

Investor Presentation



**Financial Results for 2Q / FY2017 (cumulative)
and
Forecasts for Full FY2017**

November 10, 2017

OBAYASHI CORPORATION

Disclaimer

This investor presentation, an English translation of the presentation made at the investor meeting at Obayashi Corporation (Tokyo, Japan) on November 10, 2017 as a digest of Obayashi Corporation's "Summary of the 2nd Quarter (cumulative) Financial Results for FY2017 ending March 2018" ("Kessan Tanshin" and "Kessan Setsumei Shiryo") disclosed at the Tokyo Stock Exchange on November 8, 2017 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.

Financial Results for 2Q / FY2017 (Cumulative) and Forecasts for FY2017



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Refer to the upper table of the Summary information page 1 of “Appendix to the Financial Statements”

<Consolidated Business Results>

Net Sales	917.4 billion yen	(Variance to 2Q/FY2016. +6.8%)
Operating Income	62.3 billion yen	(Variance to 2Q/FY2016. +5.4%)
Ordinary Income	66.0 billion yen	(Variance to 2Q/FY2016. +10.0%)
Profit attributable to owners of parent	48.3 billion yen	(Variance to 2Q/FY2016. +16.4%)

→ Following the same period of the previous fiscal year, all items achieved the highest on record.

<Dividends>

14 yen (End of 2Q) + 14 yen (End of 4Q)

= Total annual dividends 28yen

Dividends were not revised in this second quarter.

<Non-Consolidated> Topics of statements income -Results 2Q/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>

633.4 billion yen (Variance to 2Q/FY2016. +24.3 billion yen)

Building Construction 497.1 billion yen (Variance to 2Q/FY2016. +26.6 billion yen)

→ Due to solid progress for large-scale construction projects.

Civil Engineering 136.3 billion yen (Variance to 2Q/FY2016. (2.2) billion yen)

<Gross profit on completed construction contracts>

81.9 billion yen (Variance to 2Q/FY2016. +6.5 billion yen)

Building Construction 59.1 billion yen (Variance to 2Q/FY2016. +4.9 billion yen)

Gross profit margin 11.9% (Variance to 2Q/FY2016. +0.4pt)

Civil Engineering 22.8 billion yen (Variance to 2Q/FY2016. +1.6 billion yen)

Gross profit margin 16.8% (Variance to 2Q/FY2016. +1.5pt)

→ Due to an increase in net sales of completed construction contracts from building construction and certain profitable projects among civil engineering.

<Consolidated> Topics of statements income – Results 2Q/FY2017 –

Refer to the upper table of the Results for net sales, operating income and gross profit on page 5 of “Appendix to the Financial Statements”

As a whole, Net sales and Operating income mainly reflected the increase from “Domestic Building Construction (Non-consolidated)”. Topics of the subsidiaries are as follows

<Consolidated Net sales>

Overseas Building Construction 180.2 billion yen (Variance to 2Q/FY2016. +22.5 billion yen)

→ Webcor, LP 102.6 billion yen (+37.3 billion yen)

Domestic Civil engineering 161.7 billion yen (Variance to 2Q/FY2016. +8.2 billion yen)

→ Obayashi Road Corporation 51.8 billion yen (+7.3 billion yen)

<Consolidated Operating income>

Real Estate Business 3.4 billion yen (Variance to 2Q/FY2016. (0.7) billion yen)

→ Obayashi-Shinseiwa Real Estate Corporation 4.0 billion yen ((0.3) billion yen)

Other Businesses 1.9 billion yen (Variance to 2Q/FY2016. +0.9 billion yen)

→ Obayashi Clean Energy Corporation 1.6 billion yen (+1.2 billion yen)

Due to the change of depreciation method.

(declining-balance method → straight-line method)

(Reference) Refer to the performance of principal subsidiaries on page 12 of “Supplementary Data on Financial Results”.

Refer to the lower left 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>September 30, 2017</u>	<u>(End of the first half of FY2017.)</u>	<u>291.0 billion yen</u>
Variance	(During the period)	+ 17.6 billion yen

- Forecasts at the end of FY2017 were not revised. [270.0 billion yen]
- Continuing investment based on “Medium-Term Business Plan 2017”.

Refer to the lower right table of the Financial highlights on page 3 of “Appendix to the Financial Statements”

<Non-consolidated>

Building Construction 430.6 billion yen

(Variance to previous forecasts announced on August 8, 2017. (139.3) billion yen)

Civil Engineering 170.7 billion yen

(Variance to previous forecasts announced on August 8, 2017. +10.7 billion yen)

Construction Total 601.3 billion yen

(Variance to previous forecasts announced on August 8, 2017. (128.6) billion yen)

- Orders received from building construction business decreased due to the delay to the second half of FY2017.
- Forecasts for FY2017 ending March 2018 were not revised.

