

**Investor Presentation**



**Financial Results for 2Q/ FY2013 (cumulative)  
and  
Forecasts for Full FY2013**

**November 13, 2013**

**OBAYASHI CORPORATION**

# Disclaimer

This investor presentation, an English translation of the presentation made at the investor meeting at Obayashi Corporation (Tokyo, Japan) on November 13, 2013 as a digest of Obayashi Corporation's "Summary of the 2<sup>nd</sup> Quarter (cumulative) Financial Results for FY2013 ending March 2014" ("Kessan Tanshin") disclosed at the Tokyo Stock Exchange on November 12, 2013, 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/FY2013 (Cumulative) and Forecasts for Full FY2013

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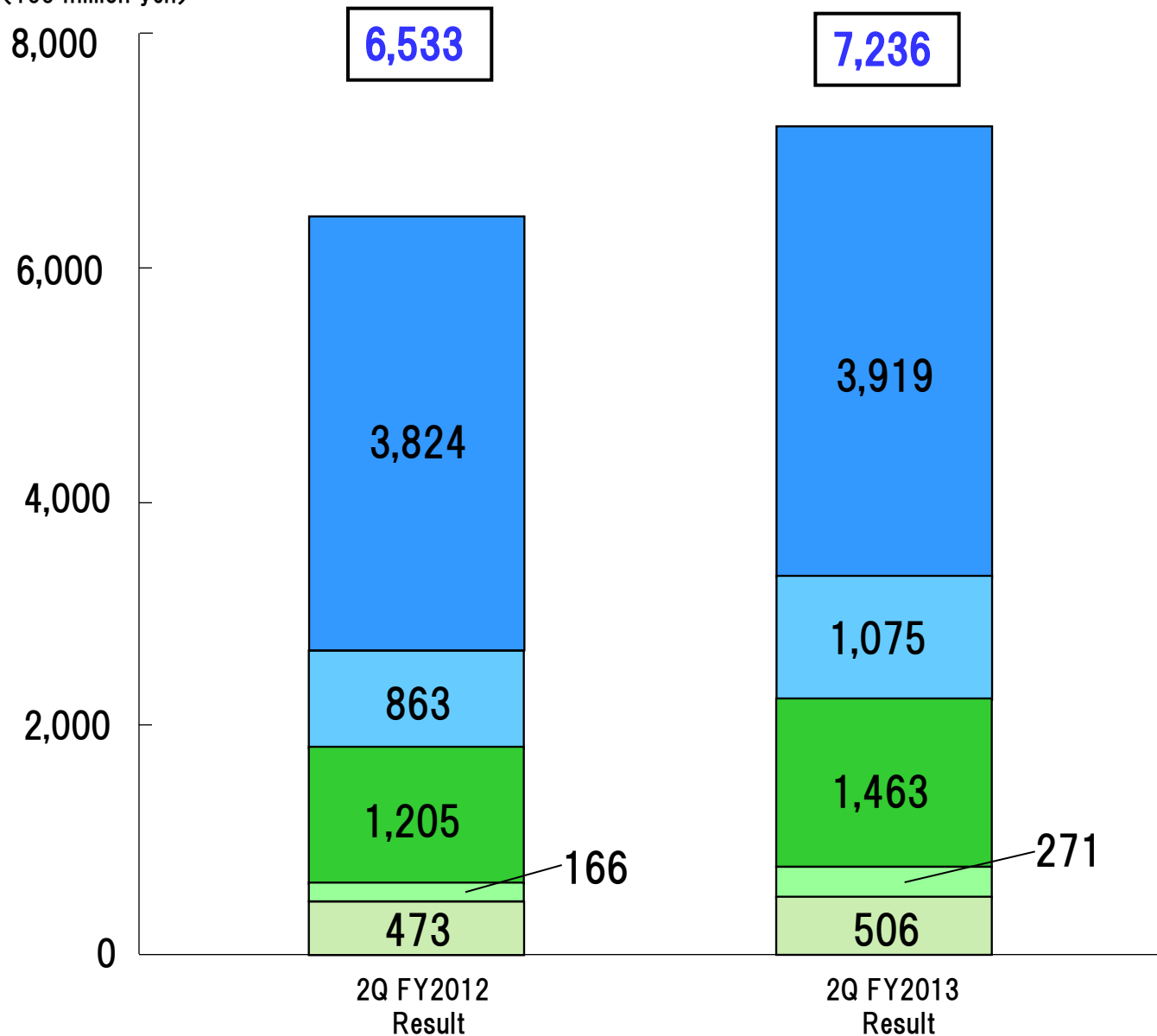
## 【Consolidated】 Overview of Financial Results

(100 million yen)

	2Q FY2012	2Q FY2013	Increase (Decrease)	% Increase (% Decrease)
Net Sales	6,533	7,236	702	10.8%
Gross Profit	504	478	(26)	(5.2%)
Operating Income	119	84	(35)	(29.8%)
Ordinary Income	122	120	(2)	(1.9%)
Net Income	56	63	6	11.0%

# 【Consolidated】 Net Sales by Business Segment

(100 million yen)



YoY  
+702 (+10.8%)

Domestic building const.  
+94 (+2.5%)

Overseas building const.  
+212 (+24.6%)

Domestic civil engineering  
+258 (+21.4%)

Overseas civil engineering  
+104 (+62.8%)

Real estate business and other  
+32 (+6.8%)

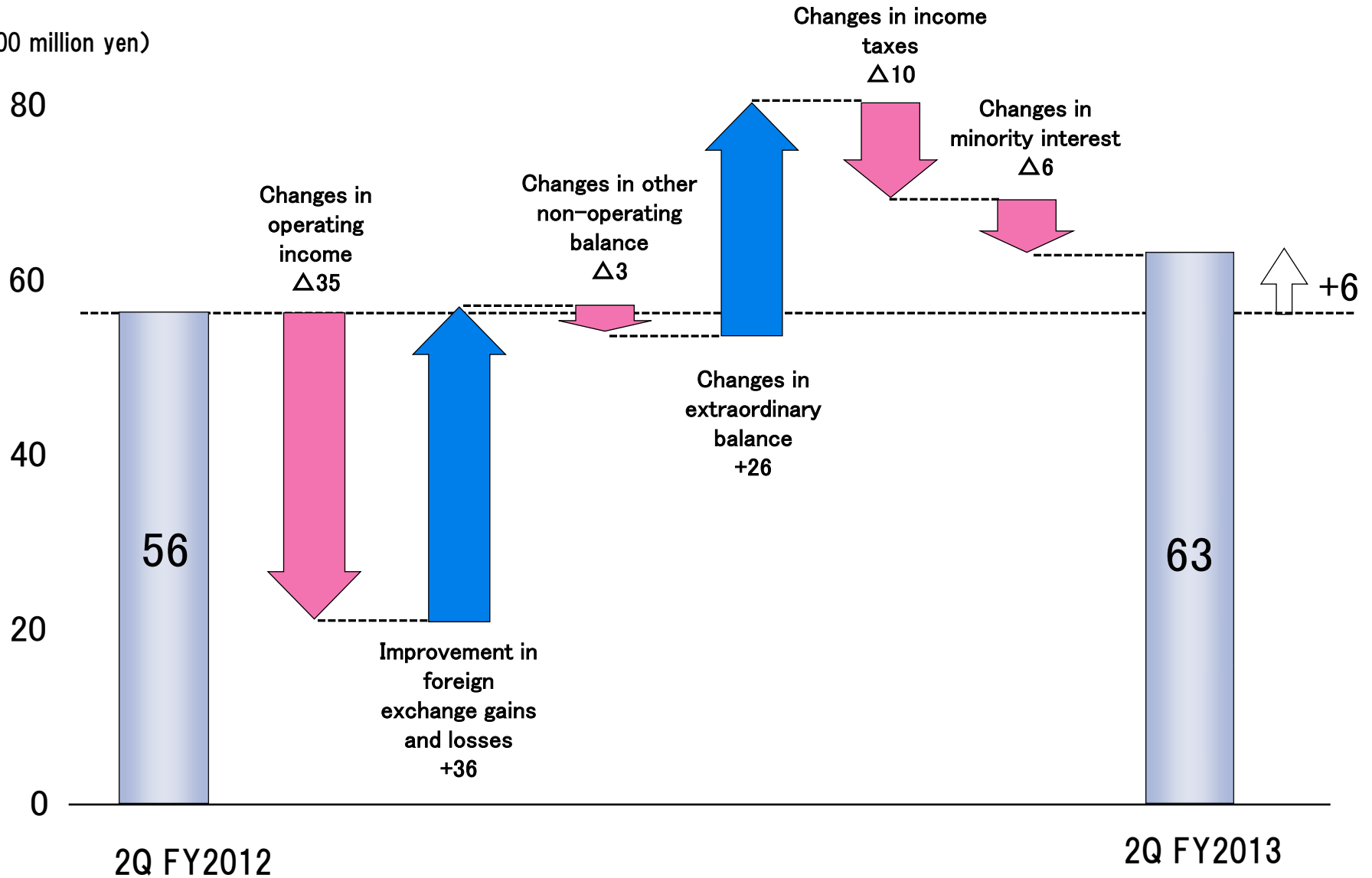
# 【Consolidated】 Operating Income by Business Segment

