

Investor Presentation



**Financial Results for 2Q / FY2016 (cumulative)
and
Forecasts for Full FY2016**

November 9, 2016

OBAYASHI CORPORATION

Disclaimer

This investor presentation, an English translation of the presentation made at the investor meeting at Obayashi Corporation (Tokyo, Japan) on November 9, 2016 as a digest of Obayashi Corporation's "Summary of the 2nd Quarter (cumulative) Financial Results for FY2016 ending March 2017" ("Kessan Tanshin") disclosed at the Tokyo Stock Exchange on November 8, 2016 is presented solely for the convenience of non-Japanese speaking users. If there is any discrepancy between Japanese "Kessan Tanshin" and this presentation, Japanese "Kessan Tanshin" will prevail. This investor presentation is not to solicit any individuals or entities to buy or sell stocks of Obayashi Corporation. This investor presentation contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The unit used is 100 million yen or Japanese "oku-yen" unless otherwise specified.

Financial Results for 2Q / FY2016 (Cumulative) and Forecasts for FY2016



〈Consolidated〉 Overview of quarterly statements of income - Result-2Q/FY2016 -

Refer to the upper left table of the quick review of consolidated results for 2Q/FY2016 (Variance to 2Q/FY2015) on page 15 of “Kessan Tanshin”

Net sales	858.9 billion yen (Variance to 2Q/FY2015. +24.3 billion yen)
Operating income	59.1 billion yen (Variance to 2Q/FY2015. +16.6 billion yen) about 1.4 times
Ordinary income	60.0 billion yen (Variance to 2Q/FY2015. +14.4 billion yen) about 1.3 times
Profit attributable to owners of parent	41.5 billion yen (Variance to 2Q/FY2015. +13.6 billion yen) about 1.5 times

- Following the same period of the previous fiscal year, all items achieved the highest on record.

<Non - consolidated> Topics of quarterly statements of income - Result-2Q/FY2016 -

Refer to the upper right table of the quick review of non-consolidated results for 2Q/FY2016 (Variance to former 2Q/FY2015) on page 15 of “Kessan Tanshin”

<Net sales of completed construction contracts>

609.1 billion yen (Variance to 2Q/FY2015. +40.7 billion yen)

Building Construction 470.4 billion yen (Variance to 2Q/FY2015. +39.5 billion yen)

→ Due to an increase in carried- forward projects at the beginning of the fiscal year. (April 1, 2016)
(Compared to the previous fiscal year. +16.2 billion yen. (April 1, 2015))

Civil engineering 138.6 billion yen (Variance to 2Q/FY2015. +1.2 billion yen)

<Gross profit on completed construction contracts>

75.4 billion yen (Variance to 2Q/FY2015. +19.0 billion yen)

Building Construction 54.2 billion yen (Variance to 2Q/FY2015.+18.2 billion yen)

Gross profit margin 11.5% (Variance to 2Q/FY2015 +3.2pt)

Civil Engineering 21.2 billion yen (Variance to 2Q/FY2015. +700 million yen)

Gross profit margin 15.3% (Variance to 2Q/FY2015. +0.4pt)

→ Due to additional contract price from design changes and stable construction costs.

<Non-consolidated> Topics of quarterly statements of income - Result-2Q/FY2016 -

<Non-operating expences>

3.3 billion yen (Foreign exchange losses 2.3 billion yen)

- Translation difference of foreign currency assets due to strong yen.
($\$1 = 112 \text{ yen} \rightarrow 101 \text{ yen}$)

<Extraordinary income>

7.5 billion yen (Gain on liquidation of subsidiaries and affiliates 6.1billion yen)

- The Company purchased land owned by the subsidiary and liquidated the subsidiary concerned.
- The gain on liquidation of subsidiaries and affiliates exceeded the book value of the investment in capital.
(Eliminated on consolidated basis due to intra-group transactions.)

