

**Investor Presentation**



**Financial Results for FY2017  
and  
Forecasts for FY2018**

**May 16, 2018**

**OBAYASHI CORPORATION**

## Financial Results for FY2017

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Refer to the upper table of the Summary information on page 1 of "Appendix to the Financial Statements"

### <Consolidated Business Results>

Net Sales	1,900.6 billion yen	(Year-to-Year Change + 1.5%)
Operating Income	137.8 billion yen	(Year-to-Year Change + 3.0%)
Ordinary Income	143.9 billion yen	(Year-to-Year Change + 2.7%)
Profit attributable to owners of parent	92.6 billion yen	(Year-to-Year Change (1.9) %)

→ All items are almost at the same level as last fiscal year

### <Dividends> (the lower table on page 1)

FY2017 ended March 2018 : Total annual dividend 28 yen

FY2018 ending March 2019 : Total annual dividend 28 yen (Forecast)

## <Non-consolidated> Statements of income –Construction Business– – Result FY2017–

Refer to the upper right table of the Financial highlights on page 2 of “Appendix to the Financial Statements”

### <Net sales of completed construction contracts>

**1,276.4 billion yen (Year-to-Year Change (9.4) billion yen)**

Building Construction 988.9 billion yen (Year-to-Year Change (2.5) billion yen)

Civil Engineering 287.4 billion yen (Year-to-Year Change (6.9) billion yen)

→ Due to less progress than expected in some large construction projects

### <Gross profit on completed construction contracts>

**173.9 billion yen (Year-to-Year Change +7.2 billion yen)**

Building Construction 124.4 billion yen (Year-to-Year Change +5.0 billion yen)

Gross profit margin 12.6% (Year-to-Year Change +0.6pt)

Civil Engineering 49.4 billion yen (Year-to-Year Change +2.2 billion yen)

Gross profit margin 17.2% (Year-to-Year Change +1.1pt)

→ Due to securing the profit margin in orders received and improvement in profit margin on some large construction projects in process

Refer to the upper table of the Results and forecasts for net sales, operating income and gross profit on page 6 of “Appendix to the Financial Statements”

**Topics of the subsidiaries are as follows****<Consolidated Net sales>**

Overseas Building Construction	383.9 billion yen	(Year-to-Year Change +16.0 billion yen)
→ Webcor, LP	220.8 billion yen	(Year-to-Year Change +53.9 billion yen Due to progress on substantial number of construction projects in process)
Domestic Civil Engineering	346.1 billion yen	(Year-to-Year Change +13.7 billion yen)
→ Obayashi Road Corporation	111.6 billion yen	(Year-to-Year Change +12.0 billion yen)

**<Consolidated Operating income>**

Real Estate Business	8.6 billion yen	(Year-to-Year Change +1.4 billion yen)
→ Obayashi Shinseiwa Real Estate	9.7 billion yen	(Year-to-Year Change +2.1 billion yen Due to gain on sales on some properties )

(Reference) Refer to the performance of principal subsidiaries on page 12 of “Supplementary Data on Financial Results for FY2017 Ended March 2018”

Refer to the upper left table of the Financial highlights on page 2 of "Appendix to the Financial Statements"

<Extraordinary loss>

13.5 billion yen

Provision of reserves for losses on Antimonopoly Act 10.5 billion yen

(Breakdown)

Obayashi Corporation:

Related to bids for construction of the Chuo Shinkansen 4.1 billion yen

Obayashi Road Corporation :

Related to sales price of asphalt mixture, etc. 6.3 billion yen

Refer to the middle table of the Financial highlights on page 2 of “Appendix to the Financial Statements”

<Non-consolidated>

**【Building Construction】**

995.4 billion yen (Year-to-Year Change (57.2) billion yen)

**【Civil Engineering】**

307.6 billion yen (Year-to-Year Change +11.9 billion yen)

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Construction Total 1,303.1 billion yen (Year-to-Year Change (45.2) billion yen)