(100 million yen)

		2Q FY2012		2Q FY2013		Increase (Decrease)
		Operating margin		Operating margin		
	Domestic building construction	1.1%	42	(0.8%)	(30)	(72)
	Overseas building construction	2.0%	17	2.3%	25	8
	Domestic civil engineering	2.0%	23	0.9%	13	(10)
	Overseas civil engineering	(6.7%)	(11)	(1.4%)	(3)	7
Construction total		1.2%	72	0.1%	4	(68)
Real estate business and other		9.9%	46	15.7%	79	32
Total		1.8%	119	1.2%	84	(35)

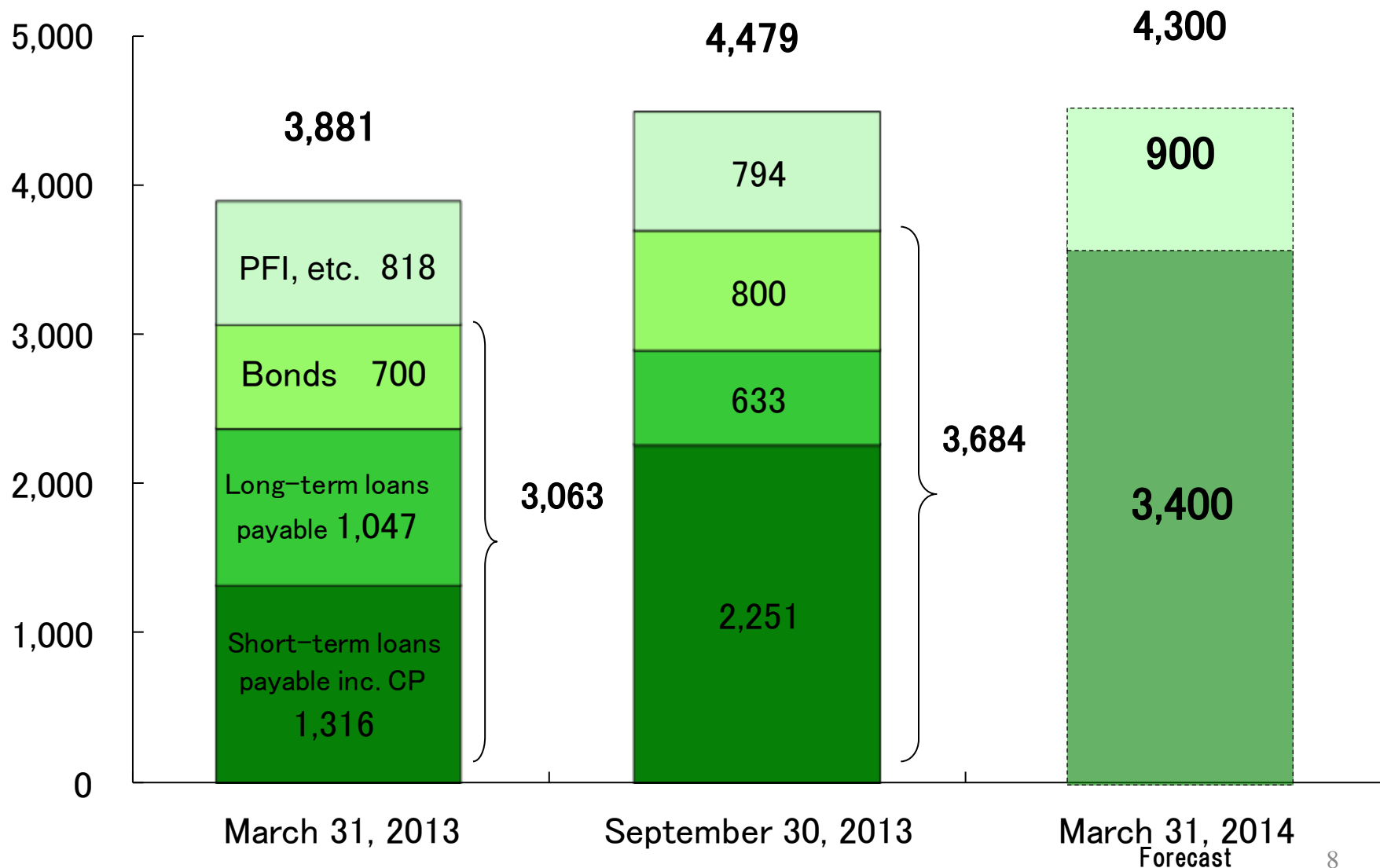
# 【Consolidated】 Breakdown of Increase/ Decrease in Net Income

(100 million yen)



# 【Consolidated】 Transition of Interest-bearing Debt

(100 million yen)





# 【Consolidated】 Cash Flows

OBAYASHI CORPORATION

(100 million yen)

	2Q FY2012	2Q FY2013	Increase (Decrease)
Operating activities	36	(259)	(295)
Investing activities	(268)	(333)	(64)
Financing activities	(73)	537	611
Net increase (decrease) in cash and cash equivalents	(307)	(27)	279
Cash and cash equivalents at the end of period	909	969	59

