

OBAYASHI CORPORATION

Summary of the Second Quarter (cumulative) Financial Results for FY2017 Ending March 2018

Disclaimer: This financial information, a digest of Obayashi Corporation's "Summary of the Second Quarter (cumulative) Financial Results for FY2017 ending March 2018" ("Kessan Tanshin") disclosed at the Tokyo Stock Exchange on November 8, 2017 was translated into English and presented solely for the convenience of non-Japanese speaking users. If there is any discrepancy between Japanese "Kessan Tanshin" and this document, Japanese "Kessan Tanshin" will prevail. This document includes forward-looking statements based on the information available at the time of the release of Japanese "Kessan Tanshin". Due to various factors, the actual results may vary from the forward-looking statements contained herein. Obayashi Corporation (non-consolidated) is called the "Company" hereinafter.

(Rounded down to the nearest million yen)

1. Summary of the Second Quarter (cumulative) Results for FY2017 ending March 2018 (April 1, 2017 - September 30, 2017)

(1) Consolidated Business Results (cumulative)

(% shows the increase (decrease) from the results of the same quarter of the previous FY.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%
2nd Quarter of FY2017	917,463	6.8	62,366	5.4	66,046	10.0	48,386	16.4
2nd Quarter of FY2016	858,996	2.9	59,148	39.0	60,030	31.8	41,572	49.1

(Note) Comprehensive income: [2Q/FY2017] 70,295 million yen, 413.2%; [2Q/FY2016] 13,698 million yen, —%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share Adjusted for Latent Shares
	(Unit: yen)	(Unit: yen)
2nd Quarter of FY2017	67.41	—
2nd Quarter of FY2016	57.92	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(Unit: million yen)	(Unit: million yen)	%
At September 30, 2017	2,033,005	675,941	32.1
At March 31, 2017	2,015,996	644,076	29.5

(For reference) Equity (net assets less non-controlling interests): [At September 30, 2017] 651,938 million yen, [At March 31, 2017] 594,160 million yen

2. Dividends

	Dividend per share (Unit: yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)	(Unit: yen)
FY2016 ended Mar. 2017	—	9.00	—	19.00	28.00
FY2017 ending Mar. 2018	—	14.00	—	—	—
FY2017 ending Mar. 2018 (Forecast)	—	—	—	14.00	28.00

* The consolidated forecasts for the full year were not revised in this second quarter.

* The forecasts above were prepared on the basis of information available at the time of the release of Japanese "Kessan Tanshin". Due to various factors, the actual result may vary from the forecasts.

3. Consolidated Forecast for FY2017 ending March 2018 (April 1, 2017 - March 31, 2018)

(% shows the increase (decrease) from the previous FY results)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: yen)
Full Year	1,915,000	2.3	134,500	0.6	140,000	(0.1)	95,000	0.5	132.35

* The consolidated forecasts were not revised in this second quarter.

* The forecasts above were prepared on the basis of information available at the time of the release of Japanese "Kessan Tanshin". Due to various factors, the actual result may vary from the forecasts.

Reference : Non-consolidated Forecasts for FY2017 Ending March 2018 (April 1, 2017 - March 31, 2018)

(% shows the increase (decrease) from the previous FY results)

	Net Sales		Operating Income		Ordinary Income		Profit		Profit per share
	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: yen)
Full Year	1,325,000	1.6	107,000	(1.1)	115,000	(1.3)	82,000	(2.5)	114.24

* The Non-consolidated forecasts were not revised in this second quarter.

* The forecasts above were prepared on the basis of information available at the time of the release of Japanese "Kessan Tanshin".

Due to various factors, the actual result may vary from the forecasts.

Qualitative information on business performance and financial position for the first half of FY2017 ending March 2018

1. Overview of consolidated business performance

During the first half of FY2017 ending March 2018 (from April 1, 2017 to September 30, 2017), the Japanese economy was on a moderate recovery, with improvements of corporate profits and movements to pick up private expenditures.

Orders from both public sectors and private sectors were in a firm tone and domestic construction market continued to grow steadily.

Under these circumstances, the Company's consolidated net sales for the first half of this fiscal year amounted to 917.4 billion yen, increased by 58.4 billion yen (6.8%) from the same period of the previous fiscal year primarily due to an increase in net sales from the construction business of the Company and its subsidiaries.

