

**Investor Presentation**



**Financial Results for 2Q / FY2015 (cumulative)  
and  
Forecasts for Full FY2015**

**November 11, 2015**

**OBAYASHI CORPORATION**

## Disclaimer

This investor presentation, an English translation of the presentation made at the investor meeting at Obayashi Corporation (Tokyo, Japan) on November 11, 2015 as a digest of Obayashi Corporation's "Summary of the 2<sup>nd</sup> Quarter (cumulative) Financial Results for FY2015 ending March 2016" ("Kessan Tanshin") disclosed at the Tokyo Stock Exchange on November 10, 2015 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 / FY2015 (Cumulative) and Forecasts for FY2015

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**1 Overview of Financial Results for 2Q / FY2015  
(in comparison with 2Q / FY2014 results)**

**(1) Non-consolidated results**

**(2) Consolidated results**

**Refer to the upper table of the quick review of consolidated and non-consolidated results for 2Q / FY2015 on page 15 of “Kessan Tanshin.”**

**1 Overview of Financial Results for 2Q / FY2015  
(in comparison with 2Q / FY2014 results)**

**(3)Non-consolidated results of orders received**

**(4)Consolidated results of orders received**

Refer to the middle table of the quick review of consolidated and non-consolidated 2Q / FY2015 results on page 15.

**1 Overview of Financial Results for 2Q / FY2015  
(in comparison with 2Q / FY2014 results)**

**(5)Results of interest-bearing debt (non-consolidated and consolidated)**

**Refer to the below table of the quick review of consolidated and non-consolidated 2Q / FY2015 results on page 15.**

## **2 Breakdown per Segment of Financial Results for 2Q / FY2014 (in comparison with 2Q / FY2014 results)**

**(1) Non-consolidated results of net sales**

**(2) Non-consolidated results of gross profit**

Refer to the below table of the results and forecasts for net sales, operating income and gross profit for FY2015 results on page 19.

## **2 Breakdown per Segment of Financial Results for 2Q / FY2015 (in comparison with 2Q / FY2014 results)**

**(3) Consolidated results of net sales**

**(4) Consolidated results of operating income**

**Refer to the upper table of the results and forecasts for net sales, operating income and gross profit for FY2015 results on page 19.**



# Forecasts for FY2015

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# Forecasts for FY 2015 (Non-consolidated)

(Unit : 100 million yen)

		FY2013 Result	FY2014 Result A		FY2015				Variance B - A		
					Forecasts to be revised (Announced on August 6)		Revised forecasts (Announced on November 10) B				
Net Sales of completed construction contracts	Building	9,157	9,586		8,850		9,000		△586		
	Civil	2,703	2,679		2,900		3,000		320		
	Total	11,860	12,265		11,750		12,000		△265		
Net Sales of real estate business and other		225	332		200		300		△32		
<b>Net sales</b>		<b>12,086</b>	<b>12,598</b>		<b>11,950</b>		<b>12,300</b>		<b>△298</b>		
Gross profit on completed construction contracts	Building	393	4.3%	421	4.4%	525	5.9%	735	8.2%	313	3.8%
	Civil	167	6.2%	244	9.1%	265	9.1%	385	12.8%	140	3.7%
	Total	560	4.7%	665	5.4%	790	6.7%	1,120	9.3%	454	3.9%
Gross profit on real estate business and other		47	21.2%	106	32.2%	55	27.5%	50	16.7%	△56	△15.5%
<b>Gross profit</b>		<b>608</b>	<b>5.0%</b>	<b>772</b>	<b>6.1%</b>	<b>845</b>	<b>7.1%</b>	<b>1,170</b>	<b>9.5%</b>	<b>397</b>	<b>3.4%</b>
selling, general and administrative expenses		581	4.8%	582	4.6%	595	5.0%	610	5.0%	27	0.3%
<b>Operating income</b>		<b>27</b>	<b>0.2%</b>	<b>189</b>	<b>1.5%</b>	<b>250</b>	<b>2.1%</b>	<b>560</b>	<b>4.6%</b>	<b>370</b>	<b>3.0%</b>
<b>Ordinary income</b>		<b>113</b>	<b>0.9%</b>	<b>311</b>	<b>2.5%</b>	<b>320</b>	<b>2.7%</b>	<b>630</b>	<b>5.1%</b>	<b>318</b>	<b>2.6%</b>
<b>Profit</b>		<b>76</b>	<b>0.6%</b>	<b>129</b>	<b>1.0%</b>	<b>185</b>	<b>1.5%</b>	<b>400</b>	<b>3.3%</b>	<b>270</b>	<b>2.2%</b>