# 【Consolidated】 Forecast for FY2013

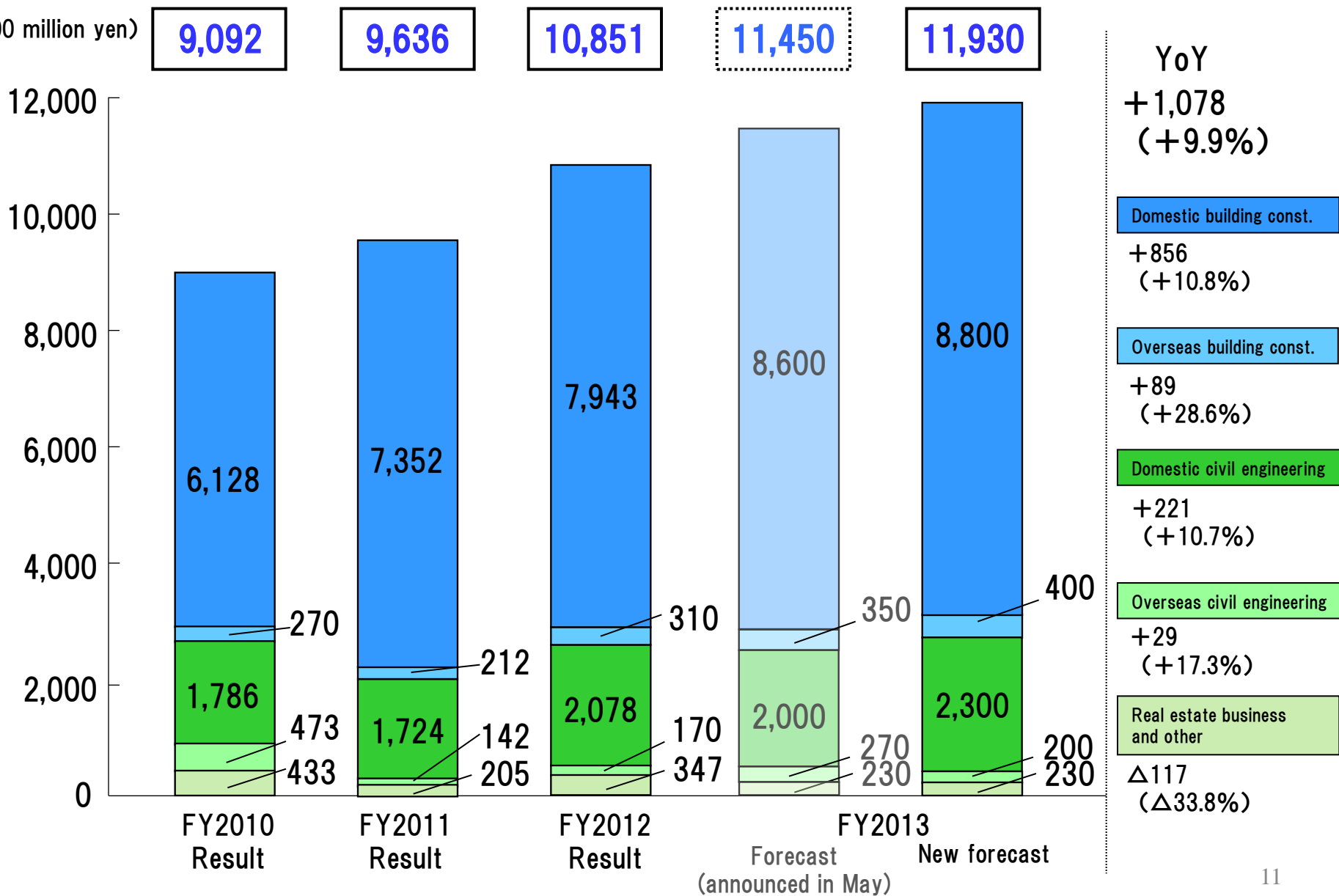
OBAYASHI CORPORATION

(100 million yen)

	FY2012 Result	FY2013 Forecast	Increase (Decrease)	% Increase (% Decrease)	FY2013 Previous forecast in May
Net Sales	14,483	16,000	1,516	10.5%	15,000
Gross Profit	1,146	1,045	(101)	(8.9%)	1,040
Operating Income	351	240	(111)	(31.7%)	260
Ordinary Income	446	290	(156)	(35.1%)	300
Net Income	131	140	8	6.1%	140

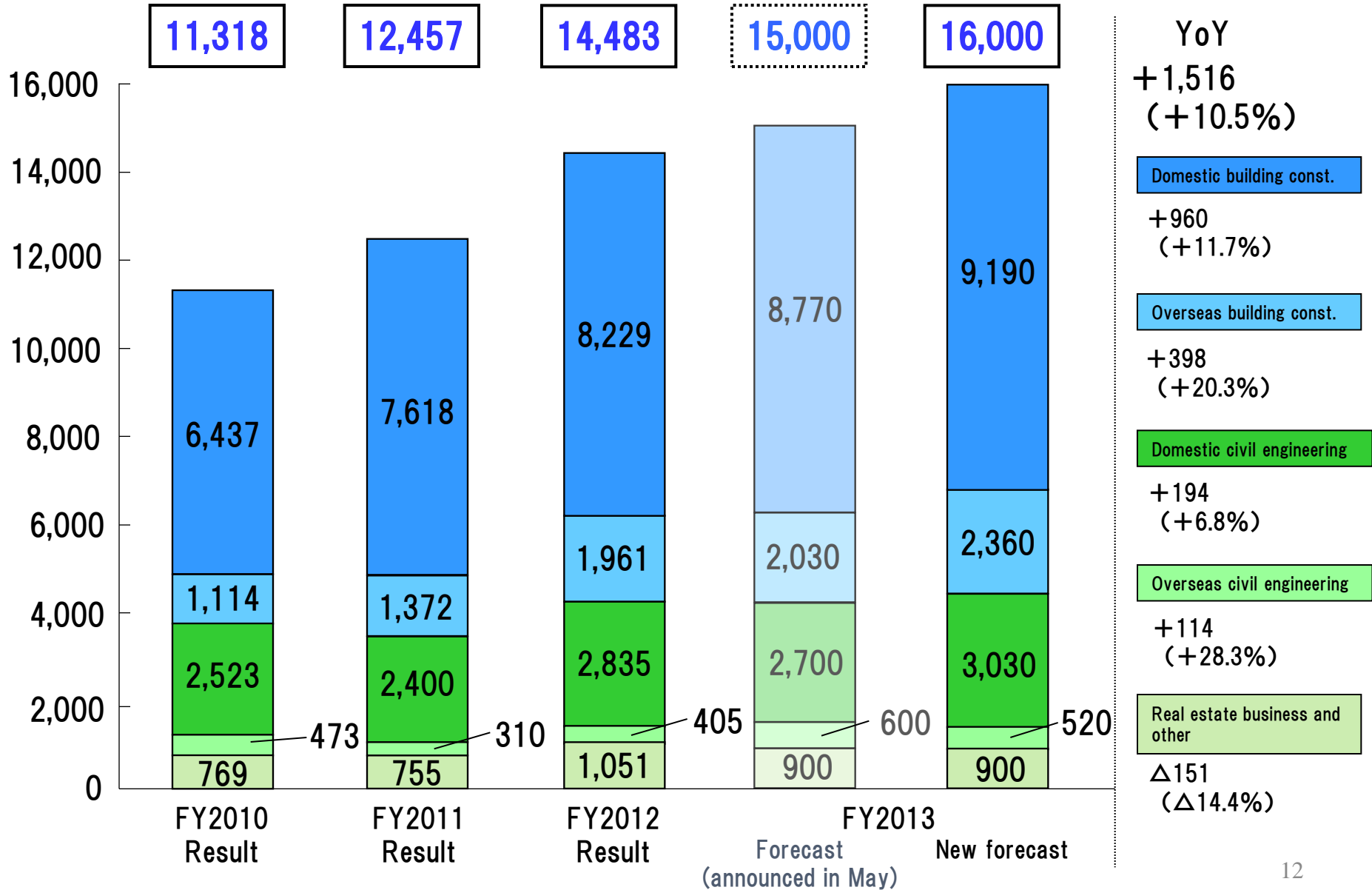
# 【Non-consolidated】 Forecast for Net Sales

(100 million yen)



# 【Consolidated】 Forecast for Net Sales

(100 million yen)