<Extraordinary loss>

2.5 billion yen (Loss on business of subsidiaries and affiliates 2.4 billion yen)

- Gross profit on construction contracts from the subsidiaries (Kenaidan Group, etc.) decreased.
- On non-consolidated basis, this loss above was recognized as capital appraisal loss.
(Eliminated on consolidated basis due to the recognition of loss on construction contracts)

<Consolidated> Topics of quarterly statements of income - Result-2Q/FY2016 -

Refer to the upper table of the consolidated results of net sales and operating income for 2Q (Cumulative) of FY2016 on page 19 of “Kessan Tanshin”

As a whole, Net sales and Operating income mainly reflected the increase from the Company. Topics of the subsidiaries are as follows.

<Total Net sales>

858.9 billion yen (Variance to 2Q/ FY2015. +24.3 billion yen)

【Overseas building construction】

157.7 billion yen (Variance to 2Q/FY2015. (5.9) billion yen)

→Net sales from overseas building construction decreased due to strong yen, although increased on a local currency basis.

【Domestic civil engineering】

153.5 billion yen (Variance to 2Q/FY2015. (9.8) billion yen)

→At Obayashi Road, there was a fallback ((8.3) billion yen) after certain large projects in the same period of the previous fiscal year.

<Total Operating income>

59.1 billion yen (Variance to 2Q/FY2015 +16.6 billion yen)

【Overseas civil engineering】

(1.4) billion yen (Variance to 2Q/FY2015. (5.3) billion yen)

→ Gross profit on construction contracts from the subsidiaries (Kenaidan Group, etc.) decreased.

(Reference) Refer to Performance of principal subsidiaries on Page 12 of
“Supplementary Data on Financial Results for 2nd Quarter (cumulative) of FY2016 Ending March 2017”

Refer to the middle right table of the quick review of non-consolidated results of orders received for 2Q (Cumulative) of FY2016 on page 15 of “Kessan Tanshin”

<Building construction>

428.9 billion yen (Variance to 2Q/FY2015 (36.2) billion yen)

<Civil engineering>

137.8 billion yen (Variance to 2Q/FY2015 +11.6 billion yen)

Construction Total

566.8 billion yen (Variance to 2Q/FY2015 (24.6) billion yen)

- Orders received from building construction decreased due to a fallback after certain large projects in the same period of the fiscal year.
- Generally performing according to the plan, the Company does not change full year forecast announced on August 5, 2016.

(Reference) Refer to the major orders received projects for 2Q (Cumulative) of FY2016 on Page 25 of “Kessan Tanshin”

<Consolidated>Interest-bearing debt balances

- Result - 2Q/FY2016 -

Refer to the lower table of the quick review of consolidated results of interest-bearing debt balances for 2Q (Cumulative) of FY2016 on page 15 of “Kessan Tanshin”

<Interest-bearing debt Total>

FY2015 ended March 31	(Beginning of FY2016)	346.3 billion yen
<u>FY2016 ended September 30</u>	<u>(Ending of first half of FY2016)</u>	<u>328.3 billion yen</u>
	Variance (During the period)	(17.9) billion yen

- Forecasts for FY2016 ending March 2017.
320.0 billion yen (Variance to 2Q/FY2015 (26.3) billion yen)
- Utilizing net cash provided by operating activities of the robust domestic construction business, the Company advances to invest the real estate business and the renewable energy business, while reducing interest-bearing debt.

Forecasts for FY2016



Forecasts for FY2016 (Consolidated)

(Unit : 100 million yen)