[Building Construction 990.0 billion yen]

[Civil Engineering 290.0 billion yen]

Forecasts for FY2017



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Forecasts for FY2017 (Consolidated)

(Unit : 100 million yen)

	FY2015 Result	FY2016 Result A	FY2017			Variance B - A
			2nd Quarter		Forecasts B ※	
			Announced on August 8	Result		
Net Sales	Conso. 17,778	Conso. 18,727	Conso. 9,250	Conso. 9,174	Conso. 19,150	422
	Non-conso. 12,350	Non-conso. 13,040	Non-conso. 6,410	Non-conso. 6,402	Non-conso. 13,250	209
Construction	16,957	18,025	8,900	8,834	18,320	294
Building Construction	12,709	13,883	6,760	6,849	13,850	(33)
Civil Engineering	4,247	4,141	2,140	1,985	4,470	328
Real Estate Development Business	470	387	185	181	440	52
New Businesses	234	219	120	130	260	40
Others	116	94	45	28	130	35
Operating Income (Operating profit margin)	Conso. 1,063 (6.0%)	Conso. 1,337 (7.1%)	Conso. 600 (6.5%)	Conso. 623 (6.8%)	Conso. 1,345 (7.0%)	7
	Non-conso. 763 (6.2%)	Non-conso. 1,082 (8.3%)	Non-conso. 480 (7.5%)	Non-conso. 504 (7.9%)	Non-conso. 1,070 (8.1%)	(12)
Ordinary Income	1,112	1,401	630	660	1,400	(1)
Profit attributable to owners of parent	634	945	430	483	950	4

※Full year forecasts for FY2017 were not revised from the ones announced on August 8, 2017

I Forecasts for FY2017 (Non-consolidated) I

(Unit : 100 million yen)

		FY2015 Result	FY2016 Result A		FY2017						Variance B – A		
					2nd Quarter			Forecasts					
					Announced on August 8	Result		B ※					
Net Sales of completed construction contracts	Building Construction	9,084	9,915	4,790	4,971	9,950				34			
	Civil Engineering	2,979	2,943	1,550	1,363	3,100				156			
	Total	12,063	12,858	6,340	6,334	13,050				191			
Net Sales of real estate business and other		287	181	70	67	200				18			
Net Sales		12,350	13,040	6,410	6,402	13,250				209			
Gross profit on completed construction contracts	Building Construction	856	9.4%	1,194	12.0%	560	11.7%	591	11.9%	1,230	12.4%	35	0.3pt
	Civil Engineering	451	15.1%	472	16.1%	225	14.5%	228	16.8%	445	14.4%	(27)	(1.7)pt
	Total	1,307	10.8%	1,667	13.0%	785	12.4%	819	12.9%	1,675	12.8%	7	(0.1)pt
Gross Profit on real estate business and other		63	22.1%	51	28.3%	20	28.6%	17	25.6%	50	25.0%	(1)	(3.3)pt
Gross Profit		1,371	11.1%	1,718	13.2%	805	12.6%	837	13.1%	1,725	13.0%	6	(0.2)pt
Selling, general and administrative expenses		607	4.9%	636	4.9%	325	5.1%	333	5.2%	655	4.9%	18	0.1pt
Operating Income		763	6.2%	1,082	8.3%	480	7.5%	504	7.9%	1,070	8.1%	(12)	(0.2)pt
Ordinary Income		828	6.7%	1,165	8.9%	520	8.1%	558	8.7%	1,150	8.7%	(15)	(0.3)pt
Profit		507	4.1%	841	6.5%	370	5.8%	410	6.4%	820	6.2%	(21)	(0.3)pt

※Full year forecasts for FY2017 were not revised from the ones announced on August 8, 2017

Status of progress in Medium-Term Business Plan 2017 (Main Management Indicator)

	FY2016 Result (Consolidated)	2Q/FY2017 Result (Consolidated)	Medium-Term Business Plan 2017 March 31, 2022 B/S (Consolidated)
Equity	594.1 billion yen	651.9 billion yen	900.0 billion yen
Retained earnings	334.9 billion yen	369.7 billion yen	700.0 billion yen
Equity ratio	29.5%	32.1%	40%
Net interest-bearing debt	78.7 billion yen	125.8 billion yen	0
Interest-bearing debt	273.3 billion yen	291.0 billion yen	250.0 billion yen
Cash and deposits	194.5 billion yen	165.1 billion yen	250.0 billion yen
	FY2016 Result (Consolidated)	FY2017 Forecast (Consolidated)	Medium-Term Business Plan 2017 FY2021 P/L (Consolidated)
Net Sales	1,872.7 billion yen	1,915.0 billion yen	Around 2 trillion yen
Operating Income	133.7 billion yen	134.5 billion yen	Around 150.0 billion yen
Profit attributable to owners of parent	94.5 billion yen	95.0 billion yen	Around 100.0 billion yen
Profit attributable to owners of parent per share (EPS)	131.66 yen	132.35 yen	Around 150 yen
Return on equity (ROE)	17.0%	14.8%	Over 10%

※ Equity at the end of FY2017 were computed by adding equity from the first half of FY2017 to forecast profit attributable to owners of parent for the second half of FY2017 and subtracting amount of midterm dividend to be paid.

