

**Investor Presentation**



**Financial Results for 2Q/ FY2014 (cumulative)  
and  
Forecasts for Full FY2014**

**November 12, 2014**

**OBAYASHI CORPORATION**

## Disclaimer

This investor presentation, an English translation of the presentation made at the investor meeting at Obayashi Corporation (Tokyo, Japan) on November 12, 2014 as a digest of Obayashi Corporation's "Summary of the 2<sup>nd</sup> Quarter (cumulative) Financial Results for FY2014 ending March 2015" ("Kessan Tanshin") disclosed at the Tokyo Stock Exchange on November 11, 2014 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/ FY2014 (Cumulative) and Forecasts for FY2014

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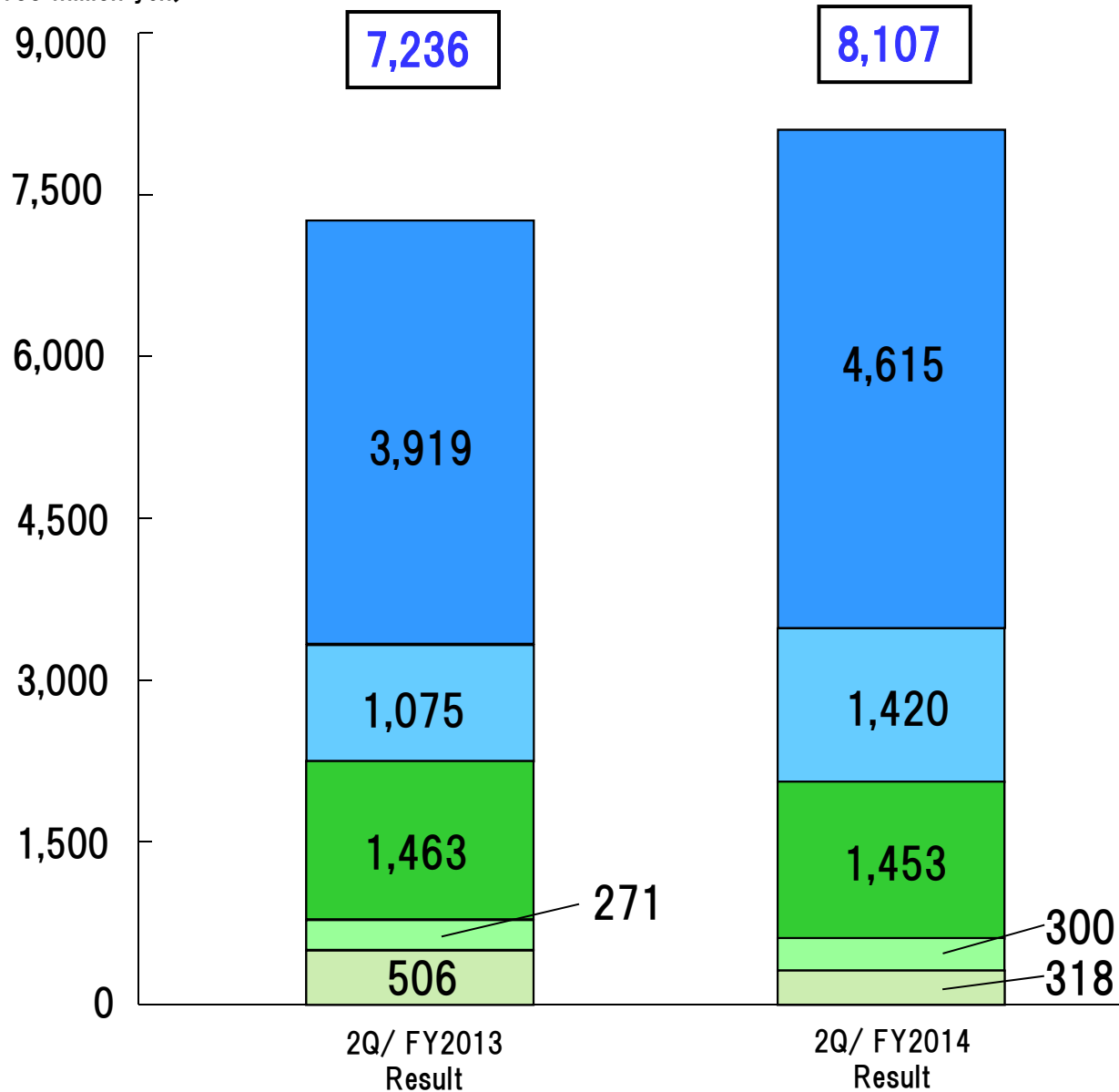
## 【Consolidated】 Overview of Financial Results

(100 million yen)

	2Q/ FY2013	2Q/ FY2014	Increase (Decrease)	% Increase (% Decrease)
Net Sales	7,236	8,107	871	12.0%
Gross Profit	478	557	79	16.6%
Operating Income	84	168	84	100.1%
Ordinary Income	120	222	102	85.4%
Net Income	63	141	78	124.7%

# 【Consolidated】 Net Sales by Business Segment

(100 million yen)



YoY  
+871 (+12.0%)

Domestic building const.  
+696 (+17.8%)

Overseas building const.  
+344 (+32.0%)

Domestic civil engineering  
Δ10 (Δ0.7%)

Overseas civil engineering  
+29 (+10.8%)

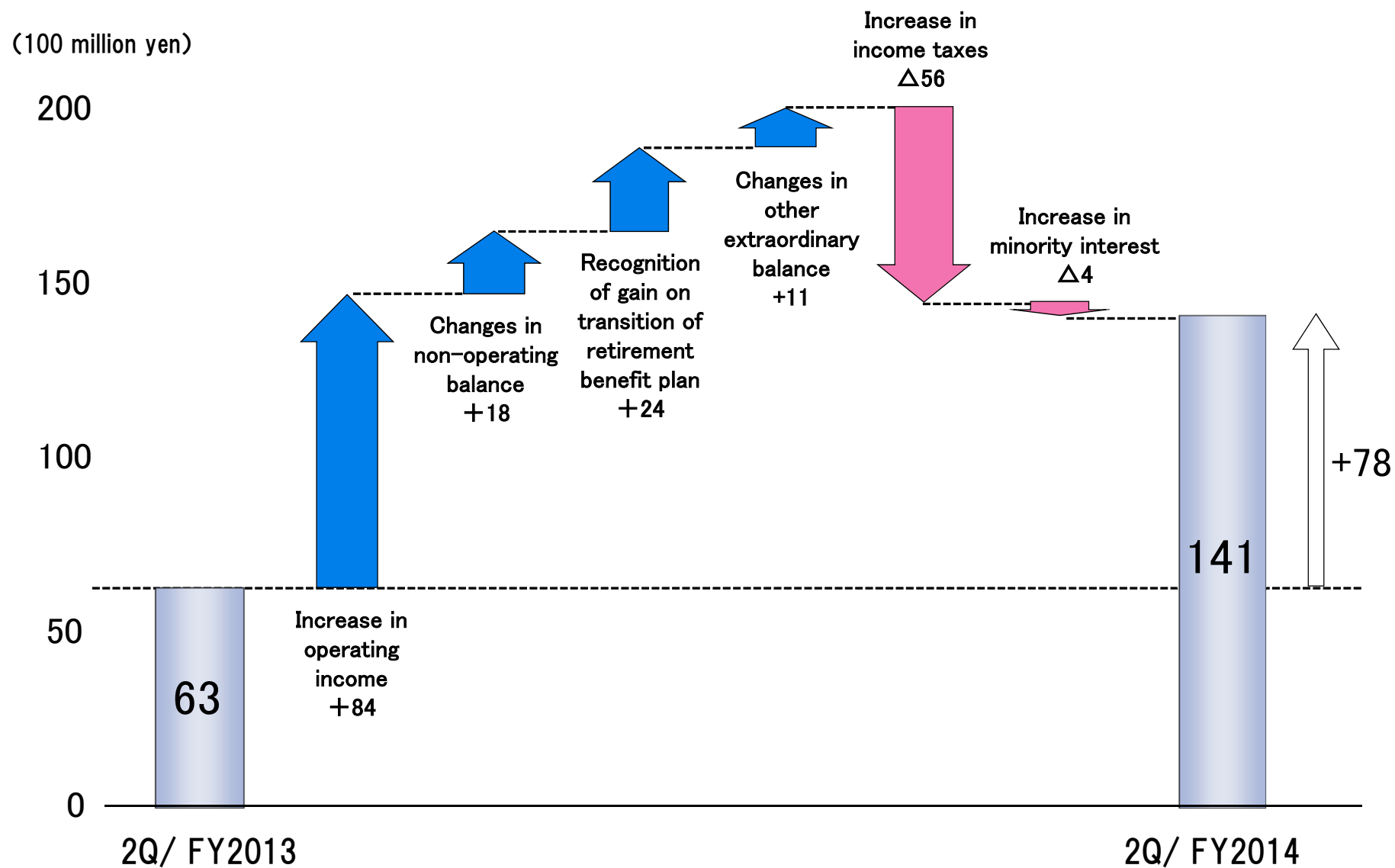
Real estate business and other  
Δ188 (Δ37.2%)

