ROE) (%)*1	7.1	8.1	7.9	3.7
Price earning ratio (PER) (times)*1	19.0	20.0	13.5	16.2
Dividends per share (yen / U.S. dollars)*2	8	12	12	8
Dividend payout ratio (%)*1	23.0	25.1	21.3	31.0
Cash flow from operating activities*3	52,049	17,793	20,565	(47,631)
Cash flow from investing activities*3	11,172	25,437	53,036	(18,924)
Cash flow from financing activities*3	(56,171)	(53,996)	(38,325)	54,804
Cash and cash equivalents at end of period	110,781	101,527	139,942	128,537
Number of personnel*4	13,533	13,704	13,743	15,088
[Average number of temporary personnel not included in the above]				
Interest-bearing debt (excludes nonrecourse loans)	304,432	241,253	183,454	242,448
Nonrecourse loans	22,814	38,512	74,295	85,373
Total amount of interest-bearing debt and non-recourse loans	327,247	279,766	257,750	327,822
Debt/equity (D/E) ratio (times)	0.90	0.58	0.47	0.73
Financial balance	1,607	3,567	5,482	5,631
Capital expenditure	20,076	16,163	13,856	38,959
Research and development	7,887	7,206	6,793	6,947
Depreciation	11,619	10,517	10,340	10,462

*1. Return on equity (ROE), the 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 ¥120.17 to US$1, the prevailing rate of exchange at March 31, 2015.

						(Millions of yen)	(Thousands of U.S. dollars)*5
2009	2010	2011	2012	2013	2014	2015	2015
¥1,494,508	¥1,282,334	¥1,180,639	¥1,362,702	¥1,449,567	¥1,653,005	**¥1,900,517**	**$15,815,238**
1,438,365	1,214,745	1,108,348	1,289,779	1,372,658	1,580,900	**1,797,441**	**14,957,488**
1,682,462	1,341,456	1,131,864	1,245,772	1,448,305	1,612,756	**1,773,981**	**$14,762,266**
106,881	14,569	99,716	110,678	114,687	112,059	**131,707**	**1,096,011**
6.4	1.1	8.8	8.9	7.9	6.9	**7.4**	**–**
79,518	77,103	76,542	79,532	79,534	80,067	**83,318**	**693,342**
27,363	(62,534)	23,174	31,145	35,153	31,991	**48,388**	**402,668**
1.6	(4.7)	2.0	2.5	2.4	2.0	**2.7**	**–**
31,829	(59,608)	22,207	35,241	44,690	40,135	**59,913**	**498,573**
10,966	(53,354)	15,423	5,142	13,195	21,627	**28,695**	**238,788**
15.24	(74.21)	21.46	7.16	18.37	30.11	**39.96**	**0.33**
395,809	367,618	351,287	365,492	414,650	448,108	**549,483**	**4,572,547**
1,725,645	1,590,667	1,505,697	1,618,748	1,656,289	1,818,886	**1,996,193**	**16,611,416**
516.06	476.12	453.52	474.01	535.67	574.32	**706.94**	**5.88**
21.5	21.5	21.6	21.0	23.2	22.7	**25.4**	**–**
2.7	–	4.6	1.5	3.6	5.4	**6.2**	**–**
31.4	–	17.2	50.4	24.5	19.3	**19.5**	**–**
8	8	8	8	8	8	**10**	**0.08**
52.5	–	37.3	111.7	43.5	26.6	**25.0**	**–**
(39,610)	16,156	1,096	65,755	31,496	37,962	**74,646**	**621,177**
1,699	(12,746)	(33,134)	(1,919)	(29,151)	(47,328)	**(7,442)**	**(61,934)**
62,427	(15,733)	10,611	(48,949)	(28,977)	27,587	**(34,523)**	**(287,289)**
143,821	132,425	108,999	121,682	99,690	121,177	**162,607**	**1,353,146**
15,150	14,476	14,639	12,870	12,838	12,856	**13,432**	**–**
			[2,869]	[3,031]	[3,139]	**[3,658]**	**–**
314,165	309,706	321,375	320,798	306,323	351,592	**327,802**	**2,727,826**
84,649	81,343	87,885	84,316	81,845	76,851	**83,017**	**690,833**
398,814	391,050	409,260	405,115	388,168	428,444	**410,820**	**3,418,659**
1.07	1.14	1.26	1.19	1.01	1.04	**0.81**	**–**
4,384	2,445	2,650	3,433	4,463	5,587	**5,781**	**48,112**
16,028	9,876	49,043	17,017	35,084	69,110	**42,308**	**352,070**
7,269	8,018	8,561	9,093	8,742	8,927	**9,391**	**78,152**
10,956	10,534	11,394	11,954	10,916	12,103	**14,392**	**119,771**

Financial Review

Increasing enterprise value by balancing investments for growth and financial soundness

Shozo Harada
Representative Director
Executive Vice President

Business results for the fiscal year ended March 31, 2015 were as follows. Consolidated net sales achieved a record high, mainly due to firm orders from both public and private sectors in the domestic construction market. On the earnings front, earnings increased significantly year on year due to an increase in gross profit on completed construction contracts following an increase in net sales in the construction business, as well as an increase in gross profit in the real estate business and other.

Under Obayashi Group Medium-Term Business Plan '12 ("the previous medium-term plan"), which ended in the fiscal year ended March 31, 2015, we had planned to invest ¥135.0 billion over the three years of the plan in order to diversify our earnings base. However, due to proactive investments in property in the real estate development business, the final investment amount was ¥181.3 billion.

We started the new Obayashi Group Medium-Term Business Plan 2015 ("the medium-term plan") in the fiscal year ending March 31, 2016. Under this plan, we will further promote diversification of our earnings base, continuing this theme from the previous medium-term plan. To this end, we plan to invest a total of ¥180.0 billion over the three years of the plan, focusing on the real estate development business, primarily on properties for lease; new businesses, where we are working on commercialization of the renewable energy business; and on research and development of construction technology. By continuing to invest for growth, we aim to establish an earnings structure that can flexibly adapt to changes in the business environment.

We expect to make further progress on reducing the balance of interest-bearing debt, projecting a balance at the end of the fiscal year ending March 31, 2016 of around ¥390.0 billion. In addition to continuing to make investments for growth, we will also closely monitor and control the level of interest-bearing debt so as to maintain and improve our financial soundness.

In addition, we hold investment securities to maintain and strengthen business relationships with our customers. We have a well-entrenched practice of periodically reviewing our shareholdings based on their background and transaction status. Over the past 10 years, we have sold around ¥100.0 billion worth of shares. We intend to continue reviewing our shareholdings and taking steps to make more efficient use of our asset holdings by transferring money from investment securities into properties for lease and the renewable energy business.

We are targeting ROE of 8% over the medium to long term by increasing our gross profit margin.

With regard to shareholder returns, we are targeting a consolidated dividend payout ratio of 20% to 30%, giving top priority to maintaining stable long-term dividend payouts. In the fiscal year ended March 31, 2015, we recorded consolidated operating income of ¥48.3 billion. Since we became able to expect stable operating income of around ¥45.0 billion, we increased our year-end dividend by ¥2 to ¥6 per share, for an annual dividend of ¥10 per share. We will continue to return profits to shareholders in line with our business performance, based on our existing dividend policy.

We will continue promoting efficiency and transparency in our company activities, aiming to increase our corporate value sustainably.

Analysis of Business Performance, Financial Position and Cash Flows

Overview of the Fiscal Year Ended March 31, 2015

During the fiscal year ended March 31, 2015, the Japanese economy continued to make a moderate recovery as corporate profits showed an improvement, primarily due to the effect of the government's economic policies. Meanwhile, weakness was seen in some areas such as private consumption as a result of a consumption tax increase.

In the domestic construction market, orders from both public and private sectors were firm, and the business environment showed a trend toward improvement.

(1) Business Performance

In the fiscal year ended March 31, 2015, consolidated net sales increased by 10.0% from the previous fiscal year to ¥1,773.9 billion, mainly due to an increase in net sales in the construction business for both the Company and its subsidiaries. On the earnings front, operating income increased by 51.3% to ¥48.3 billion, ordinary income increased by 49.3% to ¥59.9 billion, and net income increased by 32.7% to ¥28.6 billion from the previous fiscal year, mainly due to an increase in gross profit on completed construction contracts as a result of an increase in net sales of the construction business, as well as an increase in gross profit in the real estate business and other.

(2) Financial Position

Total assets at the end of the fiscal year ended March 31, 2015 increased by ¥177.3 billion (9.7%) compared to the balance at the end of the previous fiscal year to ¥1,996.1 billion. The increase was mainly due to increases in "Cash and deposits" and "Notes and accounts receivable from completed construction contracts and other," as well as an increase in "Investment securities" following a mark-to-market valuation.

Total liabilities at the end of the fiscal year ended March 31, 2015 increased by ¥75.9 billion (5.5%) compared to the balance at the end of the previous fiscal year to ¥1,446.7 billion. This was mainly due to an increase in accounts payable for construction contracts (the aggregate of "Notes and accounts payable for construction contracts and other" and "Electronically recorded monetary claims") in line with an increase in completions. On the other hand, the consolidated balance of interest-bearing debt decreased by ¥17.6 billion (4.1%) compared to the balance at the end of the previous fiscal year to ¥410.8 billion, primarily due to a decrease in "Short-term loans payable."

Total net assets at the end of the fiscal year ended March 31, 2015 increased by ¥101.3 billion (22.6%) compared to the end of the previous fiscal year to ¥549.4 billion. The increase was mainly due to an increase in "Retained earnings," reflecting the recording of net income, as well as an increase in "Valuation difference on available-for-sale securities" following mark-to-market valuation of investment securities.

As a result, the equity ratio at the end of the fiscal year ended March 31, 2015 was 25.4%, up 2.7 percentage points from the end of the previous fiscal year.

(3) Cash Flows

During the fiscal year ended March 31, 2015, net cash provided by operating activities amounted to ¥74.6 billion (net cash provided by operating activities was ¥37.9 billion in the previous fiscal year). This was primarily owing to an improvement in cash flow in the domestic construction business. Net cash used in investing activities amounted to ¥7.4 billion, due to the purchase of real estate properties for business use (net cash used in investment activities was ¥47.3 billion in the previous fiscal year). Net cash used in financing activities amounted to ¥34.5 billion, primarily due to repayment of loans payable (net cash provided by financial activities was ¥27.5 billion in the previous fiscal year).

Consequently, cash and cash equivalents increased by ¥41.4 billion to ¥162.6 billion compared with the balance at the end of the previous fiscal year.

Outlook for the Fiscal Year Ending March 31, 2016

The outlook for consolidated financial results for the fiscal year ending March 31, 2016 is as follows:

- Orders received ¥1,780.0 billion (including ¥70.0 billion in the real estate business and other)
- Net sales ¥1,770.0 billion (including ¥82.0 billion in the real estate business and other)
- Operating income ¥50.0 billion
- Ordinary income ¥56.0 billion
- Net income attributable to owners of the parent ¥30.0 billion

Note: The forecasts listed above are based on information available as of March 31, 2015. Actual results may differ materially from forecasts due to various factors.

Basic Policy Regarding the Allocation of Profits and Dividends for the Fiscal Years Ended March 31, 2015 and Ending March 31, 2016

Our profit allocation policy is to sustain stable dividend payouts to our 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 our financial base, develop technologies, and make capital expenditures for the future.

In line with our commitment to stable dividend payouts to shareholders, we will endeavor to maintain a dividend payout ratio of 20% to 30%.

For the fiscal year ended March 31, 2015, we paid a year-end dividend of ¥6 per share. Combined with the interim dividend of ¥4 per share, the annual dividend applicable to the fiscal year ended March 31, 2015 was ¥10 per share (an increase of ¥2 per share from the previous fiscal year and a consolidated dividend payout ratio of 25.0%).

For the fiscal year ending March 31, 2016, we plan to pay interim and year-end dividends of ¥5 per share, for an annual dividend of ¥10 per share (consolidated dividend payout ratio of 23.9%).