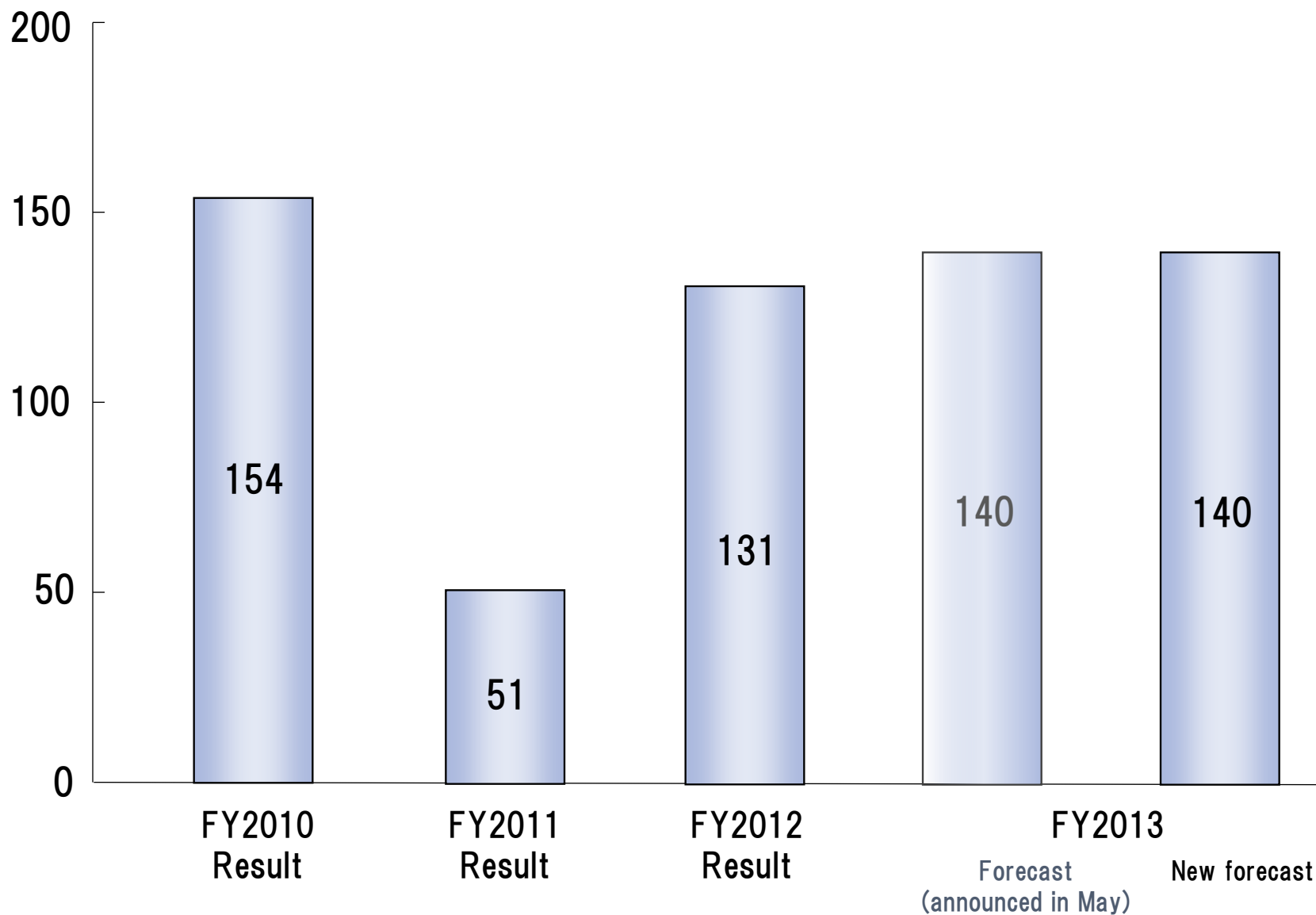
# 【Consolidated】 Forecast for Operating Income by Business Segment

(100 million yen)

		FY2012		FY2013		Increase (Decrease)
		Operating margin		Operating margin		
	Domestic building construction	1.3%	110	0.4%	35	(75)
	Overseas building construction	3.3%	64	1.7%	40	(24)
	Domestic civil engineering	3.0%	84	2.6%	80	(4)
	Overseas civil engineering	(4.3%)	(17)	(4.8%)	(25)	(7)
Construction Total		1.8%	241	0.9%	130	(111)
Real estate business and other		10.5%	109	12.2%	110	0
Total		2.4%	351	1.5%	240	(111)

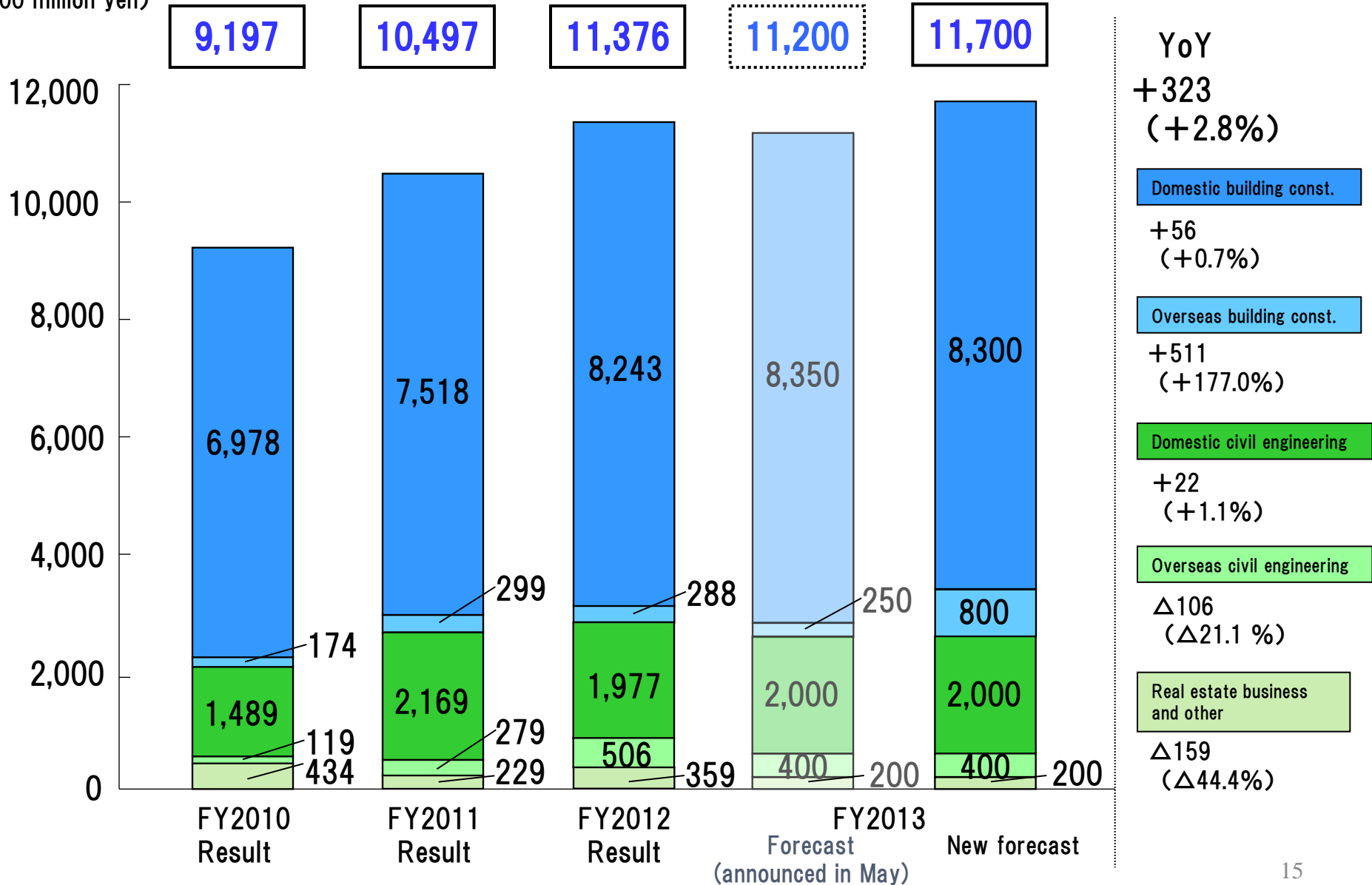
# 【Consolidated】 Forecast for Net Income

(100 million yen)