→ Almost at the same level as last fiscal year

<Consolidated>

**【Overseas Building Construction】**

314.4 billion yen (Year-to-Year Change (240.4) billion yen)

→ Decrease due to a reaction of orders received for large scale projects of Webcor, LP last fiscal year

## Interest-bearing debt balances

-Result FY2017-

Refer to the lower table of the Financial highlights on page 2 of “Appendix to the Financial Statements”

### <Interest-bearing debt Total>

March 31, 2017	(Beginning of FY2017)	273.3 billion yen
<u>March 31, 2018</u>	<u>(End of FY2017)</u>	<u>276.7 billion yen</u>
	Year-to-Year Change	+ 3.3 billion yen

- Forecasts on March 31, 2019  
270.0 billion yen (Same level as the balance on March 31, 2018)
- Utilizing net cash provided by operating activities of the robust domestic construction business, we continue investment based on Medium-Term Business Plan 2017



# Most Important Issue and Forecasts for FY2018

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OBAYASHI

# Most Important Issue

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- 1 Efforts to Ensure Even Stricter Compliance
- 2 Vigorous Promotion and Accelerating Achievement of Medium-Term Business Plan 2017

# Efforts to Ensure Even Stricter Compliance

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## Enhance the compliance structure

【Additional Policies to be implemented toward recurrence prevention (effective on June 1, 2018)】

(Refer to “Formulation of Recurrence Prevention Policy” disclosed on May 29, 2018)

- Create stricter rules for contact with industry peers
- Create a thorough, correct understanding of the Antimonopoly Act
- Revising the internal reporting system
- Enhancing oversight functions