## 【Consolidated】 Operating Income by Business Segment

(100 million yen)

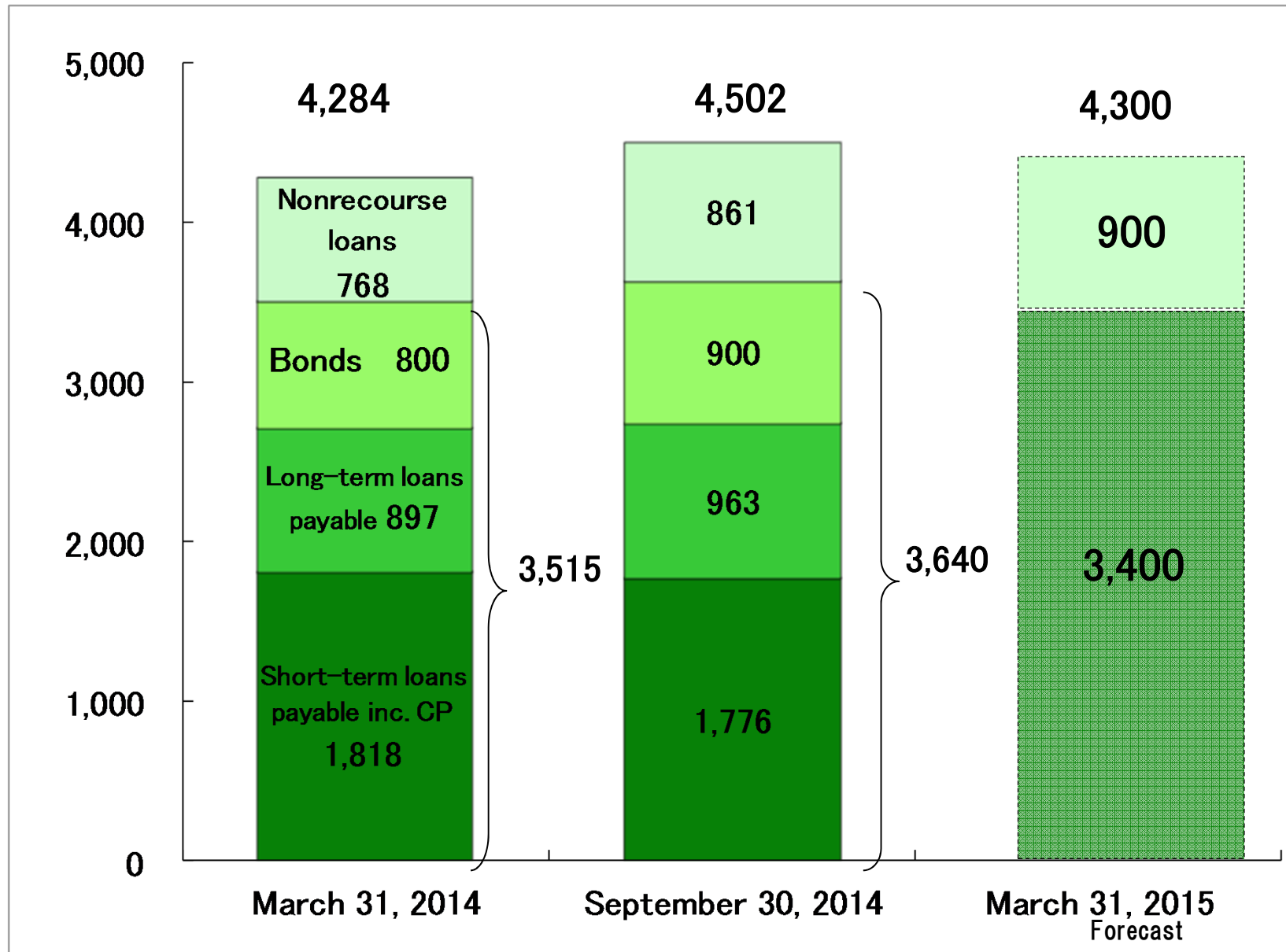
		2Q/ FY2013		2Q/ FY2014		Increase (Decrease)
		Operating margin		Operating margin		
	Domestic building construction	(0.8%)	(30)	0.6%	26	56
	Overseas building construction	2.3%	25	1.7%	24	(0)
	Domestic civil engineering	0.9%	13	4.6%	67	53
	Overseas civil engineering	(1.4%)	(3)	0.7%	2	6
Construction total		0.1%	4	1.5%	120	116
Real estate business and other		15.7%	79	15.0%	47	(31)
Total		1.2%	84	2.1%	168	84

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



# 【Consolidated】 Transition of Interest-bearing Debt

(100 million yen)





# 【Consolidated】 Cash Flows

OBUYASHI CORPORATION

(100 million yen)

	2Q/ FY2013	2Q/ FY2014	Increase (Decrease)
Operating activities	(259)	167	426
Investing activities	(333)	(113)	219
Financing activities	537	152	(385)
Net increase (decrease) in cash and cash equivalents	(27)	203	231
Cash and cash equivalents at the end of period	969	1,415	446

# 【Non-consolidated】 Forecasts for FY2014

OBAYASHI CORPORATION

(100 million yen)

	FY2014 Forecast	2Q/ FY2014 Previous Forecast	2Q/ FY2014 Result	Increase (Decrease)	Remarks
Net Sales	12,100	6,000	5,990	(△9)	
Gross Profit on Completed Construction Contracts (Building Construction) (Civil Engineering)	690 (420) (220)	315 (200) (90)	340 (196) (119)	25 (△3) (29)	
Selling, general and administrative expenses	590	290	276	(△13)	Certain costs pushed back from the 1 <sup>st</sup> half to the 2 <sup>nd</sup> half
Operating Income	100	25	64	39	
Ordinary Income	160	60	125	65	Exchange rate in the 2 <sup>nd</sup> half of FY2014 uncertain
Extraordinary balance	—	20	30	10	Forecast for the 2 <sup>nd</sup> half: ▲30 Full year forecast: 0
Income before income taxes and minority interests	160	80	156	76	
Net Income	105	50	104	54	Possibility of disposal of deferred tax assets due to corporate tax rate cut

