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OBAYASHI CORPORATION
Main Questions and Answers at the Small Meetings in 2024

<For Securities Analysts>
Date: Monday, June 10, and Tuesday June 11, 2024 (Two times in total)
Respondent: Kenji Hasuwa, President and CEO
Toshimi Sato, Executive Vice President
Attendees: 8 securities analysts in total

<For Institutional Investors >
Date: Tuesday, June 11, and Monday June 13, 2024 (Two times in total)
Respondent: Kenji Hasuwa, President and CEO
Toshimi Sato, Executive Vice President
Attendees: 6 institutional investors in total

Summary of Main Questions and Answers: Excerpts from All Meetings

1. Domestic Construction Business

Q: How do you view the business environment and market outlook for building construction and civil engineering?

A: The business environment remains difficult to predict, especially in terms of economic security measures prompted by Russia’s invasion of Ukraine, the situation in the Middle East, and the tension between the U.S. and China, as well as in terms of national security policy aimed at dealing with a possible military clash between Taiwan and China. Within this context, we expect that the government’s designation of commodities as specified critical products will generate plant construction projects in the semiconductor, storage battery, and healthcare sectors. We also expect that increased defense spending on national security will lead to construction of defense facilities. For domestic private-sector building construction, we need to keep a close watch on economic trends and investment appetite, while for domestic public-sector civil engineering we need to pay due attention to measures enacted by the national government. We currently have plenty of construction projects in hand, including large-scale projects, and can predict our sales for the next two to three years. However, we are also aware of the increased risks that come with larger construction projects. From the perspective of medium- to long-term growth strategy, we will continue to pursue and accelerate productivity improvements and work style reforms, as well as order acceptance strategies that include creating opportunities for development of human resources.

Q: In terms of profitability at the time of receiving orders, will it be difficult to secure a certain level of profit amid challenging conditions in the future? If individual construction companies were able to make such business decisions for themselves, surely low profitability could be avoided and construction market value would increase, wouldn't it?

A: Receiving orders for loss-making projects is out of the question. However, we do sometimes receive orders for strategic reasons considering overall profits throughout the building's lifecycle including maintenance, management, and renovation work, especially when clients prefer to have the primary contractor undertake all such post-construction services. Projects such as TOKYO SKYTREE® and ES CON FIELD HOKKAIDO provided opportunities for passing technical know-how on to younger employees and for training engineers. And as landmarks constructed by the Obayashi Group, they help to boost the motivation of the Group's officers and employees in addition to serving as valuable marketing assets. In the same way, our supply chain also receives value that is not reflected in financial results with regard to human resource development, enhanced motivation, and so on.

Q: I believe your target is to return the gross profit margin on completed construction contracts in the non-consolidated domestic building construction business to double digits, but considering current market conditions, couldn't an even higher level be anticipated?

A: The key point is how we can continue to generate 10% on a stable basis. The current supply-demand balance has caused a relative decline in number of competitive projects, but price competition itself remains as fierce as ever. We will aim not only to ensure high profit margins, but also to strategize our work portfolio building in terms of the size of projects and the type of construction involved from the perspective of developing human resources.

Q: The Company's domestic construction business has historically experienced fluctuating financial results, but is there any indication that the business could change structurally as a result of factors such as shifts in business practices and escalation clauses in contracts?

A: In terms of measures to address rising prices, over the last two years Japan's Ministry of Land, Infrastructure, Transport and Tourism has taken further action to encourage contractors to pass on price increases by issuing a notice instructing that private projects should also now include a clause requiring prices to be discussed between the parties as necessary. However, companies' capital expenditure will continue to increase and decrease in line with economic trends, so we cannot yet claim to have established a business structure that can ensure stable sales and profits. Private-sector construction work remains structurally unchanged as a project-based business that is affected by fluctuations in workload, as well as economic and investment trends. Public civil engineering work is affected by the political party in power and their approach to national security, as well as by budgetary allocation at the national level, but demand at the present time is robust.