Note: The plans for dividends listed above are based on information available as of March 31, 2015. Actual dividends may differ materially from forecast amounts due to various factors.

Consolidated Financial Statements

Consolidated Balance Sheet

OBAYASHI CORPORATION
At March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2015	2014	**2015**	2014
Assets				
Current assets				
Cash and deposits (Notes 5 and 11)	**¥ 164,309**	¥ 121,373	**$ 1,367,312**	$ 1,010,012
Notes and accounts receivable from completed construction contracts and other (Notes 5 and 11)	**687,404**	647,871	**5,720,269**	5,391,289
Electronically recorded monetary claims (Note 11)	**9,342**	6,907	**77,740**	57,477
Short-term investment securities (Notes 5, 11 and 12)	**2,835**	3,460	**23,595**	28,794
Real estate for sale (Note 5)	**11,627**	18,049	**96,758**	150,202
Costs on uncompleted construction contracts (Note 5)	**39,839**	44,903	**331,528**	373,669
Costs on real estate business	**18,263**	12,689	**151,983**	105,595
Inventories for PFI and other projects (Note 5)	**51,512**	56,741	**428,662**	472,176
Other inventories (Note 5)	**5,728**	4,774	**47,669**	39,728
Deferred tax assets (Note 15)	**20,509**	17,315	**170,667**	144,094
Accounts receivable—other (Note 11)	**95,689**	71,510	**796,286**	595,081
Other	**14,240**	16,348	**118,506**	136,043
Allowance for doubtful accounts	**(157)**	(273)	**(1,311)**	(2,275)
Total current assets	**1,121,146**	1,021,672	**9,329,669**	8,501,889
Noncurrent assets				
Property, plant and equipment, net				
Buildings and structures (Note 5)	**87,015**	94,097	**724,099**	783,035
Machinery, vehicles, tools, furniture and fixtures (Note 5)	**29,679**	19,043	**246,977**	158,469
Land (Note 5)	**285,793**	289,743	**2,378,246**	2,411,111
Leased assets	**264**	304	**2,198**	2,536
Construction in progress (Note 5)	**6,095**	11,900	**50,727**	99,029
Total property, plant and equipment, net (Note 5)	**408,848**	415,089	**3,402,249**	3,454,182
Intangible assets (Note 5)	**6,369**	5,397	**53,006**	44,917
Investments and other assets				
Investment securities (Notes 5, 11 and 12)	**415,541**	323,858	**3,457,949**	2,694,999
Long-term loans receivable	**2,181**	2,284	**18,153**	19,013
Assets for retirement benefits (Note 14)	**121**	156	**1,009**	1,304
Deferred tax assets (Note 15)	**2,034**	1,829	**16,927**	15,221
Other	**40,239**	51,205	**334,852**	426,112
Allowance for doubtful accounts	**(291)**	(2,627)	**(2,427)**	(21,864)
Total investments and other assets	**459,826**	376,707	**3,826,463**	3,134,787
Total noncurrent assets	**875,044**	797,194	**7,281,720**	6,633,886
Deferred assets	**3**	20	**26**	168
Total assets	**¥1,996,193**	¥1,818,886	**$16,611,416**	$15,135,944

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

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

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2015	2014	2015	2014
Liabilities				
Current liabilities				
Notes and accounts payable for construction contracts and other (Note 11)	¥ 550,042	¥ 578,750	$ 4,577,201	$ 4,816,098
Electronically recorded obligations (Note 11)	76,982	–	640,614	–
Short-term loans payable (Notes 5, 11 and 23)	124,667	159,856	1,037,427	1,330,254
Current portion of nonrecourse loans (Notes 5, 11 and 23)	8,326	7,331	69,285	61,011
Commercial papers (Notes 11 and 23)	18,000	22,000	149,787	183,073
Current portion of bonds (Notes 11 and 22)	25,000	–	208,038	–
Lease obligations (Note 23)	85	88	708	737
Income taxes payable	4,861	3,950	40,456	32,873
Deferred tax liabilities (Note 15)	213	391	1,776	3,255
Advances received on uncompleted construction contracts (Note 5)	97,807	103,370	813,909	860,198
Deposits received (Note 11)	75,366	66,803	627,164	555,909
Provision for warranties for completed construction	2,379	2,499	19,798	20,802
Provision for loss on construction contracts (Note 5)	12,731	7,627	105,949	63,472
Other	62,309	60,355	518,507	502,249
Total current liabilities	1,058,772	1,013,025	8,810,625	8,429,936
Noncurrent liabilities				
Bonds payable (Notes 11 and 22)	65,000	80,000	540,900	665,723
Long-term loans payable (Notes 5, 11 and 23)	95,135	89,735	791,672	746,740
Nonrecourse loans (Notes 5, 11 and 23)	74,691	69,519	621,547	578,512
Lease obligations (Notes 11 and 23)	146	152	1,215	1,270
Deferred tax liabilities (Note 15)	54,420	10,551	452,866	87,803
Deferred tax liabilities for land revaluation (Note 15)	23,098	27,354	192,217	227,628
Provision for loss on real estate business and other	993	999	8,263	8,321
Provision for environmental measures	1,022	1,032	8,511	8,589
Liability for retirement benefits (Note 14)	51,231	57,785	426,327	480,868
Other	22,197	20,621	184,720	171,599
Total noncurrent liabilities	387,938	357,752	3,228,243	2,977,057
Total liabilities	1,446,710	1,370,778	12,038,868	11,406,993
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	480,591	480,591
Capital surplus	41,750	41,750	347,430	347,430
Retained earnings	199,296	178,665	1,658,454	1,486,772
Treasury stock	(1,608)	(1,577)	(13,386)	(13,124)
Total shareholders' equity	297,191	276,591	2,473,089	2,301,669
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	184,171	115,744	1,532,587	963,169
Deferred gains (losses) on hedges	190	(213)	1,584	(1,774)
Revaluation reserve for land (Note 5)	20,770	20,264	172,845	168,632
Foreign currency translation adjustments	2,640	(595)	21,976	(4,958)
Retirement benefit asset and liability adjustments	2,705	665	22,517	5,537
Total accumulated other comprehensive income	210,479	135,865	1,751,511	1,130,606
Minority interests	41,812	35,651	347,946	296,674
Total net assets	549,483	448,108	4,572,547	3,728,951
Total liabilities and net assets	¥1,996,193	¥1,818,886	$16,611,416	$15,135,944

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

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

Consolidated Statement of Income

OBAYASHI CORPORATION
For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2015	2014	**2015**	2014
Net sales:				
Construction contracts (Note 6)	**¥1,673,040**	¥1,521,074	**$13,922,281**	$12,657,685
Real estate business and other	**100,941**	91,682	**839,985**	762,943
Total net sales	**1,773,981**	1,612,756	**14,762,266**	13,420,628
Cost of sales:				
Construction contracts (Note 6)	**1,572,158**	1,430,784	**13,082,783**	11,906,340
Real estate business and other (Note 6)	**70,115**	69,912	**583,472**	581,783
Total cost of sales	**1,642,273**	1,500,697	**13,666,255**	12,488,124
Gross profit:				
Construction contracts	**100,882**	90,289	**839,498**	751,344
Real estate business and other	**30,825**	21,769	**256,512**	181,159
Total gross profit	**131,707**	112,059	**1,096,011**	932,504
Selling, general and administrative expenses (Note 6)	**83,318**	80,067	**693,342**	666,284
Operating income	**48,388**	31,991	**402,668**	266,219
Other income/(expenses):				
Interest and dividend income	**9,154**	8,860	**76,183**	73,732
Foreign exchange gains, net	**4,969**	3,454	**41,352**	28,745
Interest expense	**(3,280)**	(3,160)	**(27,295)**	(26,297)
Gain on sales of investment securities	**3,064**	7,144	**25,500**	59,449
Gain on transition of retirement benefit plan (Note 14)	**2,450**	–	**20,388**	–
Gain on sales of noncurrent assets (Note 6)	**1,042**	257	**8,675**	2,146
Loss on sales and disposal of noncurrent assets (Note 6)	**(811)**	(1,996)	**(6,754)**	(16,617)
Impairment loss (Note 6)	**(6,926)**	(5,885)	**(57,640)**	(48,972)
Other, net (Note 6)	**1,230**	(1,946)	**10,242**	(16,193)
Total other income	**10,893**	6,728	**90,653**	55,992
Income before income taxes and minority interests	**59,282**	38,720	**493,322**	322,212
Income taxes (Note 15)				
Income taxes—current	**9,147**	7,399	**76,123**	61,572
Income taxes—deferred	**16,380**	4,777	**136,307**	39,757
Total income taxes	**25,527**	12,176	**212,431**	101,330
Income before minority interests	**33,754**	26,543	**280,891**	220,881
Minority interests in earnings of consolidated subsidiaries	**5,059**	4,916	**42,103**	40,910
Net income	**¥ 28,695**	¥ 21,627	**$ 238,788**	$ 179,970

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

Consolidated Statement of Comprehensive Income

OBAYASHI CORPORATION
For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2015	2014	**2015**	2014
Income before minority interests	**¥ 33,754**	¥26,543	**$280,891**	$220,881
Other comprehensive income				
Valuation difference on available-for-sale securities	**68,471**	9,064	**569,785**	75,429
Deferred gains (losses) on hedges	**389**	(70)	**3,238**	(584)
Revaluation reserve for land	**2,429**	0	**20,213**	0
Foreign currency translation adjustments	**5,608**	3,721	**46,669**	30,969
Retirement benefit asset and liability adjustments	**2,234**	–	**18,593**	–
Share of other comprehensive income of affiliates accounted for by the equity method	**25**	79	**213**	663
Total other comprehensive income (Note 7)	**79,157**	12,795	**658,713**	106,479
Comprehensive income	**¥112,912**	¥39,338	**$939,604**	$327,360
Comprehensive income attributable to:				
Shareholders	**¥105,232**	¥32,836	**$875,693**	$273,251
Minority interests	**7,680**	6,502	**63,910**	54,109

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

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

Consolidated Statement of Changes in Net Assets

OBAYASHI CORPORATION
For the year ended March 31, 2015

For the year ended March 31, 2015

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥57,752	¥41,750	¥178,665	¥(1,577)	¥276,591
Cumulative effects of changes in accounting policies			(4,134)		(4,134)
Restated balance at the beginning of current period	57,752	41,750	174,530	(1,577)	272,456
Changes of items during period					
Dividends from surplus			(5,745)		(5,745)
Net income			28,695		28,695
Reversal of revaluation reserve for land			1,816		1,816
Purchase of treasury stock				(31)	(31)
Net changes in items other than those in shareholders' equity					
Total changes of items during period	–	–	24,765	(31)	24,734
Balance at the end of current period	¥57,752	¥41,750	¥199,296	¥(1,608)	¥297,191

Millions of yen

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the beginning of current period	¥115,744	¥(213)	¥20,264	¥ (595)	¥ 665	¥135,865	¥35,651	¥448,108
Cumulative effects of changes in accounting policies							(461)	(4,596)
Restated balance at the beginning of current period	115,744	(213)	20,264	(595)	665	135,865	35,189	443,511
Changes of items during period								
Dividends from surplus								(5,745)
Net income								28,695
Reversal of revaluation reserve for land								1,816
Purchase of treasury stock								(31)
Net changes in items other than those in shareholders' equity	68,426	403	506	3,236	2,040	74,614	6,622	81,237
Total changes of items during period	68,426	403	506	3,236	2,040	74,614	6,622	105,971
Balance at the end of current period	¥184,171	¥ 190	¥20,770	¥2,640	¥2,705	¥210,479	¥41,812	¥549,483

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	$480,591	$347,430	$1,486,772	$(13,124)	$2,301,669
Cumulative effects of changes in accounting policies			(34,409)		(34,409)
Restated balance at the beginning of current period	480,591	347,430	1,452,363	(13,124)	2,267,260
Changes of items during period					
Dividends from surplus			(47,809)		(47,809)
Net income			238,788		238,788
Reversal of revaluation reserve for land			15,112		15,112
Purchase of treasury stock				(261)	(261)
Net changes in items other than those in shareholders' equity					
Total changes of items during period	–	–	206,091	(261)	205,829
Balance at the end of current period	$480,591	$347,430	$1,658,454	$(13,386)	$2,473,089