# Forecasts for FY 2015 (Consolidated)

(Unit : 100 million yen)

	FY2013 Result	FY2014 Result A	FY2015		Variance B - A
			Forecasts to be revised (Announced on August 6)	Revised forecasts (Announced on November 10) B	
<b>Net sales</b>	Conso. 16,127	Conso. 17,739	Conso. 17,770	Conso. 18,000	260
	Non-conso. 12,086	Non-conso. 12,598	Non-conso. 11,950	Non-conso. 12,300	△298
<b>Construction</b>	15,210	16,730	16,880	17,190	459
<b>Domestic</b>	80%	76%	73%	75%	—
<b>Overseas</b>	20%	24%	27%	25%	—
<b>Real estate development business</b>	516	638	490	470	△168
<b>New businesses</b>	400	370	225	230	△30
<b>Others</b>			105	110	
<b>Operating income</b> (Operating profit margin)	Conso. 319 (2.0%)	Conso. 483 (2.7%)	Conso. 500 (2.8%)	Conso. 800 (4.4%)	316
	Non-conso. 27 (0.2%)	Non-conso. 189 (1.5%)	Non-conso. 250 (2.1%)	Non-conso. 560 (4.6%)	370
<b>Domestic construction</b>	52%	58%	69%	84%	—
<b>Other than above</b> (Overseas construction, real estate development, New businesses)	48%	42%	31%	16%	—
<b>Ordinary income</b>	401	599	560	850	250
<b>Profit</b>	216	286	300	500	213
<b>ROE</b>	5.4%	6.2%	5.8%	9.5%	—

# Business Environment

## Domestic Construction Investment (nominal) Forecasts for FY2015

□ Construction Investment (nominal)	<u>¥49.7 Trillion</u>
Private Construction Investment	<u>¥28.2 Trillion</u>
Private non-residential building	¥8.8 Trillion
Private civil engineering	¥4.6 Trillion
Public Construction Investment	<u>¥21.4 Trillion</u>

**Private non-residential building**  
**¥13.4 Trillion**  
**increased by 1.3%**

(Unit : Trillion yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015			FY2016		
	(Result)	(Result)	(Result)	(Tentative)	(Tentative)	(Forecasts)	Increase (Decrease)	Rate of change	(Forecasts)	Increase (Decrease)	Rate of change
<b>Construction Investment (nominal)</b>	41.93	43.29	45.29	51.29	51.30	<b>49.67</b>	△ 1.63	△3.2%	<b>48.74</b>	△ 0.93	△1.9%
<b>Private Construction Investment</b>	23.95	24.68	25.57	28.74	27.80	<b>28.23</b>	0.43	1.5%	<b>29.48</b>	1.25	4.4%
Private residential building	12.98	13.38	14.09	15.79	14.56	<b>14.82</b>	0.26	1.8%	<b>15.78</b>	0.96	6.5%
<b>Private non-residential building</b>	6.91	6.96	7.24	8.42	8.63	<b>8.78</b>	0.15	1.7%	<b>9.02</b>	0.24	2.7%
Private civil engineering	4.06	4.34	4.24	4.53	4.61	<b>4.63</b>	0.02	0.4%	<b>4.68</b>	0.05	1.1%
<b>Public Construction Investment</b>	17.98	18.61	19.72	22.55	23.50	<b>21.44</b>	△ 2.06	△8.8%	<b>19.26</b>	△ 2.18	△10.2%
Public building construction	2.21	2.14	2.18	2.86	2.67	<b>2.67</b>	-	-	<b>2.26</b>	△ 0.41	△15.4%
Public civil engineering	15.77	16.47	17.54	19.69	20.83	<b>18.77</b>	△ 2.06	△9.9%	<b>17.00</b>	△ 1.77	△9.4%

Continue to good orders environment of private non-residential building.