	FY2014 Result	FY2015 Result A	FY2016		Variance B – A
			Forecasts to be revised (Announced on May 12)	Revised forecasts (Announced on November 8) B	
Net Sales	Conso. 17,739	Conso. 17,778	Conso. 19,150	Conso. 18,650	871
	Non-conso. 12,598	Non-conso. 12,350	Non-conso. 13,300	Non-conso. 13,350	999
Construction	16,730	16,957	18,400	17,950	992
Domestic	76%	76%	75%	77%	—
Overseas	24%	24%	25%	23%	—
Real estate development business	638	470	445	430	△40
New businesses	370	234	220	210	△24
Others	370	116	85	60	△56
Operating income (Operating profit margin)	Conso. 483 (2.7%)	Conso. 1,063 (6.0%)	Conso. 950 (5.0%)	Conso. 1,140 (6.1%)	76
	Non-conso. 189 (1.5%)	Non-conso. 763 (6.2%)	Non-conso. 685 (5.2%)	Non-conso. 890 (6.7%)	126
Domestic Construction	58%	83%	83%	89%	—
Other than above (Overseas construction, Real estate development business, New businesses)	42%	17%	17%	11%	—
Ordinary income	599	1,112	985	1,180	67
Profit attributable to owners of parent	286	634	630	800	165
ROE	6.2%	12.4%	11.7%	14.6%	—

Net sales are expected to achieve the highest on record due to an increase in net sales of the Company's construction business, while net sales from overseas subsidiaries are expected to decrease from the original forecasts due to the strong yen.

On the earnings front, operating income, ordinary income and profit attributable to owners of parent are expected to achieve record high due to an increase in the Company's profit.

Forecasts for FY2016 (Non-consolidated)

(Unit : 100 million yen)

		FY2014 Result	FY2015 Result A		FY2016				Variance B – A		
					Forecasts to be revised (Announced May 12)		Revised forecasts (Announced on November 8) B				
Net Sales of completed construction contracts	Building	9,586	9,084	10,100	10,150	1,065					
	Civil	2,679	2,979	3,050	3,050	70					
	Total	12,265	12,063	13,150	13,200	1,136					
Net Sales of real estate business and other		332	287	150	150	△137					
Net Sales		12,598	12,350	13,300	13,350	999					
Gross Profit on completed construction contracts	Building	421	4.4%	856	9.4%	905	9.0%	1,085	10.7%	228	1.3%
	Civil	244	9.1%	451	15.1%	350	11.5%	385	12.6%	△66	△2.5%
	Total	665	5.4%	1,307	10.8%	1,255	9.5%	1,470	11.1%	162	0.3%
Gross Profit on real estate business and other		106	32.2%	63	22.1%	60	40.0%	60	40.0%	△3	17.9%
Gross Profit		772	6.1%	1,371	11.1%	1,315	9.9%	1,530	11.5%	158	0.4%
Selling, general and administrative expense		582	4.6%	607	4.9%	630	4.7%	640	4.8%	32	△0.1%
Operating income		189	1.5%	763	6.2%	685	5.2%	890	6.7%	126	0.5%
Ordinary income		311	2.5%	828	6.7%	750	5.6%	960	7.2%	131	0.5%
Profit		129	1.0%	507	4.1%	570	4.3%	720	5.4%	212	1.3%