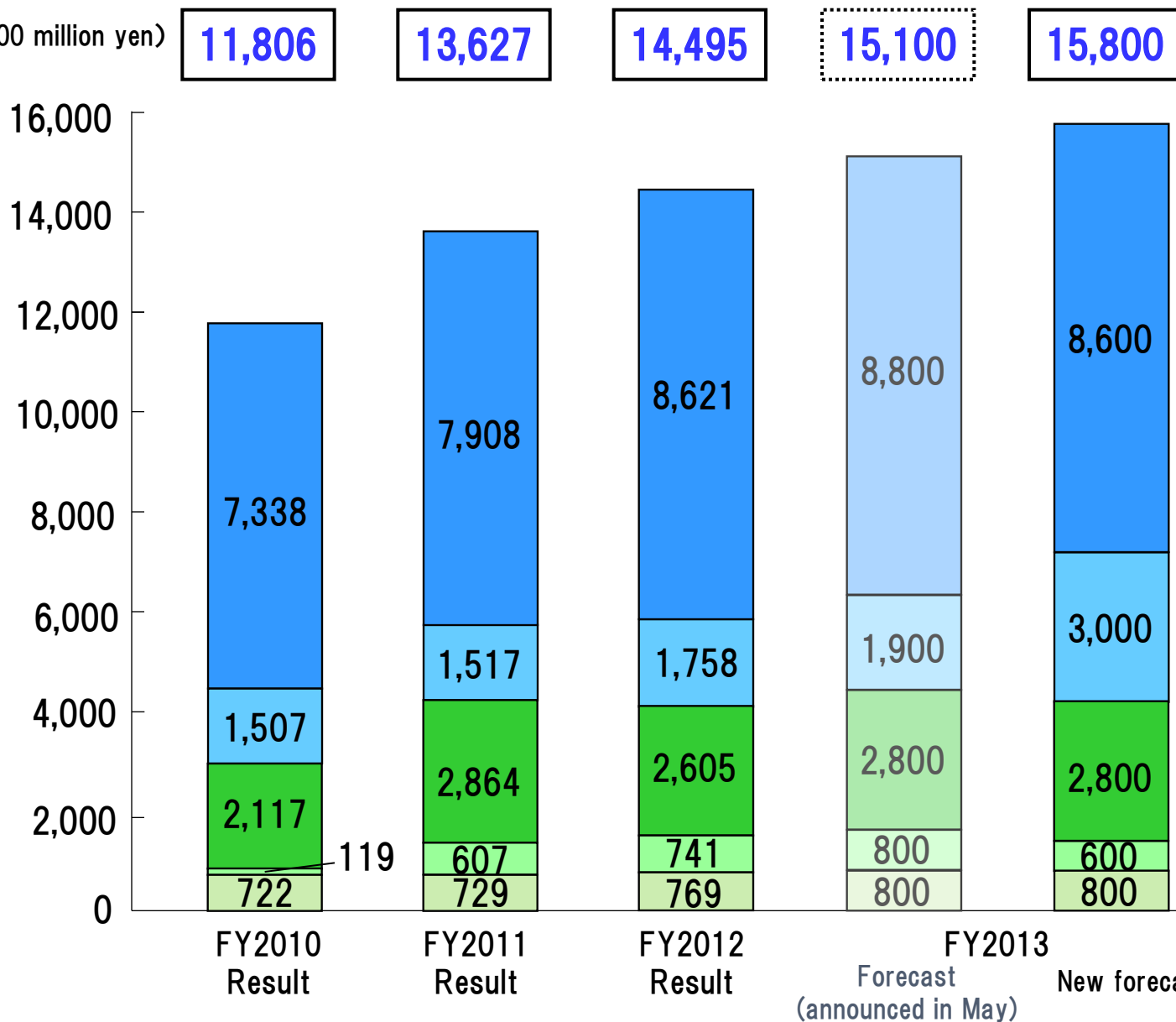
# 【Non-consolidated】 Forecast for Orders Received

(100 million yen)



# 【Consolidated】 Forecast for Orders Received

(100 million yen)



**YoY**  
**+1,304**  
**(+9.0%)**

**Domestic building const.**  
 $\Delta 21$   
 ( $\Delta 0.2\%$ )

**Overseas building const.**  
**+1,241**  
 (+70.6%)

**Domestic civil engineering**  
**+194**  
 (+7.5%)

**Overseas civil engineering**  
 $\Delta 141$   
 ( $\Delta 19.1\%$ )

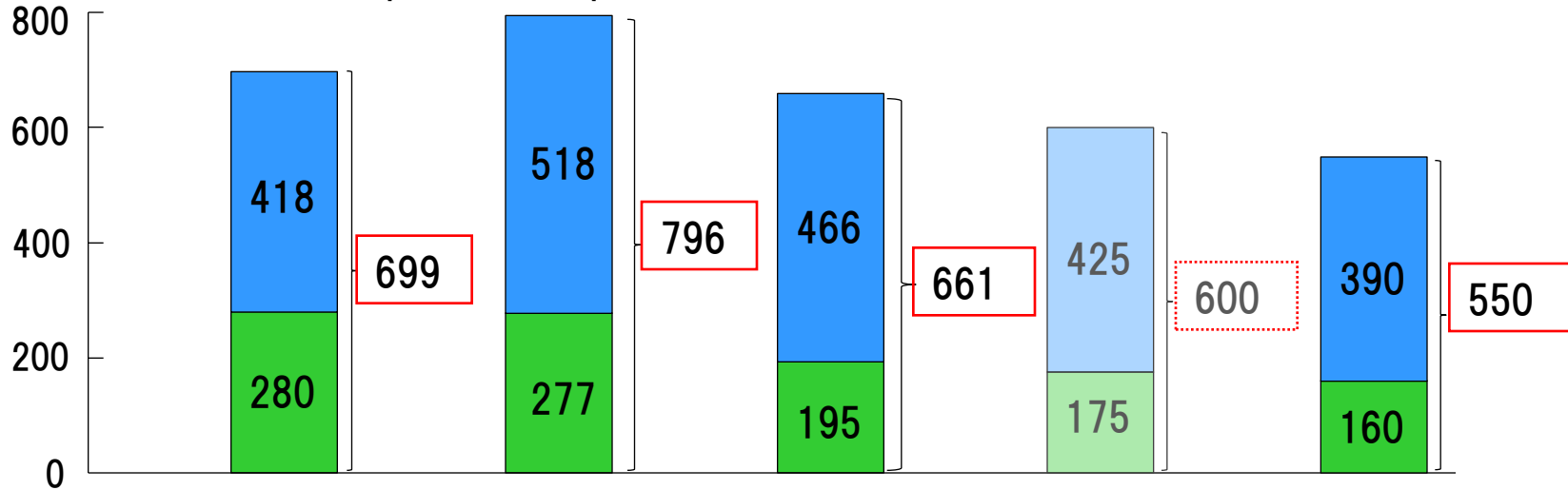
**Real estate business and other**  
**+30**  
 (+4.0%)



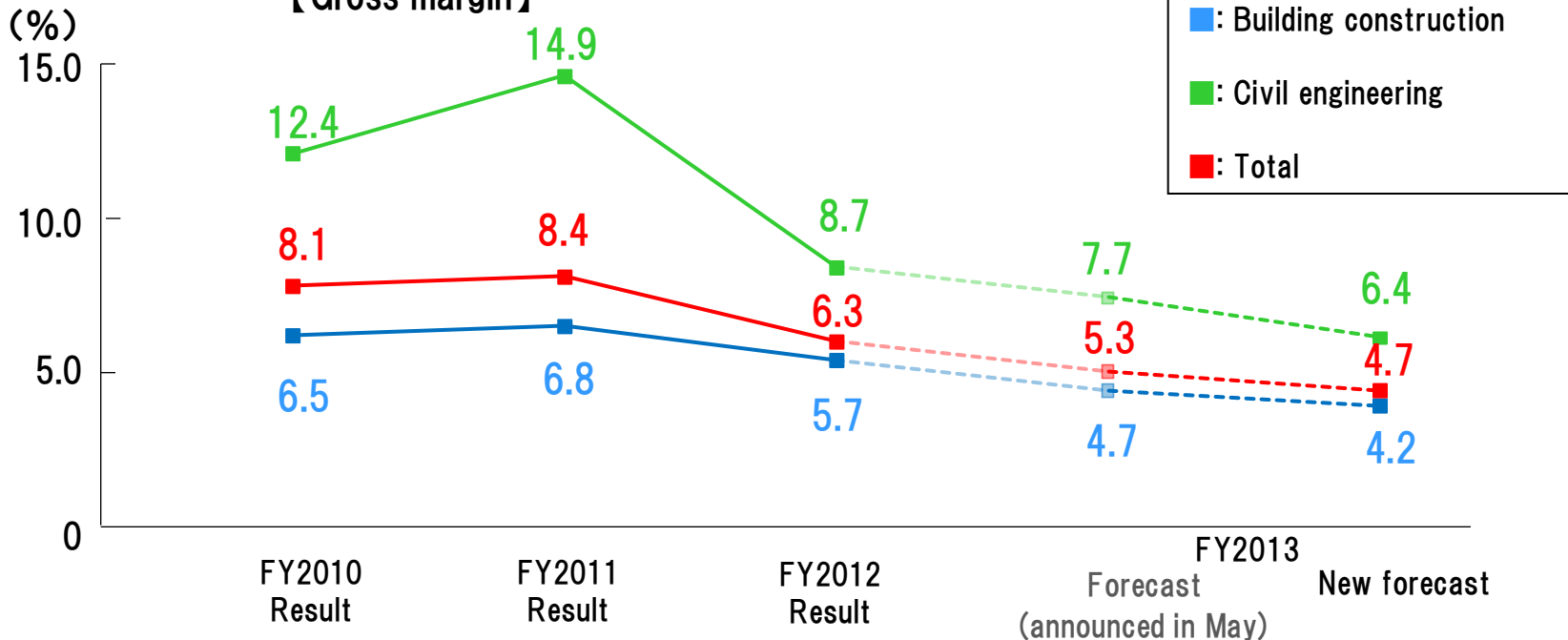
# 【Non-consolidated】 Transition of Gross Profit on Completed Construction Contracts