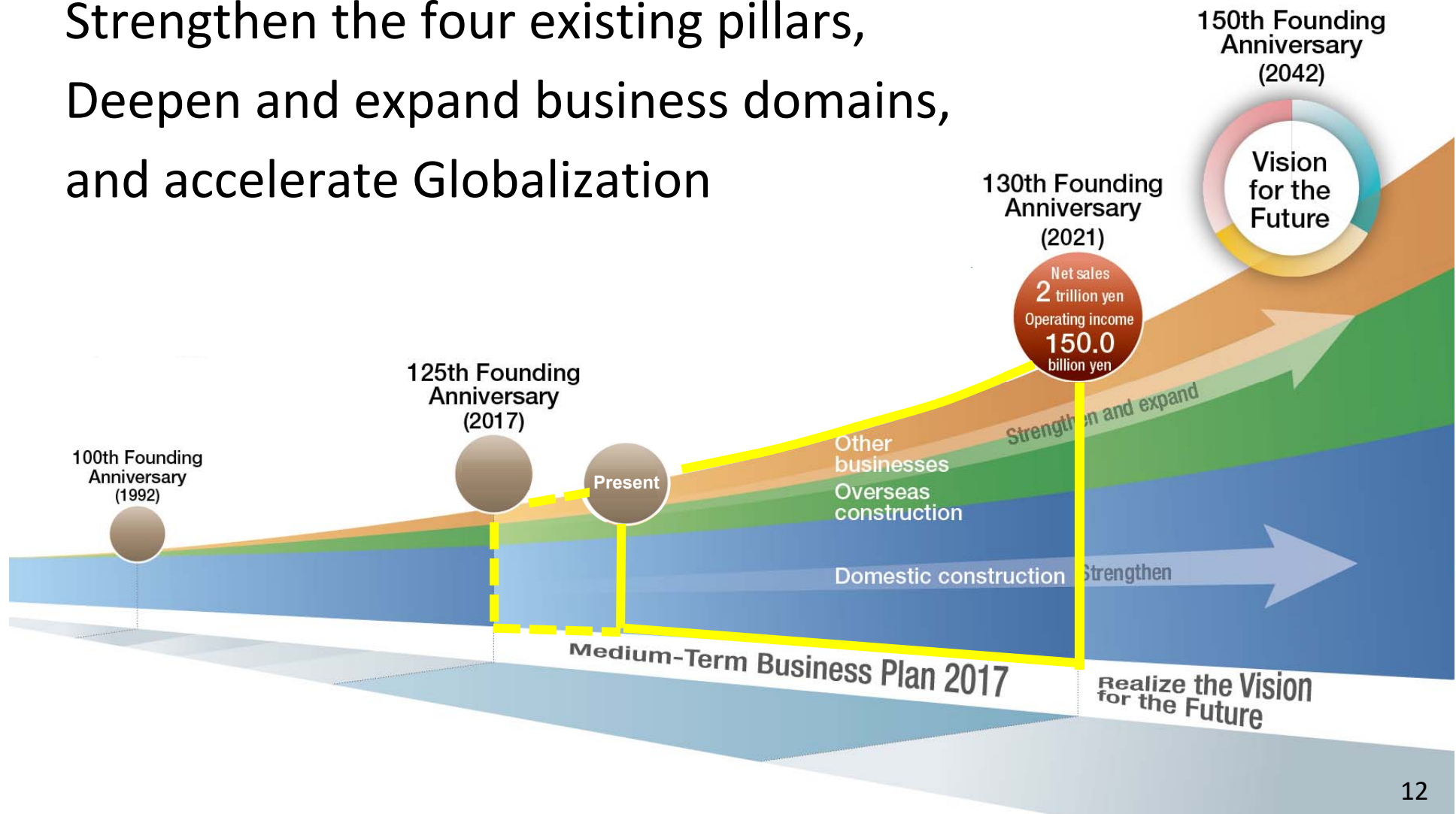


We will establish a third-party committee composed of external experts to ascertain the root causes of the incident based on an objective investigation, and based on those results, we will review our recurrence prevention policy to improve its effectiveness

# Vigorous Promotion and Accelerating Achievement of Medium-Term Business Plan 2017 —Policy on Initiatives



Strengthen the four existing pillars,  
Deepen and expand business domains,  
and accelerate Globalization



# Vigorous Promotion and Accelerating Achievement of Medium-Term Business Plan 2017 —Business Strategy



## <Construction Business>

### ■ Improvements in productivity

- Begin joint R&D on next-generation production systems in Silicon Valley
- Accumulate expertise and strengths in design and construction sites as big data



**Build the foundation for technical innovation to  
achieve highest level productivity and create new added value**

### ■ Work style reforms

Formulate a work style reform action plan and take steps to reduce total working hours and implement a system of eight days off every four weeks at construction sites

**Pursue this in tandem with improvements in productivity to contribute to  
making the construction industry a more attractive one to work in**

### ■ Overseas

Expand business scale in Australia -Received orders of 4 Parramatta Square and 3 Parramatta Square

**Promote further globalization**



# Vigorous Promotion and Accelerating Achievement of Medium-Term Business Plan 2017 —Business Strategy



## < Real Estate Development Business >

- Expand large rental property investment in central Tokyo
- Thai Obayashi Corporation acquired land for high-rise office buildings in Bangkok



**Work to diversify the portfolio and respond flexibly to changes in the real estate market**



## < New Businesses >

- Strengthening initiatives in the biomass power generation business
  - Scheduled to commence operation in Otsuki City (in August 2018)
  - Launch second project in Kamisu City
- Begin joint experimental verification research with local company on the CO<sub>2</sub>- free manufacture and distribution of hydrogen, using geothermal power generation in New Zealand



**Further expand the domains to offshore wind power generation and other opportunities**



# Vigorous Promotion and Accelerating Achievement of Medium-Term Business Plan 2017 — Management Foundation Strategy



## <Technology Development>

- Operate construction machinery remotely using 5G next-general mobile communications systems and 4K 3D monitors
- Establish a method for automatically detecting cracks in concrete through AI using image analysis technology