On the earnings front, consequent to an increase in gross profit on completed construction contracts as a result of an increase in net sales from the construction business, operating income increased by 3.2 billion yen (5.4%) to 62.3 billion yen, ordinary income increased by 6.0 billion yen (10.0%) to 66.0 billion yen, and profit attributable to owners of parent increased by 6.8 billion yen (16.4%) to 48.3 billion yen from the same period of the previous fiscal year.

The Company's consolidated performance by business segment for the first half of FY2017 was as follows:

a. Construction business

Although orders received from overseas construction business of subsidiaries decreased, consolidated construction orders received increased by 7.6 billion yen (0.9%) to 852.7 billion yen from the same period of the previous fiscal year primarily due to an increase in orders received from the Company's domestic civil engineering business. More specifically, orders received from domestic building construction, overseas building construction, domestic civil engineering and overseas civil engineering businesses were 451.8 billion yen, 175.9 billion yen, 209.4 billion yen and 15.5 billion yen, respectively.

Consolidated net sales of construction business increased by 57.1 billion yen (6.9%) to 883.4 billion yen from the same period of the previous fiscal year primarily due to an increase in net sales from domestic building construction business of the Company and overseas building construction business of the subsidiaries. More specifically, net sales of domestic building construction, overseas building construction, domestic civil engineering and overseas civil engineering businesses were 504.6 billion yen, 180.2 billion yen, 161.7 billion yen and 36.7 billion yen, respectively.

Operating income increased by 3.0 billion yen (5.7%) to 56.8 billion yen from the same period of the previous fiscal year mainly due to an increase in gross profit on completed construction contracts as a result of an increase in net sales from the construction business.

b. Real estate business

Consolidated net sales of real estate business decreased by 0.09 billion yen (0.5%) to 18.1 billion yen from the same period of the previous fiscal year and operating income decreased by 0.7 billion yen (17.4%) to 3.4 billion yen from the same period of the previous fiscal year.

c. Other businesses

Consolidated net sales of other businesses increased by 1.4 billion yen (9.9%) to 15.8 billion yen and operating income increased by 0.9 billion yen (83.6%) to 1.9 billion yen from the same period of the previous fiscal year.

Consolidated net sales and operating income by reporting segments

(Unit: million yen)

	Construction business					Real estate business	Other businesses	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Construction Total			
Net sales	504,695	180,226	161,712	36,796	883,430	18,160	15,871	917,463
Operating income	38,978	1,257	16,479	165	56,881	3,491	1,992	62,366

2. Overview of consolidated financial position

Total assets at the end of the first half of this fiscal year increased by 17.0 billion yen (0.8%) to 2,033.0 billion yen compared with the balance at the end of the previous fiscal year mainly due to an increase in "Investment securities" as a result of an increase in market value as well as an increase in "Land" and "Buildings and structures" as a result of purchases of properties for various businesses while trade receivables related to construction contracts which is the sum of "Notes and accounts receivable from completed construction contracts and other" and "Electronically recorded monetary claims" decreased.

Total liabilities at the end of the first half of this fiscal year decreased by 14.8 billion yen (1.1%) to 1,357.0 billion yen compared with the balance at the end of the previous fiscal year primarily due to a decrease in trade payables related to construction contracts which is the sum of "Notes and accounts payable for construction contracts" and "Electronically recorded obligations".

Consolidated balance of interest-bearing debt at the end of the first half of this fiscal year increased by 17.6 billion yen (6.5%) to 291.0 billion yen.

Total net assets at the end of the first half of this fiscal year increased by 31.8 billion yen (4.9%) to 675.9 billion yen compared with the balance at the end of the previous fiscal year mainly because "Retained earnings" increased due to the recognition of profit attributable to owners of parent and "Valuation difference on available-for-sale securities" increased while "Non-controlling interests" decreased as a result of making Obayashi Road Corporation the Company's wholly-owned subsidiary.

As a result, equity ratio at the end of the first half of this fiscal year was 32.1%, up 2.6 percentage points from the end of the previous fiscal year.

3. Overview of consolidated cash flows

During the first half of this fiscal year, net cash provided by operating activities amounted to 23.2 billion yen of cash inflows primarily due to a steady increase in cash flows in domestic construction business (Net cash provided by operating activities amounted to 38.5 billion yen of cash inflows in the same period of the previous fiscal year.).