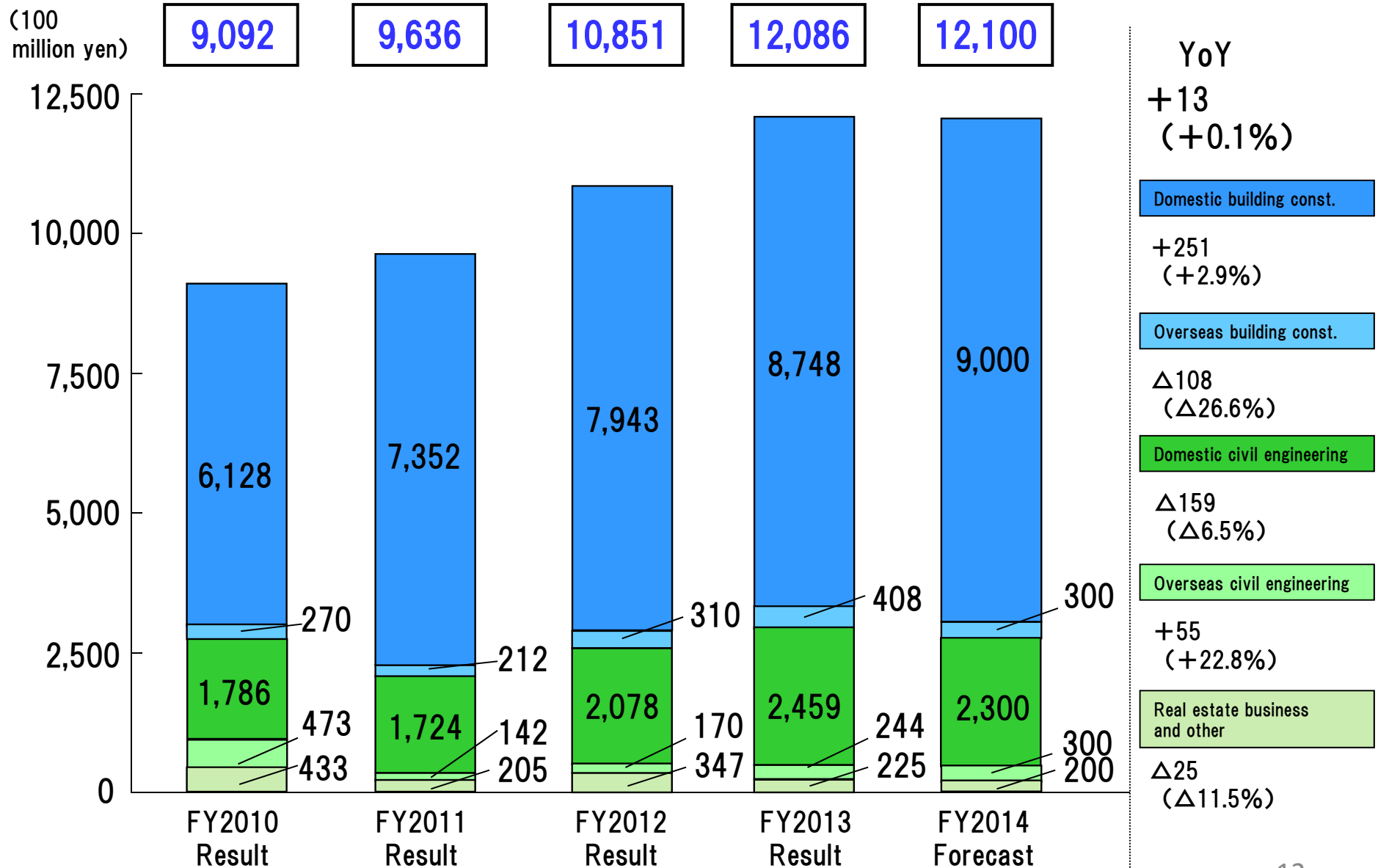
## 【Consolidated】 Forecasts for FY2014

OBAYASHI CORPORATION

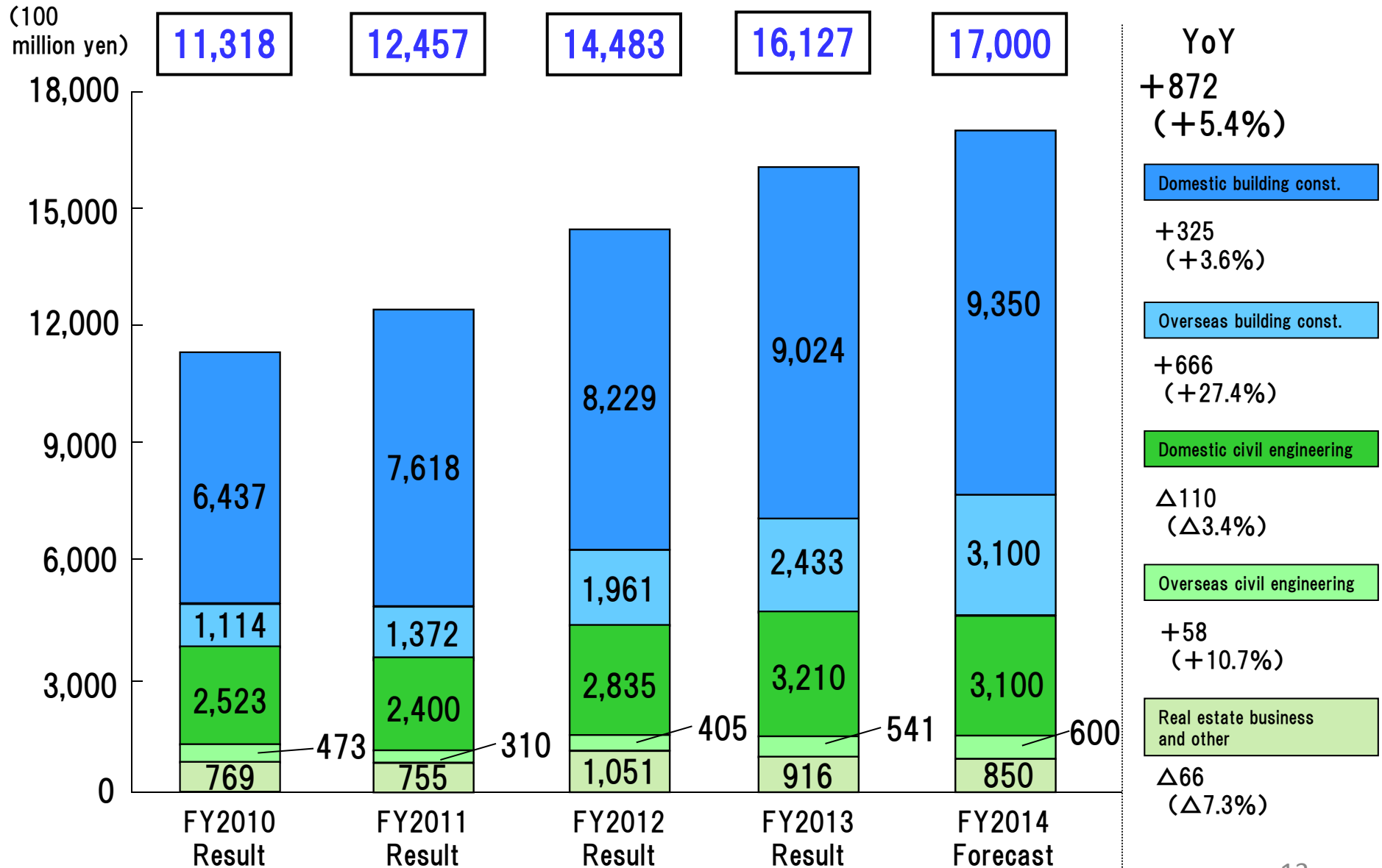
(100 million yen)

	FY2013 Result	FY2014 Forecast	Increase (Decrease)	% Increase (% Decrease)
Net Sales	16,127	17,000	872	5.4%
Gross Profit	1,120	1,180	59	5.3%
Operating Income	319	350	30	9.4%
Ordinary Income	401	390	(11)	(2.8%)
Net Income	216	230	13	6.3%