Thousands of U.S. dollars (Note 2)

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the beginning of current period	$ 963,169	$(1,774)	$168,632	$ (4,958)	$ 5,537	$1,130,606	$296,674	$3,728,951
Cumulative effects of changes in accounting policies							(3,841)	(38,250)
Restated balance at the beginning of current period	963,169	(1,774)	168,632	(4,958)	5,537	1,130,606	292,833	3,690,700
Changes of items during period								
Dividends from surplus								(47,809)
Net income								238,788
Reversal of revaluation reserve for land								15,112
Purchase of treasury stock								(261)
Net changes in items other than those in shareholders' equity	569,418	3,358	4,213	26,934	16,980	620,904	55,113	676,018
Total changes of items during period	569,418	3,358	4,213	26,934	16,980	620,904	55,113	881,847
Balance at the end of current period	$1,532,587	$ 1,584	$172,845	$21,976	$22,517	$1,751,511	$347,946	$4,572,547

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

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

For the year ended March 31, 2014

Millions of yen

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

Millions of yen

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

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	$480,591	$347,430	$1,345,316	$(12,875)	$2,160,462
Cumulative effects of changes in accounting policies					–
Restated balance at the beginning of current period	480,591	347,430	1,345,316	(12,875)	2,160,462
Changes of items during period					
Dividends from surplus			(47,812)		(47,812)
Net income			179,970		179,970
Reversal of revaluation reserve for land			9,297		9,297
Purchase of treasury stock				(248)	(248)
Net changes in items other than those in shareholders' equity					
Total changes of items during period	–	–	141,455	(248)	141,207
Balance at the end of current period	$480,591	$347,430	$1,486,772	$(13,124)	$2,301,669

Thousands of U.S. dollars (Note 2)

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the beginning of current period	$887,969	$ (903)	$177,934	$(23,910)	$ –	$1,041,090	$248,976	$3,450,529
Cumulative effects of changes in accounting policies								–
Restated balance at the beginning of current period	887,969	(903)	177,934	(23,910)	–	1,041,090	248,976	3,450,529
Changes of items during period								
Dividends from surplus								(47,812)
Net income								179,970
Reversal of revaluation reserve for land								9,297
Purchase of treasury stock								(248)
Net changes in items other than those in shareholders' equity	75,199	(870)	(9,302)	18,952	5,537	89,516	47,698	137,214
Total changes of items during period	75,199	(870)	(9,302)	18,952	5,537	89,516	47,698	278,421
Balance at the end of current period	$963,169	$(1,774)	$168,632	$ (4,958)	$5,537	$1,130,606	$296,674	$3,728,951

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

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

Consolidated Statement of Cash Flows

OBAYASHI CORPORATION
For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2015	2014	**2015**	2014
Net cash provided by (used in) operating activities				
Income before income taxes and minority interests	**¥ 59,282**	¥ 38,720	**$ 493,322**	$ 322,212
Depreciation and amortization	**14,392**	12,103	**119,771**	100,716
Impairment loss	**6,926**	5,885	**57,640**	48,972
Increase (decrease) in allowance for doubtful accounts	**(2,455)**	(1,957)	**(20,432)**	(16,292)
Increase (decrease) in provision for loss on construction contracts	**5,097**	1,450	**42,419**	12,067
Increase (decrease) in liability for retirement benefits	**(10,681)**	(3,275)	**(88,882)**	(27,256)
Interest and dividend income	**(9,154)**	(8,860)	**(76,183)**	(73,732)
Interest expense	**3,280**	3,160	**27,295**	26,297
Loss (gain) on sales of noncurrent assets	**(679)**	1,386	**(5,657)**	11,539
Loss (gain) on sales of short-term and long-term investment securities	**(3,064)**	(7,127)	**(25,499)**	(59,309)
Decrease (increase) in notes and accounts receivable—trade	**(30,523)**	(114,510)	**(253,999)**	(952,905)
Decrease (increase) in costs on uncompleted construction contracts	**6,587**	3,264	**54,816**	27,161
Decrease (increase) in inventories	**2,113**	9,886	**17,590**	82,269
Decrease (increase) in inventories for PFI and other projects	**5,229**	9,765	**43,513**	81,267
Decrease (increase) in other assets	**(14,048)**	4,580	**(116,901)**	38,115
Increase (decrease) in notes and accounts payable—trade	**37,288**	39,049	**310,298**	324,949
Increase (decrease) in advances received on uncompleted construction contracts	**(8,596)**	40,557	**(71,534)**	337,498
Increase (decrease) in other liabilities	**11,208**	(3,841)	**93,270**	(31,971)
Other, net	**4,950**	7,825	**41,196**	65,117
Subtotal	**77,154**	38,059	**642,044**	316,716
Interest and dividend received	**9,383**	9,151	**78,081**	76,151
Interest paid	**(3,310)**	(3,255)	**(27,546)**	(27,093)
Income taxes (paid) refunded	**(8,580)**	(5,992)	**(71,401)**	(49,870)
Net cash provided by (used in) operating activities	**74,646**	37,962	**621,177**	315,903
Net cash provided by (used in) investing activities				
Purchase of property, plant and equipment and intangible assets	**(41,090)**	(68,191)	**(341,939)**	(567,456)
Proceeds from sales of property, plant and equipment and intangible assets	**25,616**	6,638	**213,172**	55,240
Purchase of short-term and long-term investment securities	**(3,864)**	(3,024)	**(32,156)**	(25,166)
Proceeds from sales and redemption of short-term and long-term investment securities	**8,584**	16,864	**71,437**	140,339
Payments of loans receivable	**(53)**	(2,349)	**(447)**	(19,552)
Collection of loans receivable	**3,368**	1,766	**28,029**	14,703
Proceeds from purchase of subsidiaries' shares resulting in change in scope of consolidation	**45**	782	**381**	6,513
Other, net	**(49)**	184	**(411)**	1,532
Net cash provided by (used in) investing activities	**(7,442)**	(47,328)	**(61,934)**	(393,845)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable	**782**	6,853	**6,514**	57,029
Net increase (decrease) in commercial papers	**(4,000)**	17,000	**(33,286)**	141,466
Repayments of lease obligations	**(159)**	(147)	**(1,326)**	(1,225)
Proceeds from long-term loans payable	**34,548**	52,500	**287,497**	436,881
Repayment of long-term loans payable	**(74,892)**	(46,027)	**(623,223)**	(383,021)
Proceeds from nonrecourse loans payable	**17,454**	13,064	**145,244**	108,712
Payment of nonrecourse loans payable	**(11,288)**	(18,057)	**(93,935)**	(150,266)
Proceeds from issuance of bonds	**10,000**	20,000	**83,215**	166,430
Redemption of bonds	**–**	(10,000)	**–**	(83,215)
Cash dividends paid	**(5,745)**	(5,745)	**(47,809)**	(47,812)
Cash dividends paid to minority shareholders	**(771)**	(1,288)	**(6,423)**	(10,723)
Other, net	**(451)**	(562)	**(3,757)**	(4,683)
Net cash provided by (used in) financing activities	**(34,523)**	27,587	**(287,289)**	229,571
Effect of exchange rate changes on cash and cash equivalents	**8,749**	3,265	**72,812**	27,172
Net increase (decrease) in cash and cash equivalents	**41,430**	21,486	**344,766**	178,802
Cash and cash equivalents at beginning of period	**121,177**	99,690	**1,008,380**	829,577
Cash and cash equivalents at end of period (Note 9)	**¥162,607**	¥ 121,177	**$1,353,146**	$1,008,380

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

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

Notes to Consolidated Financial Statements

OBAYASHI CORPORATION
For the year ended March 31, 2015

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 ¥120.17 to US$1, the rate of exchange prevailing at March 31, 2015, and were then rounded down to the nearest thousand. The approximate rate of exchange prevailing at May 31, 2015 was ¥123.73=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 84 subsidiaries at March 31, 2015. The consolidated financial statements as of and for the years ended March 31, 2015 and 2014 included the accounts of the Company and all subsidiaries.
All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (28 companies for 2015) are accounted for by the equity method.

(2) Business year for consolidated subsidiaries
Certain foreign consolidated subsidiaries (30 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 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.

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

(16) Retirement benefits
In calculating retirement benefits obligations, the benefit formula method is used to allocate expected retirement benefit payments in the period until the end of the current fiscal year.
Actuarial differences are amortized commencing in the following year after the differences 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.
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.
(Additional Information)
The Company adopted the defined contribution pension plan partially instead of the defined benefit pension plan on or after April 1, 2014. This transition is accounted for in accordance with the "Revision of Accounting Standard for Accrued Retirement Benefits (Implementation Guidance on Accounting Standards; Guidance No. 1)" and "gain on transition of retirement benefit plan" of ¥2,450 million (US$20,388 thousand) is posted for the year ending March 31, 2015.

(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, interest rate swaps or interest rate/currency swaps are employed as hedging instruments.

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

(d) Assessment of hedge effectiveness
Hedge effectiveness is not assessed when substantial terms and conditions of the hedging instruments and the hedged transactions are the same.
The evaluation of hedge effectiveness is omitted for interest rate swaps as they meet certain criteria under the short-cut method.

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

(19) Revenues and expenses associated with finance lease transactions
Sales and cost of sales are recognized upon receipt of lease payment.

(20) Consumption taxes
Consumption tax and local consumption tax are accounted for under the tax-exclusive method.

(21) Income taxes
The Companies apply deferred tax accounting for income taxes which requires recognition of income taxes by the asset/liability method.
Under the asset/liability method, deferred tax assets and liabilities are determined based on the difference between financial reporting basis and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(22) Consolidated taxation system
The Companies adopted the consolidated taxation system.

4. Change in Accounting Policies

The Company adopted Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weight-average discount rate reflecting the expected timing and amount of benefit payments.
The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.
As a result, the liability for retirement benefits increased by ¥7,128 million ($59,320 thousand) and retained earnings decreased by ¥4,134 million ($34,409 thousand) at April 1, 2014, and operating income, and income before income taxes and minority interests for the year ended March 31, 2015 increased by ¥1,191 million ($9,913 thousand), respectively. Accordingly, the liability for retirement benefits and retained earnings at March 31, 2015 were ¥51,231 million ($426,327 thousand) and ¥199,296 million ($1,658,454 thousand) respectively, after reflecting the effect of the accounting policy change above and the change for the year ended March 31, 2015 (the liability for retirement benefits decreased by ¥13,682 million ($113,862 thousand) and retained earnings increased by ¥24,765 million ($206,091 thousand)).
The effect on net assets per share is listed in the relevant section.

5. Notes to Consolidated Balance Sheet

(1) The breakdown of "Inventories for PFI and other projects"

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Costs on PFI business	**¥51,512**	¥56,741	**$428,662**	$472,176

(2) The breakdown of "Other inventories"

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Costs on other business	**¥1,874**	¥2,199	**$15,602**	$18,299
Raw materials and supplies	**3,853**	2,575	**32,067**	21,429
Total	**¥5,728**	¥4,774	**$47,669**	$39,728

(3) Accumulated depreciation of property, plant and equipment

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
	¥151,998	¥166,384	**$1,264,866**	$1,384,579

(4) Investments in affiliates

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
	¥3,565	¥3,237	**$29,669**	$26,940

(5) 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.