(100 million yen)

【Gross profit on completed construction contracts】



【Gross margin】



**Progress of  
Obayashi Group  
Medium-Term Business Plan 2012**

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OBYASHI

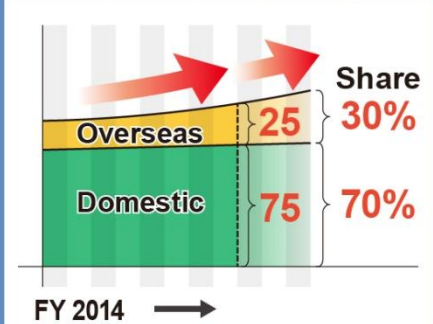
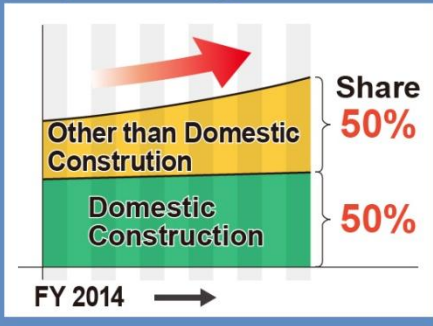
# Medium-Term Business Plan 2012 | Non-consolidated Forecasts for FY2013 |

Unit: 100 million yen (Gross margin: %)

	FY2008 Result	FY2009 Result	FY2010 Result	FY2011 Result	FY2012 Result	FY2013		
						Forecast	Increase/Decrease	
<b>Net sales</b>	13,173	10,576	9,092	9,636	10,851	<b>11,930</b>	<b>1,078</b>	
<b>Construction</b>	12,887	10,372	8,658	9,430	10,503	<b>11,700</b>	<b>1,196</b>	
Building	9,356	7,907	6,399	7,564	8,254	<b>9,200</b>	<b>945</b>	
Civil	3,531	2,464	2,259	1,866	2,249	<b>2,500</b>	<b>250</b>	
						May 14 Forecast	November 12 Forecast	
<b>Gross profit</b>	<b>621</b>	<b>-91</b>	<b>699</b>	<b>796</b>	<b>661</b>	<b>600</b>	<b>550</b>	<b>-111</b>
	<i>(4.8)</i>	<i>(-0.9)</i>	<i>(8.1)</i>	<i>(8.4)</i>	<i>(6.3)</i>	<i>(5.3)</i>	<i>(4.7)</i>	<i>(-1.6)</i>
Building	477	429	418	518	466	<b>425</b>	<b>390</b>	<b>-76</b>
	<i>(5.1)</i>	<i>(5.4)</i>	<i>(6.5)</i>	<i>(6.8)</i>	<i>(5.7)</i>	<i>(4.7)</i>	<i>(4.2)</i>	<i>(-1.5)</i>
Civil	144	<b>-521</b>	280	277	195	<b>175</b>	<b>160</b>	<b>-35</b>
	<i>(4.1)</i>	<i>(-21.1)</i>	<i>(12.4)</i>	<i>(14.9)</i>	<i>(8.7)</i>	<i>(7.7)</i>	<i>(6.4)</i>	<i>(-2.3)</i>
<b>Operating income</b>	<b>128</b>	<b>-700</b>	<b>198</b>	<b>220</b>	<b>142</b>	<b>80</b>	<b>20</b>	<b>-122</b>
	<i>(1.0)</i>	<i>(-6.6)</i>	<i>(2.2)</i>	<i>(2.3)</i>	<i>(1.3)</i>	<i>(0.7)</i>	<i>(0.2)</i>	<i>(-1.1)</i>

# Medium-Term Business Plan 2012 | Consolidated Forecasts |

(100 million yen)

	FY2012 Result	FY2013 Forecast		FY2014 Target	Beyond FY2014		
		May14 Forecast	November12 Forecast				
<b>Net sales</b>	<b>14,483</b>	<b>15,000</b>	<b>16,000</b>	<b>15,000</b>	<b>Construction</b> 		
Construction	13,431	14,100	15,100	14,000			
Domestic	82%	81%	81%	80%			
Overseas	18%	19%	19%	20%			
Real estate, etc.	1,050	890	890	900			
New businesses	0	10	10	100		30.0 billion or more	
<b>Operating income (Operating margin)</b>	<b>351 2.4%</b>	(Conso.) 260 1.7%	(Non-conso.) 80 0.7%	(Conso.) 240 1.5%	(Non-conso.) 20 0.2%	<b>450 3.0%</b>	<b>Operating income</b> 
Domestic construction	55%	58%	48%	60%			
Other than the above (Overseas construction, real estate, new businesses etc.)	45%	42%	52%	40%			

## Business Environment

### ◇ Domestic construction investment increased 2 years in a row

(Trillion yen)

Reserch Institute of Construction and Economy (Released on October 21, 2013)	FY2011	FY2012	FY2013		FY2014	
	(Tentative)	(Forecast)	(Forecast)	Rate of Change	(Forecast)	Rate of Change
<b>Construction Investment</b>	<b>41.89</b>	<b>44.90</b>	<b>48.98</b>	<b>9.1%</b>	<b>47.85</b>	<b>-2.3%</b>
Private non-residential building	6.96	7.11	7.72	8.6%	8.27	7.1%
Private civil engineering	4.34	4.95	5.27	6.5%	5.45	3.4%
Public civil engineering	15.07	16.53	18.04	9.1%	16.82	-6.8%

◇ Orders received in brisk tone

◇ Shortage of skilled construction workers escalated **Further busier status**

◇ Unit labor price still increasing

## New Challenges Affected by Changes in Business Environment

- Increase production capacity deliberately
- Appropriately receive orders considering production capacity

## ■ Improve profitability as a core business unit

(100 million yen)

### ◇ Execute deliberately planned marketing activity

【Orders received in 2Q FY2013】

From 2Q FY2012: Increased by JPY105 billion (30% increase)



- Taking production capacity into account, forecast of orders received in FY2013 was kept almost at the same level of the previous fiscal year