# 【Non-consolidated】 Forecast for Net Sales



# 【Consolidated】 Forecast for Net Sales



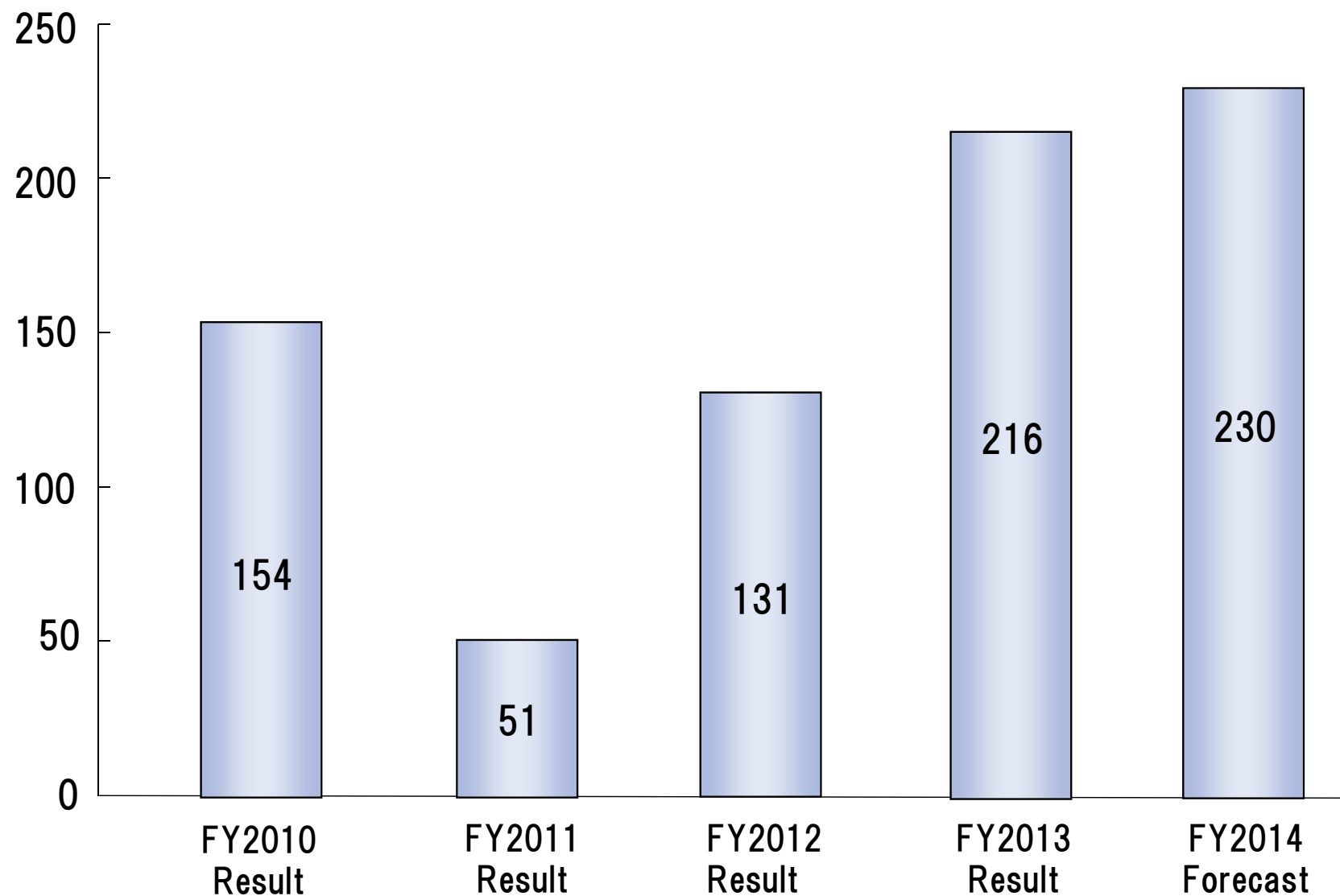
## 【Consolidated】 Forecast for Operating Income by Business Segment

(100 million yen)

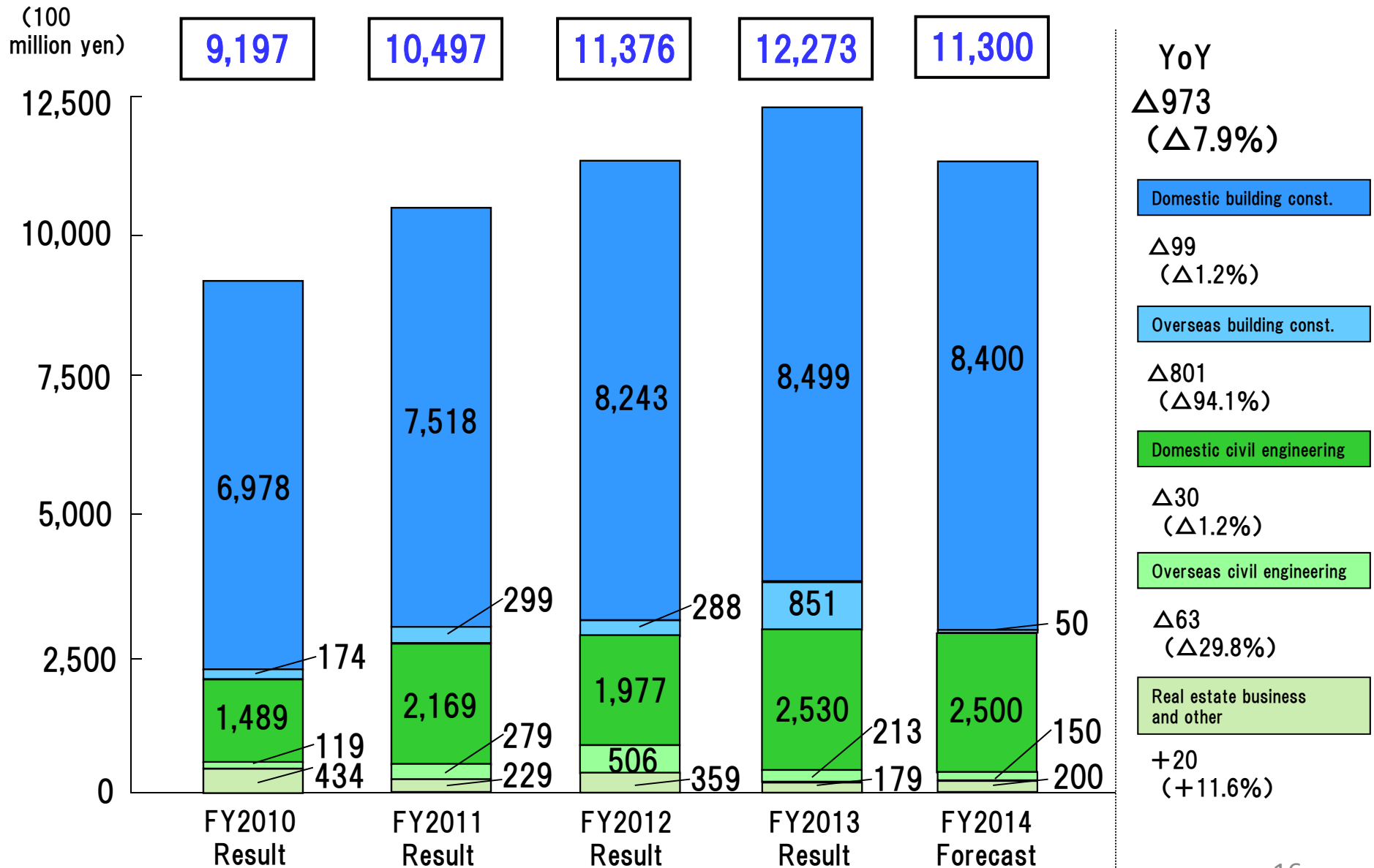
		FY2013 (Result)		FY2014 (Forecast)		Increase (Decrease)
		Operating margin		Operating margin		
	Domestic building construction	0.6%	51	0.7%	65	13
	Overseas building construction	2.6%	62	1.8%	55	(7)
	Domestic civil engineering	3.6%	114	3.5%	110	(4)
	Overseas civil engineering	(6.7%)	(36)	(1.7%)	(10)	26
Construction Total		1.3%	191	1.4%	220	28
Real estate business and other		14.0%	128	15.3%	130	1
Total		2.0%	319	2.1%	350	30

# 【Consolidated】 Forecast for Net Income

(100 million yen)