(6) Pledged assets

Assets pledged as collateral for long-term loans payable and others were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Assets pledged as collateral:				
Real estate for sale	**¥ 624**	¥ 1,610	**$ 5,200**	$ 13,397
Buildings and structures	**7,926**	19,017	**65,959**	158,256
Machinery, vehicles, tools, furniture and fixtures	**854**	187	**7,113**	1,563
Land	**19,526**	29,728	**162,494**	247,382
Investment securities	**859**	14,960	**7,149**	124,493
Total	**¥29,792**	¥65,503	**$247,918**	$545,093
Liabilities secured thereby:				
Short-term loans payable	**¥ 955**	¥ 5,044	**$ 7,951**	$ 41,976
Advances received on uncompleted construction contracts	**598**	10,649	**4,981**	88,616
Long-term loans payable	**2,259**	7,966	**18,802**	66,296
Total	**¥ 3,813**	¥23,660	**$ 31,735**	$196,888

(7) Deposited assets

Assets deposited by the "Law for Execution of Warranty against Housing Defects" and the others were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Cash and deposits	**¥192**	¥ 2	**$1,598**	$ 24
Short-term investment securities	**19**	–	**162**	–
Investment securities	**538**	678	**4,481**	5,643
Total	**¥750**	¥681	**$6,241**	$5,667

(8) Contingent liabilities

The Companies were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Guarantees of long-term debt of customers, affiliates and employees	**¥398**	¥ 554	**$3,319**	$4,618
Repurchase obligation for notes receivable sold	**–**	1,185	**–**	9,861

(9) 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.

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
	¥367	¥290	**$3,060**	$2,414

(10) 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	
At March 31	2015	2014	2015	2014
Buildings and structures	¥ 58	¥ 52	$ 488	$ 440
Machinery, vehicles, tools, furniture and fixtures	1	79	16	658
Construction in progress	143	–	1,192	–
Intangible assets	6	0	54	0
Total	¥210	¥132	$1,752	$1,099

(11) Nonrecourse loans

Nonrecourse 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, the real estate business or the renewable energy business as collateral.

Assets as collateral for the nonrecourse loans were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
Cash and deposits	¥11,365	¥ 9,484	$ 94,580	$ 78,922
Notes and accounts receivable from completed construction contracts and other	11,157	10,487	92,849	87,276
Inventories for PFI and other projects	51,512	56,741	428,662	472,176
Buildings and structures	4,921	4,812	40,956	40,048
Machinery, vehicles, tools, furniture and fixtures	15,097	135	125,633	1,128
Land	–	19	–	162
Total	¥94,054	¥81,681	$782,682	$679,714

(12) 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, 2015 and 2014, 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:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
Contract amount	¥50,000	¥50,000	$416,077	$416,077
Outstanding borrowings	–	–	–	–
Available amount	¥50,000	¥50,000	$416,077	$416,077

6. Notes to Consolidated Statement of Income

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

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	2015	2014	2015	2014
	¥1,487,965	¥1,328,237	$12,382,170	$11,052,991

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

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	2015	2014	2015	2014
	¥10,629	¥6,160	$88,453	$51,262

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

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	2015	2014	2015	2014
	¥1,967	¥770	$16,369	$6,415

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

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2015**	2014	**2015**	2014
Employees' salaries and allowances	**¥33,083**	¥32,436	**$275,309**	$269,924
Retirement benefit expenses	**1,221**	1,676	**10,162**	13,953
Research study expenses	**9,391**	8,927	**78,152**	74,290

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

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2015**	2014	**2015**	2014
	¥9,391	¥8,927	**$78,152**	$74,290

(6) The breakdown of "Gain on sales of noncurrent assets"

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2015**	2014	**2015**	2014
Buildings and structures	**¥ 173**	¥ 57	**$1,445**	$ 476
Land	**858**	112	**7,142**	932
Others	**10**	88	**87**	737
Total	**¥1,042**	¥257	**$8,675**	$2,146

(7) The breakdown of "Loss on sales and disposal of noncurrent assets"

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2015**	2014	**2015**	2014
Buildings and structures	**¥265**	¥1,037	**$2,211**	$ 8,630
Land	**248**	549	**2,071**	4,575
Demolition and removal costs	**248**	168	**2,067**	1,399
Others	**48**	241	**403**	2,012
Total	**¥811**	¥1,996	**$6,754**	$16,617

(8) Impairment loss

The following table summarizes the impairment losses recognized for the years ended March 31, 2015 and 2014.

Classification by purpose

			2015
Use	Type of assets	Location	Number of assets
Real estate for lease	**Land, buildings and others**	**Chiba and others**	**16**
Real estate reclassified as "held for sale"	**Land, buildings and others**	**Osaka**	**1**
Idle real estate	**Land**	**Hyogo and others**	**6**

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

Breakdown by account

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2015**	2014	**2015**	2014
Buildings and structures	**¥ 242**	¥ 330	**$ 2,016**	$ 2,747
Land	**6,684**	5,544	**55,624**	46,141
Others	**–**	9	**–**	82
Total	**¥6,926**	¥5,885	**$57,640**	$48,972

Valuation method

The Companies recognize impairment losses for individual items classified as; 1) Real estate for lease; 2) Real estate reclassified as "held for sale"; 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.

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

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2015**	2014	**2015**	2014
Other income				
Gain on sales of art objects	**¥467**	¥7	**$3,893**	$62

7. 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, 2015 and 2014 which were recognized in other comprehensive income for the years ended on or before March 31, 2015 and 2014 and tax effect allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2015**	2014	**2015**	2014
Valuation difference on available-for-sale securities				
Occurred during the year	**¥ 94,846**	¥20,879	**$ 789,267**	$173,751
Reclassification adjustments	**(3,010)**	(6,838)	**(25,051)**	(56,910)
Valuation difference on available-for-sale securities before tax effect	**91,835**	14,040	**764,216**	116,840
Tax effect	**(23,364)**	(4,976)	**(194,430)**	(41,411)
Valuation difference on available-for-sale securities	**68,471**	9,064	**569,785**	75,429
Deferred gains (losses) on hedges				
Occurred during the year	**753**	(2,325)	**6,269**	(19,353)
Reclassification adjustments	**(174)**	2,144	**(1,453)**	17,848
Deferred gains (losses) on hedges before tax effect	**578**	(180)	**4,815**	(1,504)
Tax effect	**(189)**	110	**(1,577)**	920
Deferred gains (losses) on hedges	**389**	(70)	**3,238**	(584)
Revaluation reserve for land				
Occurred during the year	**–**	–	**–**	–
Tax effect	**2,429**	0	**20,213**	0
Revaluation reserve for land	**2,429**	0	**20,213**	0
Foreign currency translation adjustments				
Occurred during the year	**6,188**	3,600	**51,495**	29,963
Reclassification adjustments	**(579)**	120	**(4,826)**	1,006
Foreign currency translation adjustments	**5,608**	3,721	**46,669**	30,969
Retirement benefit asset and liability adjustments				
Occurred during the year	**3,407**	–	**28,357**	–
Reclassification adjustments	**(161)**	–	**(1,341)**	–
Retirement benefit asset and liability adjustments before tax effect	**3,246**	–	**27,015**	–
Tax effect	**(1,012)**	–	**(8,422)**	–
Retirement benefit asset and liability adjustments	**2,234**	–	**18,593**	–
Share of other comprehensive income of affiliates accounted for by the equity method				
Occurred during the year	**7**	66	**59**	556
Reclassification adjustments	**18**	12	**154**	107
Share of other comprehensive income of affiliates accounted for by the equity method	**25**	79	**213**	663
Total other comprehensive income	**¥ 79,157**	¥12,795	**$ 658,713**	$106,479

8. Notes to Consolidated Statement of Changes in Net Assets

(1) Type and number of outstanding shares

For the year ended March 31, 2015

Number of shares

Type 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	**3,341,212**	**42,682**	**–**	**3,383,894**

Note: Treasury stock increased by 42,682 shares due to the repurchase of shares less than one unit.

For the year ended March 31, 2014

Number of shares

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

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

(2) Dividends

(a) Dividends paid to shareholders

For the year ended March 31, 2015

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 27, 2014)	**Common stock**	**¥2,872**	**$23,905**	**¥4**	**$0.03**	**March 31, 2014**	**June 30, 2014**
Board of Directors (November 11, 2014)	**Common stock**	**2,872**	**23,904**	**4**	**0.03**	**September 30, 2014**	**December 4, 2014**

For the year ended March 31, 2014

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 27, 2013)	Common stock	¥2,872	$23,906	¥4	$0.03	March 31, 2013	June 28, 2013
Board of Directors (November 12, 2013)	Common stock	2,872	23,905	4	0.03	September 30, 2013	December 4, 2013

(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, 2015

Resolution approved by	Type of shares	Amount		Paid from	Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 26, 2015)	**Common stock**	**¥4,308**	**$35,855**	**Retained earnings**	**¥6**	**$0.04**	**March 31, 2015**	**June 29, 2015**

For the year ended March 31, 2014

Resolution approved by	Type of shares	Amount		Paid from	Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 27, 2014)	Common stock	¥2,872	$23,905	Retained earnings	¥4	$0.03	March 31, 2014	June 30, 2014

(3) Shareholders' equity

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

9. Notes to Consolidated 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 sheet is as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Cash and deposits	**¥164,309**	¥121,373	**$1,367,312**	$1,010,012
Time deposits with a maturity of more than three months	**(269)**	(196)	**(2,245)**	(1,632)
Bank overdraft	**(1,432)**	–	**(11,920)**	–
Cash and cash equivalents at end of period	**¥162,607**	¥121,177	**$1,353,146**	$1,008,380

10. Lease Transactions

Operating leases

(a) Lessee's accounting

Future minimum payments under non-cancelable lease contracts at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Within 1 year	**¥ 3,066**	¥ 2,132	**$ 25,519**	$ 17,748
Over 1 year	**11,943**	10,048	**99,385**	83,622
Total	**¥15,009**	¥12,181	**$124,904**	$101,370

(b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Within 1 year	**¥ 4,770**	¥ 4,977	**$ 39,696**	$ 41,423
Over 1 year	**15,969**	19,994	**132,887**	166,386
Total	**¥20,739**	¥24,972	**$172,583**	$207,810

11. Financial Instruments

(1) Overview

(a) Policy for financial instruments

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

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

"Notes receivable, accounts receivable from completed construction contracts and other," "Electronically recorded monetary claims" 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," "Electronically recorded obligations" 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. "Nonrecourse 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. Regarding interest rate swaps, the Companies utilize the short-cut method if they meet the certain criteria under the short-cut method. In case of utilizing the short-cut method, the evaluation of hedge effective is omitted by the judgement of the short-cut method.
The transactions of derivative financial instruments are carried out in accordance with the Companies' internal rules, and the status of the transactions is reported regularly to the Board of Directors. The Companies trade derivative transactions with major financial institutions and therefore consider there is no credit risk underlying those transactions.
While operating debt and borrowings are exposed to liquidity risk, the Companies manage the risk mainly by preparing quarterly and monthly cash management plans.

(c) Supplementary explanation of fair values of financial instruments
Notional amounts of derivative transactions, disclosed in "(2) Fair value of financial instruments," do not indicate market risk in derivative transactions.

