

OBAYASHI CORPORATION

Summary of First Quarter Financial Results for Fiscal Year Ending March 31, 2019

Disclaimer:

This financial information is a digest of Obayashi Corporation's "Summary of First Quarter Financial Results for Fiscal Year ending March 31, 2019" ("Kessan Tanshin") published on the Tdnet disclosure portal of the Tokyo Stock Exchange on August 7, 2018. It was translated into English and presented solely for the convenience of users who are not familiar with Japanese. If there is any discrepancy between the Japanese "Kessan Tanshin" and this document, the Japanese "Kessan Tanshin" will prevail. This document includes forward-looking statements based on the information available at the time the Japanese "Kessan Tanshin" was published. Actual results may vary from the forward-looking statements contained herein due to various factors. In the following document, Obayashi Corporation (non-consolidated) is called the "Company."

(Rounded down to the nearest million yen)

1. Summary of First Quarter Results for Fiscal Year ending March 31, 2019 (April 1, 2018 - June 30, 2018)
(1) Consolidated Business Results

(Percentages indicate the percentage year on year change)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%
1st Quarter of FY ending Mar. 31, 2019	437,307	(0.4)	23,075	(7.3)	25,941	(4.4)	17,924	(5.5)
1st Quarter of FY ended Mar. 31, 2018	439,044	9.2	24,897	8.3	27,121	16.0	18,976	19.0

(Note) Comprehensive income: [1Q, FY ending March 31, 2019] 20,885 million yen, (43.0)% ; [1Q, FY ended March 31, 2018] 36,659 million yen, —%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share Adjusted for Latent Shares
	(Unit: yen)	(Unit: yen)
1st Quarter of FY ending Mar. 31, 2019	24.97	—
1st Quarter of FY ended Mar. 31, 2018	26.44	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(Unit: million yen)	(Unit: million yen)	%
As of June 30, 2018	2,049,452	722,111	34.0
As of March 31, 2018	2,129,027	711,525	32.2

(For reference) Equity (Net assets less non-controlling interests): [As of June 30, 2018] 695,972 million yen, [As of March 31, 2018] 684,836 million yen

* Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Statement No. 28, February 16, 2018) has been applied from this first quarter.

These figures include the impact of retrospective application for the previous fiscal year.

2. Dividends

	Dividend per share (Unit: yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)
FY ended Mar. 31, 2018	—	14.00	—	14.00	28.00
FY ending Mar. 31, 2019	—	—	—	—	—
FY ending Mar. 31, 2019 (Forecast)	—	14.00	—	14.00	28.00

* The consolidated forecasts for the full year were not revised during this first quarter.

3. Consolidated Forecast for Fiscal Year ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(Percentages indicate the percentage year on year change)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	(Unit: yen)	
First Half (April-September 2018)	960,000	4.6	65,000	4.2	68,000	3.0	46,000	(4.9)	64.08
Full Year	1,970,000	3.6	139,000	0.9	144,500	0.4	98,000	5.8	136.52

* The consolidated forecasts for the full year were not revised during this first quarter.

Qualitative information

1. Overview of consolidated business results

Consolidated net sales for the first quarter of fiscal year ending March 31, 2019 (from April 1 to June 30, 2018) were 437.3 billion yen, a decrease of 1.7 billion yen (0.4%) from the first quarter of the previous fiscal year. This was mainly due to a decline in net sales from the building construction business in Japan. This resulted in a decrease in operating income to 23.0 billion yen, a decrease of 1.8 billion yen (7.3%) year on year. Ordinary income declined to 25.9 billion yen, a decrease of 1.1 billion yen (4.4%) year on year, and profit attributable to owners of parent fell to 17.9 billion yen, a decrease of 1.0 billion yen (5.5%) from the first quarter of the previous fiscal year.

2. Overview of consolidated financial position

Total assets as of June 30, 2018 decreased by 79.5 billion yen (3.7%) compared with the balance at the end of the previous fiscal year (March 31, 2018), to 2,049.4 billion yen. This was mainly due to a decrease in trade receivables related to construction contracts, which are the sum of "Notes and accounts receivable from completed construction contracts and other" and "Electronically recorded monetary claims."