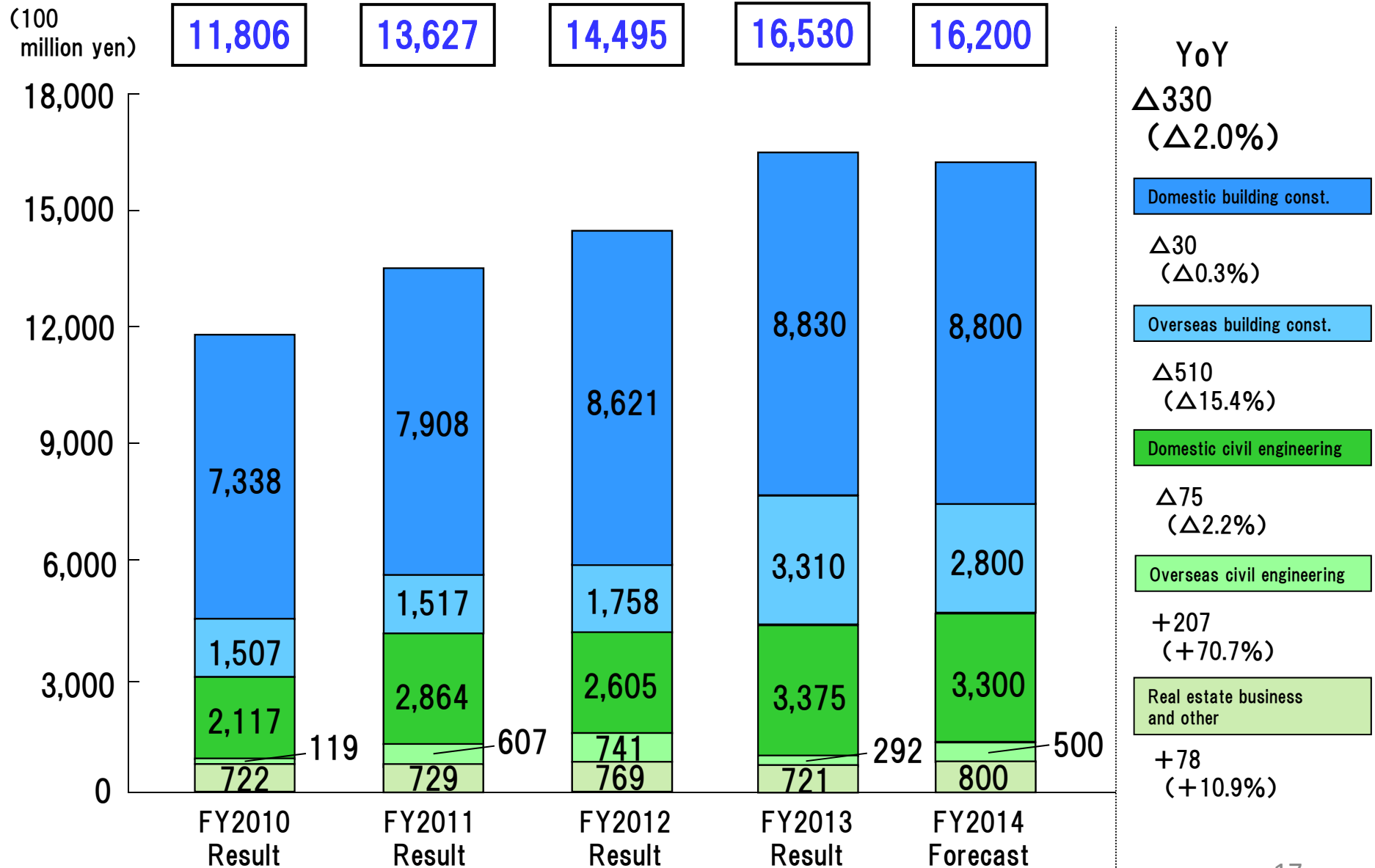
# 【Non-consolidated】 Forecast for Orders Received





# 【Consolidated】 Forecast for Orders Received

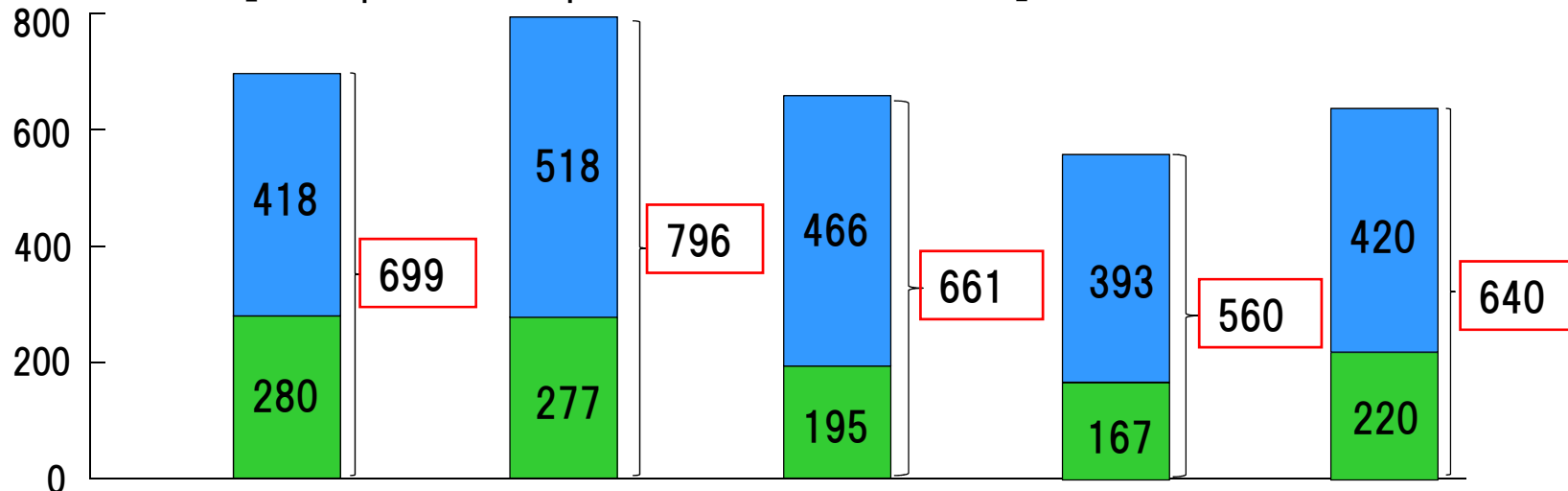
OBUYASHI CORPORATION



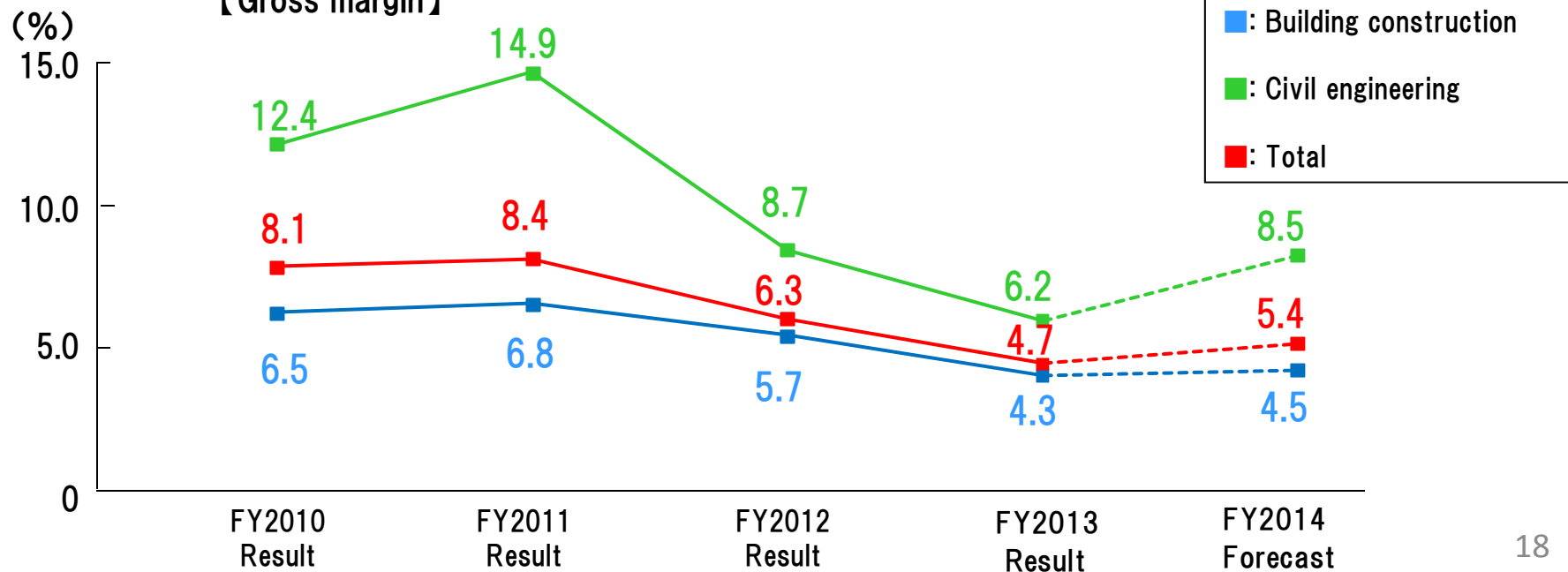
# 【Non-consolidated】 Transition of Gross Profit on Completed Construction Contracts