Q: In the past, there was price competition due to fewer volume of orders, which resulted in the Company making a loss. Couldn't the same thing happen again in future? Could you tell us what action is being taken in the building construction business to establish systems and standards for ensuring profitability?

A: Amid continuing fierce price competition, we need to take action to address the "2024 problem," (i.e., enforcement of the regulation capping overtime by the revised Labor Standard Act of Japan), and this includes closing construction sites for eight days out of every four-week period. However, we remain committed to a policy of not unfairly cutting construction prices or shortening the construction process. At the same time, we see this as an opportunity to change how order issuing and receiving is approached as part of our relationships with clients, while also maintaining efforts to improve our proposal capabilities and increase productivity. This means that relationships of trust with clients will be important. We believe that from now on, even among leading construction companies, it will be work portfolios that lead to differences in corporate performance. In the process of managing operations and instilling ROIC management throughout the Group, we will increase efficiency and productivity to generate profits.

Q: Will you be aiming to ensure stable growth by controlling the Company’s work portfolio?

A: We will optimize our work portfolio in light of the lessons learned from our over-emphasis on securing orders for large construction projects over the past few years. Construction is essentially a localized industry, so it will be necessary to maintain a certain volume of work in each region, not least to sustain our network of connections with local suppliers and subcontractors. We will avoid generating fluctuations in workload as we manage operations in each region. We want to dispel the Company’s regionally based image of being strong in West Japan and weak in East Japan. We are devising separate order acceptance strategies for each region.

Q: In the domestic civil engineering sector there are other leading construction companies that are generating higher gross profit margins on completed construction contracts. What are your thoughts regarding these differences?

A: Detailed analysis of comparisons with other companies is difficult, but we are aware that differences do exist, and we are making efforts to eliminate these profit margin disparities.

Q: Two to three years ago, the Company’s profit from construction contracts deteriorated suddenly. Can we trust that the current profit plan is the result of numerical aggregation and has been carefully reviewed? Some companies publicly announce figures that are different from those identified by their accounting departments. I would also like to ask whether there is a risk that provision for loss on construction contracts may need to be recorded for the Chuo Shinkansen Maglev Line-related construction, or for provisionally agreed domestic building construction projects.

A: There was an instance in which we revised our profit downward because we had been unable to obtain approval from the client for a design change that we were anticipating in a civil engineering public works project. On that occasion, our performance prediction was not as accurate as it should have been, but now each of our individual businesses is managing such matters precisely with appropriate stretch targets. You can therefore assume that the figures have been carefully reviewed. With regard to the Chuo Shinkansen Maglev Line-related construction and provisionally agreed domestic building construction projects, there are no problems that would have a serious effect on the Company’s management.

Q: Can you tell us about the increased risks associated with larger projects?

A: The main risk is price rises in relation to the contract. The period from obtaining priority negotiation rights to entering into an actual construction contract can last around eighteen months to two years. In the past, contracts have included no terms allowing negotiation with clients about price rises occurring during that time, so general contractors have taken on the risk of price rises themselves. General contractors that received orders for construction projects coinciding with sudden price rises experienced decreased profits. A major change came about when Japan's Ministry of Land, Infrastructure, Transport and Tourism responded to this situation by requiring private-sector clients to discuss prices for private projects with contractors, as was already the case for public projects; but ambiguity has still not been eliminated from contracts completely. In FY2021 Obayashi Corporation itself recorded a provision for loss on construction contracts, but having analyzed the contributory factors, we subsequently increased the stringency of our screening process for receiving orders.

Q: Are there any other risks that give cause for concern?
A: In a situation where the mechanical and electrical (M&E) installation accounts for a larger portion of the construction of industrial facilities such as semiconductor and storage battery plants and the Company's supply of human resources is tight, there have been multiple instances of data center operators and other companies using high salaries to poach our employees. The turnover rate for M&E engineers in particular has increased conspicuously and we regard this as a serious issue.