Status of progress in Medium-Term Business Plan2017 (Business Unit Strategy)

Domestic construction Business

- ◇ Promoting work style reforms
 - Actively promoting work style reforms to make the construction industry more appealing to workers for the future.
 - Set up a “Work Style Reforms Promotion Project Team”
- ◇ Striving to improve productivity
 - Developing labor-saving construction methods utilizing technological innovation such as IoT, AI, and robotics.

Overseas Construction Business

- ◇ Expanding business in Oceania
 - In Australia, jointly received “4 Parramatta Square” with Built. *

* In November 2016, entered into a business corporation agreement with Built Pty Limited, an Australian firm.

[Site Robot Welding Method]



Realize labor savings on welding operation at construction site and improvement of joint quality.

[4 Parramatta Square]



[Outline of the Building]

Location : parramatta city, New South Wales, Australia
Uses : (Above ground) Office, Stores (Below ground) Parking, etc.
Structure : Reinforced concrete structure (part of Steel structure) , 39 floors
above ground, 4 floors below ground
Floor area : 72,700m² above ground + 22,000m² below ground

Status of progress in Medium-Term Business Plan 2017 (Business Unit Strategy)

Real Estate development Business

- ◇ Promoting facility management leveraging innovation such as IoT and AI
 - Ongoing trial operation of next generation building management system at tenant building "oak Kanda Kajicho" owned our group company.

[oak Kanda Kajicho]



New Businesses

- ◇ Expanding the renewable energy business.
 - Completion of Mitanehamada wind power station (Location: Akita Prefecture Rated output: 6MW Operation start: November 2017).
 - Under construction of Otsuki Biomass Power Plant (Location: Yamanashi Prefecture Rated output: 14.5MW Operation start: August 2018).

[Mitanehamada Wind Power Station]



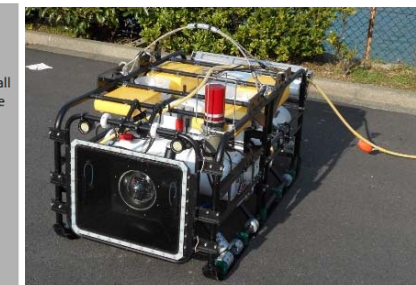
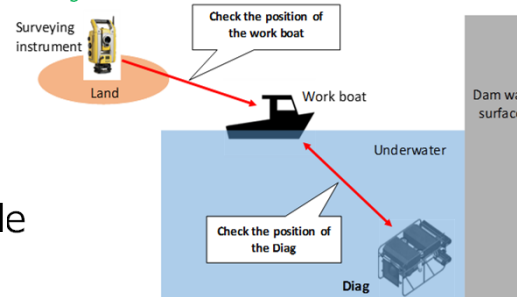
[Otsuki Biomass Power Plant]



Technology

- ◇ Promoting technological innovation
 - Develop underwater infrastructure inspection robot "Diag"
 - Under creation of a hydrogen energy system producing CO₂-Free Hydrogen from renewable energy. (completion schedule: April 2018)

[Diag]



Status of progress in Medium-Term Business Plan 2017 (Capital Expenditure Plan)

	2Q/FY2017 Result
R&D of construction technologies	8.5 billion yen
Construction machinery and business facilities	3.9 billion yen
Real estate leasing business	25.4 billion yen
Renewable energy business, and others	9.8 billion yen
M&As and others	25.5 billion yen
Total	73.3 billion yen

Medium-Term Business Plan 2017	
Fiscal year average	Plan for FY2017-FY2021
20.0 billion yen	100.0 billion yen
10.0 billion yen	50.0 billion yen
20.0 billion yen	100.0 billion yen
20.0 billion yen	100.0 billion yen
10.0 billion yen	50.0 billion yen
80.0 billion yen	400.0 billion yen

[Real estate leasing business]



AKASAKA INTERCITY AIR
(Equity acquisition)

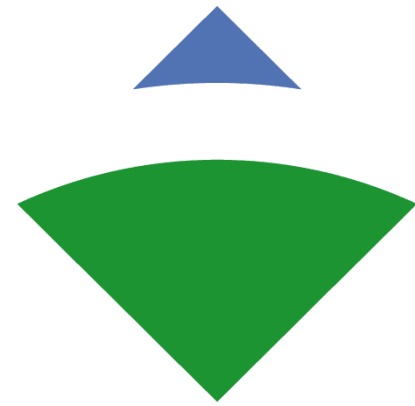
[Renewable energy business, and others]



Hyugahichiya Solar power Station
(Rated output: 24.5MW
Operation start: May 2017)

[M & A s and others]

Make Obayashi Road Corporation
a wholly owned subsidiary
(Completion : September 2017)



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