(100 million yen)

【Gross profit on completed construction contracts】



【Gross margin】



# Business Environment and Forecasts for FY2014

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# Medium-Term Business Plan 2012 | Business Environment |

## Domestic Construction Investment (nominal) Forecast for FY2014

Construction Investment (nominal)	<u>¥47.5 Trillion</u>
Private Construction Investment	<u>¥27.9 Trillion</u>
Private non-residential building	¥8.6 Trillion
Private civil engineering	¥4.6 Trillion
Public Construction Investment	<u>¥19.5 Trillion</u>

Private non-residential building  
¥13.2 Trillion,  
increased by 6.5%

(Trillion yen)

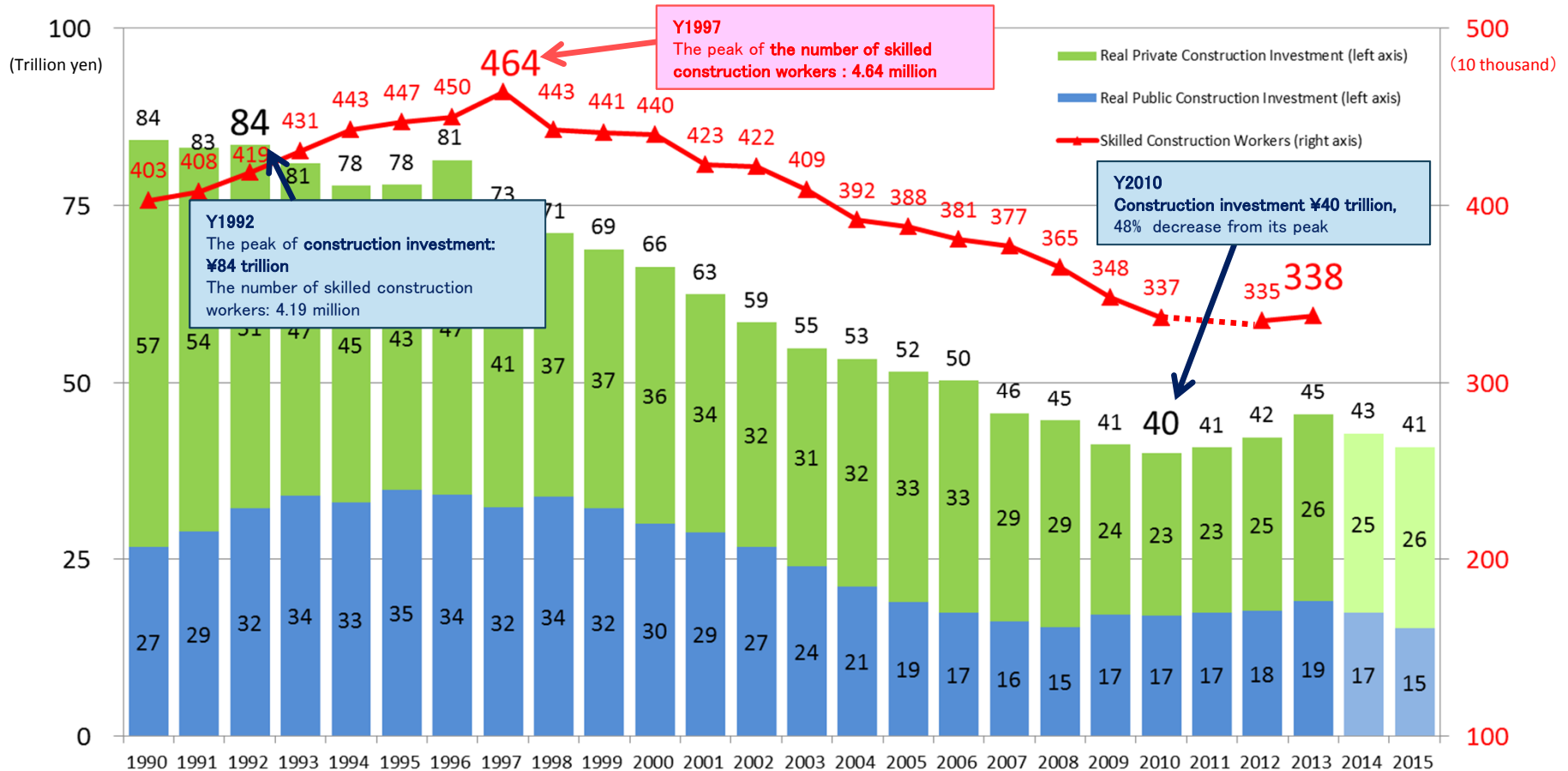
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014			FY2015		
	(Result)	(Result)	(Result)	(Tentative)	(Tentative)	(Forecast)	Increase (Decrease)	Rate of change	(Forecast)	Increase (Decrease)	Rate of change
Construction Investment (nominal)	42.96	41.93	43.29	44.20	48.72	47.47	(1.25)	(2.6%)	45.95	(1.52)	(3.2%)
Private Construction Investment	25.03	23.95	24.68	25.51	28.12	27.93	(0.19)	(0.7%)	28.68	0.75	2.7%
Private residential building	12.84	12.98	13.38	14.09	15.74	14.75	(0.99)	(6.3%)	15.25	0.50	3.4%
Private non-residential building	7.64	6.91	6.96	7.18	7.98	8.59	0.61	7.6%	8.80	0.21	2.4%
Private civil engineering	4.55	4.06	4.34	4.24	4.40	4.59	0.19	4.3%	4.63	0.04	0.9%
Public Construction Investment	17.93	17.98	18.61	18.69	20.60	19.54	(1.06)	(5.1%)	17.27	(2.27)	(11.6%)
Public building construction	2.21	2.21	2.14	2.16	2.69	2.53	(0.16)	(5.9%)	2.10	(0.43)	(17.0%)
Public civil engineering	15.72	15.77	16.47	16.53	17.91	17.01	(0.90)	(5.0%)	15.17	(1.84)	(10.8%)

※Research Institute of Construction and Economy "Quarterly Outlook of Construction and Macro Economy" (Released in October, 2014)

# Medium-Term Business Plan 2012 | Business Environment |

## Transition of Construction Investment (real) & Skilled Construction Workers

- Construction investment (real) for Y2013 forecasted to be ¥45 trillion, decreased by 46% from the peak (Y1992)
- The number of skilled construction workers 3.38 million (Y2013 average), decreased by 27% from the peak (Y1997)