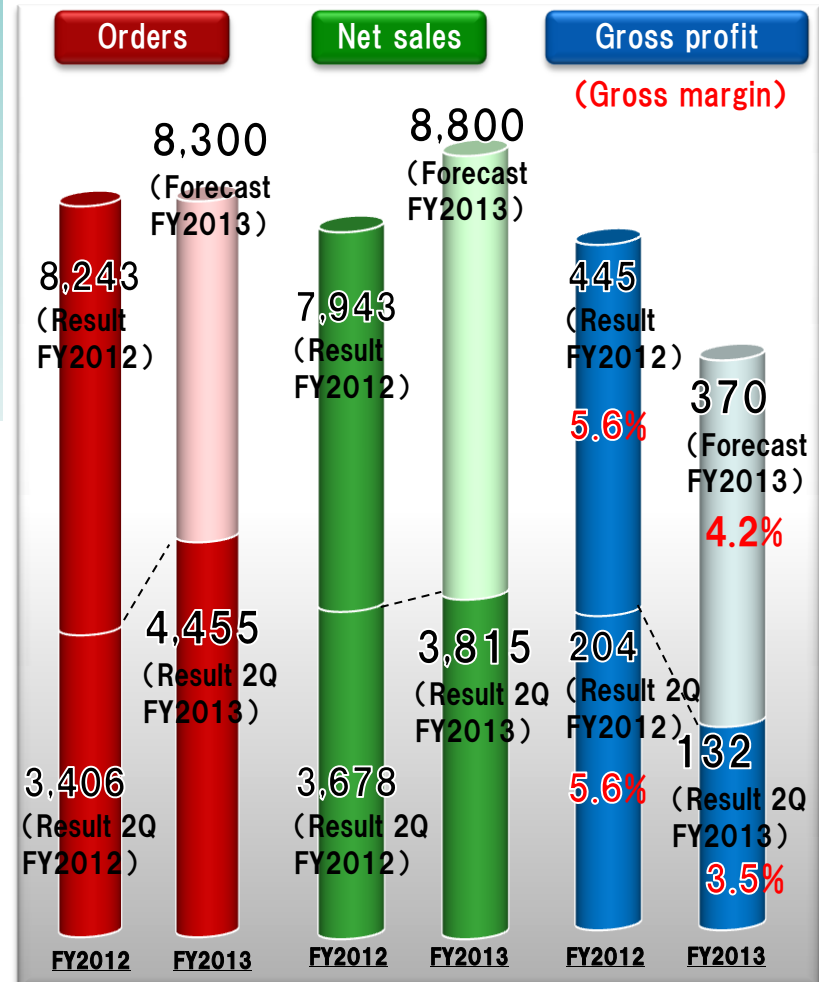
Additionally



### ◇ Fulfill initiatives to increase production capacity

- Develop labor-saving construction technologies
- Improve production efficiency utilizing ICT
- Secure skilled construction workers strengthening cooperation with subcontractors and suppliers

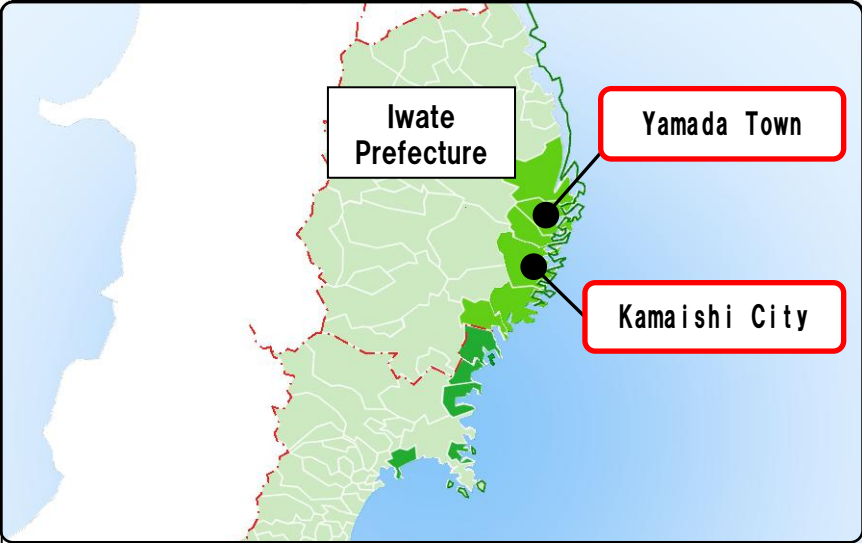
【Performance transition/  
Non-consolidated/Domestic building construction】



**Actively participate in public infrastructure projects for disaster prevention and mitigation which provide for a safe and secure environment**

【Contribute to recovery and reconstruction of disaster-affected regions】

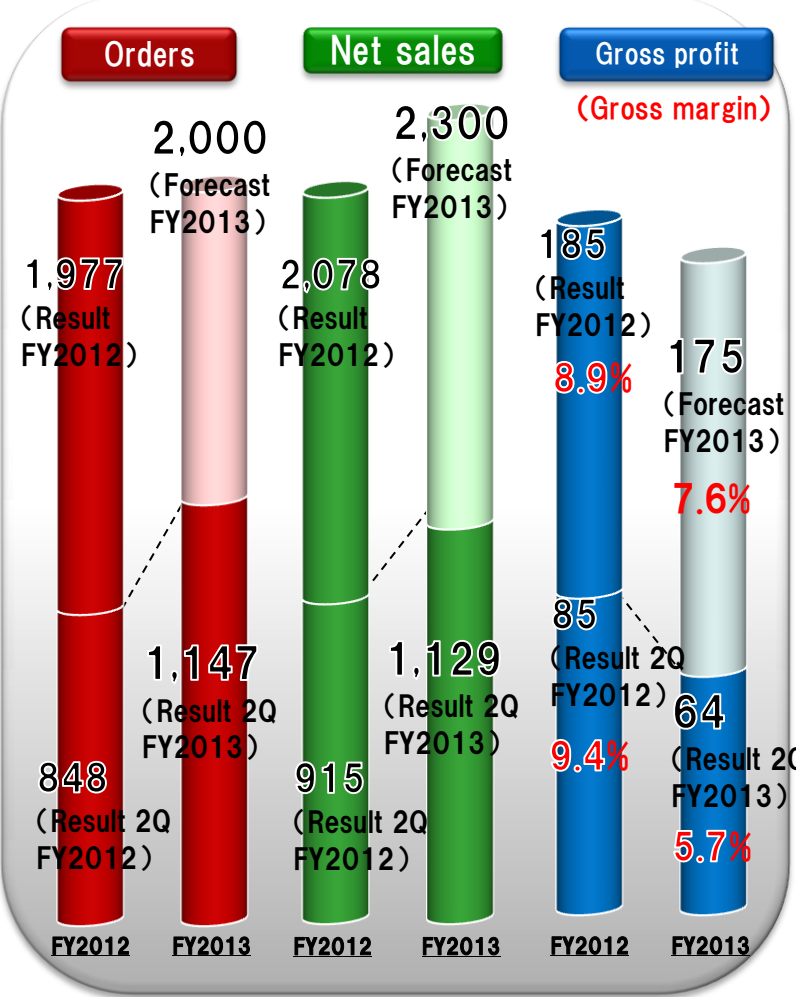
**Awarded reconstruction projects including preparation of land for relocation to higher ground**



As a **CMr**, Obayashi fulfils coordinating and managing construction works as well as proposing design and construction methods

Keep contributing to recovery and reconstruction projects such as decontamination, debris removal and rebuilding towns

【Performance transition/  
Non-consolidated/Domestic civil engineering】 (100 million yen)



■ Enhance and expand the leasing (asset) business as a stable earnings base

Expand group's overall real estate earnings

- ◇ Obayashi Corporation
- ◇ Obayashi Real Estate
- ◇ Seiwa Real Estate

<b>Gross profit</b> (Target for FY2014)	<b>JPY 12 billion</b> (Increase by 60% from FY2011)
<b>Capital expenditure plan</b> (FY2012-FY2014 total)	<b>JPY 60 billion</b>

Continue to invest in properties for leasing as scheduled in capital expenditure plan

- ◆ **Reconstruction and value creation** for existing properties
- ◆ **New acquisition** of office buildings for leasing
- ◆ **Effective use** of company-owned properties



Office buildings for lease by region  
Changes in the number of buildings

Region	2012.3	2013.9
Five downtown Tokyo wards (Chiyoda, Chuo, Minato, Shinjuku, Shibuya)	14 (30%)	20 (33%)
Tokyo (all others)	13 (28%)	17 (28%)
Osaka	9 (19%)	10 (16%)
Major regional cities (Sapporo, Sendai, Nagoya, etc.)	11 (23%)	14 (23%)

(%: Office buildings for lease by region)



## Further Strategic Global Expansion

### Business expansion focusing on 3 regions

#### ◇Asia

- Thai Obayashi, Jaya Obayashi, Obayashi Vietnam in firm tone

#### ◇North America

- Webcor in recovery, Kenaidan in firm tone

#### ◇Middle East

- Collaborate with local partners and penetrate into markets

(100 million yen)

Consolidated overseas orders	Consolidated overseas net sales
FY2012 Result	
<b>2,500 (18%)</b>	<b>2,366 (18%)</b>
FY2013 Forecast	
<b>3,600 (24%)</b>	<b>2,880 (19%)</b>
FY2014 Target	
<b>Over 20%</b>	