(2) Fair value of financial instruments

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

	Millions of yen			Thousands of U.S. dollars		
At March 31, 2015	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	¥ 164,309	¥ 164,309	¥ –	$ 1,367,312	$ 1,367,312	$ –
Notes and accounts receivable from completed construction contracts and other	687,404	687,353	(50)	5,720,269	5,719,845	(424)
Electronically recorded monetary claims	9,342	9,342	–	77,740	77,740	–
Short-term investment securities and investment securities	399,304	399,329	25	3,322,830	3,323,038	208
Accounts receivable—other	95,689	95,689	–	796,286	796,286	–
Subtotal	¥1,356,051	¥1,356,025	¥ (25)	$11,284,440	$11,284,224	$ (215)
Liabilities						
Notes and accounts payable for construction contracts and other	¥ 550,042	¥ 550,042	¥ –	$ 4,577,201	$ 4,577,201	$ –
Electronically recorded obligations	76,982	76,982	–	640,614	640,614	–
Short-term loans payable	124,667	124,667	–	1,037,427	1,037,427	–
Current portion of nonrecourse loans	8,326	8,326	–	69,285	69,285	–
Commercial papers	18,000	18,000	–	149,787	149,787	–
Current portion of bonds	25,000	25,000	–	208,038	208,038	–
Deposits received	75,366	75,366	–	627,164	627,164	–
Bonds payable	65,000	65,817	817	540,900	547,701	6,800
Long-term loans payable	95,135	95,288	152	791,672	792,943	1,271
Nonrecourse loans	74,691	78,816	4,125	621,547	655,874	34,326
Subtotal	¥1,113,211	¥1,118,306	¥5,095	$ 9,263,639	$ 9,306,038	$42,398
Derivative transactions*	¥ 314	¥ 314	¥ –	$ 2,617	$ 2,617	$ –

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

At March 31, 2014	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	¥ 121,373	¥ 121,373	¥ –	$1,010,012	$1,010,012	$ –
Notes and accounts receivable from completed construction contracts and other	647,871	647,838	(33)	5,391,289	5,391,014	(275)
Electronically recorded monetary claims	6,907	6,907	–	57,477	57,477	–
Short-term investment securities and investment securities	305,415	305,435	19	2,541,529	2,541,693	163
Accounts receivable—other	71,510	71,510	–	595,081	595,081	–
Subtotal	¥1,153,078	¥1,153,064	¥ (13)	$9,595,390	$9,595,278	$ (111)
Liabilities						
Notes and accounts payable for construction contracts and other	¥ 578,750	¥ 578,750	¥ –	$4,816,098	$4,816,098	$ –
Short-term loans payable	159,856	159,856	–	1,330,254	1,330,254	–
Current portion of nonrecourse loans	7,331	7,331	–	61,011	61,011	–
Commercial papers	22,000	22,000	–	183,073	183,073	–
Deposits received	66,803	66,803	–	555,909	555,909	–
Bonds payable	80,000	80,610	610	665,723	670,801	5,077
Long-term loans payable	89,735	89,958	222	746,740	748,591	1,851
Nonrecourse loans	69,519	72,647	3,127	578,512	604,540	26,028
Subtotal	¥1,073,998	¥1,077,958	¥3,960	$8,937,324	$8,970,281	$32,957
Derivative transactions*	¥ (296)	¥ (296)	¥ –	$ (2,468)	$ (2,468)	$ –

* 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 and Electronically recorded monetary claims

The carrying value of the items that will be retrieved within a year approximates fair value. The carrying value is the same as fair value.

The items that will be retrieved later than a year are determined based on the present value of carrying value, grouped by term of settlement, discounted at an interest rate determined taking into account the remaining period of those and credit risk.

Short-term investment securities and investment securities

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

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

Accounts receivable—other

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

Liabilities

Notes and accounts payable for construction contracts and other, Electronically recorded obligations, Short-term loans payable, Current portion of nonrecourse 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 Nonrecourse loans

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

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

Derivatives

See Note 13 "Derivative Transactions."

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

	Millions of yen		Thousands of U.S. dollars	
		Carrying value		Carrying value
At March 31	**2015**	2014	**2015**	2014
Non-listed stocks	**¥15,507**	¥16,752	**$129,043**	$139,404
Non-listed preferred equity securities	**–**	1,913	**–**	15,919
Stocks of affiliates	**3,557**	3,229	**29,605**	26,874
Investments in capital of affiliates	**7**	7	**64**	66
Total	**¥19,072**	¥21,902	**$158,713**	$182,264

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

At March 31, 2015	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits				
Deposits	**¥164,114**	**¥ –**	**¥ –**	**¥ –**
Notes and accounts receivable from completed construction contracts and other	**628,456**	**54,121**	**1,846**	**2,980**
Electronically recorded monetary claims	**9,342**	**–**	**–**	**–**
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	**20**	**247**	**462**	**–**
Corporate bonds	**16**	**42**	**–**	**–**
Accounts receivable—other	**95,689**	**–**	**–**	**–**
Total	**¥897,638**	**¥54,411**	**¥2,309**	**¥2,980**

Thousands of U.S. dollars

At March 31, 2015	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits				
Deposits	**$1,365,685**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable from completed construction contracts and other	**5,229,725**	**450,374**	**15,369**	**24,799**
Electronically recorded monetary claims	**77,740**	**–**	**–**	**–**
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	**166**	**2,061**	**3,845**	**–**
Corporate bonds	**135**	**353**	**–**	**–**
Accounts receivable—other	**796,286**	**–**	**–**	**–**
Total	**$7,469,740**	**$452,790**	**$19,215**	**$24,799**

Millions of yen

At March 31, 2014	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits				
Deposits	¥121,187	¥ –	¥ –	¥ –
Notes and accounts receivable from completed construction contracts and other	593,501	49,181	1,846	3,341
Electronically recorded monetary claims	6,907	–	–	–
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	–	176	482	–
Corporate bonds	16	58	–	–
Accounts receivable-other	71,510	–	–	–
Total	¥793,123	¥49,416	¥2,329	¥3,341

Thousands of U.S. dollars

At March 31, 2014	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits				
Deposits	$1,008,466	$ –	$ –	$ –
Notes and accounts receivable from completed construction contracts and other	4,938,852	409,264	15,369	27,803
Electronically recorded monetary claims	57,477	–	–	–
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	–	1,466	4,011	–
Corporate bonds	135	488	–	–
Accounts receivable-other	595,081	–	–	–
Total	$6,600,013	$411,219	$19,381	$27,803

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

Millions of yen

At March 31, 2015	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 99,033	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	18,000	–	–	–	–	–
Bonds payable	25,000	10,000	25,000	10,000	10,000	10,000
Long-term loans payable	25,634	52,765	13,694	14,373	8,740	5,561
Nonrecourse loans	8,326	6,451	6,462	5,695	5,744	50,337
Lease obligations	85	63	49	23	7	2
Total	¥176,078	¥69,279	¥45,206	¥30,092	¥24,492	¥65,900

Thousands of U.S. dollars

At March 31, 2015	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	$ 824,109	$ –	$ –	$ –	$ –	$ –
Commercial papers	149,787	–	–	–	–	–
Bonds payable	208,038	83,215	208,038	83,215	83,215	83,215
Long-term loans payable	213,317	439,090	113,960	119,605	72,737	46,276
Nonrecourse loans	69,285	53,683	53,776	47,399	47,802	418,886
Lease obligations	708	525	409	198	63	18
Total	$1,465,247	$576,515	$376,185	$250,418	$203,819	$548,396

Millions of yen

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

Thousands of U.S. dollars

At March 31, 2014	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	$ 753,808	$ –	$ –	$ –	$ –	$ –
Commercial papers	183,073	–	–	–	–	–
Bonds payable	–	208,038	83,215	208,038	83,215	83,215
Long-term loans payable	576,445	181,398	405,203	66,082	46,770	47,285
Nonrecourse loans	61,011	64,444	46,484	46,923	41,082	379,577
Lease obligations	737	532	370	261	98	7
Total	$1,575,077	$454,413	$535,273	$321,306	$171,167	$510,085

12. Securities

(a) Held-to-maturity debt securities

Millions of yen / Thousands of U.S. dollars

At March 31, 2015	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds	¥674	¥700	¥25	$5,615	$5,826	$210
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds	55	54	(0)	458	456	(2)
Corporate bonds	58	58	–	488	488	–
Subtotal	113	113	(0)	947	945	(2)
Total	¥788	¥813	¥25	$6,563	$6,771	$208

Millions of yen / Thousands of U.S. dollars

At March 31, 2014	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds	¥500	¥521	¥20	$4,162	$4,336	$173
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds	158	156	(1)	1,315	1,305	(9)
Corporate bonds	75	75	–	624	624	–
Subtotal	233	231	(1)	1,939	1,929	(9)
Total	¥733	¥752	¥19	$6,102	$6,266	$163

(b) Other securities

	Millions of yen			Thousands of U.S. dollars		
At March 31, 2015	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	**¥391,512**	**¥119,294**	**¥272,217**	**$3,257,990**	**$ 992,718**	**$2,265,272**
Other	**152**	**147**	**4**	**1,270**	**1,229**	**40**
Subtotal	**391,665**	**119,442**	**272,222**	**3,259,261**	**993,948**	**2,265,312**
Securities whose acquisition cost exceeds their carrying value:						
Stock	**4,193**	**4,908**	**(715)**	**34,896**	**40,847**	**(5,951)**
Other	**2,656**	**2,665**	**(8)**	**22,109**	**22,180**	**(70)**
Subtotal	**6,850**	**7,574**	**(723)**	**57,006**	**63,028**	**(6,022)**
Total	**¥398,515**	**¥127,016**	**¥271,498**	**$3,316,267**	**$1,056,976**	**$2,259,290**

It is extremely difficult to determine the fair values for non-listed stocks (carrying value ¥15,507 million (US$129,043 thousand)), since they have no quoted market prices available. Thus, they are not included in "Other securities" above.

	Millions of yen			Thousands of U.S. dollars		
At March 31, 2014	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥283,440	¥100,997	¥182,442	$2,358,663	$ 840,459	$1,518,204
Other	333	284	48	2,775	2,368	406
Subtotal	283,774	101,282	182,491	2,361,439	842,827	1,518,611
Securities whose acquisition cost exceeds their carrying value:						
Stock	17,764	20,513	(2,748)	147,831	170,701	(22,869)
Other	3,143	3,157	(14)	26,156	26,273	(117)
Subtotal	20,908	23,670	(2,762)	173,987	196,975	(22,987)
Total	¥304,682	¥124,953	¥179,729	$2,535,426	$1,039,803	$1,495,623

It is extremely difficult to determine the fair values for non-listed stocks and non-listed preferred equity securities (carrying value ¥18,665 million (US$155,323 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

	Millions of yen			Thousands of U.S. dollars		
For the year ended March 31, 2015	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	**¥4,541**	**¥3,051**	**¥0**	**$37,790**	**$25,395**	**$0**
Other	**861**	**12**	**0**	**7,164**	**105**	**0**
Total	**¥5,402**	**¥3,064**	**¥0**	**$44,955**	**$25,501**	**$1**

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥51 million (US$425 thousand), aggregate gain: ¥41 million (US$344 thousand) and aggregate loss: ¥0 million (US$0 thousand)).

	Millions of yen			Thousands of U.S. dollars		
For the year ended March 31, 2014	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥12,089	¥7,136	¥16	$100,602	$59,387	$133
Other	1,389	7	0	11,563	62	6
Total	¥13,478	¥7,144	¥16	$112,165	$59,449	$139

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥404 million (US$3,362 thousand), aggregate gain: ¥297 million (US$2,473 thousand) and aggregate loss: ¥16 million (US$133 thousand)).

(d) Write down of securities

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	2014
"Stock" of other securities	¥8	¥ 0	$71	$ 2
Non-listed stocks included in "'Stock' of other securities" above	8	–	71	–
"Other" of other securities	0	15	2	131

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

13. Derivative Transactions

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

Currency-related transactions

At March 31, 2015	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss
Foreign exchange forward contract								
Sell								
EURO	¥176	¥176	¥ 29	¥ 29	$1,466	$1,466	$ 244	$ 244
Buy								
EURO	186	23	(35)	(35)	1,550	199	(296)	(296)
US$	225	118	(5)	(5)	1,876	987	(47)	(47)
AUS$	90	9	(16)	(16)	749	77	(135)	(135)
JPY	23	1	(9)	(9)	195	16	(77)	(77)
Total	¥701	¥330	¥(37)	¥(37)	$5,839	$2,746	$(312)	$(312)

At March 31, 2014	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss
Foreign exchange forward contract								
Sell								
EURO	¥ 173	¥173	¥ 8	¥ 8	$ 1,447	$1,447	$ 74	$ 74
Buy								
EURO	359	171	(29)	(29)	2,988	1,425	(242)	(242)
US$	497	330	(59)	(59)	4,140	2,753	(493)	(493)
AUS$	240	138	(35)	(35)	2,005	1,155	(293)	(293)
JPY	79	23	(28)	(28)	661	196	(236)	(236)
Total	¥1,351	¥838	¥(143)	¥(143)	$11,244	$6,978	$(1,191)	$(1,191)

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

Compound financial instruments

At March 31, 2015	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss
Derivative-embedded deposits:								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits)	¥–	¥–	¥–	¥–	$–	$–	$–	$–

At March 31, 2014	Millions of yen: Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss	Thousands of U.S. dollars: Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss
Derivative-embedded deposits:								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits)	¥300	¥300	¥(10)	¥(10)	$2,496	$2,496	$(83)	$(83)

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.