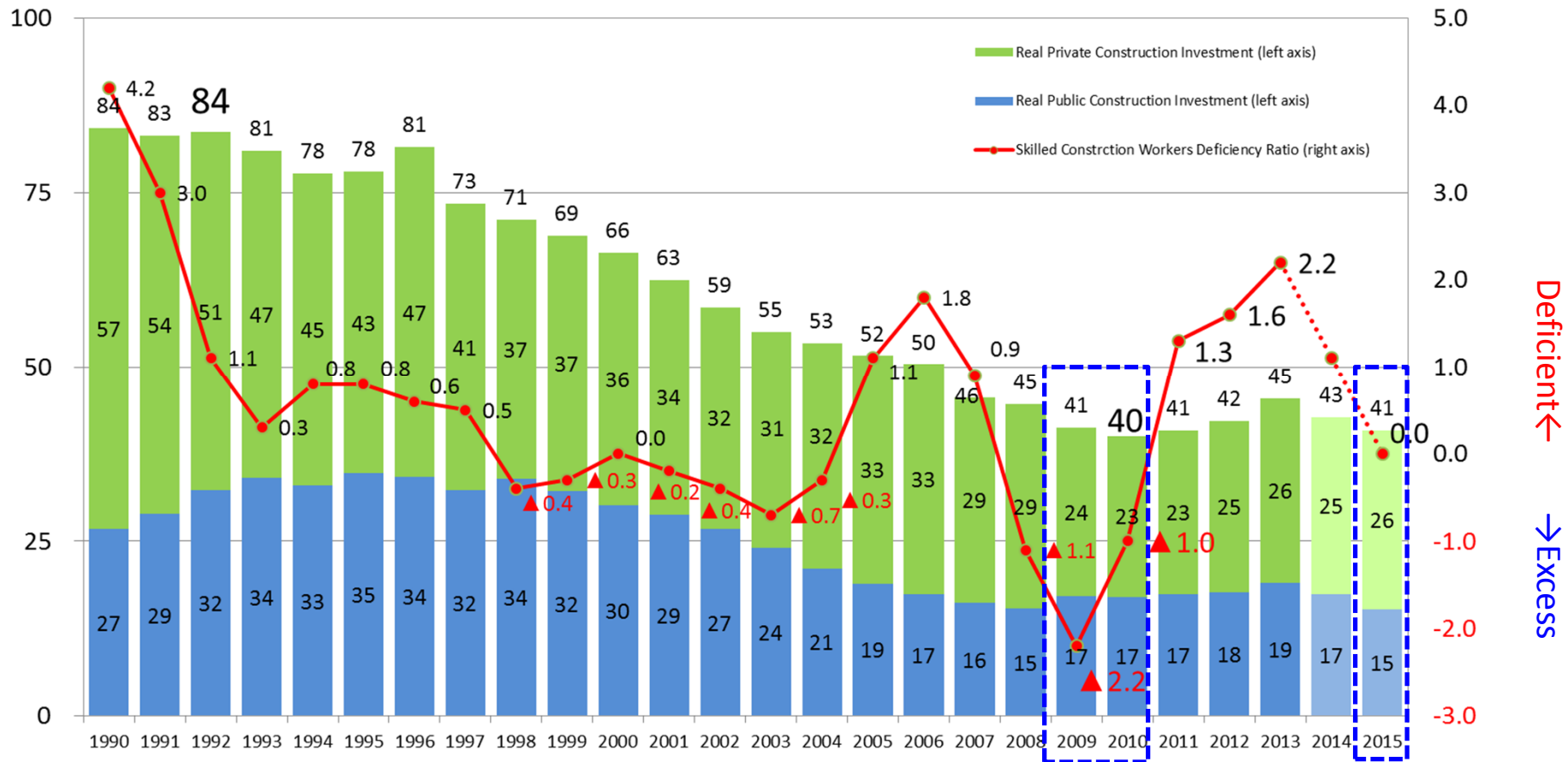
※Real construction investment: ~Y2013, The Ministry of Land, Infrastructure, Transport and Tourism "Estimate of Construction Investment", Y2014~Y2015, Research Institute of Construction and Economy "Quarterly Outlook of Construction and Macro Economy" (Released in October, 2014)

※Skilled construction workers: Ministry of Internal Affairs and Communications "Labor Force Survey", ~Y2010, Total of "Production process worker and labourer" in construction industry, Y2012~, Total of "Manufacturing process workers", "Transport and machine operation workers" and "Construction and mining workers".

# Medium-Term Business Plan 2012 | Business Environment |

## Transition of Construction Investment (real) & Skilled Construction Workers Deficiency Ratio

- Skilled construction workers deficiency ratio turned to a positive (deficient) after the Great East Japan Earthquake (Y2011)
- Construction investment (real) for Y2015 is expected to be ¥41 trillion, the level existing before the earthquake disaster



※Real construction investment: ~Y2013, The Ministry of Land, Infrastructure, Transport and Tourism "Estimate of Construction Investment", Y2014~Y2015, Research Institute of Construction and Economy "Quarterly Outlook of Construction and Macro Economy" (Released in October, 2014)

※Skilled construction workers deficiency ratio: The Ministry of Land, Infrastructure, Transport and Tourism "Survey on Supply and Demand of Construction Labor", average of 6 occupations (form (building, civil), plaster, scaffolding, ferroconcrete reinforcement (building, civil) works)

# Medium-Term Business Plan 2012 | Forecasts for FY2014 (Non-consolidated) |

(100 million yen)

		FY2012 Result	FY2013 Result	FY2014						Increase (Decrease) from previous FY
				2Q				Full year forecast announced on November 11		
				Forecast announced on August 5		Result				
Net sales of completed construction contracts	Building	8,254	9,157	4,820	4,694			9,300	142	
	Civil	2,249	2,703	1,100	1,221			2,600	(103)	
	Total	10,503	11,860	5,920	5,915			11,900	39	
Net sales of real estate business and other		347	225	80	74			200	(25)	
<b>Net sales</b>		<b>10,851</b>	<b>12,086</b>	<b>6,000</b>	<b>5,990</b>			<b>12,100</b>	<b>13</b>	
Gross profit on completed construction contracts	Building	466	393	200	196	4.1%	4.2%	420	26	0.2%
	Civil	195	167	90	119	8.2%	9.8%	220	52	2.3%
	計	661	560	290	315	4.9%	5.3%	640	79	0.6%
Gross profit on real estate business and other		65	47	25	24	31.3%	33.0%	50	2	3.8%
<b>Gross profit</b>		<b>727</b>	<b>608</b>	<b>315</b>	<b>340</b>	<b>5.3%</b>	<b>5.7%</b>	<b>690</b>	<b>81</b>	<b>0.7%</b>
Selling, general and administrative expenses		585	581	290	276	4.9%	4.6%	590	8	0.1%
<b>Operating income</b>		<b>142</b>	<b>27</b>	<b>25</b>	<b>64</b>	<b>0.4%</b>	<b>1.1%</b>	<b>100</b>	<b>72</b>	<b>0.6%</b>
<b>Ordinary income</b>		<b>245</b>	<b>113</b>	<b>60</b>	<b>125</b>	<b>1.0%</b>	<b>2.1%</b>	<b>160</b>	<b>46</b>	<b>0.4%</b>
<b>Net income</b>		<b>60</b>	<b>76</b>	<b>50</b>	<b>104</b>	<b>0.8%</b>	<b>1.7%</b>	<b>105</b>	<b>28</b>	<b>0.2%</b>

# Medium-Term Business Plan 2012 | Forecasts for FY2014 (Consolidated) |

(100 million yen)

	FY2012 Result	FY2013 Result	FY2014 Forecast announced on November 11	【Reference】 FY2014 Initial target※	Beyond FY2014
<b>Net sales</b>	Conso <b>14,483</b>	Conso <b>16,127</b>	Conso <b>17,000</b>	<b>15,000</b>	<b>Net sales (Construction)</b>
	Non-conso <b>10,851</b>	Non-conso <b>12,086</b>	Non-conso <b>12,100</b>		
<b>Construction</b>	<b>13,431</b>	<b>15,210</b>	<b>16,150</b>	<b>14,000</b>	<p>Share Overseas 25 30% Domestic 75 70%</p> <p>FY 2014 →</p>
<b>Domestic</b>	<b>82%</b>	<b>80%</b>	<b>77%</b>	<b>80%</b>	
<b>Overseas</b>	<b>18%</b>	<b>20%</b>	<b>23%</b>	<b>20%</b>	
<b>Real estate etc.</b>	<b>1,051</b>	<b>908</b>	<b>820</b>	<b>900</b>	
<b>New businesses</b>	<b>—</b>	<b>8</b>	<b>30</b>	<b>100</b>	
<b>Operating income</b>	Conso <b>351</b> (2.4%)	Conso <b>319</b> (2.0%)	Conso <b>350</b> (2.1%)	<b>450</b> (3.0%)	<b>Operating income</b>
<b>(Operating margin)</b>	Non-conso <b>142</b> (1.3%)	Non-conso <b>27</b> (0.2%)	Non-conso <b>100</b> (0.8%)		
<b>Domestic construction</b>	<b>55%</b>	<b>52%</b>	<b>50%</b>	<b>60%</b>	
<b>Other than above</b> (Overseas construction, real estate, new businesses etc.)	<b>45%</b>	<b>48%</b>	<b>50%</b>	<b>40%</b>	<p>Share Other than Domestic Construction 50 50% Domestic Construction 50 50%</p> <p>FY 2014 →</p>

※ Initial target when Medium-Term Business Plan 2012 was formulated.