Net cash used in investing activities amounted to 29.1 billion yen of cash outflows mainly due to purchases of properties for various businesses (Net cash used in investing activities amounted to 19.5 billion yen of cash outflows in the same period of the previous fiscal year.).

Net cash provided by financing activities amounted to 24.0 billion yen of cash outflows primarily due to acquisition of the common shares of Obayashi Road Corporation through a tender offer (Net cash provided by financing activities amounted to 23.0 billion yen of cash outflows in the same period of the previous fiscal year.).

Consequently, cash and cash equivalents at the end of the first half of this fiscal year decreased by 29.8 billion yen to 164.3 billion yen compared with the balance at the end of the previous fiscal year.

4. Consolidated forecasts

Based on the review at the time of the release of this document, the consolidated and non-consolidated forecasts of the financial performance for the fiscal year ending march 2018 were not revised from the ones announced on August 8, 2017 when financial results for the first quarter of FY2017 were presented.

Consolidated quarterly balance sheets

(Unit : million yen)

	March 31, 2017	September 30, 2017
Assets		
Current assets		
Cash and deposits	194,585	165,142
Notes and accounts receivable from completed construction contracts and other	720,361	707,552
Electronically recorded monetary claims	21,075	11,600
Short-term investment securities	2,519	2,270
Real estate for sale	16,739	15,410
Costs on uncompleted construction contracts	39,881	44,108
Costs on real estate business	24,200	26,489
Inventories for PFI and other projects	42,406	44,128
Other inventories	7,872	10,300
Deferred tax assets	17,443	17,684
Accounts receivable-other	78,009	65,979
Other	16,694	32,504
Allowance for doubtful accounts	(142)	(133)
Total current assets	1,181,645	1,143,039
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	92,587	103,788
Machinery, vehicles, tools, furniture and fixtures, net	29,554	42,768
Land	308,241	326,835
Lease assets, net	228	222
Construction in progress	28,986	18,141
Total property, plant and equipment	459,597	491,757
Intangible assets	6,558	4,979
Investments and other assets		
Investment securities	346,245	376,034
Long-term loans receivable	2,024	934
Assets for retirement benefits	68	68
Deferred tax assets	1,987	1,372
Other	18,118	15,067
Allowance for doubtful accounts	(249)	(248)
Total investments and other assets	368,194	393,229
Total noncurrent assets	834,350	889,965
Total assets	2,015,996	2,033,005

(Unit : million yen)

	March 31, 2017	September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	485,408	470,787
Electronically recorded obligations	150,289	128,535
Short-term loans payable	89,498	78,667
Current portion of nonrecourse loans	6,832	6,109
Commercial papers	—	35,000
Current portion of bonds	25,000	25,000
Lease obligations	85	86
Income taxes payable	30,533	21,071
Deferred tax liabilities	402	400
Advances received on uncompleted construction contracts	106,541	90,357
Deposits received	102,707	118,750
Provision for warranties for completed construction	3,048	3,101
Provision for loss on construction contracts	7,751	6,139
Other	70,585	75,813
Total current liabilities	1,078,684	1,059,819
Noncurrent liabilities		
Bonds payable	30,000	20,000
Long-term loans payable	55,836	53,173
Nonrecourse loans	66,192	73,070
Lease obligations	126	127
Deferred tax liabilities	46,956	55,384
Deferred tax liabilities for land revaluation	21,091	20,005
Provision for stock payments for directors	301	267
Provision for loss on real estate business and other	993	993
Provision for environmental measures	616	315
Liability for retirement benefits	51,029	51,713
Other	20,091	22,193
Total noncurrent liabilities	293,235	297,244
Total liabilities	1,371,919	1,357,063
Net assets		
Shareholders' equity		
Capital stock	57,752	57,752
Capital surplus	41,752	43,794
Retained earnings	334,957	369,703
Treasury stock	(1,964)	(1,936)
Total shareholders' equity	432,497	469,314
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	140,246	160,717
Deferred gains (losses) on hedges	(283)	64
Revaluation reserve for land	20,435	20,432
Foreign currency translation adjustments	(365)	(388)
Retirement benefit asset and liability adjustments	1,629	1,799
Total accumulated other comprehensive income	161,662	182,624
Non-controlling interests	49,916	24,002
Total net assets	644,076	675,941
Total liabilities and net assets	2,015,996	2,033,005