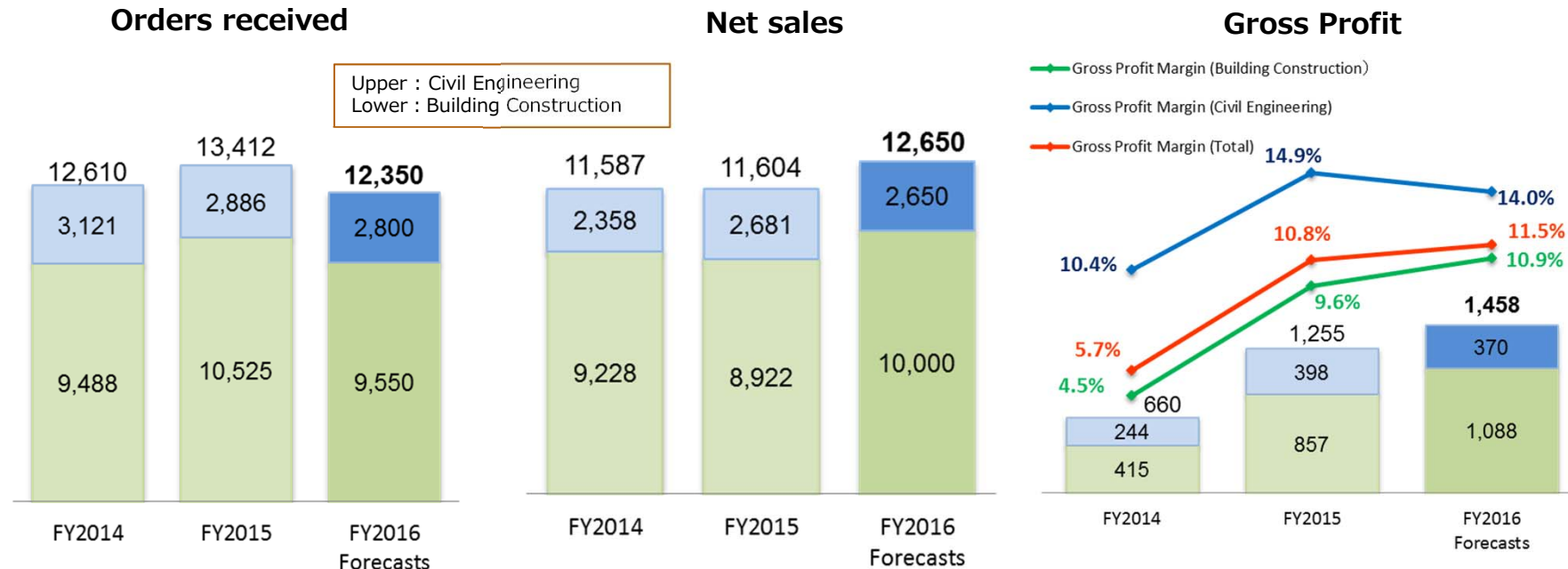
Net sales are expected to increase from the same period of the previous fiscal year due to high level on carried-forward projects under favorable domestic construction market.

On the earnings front, operating income, ordinary income and profit are expected to achieve the highest on record mainly due to an increase in gross profit on completed construction contracts as a result of an improvement in gross profit margin on completed construction contracts of the Company's domestic construction business.

Domestic Construction Business

- Ongoing favorable business environment, continue working on sales activities as planned, considering production capacity and profitability.
- Undergoing high level on carried-forward projects. Advancing construction reliably while keeping safety, quality, and construction period as well as expanding production capacity with our subcontractors by improving productivity.
- Expecting to maintain high profit level by acquiring additional contract price from design changes and stable construction costs.

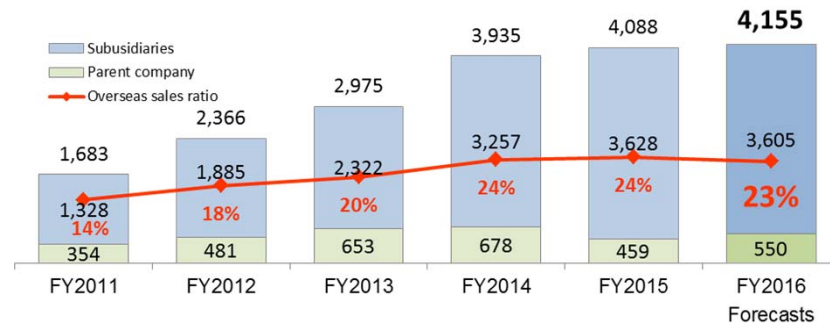
【Non-consolidated】 Domestic building construction (Unit : 100 million yen)



Overseas Construction Business

- ◇ Expecting the highest on record in terms of net sales.
 - Improving profitability by thorough profit and risk management.
 - Expanding business in Oceania following to North America and Southeast Asia. In Australia, won a contract of civil engineering construction with local partner.