(2) Derivative transactions to which the hedge accounting method is applied

Currency-related transactions

At March 31, 2015	Hedged item	Millions of yen: Contract amount	Contract amount of more than 1 year	Estimated fair value	Thousands of U.S. dollars: Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method:							
Foreign exchange forward contract (Buy US$)	Imports of materials (Forecasted transaction)	¥ 4,430	¥1,718	¥495	$ 36,868	$14,297	$4,122
Foreign exchange forward contract (Buy EURO)	Imports of materials (Forecasted transaction)	1,176	615	(19)	9,791	5,119	(161)
Foreign exchange forward contract (Buy AUS$)	Imports of materials (Forecasted transaction)	7	0	(0)	63	6	(4)
Translated at the contracted rate:							
Foreign exchange forward contract (Sell US$)	Accounts receivable from completed construction contracts	7,766	–	[*1]	64,626	–	[*1]
Foreign exchange forward contract (Sell S$)	Accounts receivable from completed construction contracts	36	–	[*1]	304	–	[*1]
Total		¥13,417	¥2,334	¥475	$111,654	$19,423	$3,955

At March 31, 2014	Hedged item	Millions of yen: Contract amount	Contract amount of more than 1 year	Estimated fair value	Thousands of U.S. dollars: Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method:							
Foreign exchange forward contract (Buy US$)	Accounts payable for construction contracts (Forecasted transaction)	¥ 68	¥ –	¥ 20	$ 568	$ –	$ 167
	Imports of materials (Forecasted transaction)	4,114	342	118	34,237	2,849	988
Translated at the contracted rate:							
Foreign exchange forward contract (Sell S$)	Accounts receivable from completed construction contracts	125	–	[*1]	1,044	–	[*1]
Total		¥4,308	¥342	¥139	$35,850	$2,849	$1,156

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

At March 31, 2015	Hedged item	Millions of yen: Contract amount	Contract amount of more than 1 year	Estimated fair value	Thousands of U.S. dollars: Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method:							
Interest rate swaps: Payment fixed / Receive floating	Nonrecourse loans (Forecasted transaction)	¥ 3,952	¥ 3,854	¥(123)	$ 32,886	$ 32,075	$(1,025)
Short-cut method:							
Interest rate swaps: Payment fixed / Receive floating	Long-term loans payable	19,545	11,705	[*2]	162,647	97,404	[*2]
	Nonrecourse loans	23,807	21,760	[*2]	198,111	181,081	[*2]
Total		¥47,304	¥37,320	¥(123)	$393,645	$310,561	$(1,025)

At March 31, 2014	Hedged item	Millions of yen: Contract amount	Contract amount of more than 1 year	Estimated fair value	Thousands of U.S. dollars: Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method:							
Interest rate swaps: Payment fixed / Receive floating	Nonrecourse loans (Forecasted transaction)	¥ 6,000	¥ 5,632	¥(283)	$ 49,929	$ 46,874	$(2,355)
Short-cut method:							
Interest rate swaps: Payment fixed / Receive floating	Long-term loans payable	32,579	22,092	[*2]	271,107	183,846	[*2]
	Nonrecourse loans	14,423	13,419	[*2]	120,026	111,668	[*2]
Total		¥53,002	¥41,144	¥(283)	$441,063	$342,389	$(2,355)

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 nonrecourse loans, the fair values of the contracts are included in the fair value of long-term loans payable or nonrecourse loans presented in Note 11 "Financial Instruments (2) Fair value of financial instruments."

14. Retirement Benefit Plans

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

The following tables show the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheet at March 31, 2015 and 2014 of the Company and its subsidiaries.

The Company adopted the defined contribution pension plan partially instead of the defined benefit pension plan on or after April 1, 2014.

(1) Defined benefit pension plans

The changes in the projected benefit obligation for the years ended March 31, 2015 and 2014 are as follows:

At March 31	Millions of yen: 2015	2014	Thousands of U.S. dollars: 2015	2014
Balance at the beginning of current period	¥128,463	¥132,579	$1,069,018	$1,103,267
Cumulative effect of change in accounting principle	7,128	–	59,320	–
Restated balance at the beginning of current period	135,592	132,579	1,128,339	1,103,267
Service cost	4,783	4,573	39,805	38,056
Interest cost	709	3,238	5,904	26,947
Actuarial gain (loss)	820	(137)	6,831	(1,148)
Retirement benefit paid	(10,812)	(11,845)	(89,972)	(98,570)
Effect of transition to the defined contribution pension plan	(18,439)	–	(153,442)	–
Other	99	55	831	465
At the end of current period	¥112,755	¥128,463	$ 938,297	$1,069,018

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

The changes in plan assets for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
At the beginning of current period	¥ 70,834	¥68,662	$589,454	$571,380
Expected return on plan assets	1,534	1,684	12,772	14,016
Actuarial gain (loss)	4,260	2,874	35,450	23,917
Contributions by the Company	1,840	4,905	15,312	40,819
Retirement benefits paid	(6,771)	(7,288)	(56,350)	(60,654)
Effect of transition to the defined contribution pension plan	(10,073)	–	(83,825)	–
Other	19	(2)	165	(24)
At the end of current period	¥ 61,644	¥70,834	$512,979	$589,454

Certain consolidated subsidiaries adopted a simplified method.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
Retirement benefit obligation under the funded plans	¥ 63,262	¥ 80,012	$ 526,438	$ 665,827
Plan assets at fair value	(61,644)	(70,834)	(512,979)	(589,454)
	1,617	9,177	13,459	76,372
Retirement benefit obligation under the unfunded plans	49,493	48,451	411,858	403,191
Net liability for retirement benefits in the balance sheet	51,110	57,629	425,318	479,564
Liability for retirement benefits	51,231	57,785	426,327	480,868
Asset for retirement benefits	(121)	(156)	(1,009)	(1,304)
Net liability for retirement benefits in the balance sheet	¥ 51,110	¥ 57,629	$ 425,318	$ 479,564

The components retirement benefit expense for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
Service cost	¥ 4,783	¥ 4,573	$ 39,805	$ 38,056
Interest cost	709	3,238	5,904	26,947
Expected return on plan assets	(1,534)	(1,684)	(12,772)	(14,016)
Amortization of actuarial loss	(322)	(79)	(2,682)	(661)
Amortization of prior service cost	100	126	832	1,055
Retirement benefit expense	¥ 3,735	¥ 6,174	$ 31,088	$ 51,382

Certain consolidated subsidiaries adopted a simplified method.
Except the above, gain on transition of retirement benefit plan of ¥2,450 million (US$20,388 thousand) is posted for the year ended March 31, 2015.

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
Prior service cost	¥ (71)	¥–	$ (594)	$–
Actuarial loss	(3,174)	–	(26,420)	–
Total	¥(3,246)	¥–	$(27,015)	$–

Unrecognized prior service cost and unrecognized actuarial loss included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
Unrecognized prior service cost	¥ 123	¥ 195	$ 1,029	$ 1,624
Unrecognized actuarial loss	(4,403)	(1,228)	(36,646)	(10,225)
Total	¥(4,280)	¥(1,033)	$(35,617)	$ (8,601)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 are as follows:

At March 31	2015	2014
General accounts	27.2%	27.9%
Stocks	32.2	26.4
Bonds	21.3	20.0
Cash on hand and in banks	5.6	10.1
Other	13.7	15.6
Total	100.0%	100.0%

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

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

At March 31	2015	2014
Discount rates	0.6% or 0.8%	1.8% or 2.5%
Expected rates of return on plan assets	1.8% or 2.5%	1.8% or 2.5%

The effects of the partial transition to the defined contribution pension plan are decrease in retirement benefit obligation and increase in amortization of unrecognized prior service cost by ¥18,265 million (US$151,996 thousand) and ¥61 million (US$508 thousand), respectively.
The amount transferred to defined contribution pension plan was ¥15,754 million (US$131,099 thousand). All amount of the pension assets of ¥9,899 million (US$82,379 thousand) were transferred from defined benefit pension plan in June 2014, while the remaining balance of ¥5,854 million (US$48,720 thousand) is to be transferred within 4 years from the year ending March 31, 2015. The remaining balance to be transferred at March 31, 2015 was ¥4,290 million (US$35,699 thousand), of which ¥1,521 million (US$12,664 thousand) was recorded in other accounts payable (included in "other" of current liabilities) and ¥2,768 million (US$23,035 thousand) was recorded in long-term other accounts payable (included in "other" of noncurrent liabilities).
A foreign subsidiary also transferred to the defined contribution pension plan from the defined benefit pension plan, thereby both of retirement benefit obligation and pension assets of defined benefit pension plan decreased by ¥173 million (US$1,446 thousand).

(2) Defined contribution pension plans

For the years ended March 31, 2015 and 2014, pension expenses for defined contribution plans were ¥2,790 million (US$23,221 thousand) by the Company and the consolidated subsidiaries, and ¥881 million (US$7,333 thousand) by the consolidated subsidiaries, respectively, including the expense for small and medium enterprises retirement benefit mutual aid schemes and multi-employer pension plans of foreign subsidiaries.

15. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
Deferred tax assets:				
Impairment loss	¥ 21,189	¥ 23,021	$ 176,329	$ 191,571
Liability for retirement benefits	16,593	20,616	138,081	171,564
Tax loss carryforwards	15,827	28,242	131,710	235,024
Accrued expenses (bonus)	3,663	4,371	30,486	36,373
Provision for loss on construction contracts	3,544	2,558	29,497	21,291
Other	13,739	15,334	114,333	127,606
	74,558	94,145	620,438	783,432
Valuation allowance	(15,990)	(18,407)	(133,063)	(153,175)
Total deferred tax assets	58,567	75,737	487,375	630,256
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	(87,135)	(63,762)	(725,105)	(530,599)
Reserve for advanced depreciation of noncurrent assets	(1,513)	(2,072)	(12,593)	(17,248)
Other	(2,009)	(1,700)	(16,723)	(14,151)
Total deferred tax liabilities	(90,659)	(67,535)	(754,422)	(561,999)
Net deferred tax assets	¥(32,091)	¥ 8,202	$(267,047)	$ 68,257

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

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
Current assets—Deferred tax assets	¥ 20,509	¥ 17,315	$ 170,667	$144,094
Noncurrent assets—Deferred tax assets	2,034	1,829	16,927	15,221
Current liabilities—Deferred tax liabilities	(213)	(391)	(1,776)	(3,255)
Noncurrent liabilities—Deferred tax liabilities	(54,420)	(10,551)	(452,866)	(87,803)

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

	Millions of yen		Thousands of U.S. dollars	
At March 31	2015	2014	2015	2014
	¥(23,098)	¥(27,354)	$(192,217)	$(227,628)

A reconciliation between the statutory tax rates and the effective tax rates for the years ended March 31, 2015 and 2014 are summarized as follows:

For the years ended March 31	2015	2014
Statutory tax rates	35.5%	37.8%
Reconciliation:		
Permanent non-deductible items	1.6	2.6
Permanent non-taxable items	(2.0)	(3.0)
Tax loss carryforwards	(1.9)	(0.8)
Difference of statutory tax rates between the Company and foreign subsidiaries	(1.6)	(3.3)
Effect of unrecognized deferred taxes on subsidiaries—losses	1.6	(0.6)
Change in tax rate	9.3	3.5
Other	0.6	(4.8)
Effective tax rates	43.1%	31.4%

The "Act for Partial Amendment of the Income Tax Act etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities, and deferred tax liabilities related to the reserve for land revaluation was changed from 35.5% to 32.9% and 32.1% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015, and for the temporary differences expected to be realized or settled in the years beginning on or after April 1, 2016, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities, after offsetting deferred tax assets, by ¥3,702 million ($30,811 thousand), and to increase deferred income tax expense by ¥5,538 million ($46,087 thousand), valuation difference on available-for-sale securities by ¥9,228 million ($76,796 thousand) and deferred gains (losses) on hedges by ¥12 million ($102 thousand) as of and for the year ended March 31, 2015. The effect was also to decrease deferred tax liabilities related to the reserve for land revaluation by ¥2,429 million ($20,213 thousand) and to increase revaluation reserve for land by the equivalent amount.