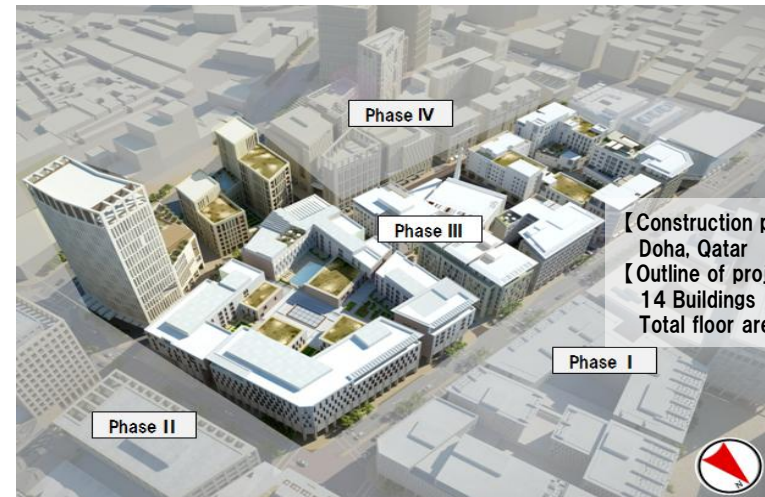
(%: Overseas sales ratio in the construction business)

### Ophir-Rochor New Erection of Complex Facility



【Construction place】  
Central Singapore  
【Outline of project】  
Total floor area: 170 thousand m<sup>2</sup>  
Hotel & office building 39 floors  
Residential building 50 floors

### Phase 3 of Msheireb Downtown Doha Project



【Construction place】  
Doha, Qatar  
【Outline of project】  
14 Buildings  
Total floor area: 310 thousand m<sup>2</sup>

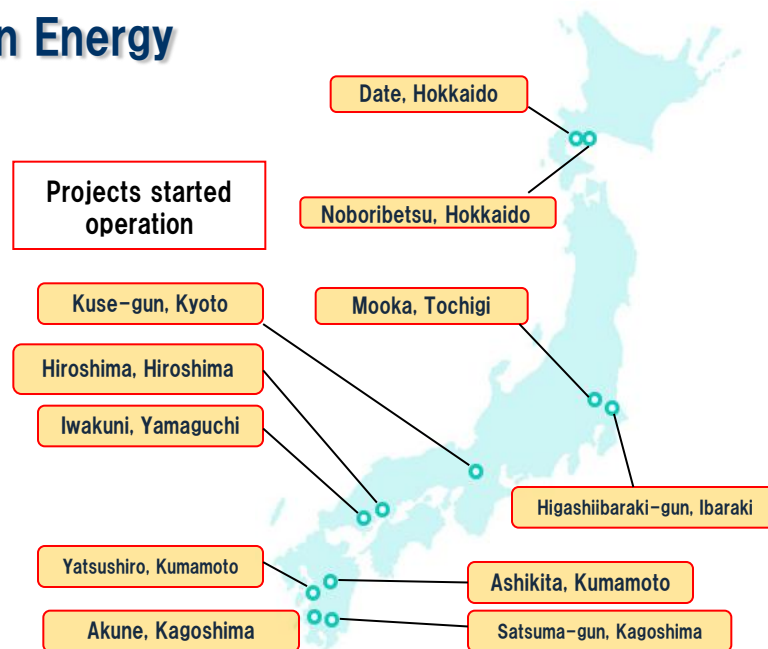
Business Innovation Development of technology into direct source of profit

■ Mega solar power generation by Obayashi Clean Energy

- ◇ Projects finalized for commercialization  
Total generation scale: 100MW (21 projects)
- Projects already started operation within above projects  
Total generation scale: 21MW (11 projects)

(As of October 31, 2013)

- ◇ Target at the end of FY2013  
Total generation scale: **100MW**  
Net sales: JPY 4 billion (premise: 100MW operation full year)
- ◇ Consider entering into renewable energy businesses such as wind, geothermal and biomass



■ Develop plant factories using artificial light

- ◇ Consider entering into agricultural business including starting up development of energy-saving and low cost plant factories applying artificial light

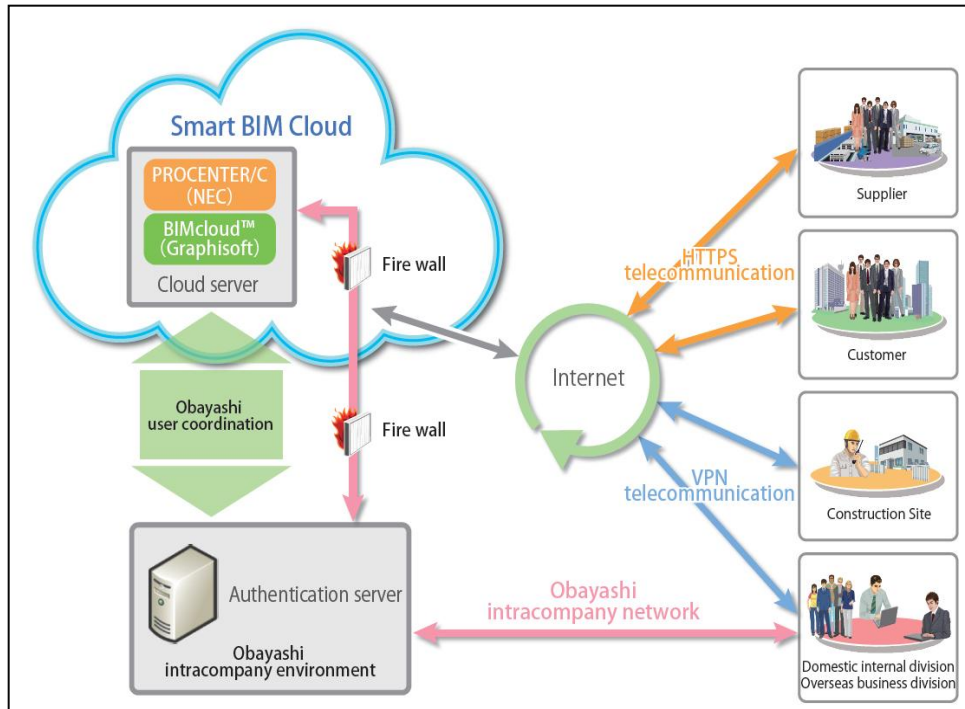


## ◆ Established Smart BIM Cloud

- Safe and efficient information sharing of vast amounts of data
- Utilize latest building model in any construction process



Facilitate **an early consensus**, and realize **seamless construction process** and **secured quality**



## ◆ Develop and apply labor-saving construction methods

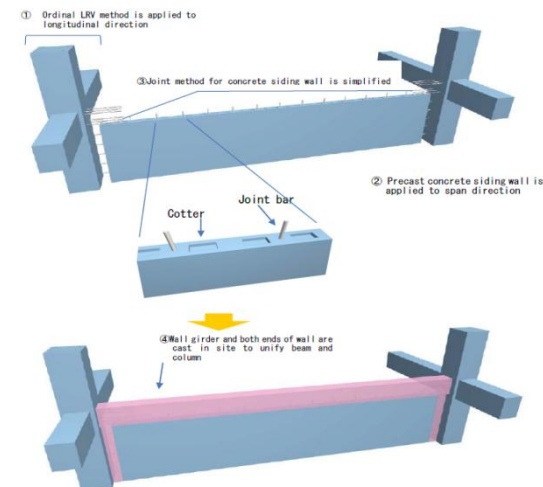
### ● 「Bottom girder PCa method」

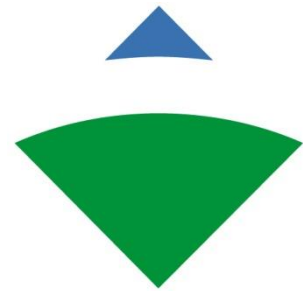
- Realize drastically shortening construction period and labor-saving with same cost as conventional method



### ● Precast construction 「LRV-W method」

- Shorten construction period by up to 50%, simultaneously applying continuous earthquake resisting wall simple joint method





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