【Consolidated】 Overseas Construction business Net Sales (Unit : 100million yen)



【ICONSIAM Retail Facility】



Location : Bangkok (Thailand)
 Construction : Thai Obayashi Corporation (January, 2015 – February, 2018)
 Uses/Scale : Shopping center / Floor area: 337,000m²

Real Estate Development Business

- ◇ Enhancing the earnings base by making further investment in office leasing business
 - Promoting new projects mainly in the central Tokyo .
 Kanda Station Front Project (August, 2017)
 NIPPON LIFE HAMAMATSU-CHO CREA TOWER (August, 2018)
- ◇ Diversifying portfolio for leasing business
 - Advancing development of rental housing and logistics facilities.
 PLANE-SOCIE Kobe Motomachi (February, 2017)

【Kanda Station Front Project】



Location : Chiyoda City, Tokyo
 Scale : 9 floors above ground, 1 floor below ground,
 floor area : 8,168.04m²
 Project owner : Obayashi-Shinseiwa Real Estate Corporation

【NIPPON LIFE HAMAMATSU-CHO CREA TOWER】



Location : Minato City, Tokyo
 Scale : 29 floors above ground, 3 floor below ground,
 floor area : 99,277.09m²
 Project owner : Nippon Life Insurance Company, OBAYASHI CORPORATION

New Businesses

- ◇ Expanding new businesses by making steady progress
 - In August, began construction of Otsuki Biomass Power Plant (Otsuki City, Yamanashi Prefecture)
Planning to start operation in August, 2018 (facility capacity 14.5MW)
For fuel, planning to use unused forest thinnings and pruned tree branches, producing electricity equivalent to around 30,000 households.
 - In September, began construction of Mitanehamada Wind Power Station. (Mitane-cho, Akita Prefecture)
Planning to start operation in November, 2017. (facility capacity 6MW)
Producing electricity equivalent to around 5,000 households by three windmills installed along the coast.
 - In May, harvested first crop of cherry tomatoes at plant factory using sunlight.
Developing the agriculture business that utilize the environmental control technologies.

【Otsuki Biomass Power Plant】

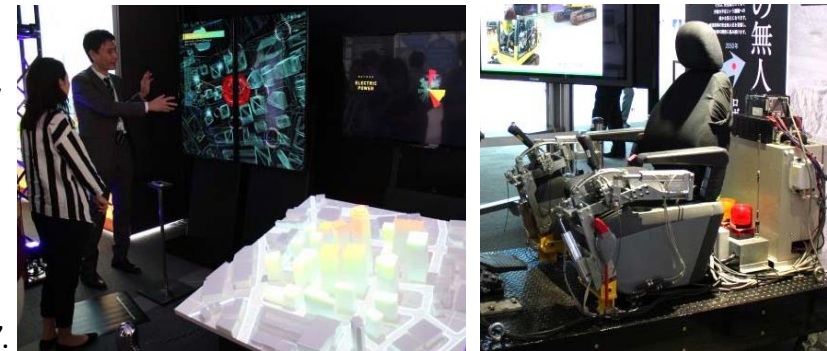


In terms of generation capacity, one of the largest woodchip biomass power plant in Japan generated by domestic woodchip.

Technology

- ◇ “Create a flexible future”
Host the “Obayashi Techno Fair” commemorating 125 anniversary of the Company and 50 anniversary of the Technical Research Institute.
 - The future society Obayashi aiming for:
Proposed around 60 technologies that create a “safe and secure lasting society”, “comfort and healthy vibrant society”, “harmonized society between human and science”, and “sustainable environment and society”.
 - Disaster prevention and mitigation technologies addressing natural disaster and fire.
 - Technologies utilizing ICT and robots in construction site.
 - Technologies for energy saving, energy storage and energy creation.

【Obayashi Techno Fair 2016】



(Left image) Propose City Management System of the future that utilize digital data such as BIM, CIM, and IoT technology.

(Right image) Remote control system for construction machinery “SURROGATE” that realize unattended construction.

| Next Medium-Term Business Plan |

Next Medium-Term Business Plan

Due to favorable business environment, the profitability of the Company improves substantially and strengthening its financial base is in a firm tone, we need to set the next target replaced from the current Obayashi Group Medium-Term Business Plan 2015 started fiscal year 2015.

Now we are developing a new Medium-Term Business Plan starting fiscal year 2017, one year ahead of schedule, and will announce it as soon as it is ready by the end of this fiscal year ending march 31 2017.



OBAYASHI