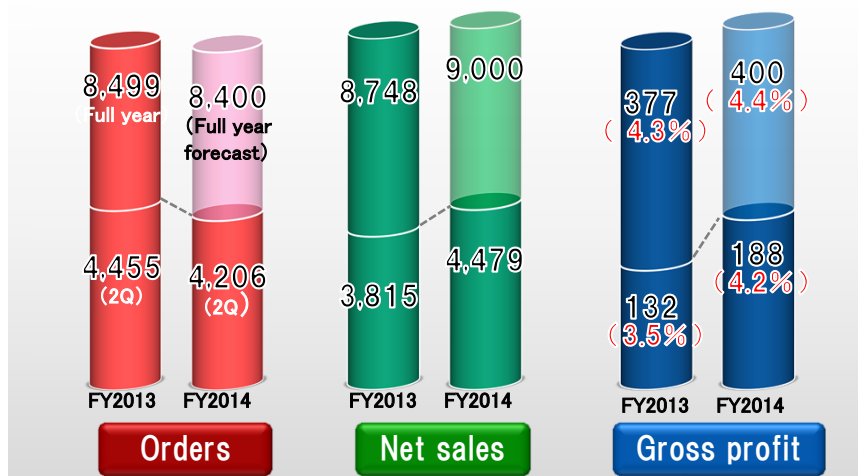


# Medium-Term Business Plan 2012 | Improve Profitability of Core Business Unit |

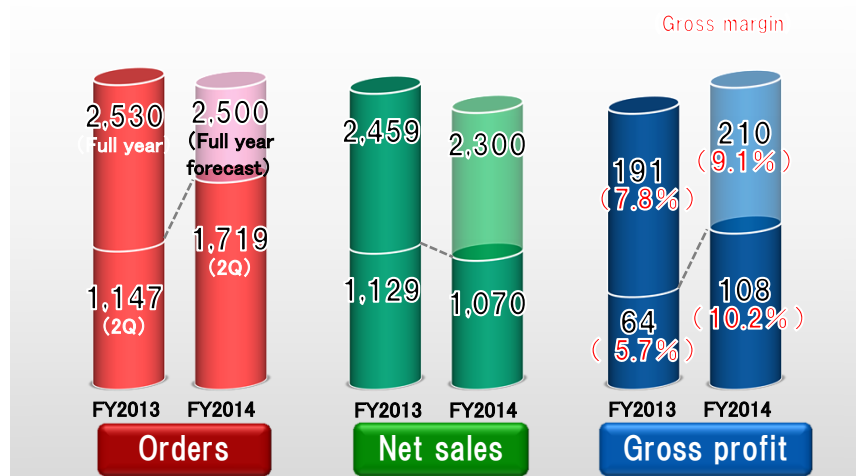
## ■ Construction Business — Cope with Rising Construction Demand

- ◇ Proceed deliberately planned marketing activity considering **production capacity** and profitability
- ◇ Gross profit indicates **signs of recovery** since the proportion of unprofitable projects received under a harsh environment is decreasing

【(Non-consolidated) Domestic building construction Gross margin

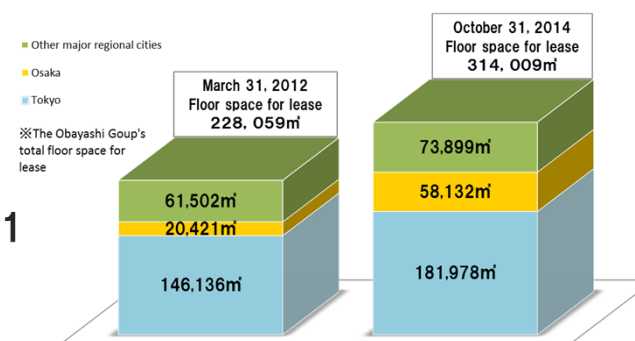


【(Non-consolidated) Domestic civil engineering Gross margin



## ■ Real Estate Business — Enhance a Stable Earnings Base Centered on the Leasing Business

- ◇ Continue to invest in properties for leasing
  - **Reconstruction and value creation** for existing properties
  - Improve the portfolio with profitability and stability through strategic **acquisition and sale** of real estates
- ◇ Merged subsidiaries as **Obayashi Shinseiwa Real Estate** on October 1
  - Combine the strengths of predecessor companies and start anew as a comprehensive real estate developer



# Medium-Term Business Plan 2012 | Diversification of Earnings Base |

## Further Strategic Global Expansion

- Overseas construction business expanding steadily, focusing on 3 regions (Asia, North America, Middle East)

Overseas sales ratio forecasted to be **23%**

(100 million yen)

	FY2013 result		FY2014 result		FY2015 Forecast	
Consolidated overseas orders	2,500	(18%)	3,603	(23%)	3,300	(21%)
Consolidated overseas sales	2,366	(18%)	2,975	(20%)	3,700	(23%)

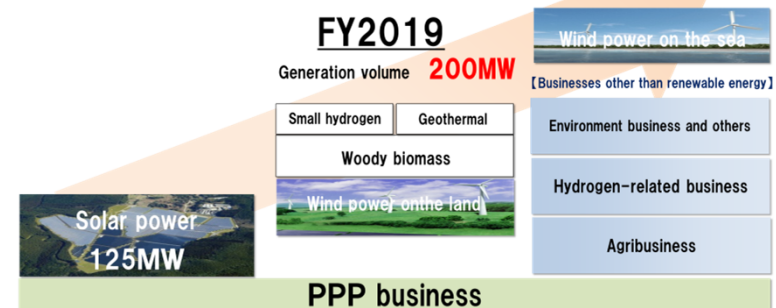
(% indicates ratio of overseas sales among construction business sales)

## Creation of New Enterprises through Business Innovation

- Established Technology Business Development Division
  - Utilize possessed technologies and cultivate **new businesses** as a “**new pillar of income**” next to construction business and real estate business
  - Shift focus of renewable energy business from solar power into “wind power” and “biomass”
  - Expand PPP business. Participate in both domestic and overseas concession projects
  - Entered into agricultural businesses

<Business development of new businesses>

[Power generation business through renewable energy]



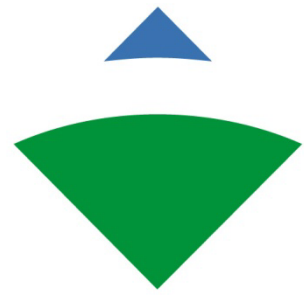
## Development of Technology into Direct Sources of Profit

- Develop labor-saving technology to improve productivity
  - Developed “Automatic Transport System” to reduce transportation of materials and equipments in construction sites
  - Research and development of “Concrete Crack Measuring System” applying image processing technology
  - Conducted joint empirical research of “HAL”, a robot suit for supporting construction works

### Automatic Transport System

Compared to conventional method, the system can reduce workloads by 1/2 to 1/3





**OBAYASHI**