16. Business Combination

Common control transactions

(1) Summary of transactions

(a) Names and description of business of companies involved in business combination

Name of company involved in business combination	Obayashi Real Estate Corporation
Description of business	Real estate business, insurance agency

Name of company involved in business combination	Seiwa Real Estate Co., Ltd.
Description of business	Real estate business, insurance agency

(b) Date of business combination

October 1, 2014

(c) Legal form of business combination

Absorption-type merger: Obayashi Real Estate Corporation is the continuing company and Seiwa Real Estate Co., Ltd. is the merged company.

(d) Name of company after business combination

Obayashi Shinseiwa Real Estate Corporation

(e) Outline of the transactions including its purpose

The transaction between Obayashi Real Estate Corporation and Seiwa Real Estate Co., Ltd., which have strengths in real estate leasing and sales, respectively, enables streamlining overlapping administrative operations in pursuit of functional synergies and bolster the subsidiary's overall capabilities as a real estate company.

(2) Outline of accounting treatment applied

The transaction was accounted for as transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).

17. Asset Retirement Obligations

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

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

(1) Estimated total unrefundable deposits

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
	¥4,394	¥4,334	**$36,572**	$36,067

(2) Estimated period of use

At March 31	**2015**	2014
	15–38 years from the initial day of the contract	20–38 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, 2015 were ¥9,834 million (US$81,840 thousand) and ¥5,919 million (US$49,255 thousand), respectively. Profit and impairment loss from these real estate properties for the year ended March 31, 2014 were ¥10,053 million (US$83,660 thousand) and ¥5,378 million (US$44,756 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 sheet and fair value of those real estate properties are as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Carrying value				
At the beginning of current period	**¥261,979**	¥241,406	**$2,180,073**	$2,008,878
Increase (decrease)—net	**(10,281)**	20,572	**(85,560)**	171,195
At the end of current period	**251,697**	261,979	**2,094,513**	2,180,073
Fair value at the end of current period	**312,889**	300,592	**2,603,723**	2,501,397

1. The carrying value represents the acquisition cost less the accumulated depreciation.
2. "Increase (decrease)—net" for the year ended March 31, 2015 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥13,929 million (US$115,916 thousand) and decrease in sale of office buildings for lease (including land) and other in the amount of ¥18,585 million (US$154,656 thousand) and impairment loss in the amount of ¥5,919 million (US$49,255 thousand).
   "Increase (decrease)—net" for the year ended March 31, 2014 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥40,943 million (US$340,709 thousand) and decrease in impairment loss in the amount of ¥5,378 million (US$44,756 thousand) and depreciation cost in the amount of ¥3,242 million (US$26,981 thousand).
3. Fair value at March 31, 2015 and 2014, was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

19. Segment Information

(1) Segment information

(a) Overview of reportable segments

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

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

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

The overview of each reportable segment is as follows:

Domestic building construction:	Execution of building construction contracts and related businesses within Japan
Overseas building construction:	Execution of building construction contracts and related businesses outside Japan
Domestic civil engineering:	Execution of civil engineering construction contracts and related businesses within Japan
Overseas civil engineering:	Execution of civil engineering construction contracts and related businesses outside Japan
Real estate:	Purchase, sale and rent of real estate properties, development of land parcels and related businesses

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

The accounting methods of the 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

	Reporting segment							
For the year ended March 31, 2015	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal	Others (Note 1)	Total
Net sales:								
Sales to third parties	¥953,097	¥330,702	¥326,353	¥62,886	¥63,858	¥1,736,898	¥37,082	¥1,773,981
Inter-segment sales and transfers	35,790	77	15,828	–	1,880	53,577	7,335	60,913
Segment sales	988,888	330,780	342,182	62,886	65,738	1,790,476	44,418	1,834,894
Operating income (loss):								
Operating income (loss) from sales to third parties (Note 2)	8,988	2,939	19,195	(3,124)	18,597	46,596	1,791	48,388
Inter-segment operating income and transfers	127	(10)	(94)	–	(0)	22	(92)	(70)
Segment income (loss)	¥ 9,116	¥ 2,928	¥ 19,101	¥ (3,124)	¥18,597	¥ 46,619	¥ 1,699	¥ 48,318

Thousands of U.S. dollars

For the year ended March 31, 2015	Reporting segment							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal	Others (Note 1)	Total
Net sales:								
Sales to third parties	$7,931,241	$2,751,959	$2,715,766	$523,314	$531,399	$14,453,681	$308,585	$14,762,266
Inter-segment sales and transfers	297,834	646	131,717	–	15,647	445,846	61,045	506,892
Segment sales	8,229,076	2,752,605	2,847,484	523,314	547,046	14,899,527	369,631	15,269,158
Operating income (loss):								
Operating income (loss) from sales to third parties (Note 2)	74,797	24,458	159,740	(25,996)	154,758	387,758	14,910	402,668
Inter-segment operating income and transfers	1,064	(89)	(789)	–	(0)	186	(771)	(585)
Segment income (loss)	$ 75,862	$ 24,369	$ 158,950	$ (25,996)	$154,758	$ 387,944	$ 14,138	$ 402,083

Notes: 1. Businesses that cannot be classified into the reportable segments are shown as "Others." This includes PFI (Private Finance Initiative), renewable energy, finance, operation of golf courses and other businesses.
2. "Operating income (loss) from sales to third parties" was computed by subtracting "Inter-segment operating income and transfers" from "Segment income (loss)." The total "Operating income (loss) from sales to third parties" 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, 2014	Reporting segment							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal	Others (Note 1)	Total
Net sales:								
Sales to third parties	¥902,488	¥243,393	¥321,005	¥54,186	¥51,668	¥1,572,742	¥40,014	¥1,612,756
Inter-segment sales and transfers	46,121	61	25,112	–	1,828	73,125	7,537	80,662
Segment sales	948,610	243,455	346,118	54,186	53,497	1,645,867	47,551	1,693,419
Operating income (loss):								
Operating income (loss) from sales to third parties (Note 2)	5,109	6,273	11,419	(3,615)	11,222	30,409	1,582	31,991
Inter-segment operating income and transfers	(393)	–	134	(1)	(0)	(261)	(168)	(429)
Segment income (loss)	¥ 4,716	¥ 6,273	¥ 11,553	¥ (3,616)	¥11,221	¥ 30,148	¥ 1,414	¥ 31,562

Thousands of U.S. dollars

For the year ended March 31, 2014	Reporting segment							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal	Others (Note 1)	Total
Net sales:								
Sales to third parties	$7,510,100	$2,025,411	$2,671,260	$450,912	$429,961	$13,087,646	$332,981	$13,420,628
Inter-segment sales and transfers	383,802	514	208,977	–	15,218	608,513	62,724	671,237
Segment sales	7,893,902	2,025,926	2,880,238	450,912	445,180	13,696,160	395,705	14,091,866
Operating income (loss):								
Operating income (loss) from sales to third parties (Note 2)	42,521	52,201	95,030	(30,088)	93,389	253,053	13,165	266,219
Inter-segment operating income and transfers	(3,274)	–	1,116	(8)	(7)	(2,174)	(1,398)	(3,572)
Segment income (loss)	$ 39,246	$ 52,201	$ 96,147	$ (30,097)	$ 93,382	$ 250,879	$ 11,766	$ 262,646

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

(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, 2015	Millions of yen	Thousands of U.S. dollars
Net sales:		
Total reportable segment	¥1,790,476	$14,899,527
Sales from "Others"	44,418	369,631
Elimination of inter-segment transactions	(60,913)	(506,892)
Sales in the statements of income	¥1,773,981	$14,762,266
Operating income:		
Total reportable segment	¥ 46,619	$ 387,944
Income from "Others"	1,699	14,138
Elimination of inter-segment transactions	70	585
Operating income in the statements of income	¥ 48,388	$ 402,668

For the year ended March 31, 2014	Millions of yen	Thousands of U.S. dollars
Net sales:		
Total reportable segment	¥1,645,867	$13,696,160
Sales from "Others"	47,551	395,705
Elimination of inter-segment transactions	(80,662)	(671,237)
Sales in the statements of income	¥1,612,756	$13,420,628
Operating income:		
Total reportable segment	¥ 30,148	$ 250,879
Income from "Others"	1,414	11,766
Elimination of inter-segment transactions	429	3,572
Operating income in the statements of income	¥ 31,991	$ 266,219

(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, 2015

	Millions of yen					Thousands of U.S. dollars				
	Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
	¥1,370,565	¥238,450	¥157,340	¥7,625	¥1,773,981	$11,405,222	$1,984,274	$1,309,316	$63,454	$14,762,266

For the year ended March 31, 2014

	Millions of yen					Thousands of U.S. dollars				
	Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
	¥1,312,840	¥157,029	¥135,104	¥7,781	¥1,612,756	$10,924,863	$1,306,728	$1,124,280	$64,755	$13,420,628

Tangible assets by region

As Japan-based tangible assets account for over 90% of total tangible assets at March 31, 2015 and 2014, 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, 2015 and 2014.

(3) Impairment loss on noncurrent assets by reportable segment

Millions of yen

For the year ended March 31, 2015	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
	¥–	¥–	¥–	¥–	¥6,926	¥–	¥6,926

Thousands of U.S. dollars

For the year ended March 31, 2015	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
	$–	$–	$–	$–	$57,640	$–	$57,640

Millions of yen

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

Thousands of U.S. dollars

For the year ended March 31, 2014	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
	$39	$87	$120	$–	$44,714	$4,010	$48,972

Note: Impairment loss of real estate reclassified as "held for development" in the amount of ¥481 million (US$4,010 thousand), which is not divided by reporting segment, is included in "Others."

(4) Amortization and balance of goodwill by reportable segment

Millions of yen

For the year ended March 31, 2015	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
Amortization amount	¥–	¥ –	¥3	¥ 691	¥–	¥–	¥ 694
Balance	–	203	–	1,060	–	–	1,264

Thousands of U.S. dollars

For the year ended March 31, 2015	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
Amortization amount	$–	$ –	$27	$5,753	$–	$–	$ 5,780
Balance	–	1,692	–	8,828	–	–	10,521

Millions of yen

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

Thousands of U.S. dollars

For the year ended March 31, 2014	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
Amortization amount	$–	$–	$14	$2,637	$–	$–	$2,652
Balance	–	–	–	5,271	–	–	5,271

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

None.

20. Related Party Transactions

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, 2015 and 2014 were as follows:

For the year ended March 31, 2015

None.

For the year ended March 31, 2014

Classification	Related party	Address	Capital	Type of business	% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction		Accounts	Balance at the end of the year	
			Millions of yen					Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Company which director's close relative owns a majority of the voting rights	Jubal (*1)	Minato-ku, Tokyo	¥290	Design and manufacture of musical instruments	–	Purchase of real estates	Purchase of real estates by Naigai technos (*2)	¥62	$520	–	–	–

(*1) Close relatives of the Company's director own a majority of the voting share of Jubal.
(*2) Purchase price is based on real estate appraisal.

21. Amounts per Share

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

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, 2015 and 2014 were as follows:

	Yen		U.S. dollars	
For the years ended March 31	**2015**	2014	**2015**	2014
Net assets per share	**¥706.94**	¥574.32	**$5.88**	$4.77
Basic net income per share	**39.96**	30.11	**0.33**	0.25

(1) Diluted net income per share was not presented for the years ended March 31, 2015 and 2014 because the Company had no potentially dilutive shares outstanding as of these balance sheet dates.

(2) Net assets per share

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2015**	2014	**2015**	2014
Net assets	**¥549,483**	¥448,108	**$4,572,547**	$3,728,951
Amounts deducted from net assets (Minority interests)	**41,812**	35,651	**347,946**	296,674
Net assets applicable to shareholders of common stock	**507,670**	412,456	**4,224,601**	3,432,276
Number of shares of common stock at the year end (Thousands of shares)	**718,125**	718,168	**718,125**	718,168

(3) Basic net income per share

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2015**	2014	**2015**	2014
Net income	**¥ 28,695**	¥21,627	**$238,788**	$179,970
Net income not attributable to shareholders of common stock	**–**	–	**–**	–
Net income attributable to shareholders of common stock	**28,695**	21,627	**238,788**	179,970
Average number of shares issued and outstanding during the period (Thousands of shares)	**718,147**	718,195	**718,147**	718,195

(4) As described in "Change in Accounting Policies," the Company adopted "Accounting Standard for Retirement Benefits" etc. and followed the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, net assets per share at March 31, 2015 decreased by ¥5.76 ($0.05), while basic net income per share for the year ended March 31, 2015 increased by ¥1.66 ($0.01), respectively.