**Pursue further development of technology that utilizes IoT/AI and will contribute to improvements in productivity**

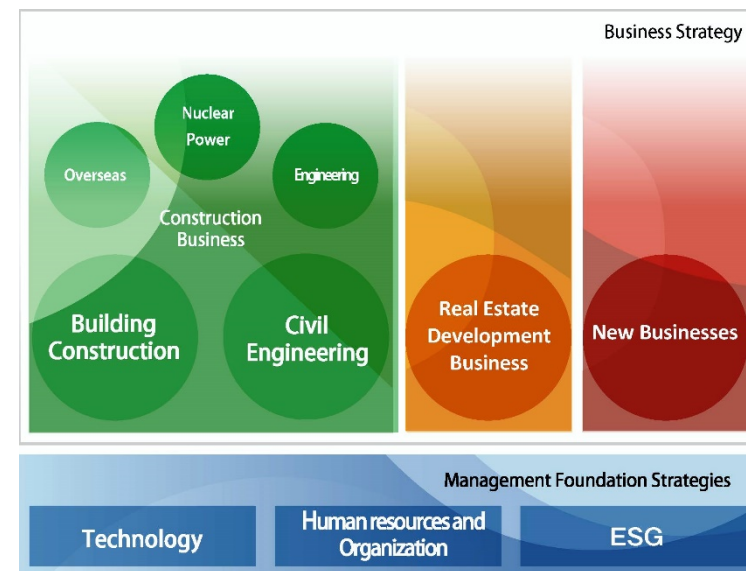
(Investment amount)  
R&D of construction technologies    FY2017    FY2018  
19.1 → 25.0 billion yen

## <Human resource · Organization>

Respond flexibly to diversification in business domains, and implement various systems to make it easy for the diverse human resources in the workplace to accomplish their work

## <ESG-based Management>

- Pursue environmentally friendly (E) business activities
- Contribute to a society (S) by providing safety and security for people
- Strengthen governance (G) with a focus of strict compliance



# Forecasts for FY2018

## — Consolidated statements of income



(Unit: 100 million yen)

	FY2015 Result	FY2016 Result	FY2017 Result①	FY2018 Forecasts②	Variance ②－①
Net Sales	17,778	18,727	19,006	19,700	693
Non-consolidated	12,350	13,040	12,940	13,300	359
Gross Profit	1,930	2,249	2,343	2,360	16
Selling, general and administrative expense	866	911	965	970	4
Operating Income (Operating Income margin)	1,063 6.0%	1,337 7.1%	1,378 7.3%	1,390 7.1%	11
Non-consolidated	763 6.2%	1,082 8.3%	1,097 8.5%	1,110 8.3%	12
Ordinary Income	1,112	1,401	1,439	1,445	5
Profit attributable to owners of parent	634	945	926	980	53



# Forecasts for FY2018 — Net Sales, Operating Income



(Unit : 100 million yen)

			FY2016 Result			FY2017 Result <sup>①</sup>			FY2018 Forecasts <sup>②</sup>			Variance <sup>②</sup> — <sup>①</sup>	
			Net Sales	Operating Income		Net Sales	Operating Income		Net Sales	Operating Income		Net Sales	Operating Income
Construction Business	Building Construction	Domestic	10,203	826 8.1%	10,143	839 8.3%	10,590	845 8.0%	446	5			
		Overseas	3,679	48 1.3%	3,839	29 0.8%	3,940	55 1.4%	100	25			
		Total	13,883	875 6.3%	13,983	869 6.2%	14,530	900 6.2%	546	30			
	Civil Engineering	Domestic	3,323	400 12.0%	3,461	382 11.1%	3,500	355 10.1%	38	(27)			
		Overseas	817	(31) △3.9%	764	14 1.9%	700	5 0.7%	(64)	(9)			
		Total	4,141	368 8.9%	4,225	397 9.4%	4,200	360 8.6%	(25)	(37)			
	Construction Total	Domestic	13,527	1,226 9.1%	13,604	1,222 9.0%	14,090	1,200 8.5%	485	(22)			
		Overseas	4,497	16 0.4%	4,604	44 1.0%	4,640	60 1.3%	35	15			
		Total	18,025	1,243 6.9%	18,209	1,266 7.0%	18,730	1,260 6.7%	520	(6)			
Real Estate Development Business			387	71 18.5%	445	86 19.3%	515	100 19.4%	69	13			
New Businesses and Other			314	21 7.0%	351	25 7.3%	455	30 6.6%	103	4			
Total			18,727	1,337 7.1%	19,006	1,378 7.3%	19,700	1,390 7.1%	693	11			