**Orders of manufacturer increased** mainly on electric Machinery, transportal machinery, food.

【Orders received of Manufacturer】  
(September 30, 2015)

year-on-year rate  
+ about 30%

The average rate of the first half over the past four years  
+ about 45%

※Research institute of Construction and Economy "Quarterly Outlook of Construction and Macro Economy" (Released in October, 2015)

## Domestic Construction Business

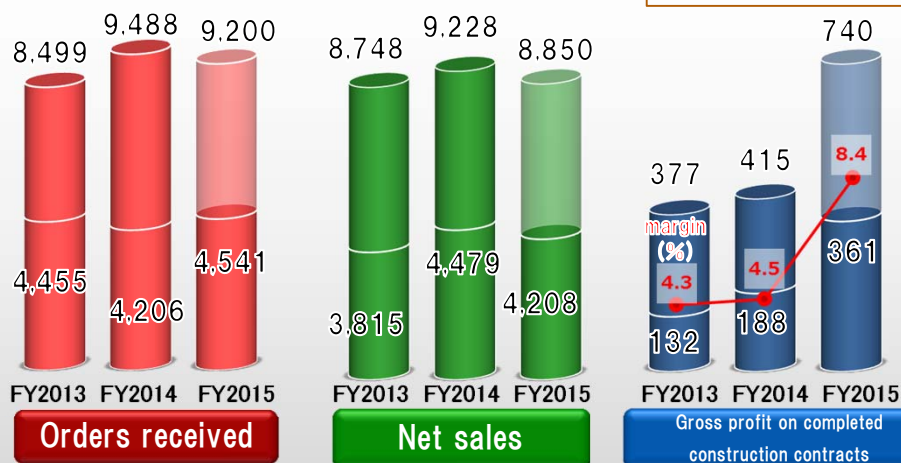
【Building Construction】 Gross profit margin has been sharply improved since the business environment is favorable and rising construction costs are slowed down.

【Civil Engineering】 Earning additional contract price caused by design changes mainly from government offices raised the bottom of gross profit margin.

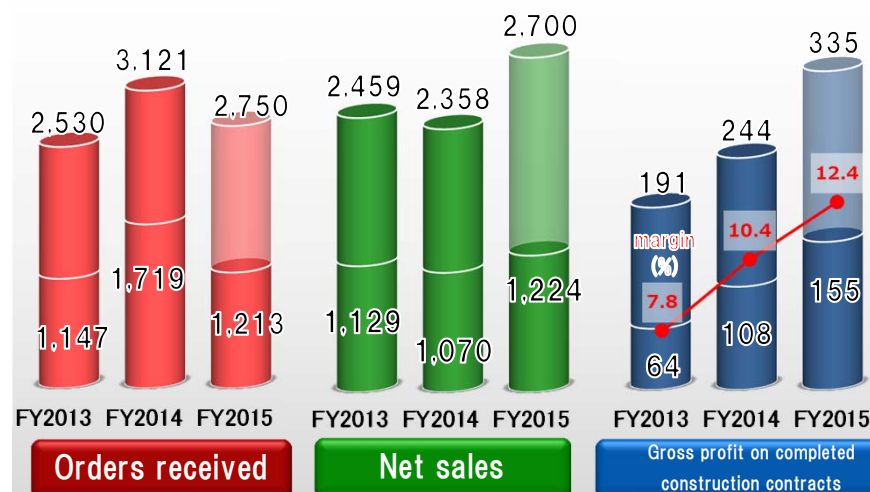
◇ Continuously deliberately planned marketing activity in consideration of production capacity and profitability.

【Non-consolidated】 Domestic building construction

Unit : 100 million yen  
Upper : Full year  
Lower : Half year



【Non-consolidated】 Domestic civil engineering



## Overseas Construction Business

◇ Overseas net sales in the total of the construction business to be **25%**.

Increasing overseas net sales mainly owing to Kraemer North America, LLC, our subsidiary since last fiscal year.