Consolidated quarterly statements of income

(Unit : million yen)

	2Q / FY2016 From April 1, 2016 to September 30, 2016	2Q / FY2017 From April 1, 2017 to September 30, 2017
Net sales		
Net sales of completed construction contracts	826,307	883,430
Net sales of real estate business and other	32,688	34,032
Total net sales	<u>858,996</u>	<u>917,463</u>
Cost of sales		
Cost of sales on completed construction contracts	734,268	784,508
Cost of sales on real estate business and other	22,746	23,551
Total cost of sales	<u>757,015</u>	<u>808,060</u>
Gross profit		
Gross profit on completed construction contracts	92,038	98,922
Gross profit on real estate business and other	9,942	10,480
Total gross profit	<u>101,980</u>	<u>109,403</u>
Selling, general and administrative expenses	42,832	47,037
Operating income	<u>59,148</u>	<u>62,366</u>
Non-operating income		
Interest income	915	844
Dividends income	3,708	3,850
Other	399	764
Total non-operating income	<u>5,023</u>	<u>5,459</u>
Non-operating expenses		
Interest expenses	1,247	1,060
Subsidiary stock acquisition-related cost	—	471
Foreign exchange losses	2,703	—
Other	188	247
Total non-operating expenses	<u>4,140</u>	<u>1,779</u>
Ordinary income	<u>60,030</u>	<u>66,046</u>
Extraordinary income		
Gain on sales of investing securities	1,053	2,025
Gain on sales of noncurrent assets	438	531
Other	71	32
Total extraordinary income	<u>1,563</u>	<u>2,589</u>
Extraordinary loss		
Loss on retirement of noncurrent assets	138	285
Other	66	479
Total extraordinary losses	<u>205</u>	<u>764</u>
Income before income taxes	<u>61,389</u>	<u>67,871</u>
Income taxes-current	11,189	20,053
Income taxes-deferred	6,402	(1,369)
Total income taxes	<u>17,592</u>	<u>18,683</u>
Profit	<u>43,797</u>	<u>49,188</u>
Profit attributable to non-controlling interests	2,225	801
Profit attributable to owners of parent	<u>41,572</u>	<u>48,386</u>

Consolidated quarterly statements of comprehensive income

(Unit : million yen)

	2Q / FY2016 From April 1, 2016 to September 30, 2016	2Q / FY2017 From April 1, 2017 to September 30, 2017
Profit	43,797	49,188
Other comprehensive income		
Valuation difference on available-for-sale securities	(23,087)	20,425
Deferred gains (losses) on hedges	(288)	347
Foreign currency translation adjustment	(6,889)	137
Retirement benefit adjustment	178	167
Share of other comprehensive income of associates accounted for using equity method	(12)	29
Total other comprehensive income	<u>(30,099)</u>	<u>21,107</u>
Comprehensive income	<u>13,698</u>	<u>70,295</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,034	69,350
Comprehensive income attributable to non-controlling interests	(336)	944

Consolidated statements quarterly of cash flows

(Unit : million yen)