# Forecasts for FY2018

## — Non-consolidated statements of income



(Unit: 100 million yen)

		FY2015	FY2016	FY2017	FY2018		Variance
		Result	Result	Result①	Forecasts②		②-①
Net Sales of completed construction contracts	Building Construction	9,084	9,915	9,889	10,200		310
	Civil Engineering	2,979	2,943	2,874	2,900		25
	Total	12,063	12,858	12,764	13,100		335
Net Sales of real estate business and other		287	181	176	200		23
Net Sales		12,350	13,040	12,940	13,300		359
Gross Profit on completed construction contracts	Building Construction	856	1,194	1,244	1,270	25	
	Civil Engineering	451	472	494	470	(24)	
	Total	1,307	1,667	1,739	1,740	0	
Gross Profit on real estate business and other		63	51	30	50	19	
Gross Profit		1,371	1,718	1,769	1,790	20	
Selling, general and administrative expenses		607	636	672	680	7	
Operating Income		763	1,082	1,097	1,110	12	
Ordinary Income		828	1,165	1,178	1,210	31	
Profit		507	841	806	840	33	

# Forecasts for FY2018 — Orders received



(Non-consolidated Orders received)

(Unit: 100 million yen)

			FY2015 Result	FY2016 Result	FY2017 Result	FY2018 Forecasts②	Variance ②—①
Construction Business	Building Construction	Domestic	10,525	10,481	9,823	9,800	(23)
		Overseas	171	45	130	—	(130)
		Total	10,696	10,526	9,954	9,800	(154)
	Civil Engineering	Domestic	2,886	2,752	2,939	2,700	(239)
		Overseas	419	204	137	400	262
		Total	3,305	2,957	3,076	3,100	23
	Construction Total	Domestic	13,412	13,233	12,763	12,500	(263)
		Overseas	590	250	267	400	132
		Total	14,002	13,483	13,031	12,900	(131)
	Real Estate Business and Others			286	181	176	200
Total			14,289	13,665	13,207	13,100	(107)

(Consolidated Orders received)

Building Construction	13,967	16,137	13,312	13,900	587
Civil Engineering	4,653	4,387	4,434	4,550	115
Real Estate Business and Others	898	927	1,054	850	(204)
Total	19,519	21,452	18,801	19,300	498

# Forecasts for FY2018 — Capital Expenditure Plan



(Unit: 100 million yen)

	FY2017 Result①	FY2018 Forecasts②	Variance ②-①	Medium-Term Business Plan 2017	
				Fiscal year average	Plan for FY2017–FY2021
R&D of construction technologies	191	250	58	200	1,000
Construction machinery and business facilities	81	150	68	100	500
Real estate leasing business	598	200	(398)	200	1,000
Renewable energy business, and others	143	150	6	200	1,000
M&As and others	255	50	(205)	100	500
<b>Total</b>	<b>1,271</b>	<b>800</b>	<b>(471)</b>	<b>800</b>	<b>4,000</b>

## Disclaimer

This investor presentation, an English translation of the presentation made at the investor meeting at Obayashi Corporation (Tokyo, Japan) on May 16, 2018 as a digest of Obayashi Corporation's "Summary of the Financial Results for FY2017 ended March 2018" ("Kessan Tanshin") disclosed at the Tokyo Stock Exchange on May 14, 2018, is presented solely for the convenience of non-Japanese speaking users. If there is any discrepancy between Japanese "Kessan Tanshin" or "Kessan Setsumei Shiryo" and this presentation, Japanese "Kessan Tanshin" or "Kessan Setsumei Shiryo" 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.