Total liabilities as of June 30, 2018 decreased by 90.1 billion yen (6.4%) compared with the balance at the end of the previous fiscal year, to 1,327.3 billion yen. This was mainly due to a decrease in trade payables related to construction contracts which are the sum of "Notes and accounts payable for construction contracts and other" and "Electronically recorded obligations," and decreases in "Short-term loans payable" and "Bonds payable." The balance of interest-bearing debt was 243.4 billion yen, a decrease of 33.2 billion yen (12.0%) from the end of the previous fiscal year.

Total net assets as of June 30, 2018 increased by 10.5 billion yen (1.5%) compared with the balance at the end of the previous fiscal year, to 722.1 billion yen. This resulted mainly from an increase in "Retained earnings" due to the recognition of profit attributable to owners of parent.

As a result, the equity ratio as of June 30, 2018 was 34.0%, up 1.8 percentage points from the end of the previous fiscal year.

3. Consolidated forecasts for fiscal year ending March 31, 2019

The first half and full-year forecasts of financial performance have not been revised from the forecasts announced on May 14, 2018, based on a review at the time of the disclosure.

Consolidated Quarterly Balance Sheets

(Unit : Million yen)

	March 31, 2018	June 30, 2018
Assets		
Current assets		
Cash and deposits	190,055	189,533
Notes and accounts receivable from completed construction contracts and other	760,371	659,716
Electronically recorded monetary claims	15,531	18,914
Short-term investment securities	4,615	6,537
Real estate for sale	11,682	10,976
Costs on uncompleted construction contracts	45,555	53,228
Costs on real estate business	25,416	27,353
Inventories for PFI and other projects	46,148	45,206
Other inventories	10,655	10,241
Accounts receivable	79,423	67,668
Other	18,695	27,469
Allowance for doubtful accounts	(160)	(133)
Total current assets	1,207,991	1,116,713
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	103,153	102,178
Machinery, vehicles, tools, furniture and fixtures, net	45,707	44,839
Land	351,060	352,418
Lease assets, net	259	248
Construction in progress	26,090	33,030
Total property, plant and equipment	526,270	532,716
Intangible assets	5,038	4,970
Investments and other assets		
Investment securities	372,308	377,825
Long-term loans receivable	876	851
Assets for retirement benefits	24	24
Deferred tax assets	1,206	1,173
Other	15,542	15,405
Allowance for doubtful accounts	(231)	(228)
Total investments and other assets	389,727	395,051
Total noncurrent assets	921,036	932,738
Total assets	2,129,027	2,049,452

(Unit : Million yen)

	March 31, 2018	June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	524,712	466,672
Electronically recorded obligations	133,770	146,330
Short-term loans payable	88,686	67,178
Current portion of nonrecourse loans	9,557	9,456
Current portion of bonds	10,000	10,000
Lease obligations	90	87
Income taxes payable	29,695	9,562
Advances received on uncompleted construction contracts	110,534	121,008
Deposits received	103,408	104,262
Provision for warranties for completed construction	4,114	4,064
Provision for loss on construction contracts	5,209	4,442
Provision for loss on Antimonopoly Act	10,529	10,491
Other	88,528	87,680
Total current liabilities	1,118,835	1,041,239
Noncurrent liabilities		
Bonds payable	20,000	10,000
Long-term loans payable	66,038	65,728
Nonrecourse loans	82,446	81,097
Lease obligations	169	160
Deferred tax liabilities	34,654	34,099
Deferred tax liabilities for land revaluation	19,604	19,604
Provision for stock payments for directors	259	259
Provision for loss on real estate business and other	993	993
Provision for environmental measures	313	313
Liability for retirement benefits	49,473	49,892
Other	24,713	23,952
Total noncurrent liabilities	298,667	286,101
Total liabilities	1,417,502	1,327,340
Net assets		
Shareholders' equity		
Capital stock	57,752	57,752
Capital surplus	43,135	43,135
Retained earnings	404,840	412,712
Treasury stock	(1,929)	(1,930)
Total shareholders' equity	503,798	511,669
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	159,159	162,877
Deferred gains (losses) on hedges	(1,643)	(770)
Revaluation reserve for land	19,518	19,518
Foreign currency translation adjustments	758	(518)
Retirement benefit asset and liability adjustments	3,244	3,195
Total accumulated other comprehensive income	181,037	184,302
Non-controlling interests	26,688	26,139
Total net assets	711,525	722,111
Total liabilities and net assets	2,129,027	2,049,452

Consolidated Quarterly Statements of Income

(Unit : Million yen)