22. Corporate Bonds

At March 31			Millions of yen		Thousands of U.S. dollars		Interest		
Issued by	Issue type	Issue date	2015	2014	2015	2014	rate (%)	Collateral	Maturity
Obayashi Corp.	14th unsecured straight bond	Aug. 30, 2010	**¥ 15,000 (15,000)**	¥15,000	**$124,823 ($124,823)**	$124,823	0.85	None	Aug. 28, 2015
Obayashi Corp.	15th unsecured straight bond	Oct. 26, 2010	**10,000 (10,000)**	10,000	**83,215 ($83,215)**	83,215	0.68	None	Oct. 23, 2015
Obayashi Corp.	16th unsecured straight bond	Oct. 26, 2010	**15,000**	15,000	**124,823**	124,823	0.96	None	Oct. 26, 2017
Obayashi Corp.	17th unsecured straight bond	Sep. 13, 2011	**10,000**	10,000	**83,215**	83,215	0.624	None	Sep. 13, 2016
Obayashi Corp.	18th unsecured straight bond	May 9, 2012	**10,000**	10,000	**83,215**	83,215	0.588	None	May 9, 2017
Obayashi Corp.	19th unsecured straight bond	May 9, 2013	**10,000**	10,000	**83,215**	83,215	0.440	None	May 9, 2018
Obayashi Corp.	20th unsecured straight bond	May 9, 2013	**10,000**	10,000	**83,215**	83,215	0.970	None	May 9, 2023
Obayashi Corp.	21st unsecured straight bond	May 7, 2014	**10,000**	–	**83,215**	–	0.344	None	May 7, 2019
Total			**¥ 90,000 (25,000)**	¥80,000	**$748,936 ($208,038)**	$665,721			

1. The figures in parentheses at March 31, 2015 indicate the amount as "Current portion of bonds" in the consolidated balance sheet because they will be refunded within a year.
2. The annual repayment schedule of corporate bonds subsequent to March 31, 2015 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year	**¥25,000**	**$208,038**
Over 1 year less than 2 years	**10,000**	**83,215**
Over 2 years less than 3 years	**25,000**	**208,038**
Over 3 years less than 4 years	**10,000**	**83,215**
Over 4 years less than 5 years	**10,000**	**83,215**

23. Loans

At March 31	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015	Thousands of U.S. dollars 2014	Average interest rate (%)	Maturity
Short-term loans payable	¥ 99,033	¥ 90,585	$ 824,109	$ 753,808	0.60	–
Current portion of long-term loans payable	25,634	69,271	213,317	576,445	0.89	–
Current portion of nonrecourse loans	8,326	7,331	69,285	61,011	2.04	–
Current portion of lease obligations	85	88	708	737	–	–
Long-term loans payable (excluding current portion)	95,135	89,735	791,672	746,740	0.48	2016–2023
Nonrecourse loans (excluding current portion)	74,691	69,519	621,548	578,512	2.11	2016–2037
Lease obligations (excluding current portion)	146	152	1,215	1,270	–	2016–2021
Commercial paper	18,000	22,000	149,787	183,073	0.09	–
Total	¥321,051	¥348,685	$2,671,645	$2,901,600		

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, nonrecourse loans and lease obligations subsequent to March 31, 2015 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years	¥52,765	$439,090
Over 2 years less than 3 years	13,694	113,960
Over 3 years less than 4 years	14,373	119,605
Over 4 years less than 5 years	8,740	72,737
Nonrecourse loans		
Over 1 year less than 2 years	¥ 6,451	$ 53,683
Over 2 years less than 3 years	6,462	53,776
Over 3 years less than 4 years	5,695	47,399
Over 4 years less than 5 years	5,744	47,802
Lease obligations		
Over 1 year less than 2 years	¥ 63	$ 525
Over 2 years less than 3 years	49	409
Over 3 years less than 4 years	23	198
Over 4 years less than 5 years	7	63

3. 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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Building a better working world

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, 2015, 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, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 29, 2015
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Corporate Information / Stock Information

Corporate Profile

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, Japan
Capital	:	57,752 million yen
Employees	:	8,369 (as of March 31, 2015)
Construction Business Permission	:	Government Permit (Toku/Han-26) 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 contracted engineering, management, consulting services, real estate development, etc.

Major Business Offices:

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

Research Institute:

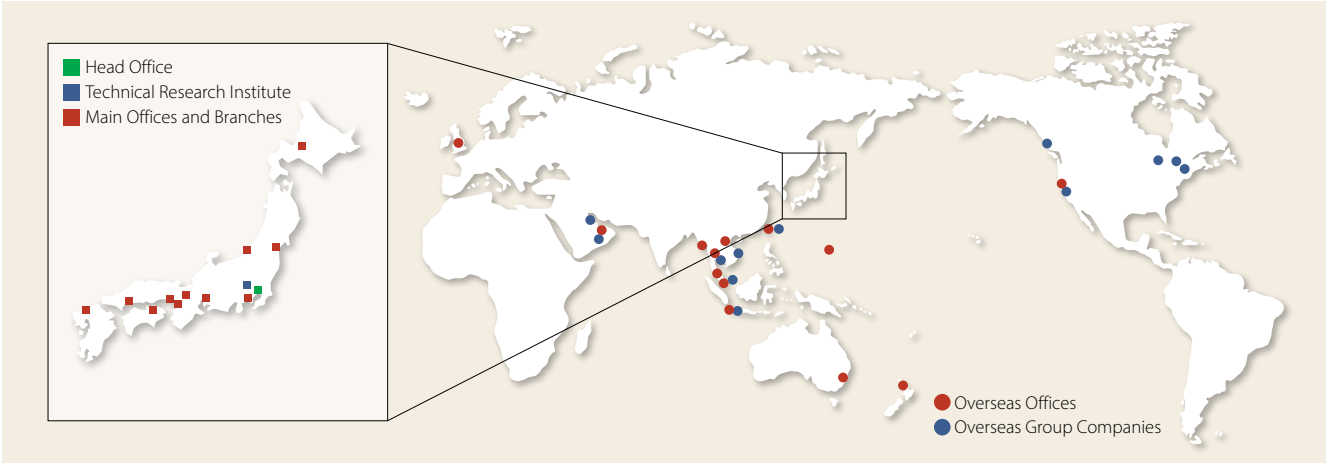
Technical Research Institute (Tokyo)

Overseas Offices:

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

Major Group Companies:

Obayashi Road Corporation (Tokyo)
Naigai Technos Corporation (Tokyo)
Obayashi Facilities Corporation (Tokyo)
Oak Setsubi Corporation (Tokyo)
Obayashi-Shinseiwa Real Estate Corporation (Tokyo)
OC Finance Corporation (Tokyo)
Obayashi USA, LLC (San Francisco, U.S.)
Obayashi Canada Holdings Ltd. (Vancouver, Canada)
PT. JAYA OBAYASHI (Jakarta, Indonesia)
Thai Obayashi Corporation Ltd. (Bangkok, Thailand)
Taiwan Obayashi Corporation (Taipei, Taiwan)



Stock Information (As of March 31, 2015)

Number of Shares Authorized	:	1,224,335,000 shares (No change from the end of the previous fiscal year)
Total Number of Shares Issued and Outstanding	:	721,509,646 shares (No change from the end of the previous fiscal year)
Number of Shareholders	:	43,797
Transfer Agent	:	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan
Ordinary General Meeting of Shareholders	:	June
Stock Listings	:	Tokyo and Fukuoka

Major Shareholders (As of March 31, 2015)

	Shareholdings	
	Shares Held (Thousands)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	70,331	9.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	48,831	6.80
Nippon Life Insurance Company	20,905	2.91
Takeo Obayashi	16,814	2.34
Obayashi Employee Shareholding Association	10,690	1.49
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	10,254	1.43
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	9,729	1.35
Sumitomo Realty & Development Co., Ltd.	9,159	1.28
THE BANK OF NEW YORK MELLON SA/NV 10	9,017	1.26
HSBC BANK PLC STATE OF KUWAIT INVESTMENT AUTHORITY, KUWAIT INVESTMENT OFFICE	8,838	1.23

Note: Shareholding ratios exclude treasury stock (3,383,894 shares).

External Evaluation

Major Awards from External Organizations


Namba Parks


TOKYO SKYTREE®, TOKYO SKYTREE TOWN®


Techno Station, Obayashi Technical Research Institute's main building


Inclined-braceless excavation support (Narita Kinone Tunnel No. 2 installation project, Narita International Airport)


Todaiji Temple Culture Center


Nissin wooden warehouse (OMEGAWOOD)

Award Name	Award Sponsor	Award-Winning Object/Party
AIJ Prize 2015 (Building Engineering Division)	Architectural Institute of Japan	Development and application of high performance friction damper using disc springs and brake pads
Good Design Award 2014	Japan Institute of Design Promotion	Nissin wooden warehouse (OMEGAWOOD)
55th BCS Prize BCS Special Prize	Japan Federation of Construction Contractors	**BCS Prize:** Todaiji Temple Culture Center **BCS Special Prize:** TOKYO SKYTREE, TOKYO SKYTREE TOWN
The 24th BELCA Award, long-life category	Building and Equipment Long-life Cycle Association	Mitsui O.S.K. Lines, Ltd. Kobe Branch Building
JSCE Awards Fiscal 2013 Outstanding Civil Engineering Achievement (OCEA) Award Environmental Award Innovative Technique Award, etc.	Japan Society of Civil Engineers	**OCEA Award:** Construction of Kurashiki and Namikata National LPG Stockpiling Base—Construction of Japan's first water-sealed rock cavern LPG storage reservoir 150 meters below ground **Environmental Award:** Project to restore salt-damaged agricultural land due to the Great East Japan Earthquake using soil improvement technology for saline soil based on woodchip-mixed materials **Innovative Technique Award:** Development of low-frequency blasting sound reducer for tunnel construction
16th Infrastructure Technology Development Award 2014 Award for Excellence	Japan Institute of Country-ology and Engineering Coastal Development Institute of Technology	Inclined-braceless excavation support (braceless excavation support method applicable to deep tunneling work)
Fiscal 2014 Engineering Commendation Award	Engineering Advancement Association of Japan	Creation of a large-scale green roof with biodiversity consciousness (Namba Parks)
Fiscal 2015 Science and Technology Field, Minister of Education, Culture, Sports, Science and Technology Award	Ministry of Education, Culture, Sports, Science and Technology	Development of low-carbon concrete including a high ratio of admixture material (Clean-Crete)
Asia Pacific Regional Network Leadership Awards in Green Building (APNA) Finalist, sustainable construction category	World Green Building Council	Techno Station, Obayashi Technical Research Institute's main building Ocean Financial Centre
Fiscal 2014 Awards for Achievement in Promoting Reduce, Reuse, Recycle Activities (3R Awards) Minister of Land, Infrastructure, Transport and Tourism Award	Reduce, Reuse, Recycle Promotion Association	Promotion of zero-emission activities including 3R activities towards the creation of a recycling-oriented society 3R initiative by introducing wooden construction for large-span warehouses, which have primarily used steel frame construction until now
Fiscal 2014 Minister of Health, Labour and Welfare Awards for Safety and Health Award for Excellence	Ministry of Health, Labour and Welfare	New construction work within the rebuilding plan for the Tenroku Hankyu Building

SRI Indexes

Obayashi is listed in the FTSE4Good Global Index, which is a global socially responsible investment (SRI) index.
In Japan, we are also listed in the Morningstar Socially Responsible Investment Index. (As of October 2015)

FTSE4Good

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