(Unit : 100 million yen)

【Consolidated】 Overseas construction business	FY2013 Result	FY2014 Result	FY2015 Forecasts
Orders received	3,603 (23%)	4,092 (23%)	<b>4,100 (24%)</b>
Net sales	2,975 (20%)	3,935 (24%)	<b>4,340 (25%)</b>

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

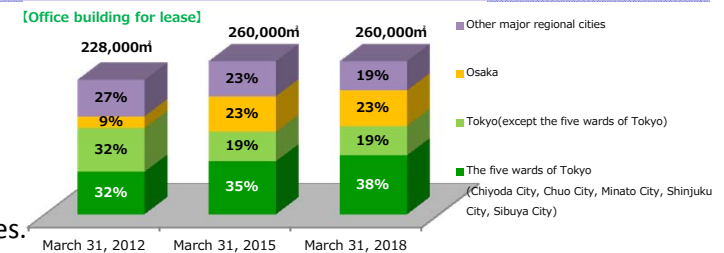
# Principal Strategies by Business Unit Strategy

Medium-Term Business Plan 2015

## Real estate development business

Diversifying the leasing business and increasing value in the domestic office leasing business

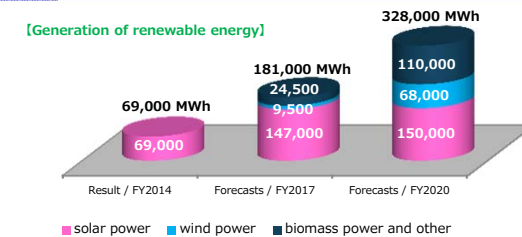
- ◇ Realizing the improvement of profitability and enhancement of competitiveness of our real estate properties.
  - Promoting new investment in Tokyo metropolitan area.
    - Started the construction of an office building (100,000m<sup>2</sup>) at Hamamatsucho, Minato City, Tokyo, which is a joint project with Nippon Life Insurance Company.
  - Renovating our buildings and implementing BCP upgrades.
  - Diversifying our leasing business portfolio by investing in rental housing and logistics facilities.



## New businesses

Expanding new businesses mainly focusing on renewable energy

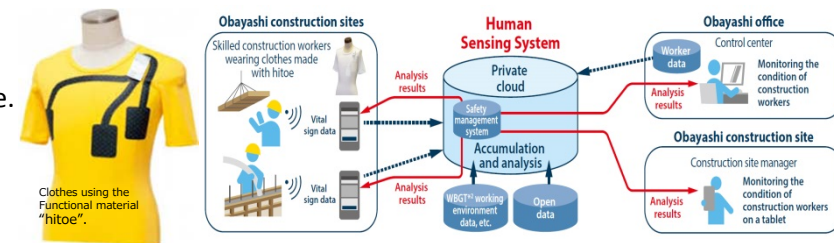
- ◇ Advancing each business steadily aiming to diversify our earning base.
  - Launched a woodchip biomass power generation (Otsuki City, Yamanashi Prefecture)
    - Planning to start operation in 2017 (generation capacity 14MW, net sales about 2 billion yen).
  - Started solar power generation during first half of fiscal year 2015 (generation capacity 12.1MW, cumulative generation capacity 83.2MW).



## Technological Development

Innovating technologies in line with the needs of our customers and to address social issues

- ◇ Conducting demonstration trials of a safety management system that utilizes could computing and functional textile called "hitoe" \*aiming to realize safety improvement at construction sites.
- ◇ Starting an operation of smart energy system at our Technical Research Institute.
  - Realized net zero energy building (ZEB) at our Technical Research Institute's Main building, Techno Station.
- ◇ Aiming to realize the Space Elevator Construction Concept.
  - Started the space experiment at the Japanese experiment module, which is known as Kibo, of the International Space Station.
  - Verifying a wide range of possibilities of carbon nanotubes, new advanced materials.



\*"hitoe" was developed by NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) and Torey Industries, Inc.. This functional material enables acquiring heart rate and electrocardiograph readings simply by being worn. "hitoe" is a registered trademark of both of companies.