	From April 1, 2017 to June 30, 2017	From April 1, 2018 to June 30, 2018
Net sales		
Net sales of completed construction contracts	423,101	411,762
Net sales of real estate business and other	15,943	25,544
Total net sales	439,044	437,307
Cost of sales		
Cost of sales on completed construction contracts	379,520	370,250
Cost of sales on real estate business and other	10,960	20,022
Total cost of sales	390,481	390,272
Gross profit		
Gross profit on completed construction contracts	43,580	41,512
Gross profit on real estate business and other	4,982	5,522
Total gross profit	48,563	47,034
Selling, general and administrative expenses	23,665	23,958
Operating income	24,897	23,075
Non-operating income		
Interest income	440	312
Dividends income	2,543	2,936
Other	317	176
Total non-operating income	3,301	3,424
Non-operating expenses		
Interest expenses	528	488
Subsidiary stock acquisition-related cost	351	—
Other	196	70
Total non-operating expenses	1,076	558
Ordinary income	27,121	25,941
Extraordinary income	80	71
Extraordinary loss	462	100
Profit before income taxes	26,740	25,912
Income taxes-current	8,530	9,829
Income taxes-deferred	(1,297)	(2,106)
Total income taxes	7,232	7,723
Profit	19,507	18,189
Profit attributable to non-controlling interests	530	264
Profit attributable to owners of parent	18,976	17,924

Consolidated Quarterly Statements of Comprehensive Income

(Unit : Million yen)

	From April 1, 2017 to June 30, 2017	From April 1, 2018 to June 30, 2018
Profit	19,507	18,189
Other comprehensive income		
Valuation difference on available-for-sale securities	17,013	3,705
Deferred gains (losses) on hedges	246	872
Foreign currency translation adjustment	(201)	(1,829)
Retirement benefit adjustment	84	(48)
Share of other comprehensive income of associates accounted for using equity method	9	(4)
Total other comprehensive income	17,152	2,696
Comprehensive income	36,659	20,885
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	36,145	21,189
Comprehensive income attributable to non-controlling interests	514	(303)

Segment Information

Reportable segment information (net sales and income (loss))

Results for the First Quarter of Fiscal Year ended March 31, 2018 (April 1, 2017 - June 30, 2017)

(Unit: Million yen)

	Reporting Segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Subtotal		
Net sales								
Sales to third parties	241,378	86,721	75,945	19,056	7,470	430,571	8,472	439,044
Intersegment sales and transfers	12,747	25	4,083	—	283	17,139	1,954	19,094
Segment sales	254,125	86,746	80,028	19,056	7,753	447,711	10,426	458,138
Operating Income (loss)								
Operating Income (loss) from sales to third parties (Note 2)	14,969	1,226	6,344	(102)	1,213	23,652	1,245	24,897
Intersegment operating income and transfer	422	(5)	45	(0)	(0)	461	(18)	442
Segment income (loss)	15,392	1,220	6,389	(102)	1,213	24,113	1,226	25,340

Note 1: Businesses that cannot be classified into the company's reportable segments are shown as "Others."

This includes PFI (Private Finance Initiative), renewable energy business, finance, operation of golf courses, and other businesses.

Note 2: "Operating income (loss) from sales to third parties" was computed by subtracting "Intersegment operating income and transfers" from "Segment income (loss)."

The total "Operating income (loss) from sales to third parties" equals "Operating income" as shown in the quarterly consolidated statements of income.

Results for the First Quarter of Fiscal Year ending March 31, 2019 (April 1, 2018 - June 30, 2018)

(Unit: Million yen)

	Reporting Segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Subtotal		
Net sales								
Sales to third parties	223,327	95,880	81,000	11,553	7,872	419,635	17,671	437,307
Intersegment sales and transfers	11,361	15	3,287	—	265	14,930	1,947	16,878
Segment sales	234,689	95,896	84,288	11,553	8,138	434,566	19,618	454,185
Operating Income (loss)								
Operating Income (loss) from sales to third parties (Note 2)	12,061	977	7,381	(495)	2,135	22,059	1,015	23,075
Intersegment operating income and transfer	(846)	(4)	(9)	(0)	(0)	(861)	(16)	(877)
Segment income (loss)	11,215	972	7,372	(496)	2,134	21,198	999	22,197

Note 1: Businesses that cannot be classified into the company's reportable segments are shown as "Others."

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The total "Operating income (loss) from sales to third parties" equals "Operating income" as shown in the quarterly consolidated statements of income.