	FY2016 From April 1, 2016 to September 30, 2016	FY2017 From April 1, 2017 to September 30, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	61,389	67,871
Depreciation and amortization	7,200	6,895
Increase (decrease) in allowance for doubtful accounts	(37)	(9)
Increase (decrease) in provision for loss on construction contracts	(2,668)	(1,549)
Increase (decrease) in liability for retirement benefits	728	918
Interest and dividends income	(4,623)	(4,695)
Interest expenses	1,247	1,060
Loss (gain) on sales of noncurrent assets	(414)	(473)
Loss (gain) on sales of short-term and long term investment securities	(1,052)	(2,025)
Decrease (increase) in notes and accounts receivable—trade	50,807	18,748
Decrease (increase) in costs on uncompleted construction contracts	(1,220)	(3,896)
Decrease (increase) in inventories	(3,946)	(3,422)
Decrease (increase) in inventories for PFI and other projects	2,182	(1,721)
Decrease (increase) in other assets	18,142	928
Increase (decrease) in notes and accounts payable—trade	(74,832)	(33,484)
Increase (decrease) in advances received on uncompleted construction contracts	(2,061)	(15,475)
Increase (decrease) in other liabilities	2,897	17,420
Other, net	(1,924)	607
Subtotal	<u>51,813</u>	<u>47,698</u>
Interest and dividends income received	4,745	4,793
Interest expenses	(1,341)	(1,101)
Income taxes (paid) refund	(16,707)	(28,128)
Net cash provided by (used in) operating activities	<u>38,511</u>	<u>23,261</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(18,465)	(29,210)
Proceeds from sales of property, plant and equipment and intangible assets	1,775	4,475
Purchase of short-term and long term investment securities	(4,756)	(4,398)
Proceeds from sales and redemption of short-term and long term investment securities	1,941	3,755
Payments of loans receivable	(117)	(93)
Collection of loans receivable	112	125
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(3,483)
Other, net	—	(360)
Net cash provided by (used in) investing activities	<u>(19,510)</u>	<u>(29,190)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(11,785)	(12,028)
Net increase (decrease) in commercial papers	25,000	35,000
Repayments of lease obligations	(45)	(48)
Proceeds from long-term loans payable	10,000	6,000
Repayment of long-term loans payable	(22,275)	(7,407)
Proceeds from nonrecourse loans payable	9	3,213
Payment of nonrecourse loans payable	(4,071)	(4,005)
Redemption of bonds	(10,000)	(10,000)
Cash dividends paid	(9,334)	(13,643)
Cash dividends paid to non-controlling interests	(589)	(692)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(20,391)
Other, net	(2)	(4)
Net cash provided by (used in) financing activities	<u>(23,095)</u>	<u>(24,010)</u>
Effect of exchange rate change on cash and cash equivalents	(9,866)	132
Net increase (decrease) in cash and cash equivalents	<u>(13,960)</u>	<u>(29,806)</u>
Cash and cash equivalents at beginning of period	164,802	194,195
Cash and cash equivalents at end of period	<u>150,841</u>	<u>164,389</u>

Segment Information

1. Reporting segment information (net sales and income (loss))

2Q (cumulative) / FY2016 Results (April 1, 2016 - September 30, 2016)

(Unit: million yen)

	Reporting Segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Subtotal		
Net sales								
Sales to third parties	481,380	157,707	153,505	33,713	18,252	844,559	14,436	858,996
Intersegment sales or transfers	17,864	17	9,989	—	576	28,447	3,749	32,197
Segment sales	499,244	157,724	163,494	33,713	18,829	873,007	18,185	891,193
Operating Income (loss)								
Operating Income (loss) from sales to third parties (Note 2)	36,404	2,597	16,235	(1,402)	4,226	58,062	1,085	59,148
Intersegment operating income or transfer	282	(11)	495	(2)	(0)	764	(47)	717
Segment income (loss)	36,687	2,585	16,731	(1,404)	4,226	58,827	1,038	59,865

Note 1: Businesses that cannot be classified into the company's reporting segments are shown as "Others."

This includes PFI (Private Finance Initiative), renewable energy business, finance, operation of golf courses, and other businesses.

Note 2: "Operating income (loss) from sales to third parties" was computed by subtracting "Intersegment operating income or transfers" from "Segment income (loss)".

The total "Operating income (loss) from sales to third parties" equals to "Operating income" as shown in the quarterly consolidated statements of income.

2Q (cumulative) / FY2017 Results (April 1, 2017 - September 30, 2017)

(Unit: million yen)

	Reporting Segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Subtotal		
Net sales								
Sales to third parties	504,695	180,226	161,712	36,796	18,160	901,591	15,871	917,463
Intersegment sales or transfers	24,950	47	7,900	—	580	33,479	3,737	37,216
Segment sales	529,645	180,273	169,613	36,796	18,740	935,070	19,609	954,679
Operating Income								
Operating Income from sales to third parties (Note 2)	38,978	1,257	16,479	165	3,491	60,373	1,992	62,366
Intersegment operating income or transfer	1,096	(10)	33	(0)	(0)	1,118	(7)	1,110
Segment income	40,075	1,246	16,513	165	3,491	61,491	1,985	63,476

Note 1: Businesses that cannot be classified into the company's reporting segments are shown as "Others."

This includes PFI (Private Finance Initiative), renewable energy business, finance, operation of golf courses, and other businesses.

Note 2: "Operating income from sales to third parties" was computed by subtracting "Intersegment operating income or transfers" from "Segment income."

The total "Operating income from sales to third parties" equals to "Operating income" as shown in the quarterly consolidated statements of income.