Q. Can you tell us about risks associated with Expo 2025 Osaka, Kansai, Japan, and what we should expect realistically?
A: There are no risks associated with the construction work we are contracted for as we will be able to complete construction and deliver within the contracted period. I am not in a position to comment on the risks associated with construction the Company is not involved in, such as construction of the national pavilions, or on operational risks after the Expo has actually opened.

2. Overseas Construction Business

Q: Can you tell us about the Company's business strategy overseas?
A: When selecting countries to enter for the first time, we place value on political stability and the existence of robust legal systems. We stay focused on each country's individual circumstances as we seek to expand business scale and profits. In North America, we monitor the construction investment situation and developments with regard to legal frameworks as we seek to expand by extending our operations, as we did when we acquired MWH last year. In Asia, meanwhile, it has been 50 years since we established Thai Obayashi, and that company is now well localized in terms of receiving orders for construction projects from local clients and having locally hired staff take the lead in running the organization. It has developed into one of the top five construction companies in the Thai building construction sector. In Singapore, likewise, we are pursuing localization, including for civil engineering works, and are witnessing the benefits now that we are able to generate profits.

3. Real Estate Development Business

Q: In the real estate development business, profits fluctuate and profitability is low; what are your plans for this business in terms of ROIC?
A: The assets of the real estate development business are currently valued at around 600–700 billion yen. Operating income is at the 15-billion-yen level, and in terms of return on investment, ROIC and ROE both stand at around 2%. This is numerically on a par with other real estate

developers, but it is relatively poor compared with the Group's other businesses. At the current time, the business owns assets located mainly within Tokyo three city-center wards from which the returns are low, but we will seek to improve capital efficiency by securing profits through moving such assets off the balance sheets and selling properties to make capital gains. Moving assets off the balance sheets will entail selling assets developed specifically to be sold and making use of private funds and real estate investment trusts (REITs) by rethinking the portfolio of real estate assets held. As a recurring-revenue business, the real estate development business complements our construction business, so we do not want to discontinue it immediately just because its ROIC is relatively low compared to our other businesses. However, what we are discussing right now is whether it is worthwhile for the Obayashi Group to continue holding assets of this size, and how we can grow this business and ensure that it contributes to performance and the enhancement of corporate value as part of the Group's portfolio of businesses.

4. Overall Business

Q: At Group subsidiaries, net sales are growing but profits are not. In particular, profitability differs between subsidiaries overseas and in Japan. If the profitability of Group subsidiaries was higher, the Group's ROE would also increase, but how do you plan to improve profitability?

A: Guided by the Obayashi Philosophy of contributing to the realization of a sustainable society, we are currently discussing how we can develop the Group and what form a Group-wide business portfolio should take. We intend to adopt a long-term view in developing Group subsidiaries, while responding flexibly to structural changes within society. Profitability comes down to the relationship between risk and return. Profit structure differs depending on the business in Japan and overseas, so our approach is not to decide what to do about overseas subsidiaries simply by comparing them with domestic subsidiaries. Our construction business in North America has low operating margins, but its ROIC is not low, so it is worthwhile from a capital efficiency perspective and cannot be compared with other businesses in terms of its operating income alone. Meanwhile, our domestic construction business owns the Technology Research Institute and invests at least 10 billion yen each year on technology-related development, which it recovers through construction projects.

5. Revision of Capital Policy and Addendum to Medium-Term Business Plan

(1) Overall

Q: As a result of the Company revising its capital policy, investors' evaluation of the Company improved and PBR now exceeds one, but what is your opinion regarding the current stock price?

A: We discussed the capital policy revision for more than a year, and once we had drawn up the details, we announced the revision immediately in March, without waiting until the financial results announcement. The overall rise in Japanese stock prices during the year to date is also a contributing factor, but we feel that the Company is now valued appropriately. We believe the current stock price indicates that the capital markets have thoroughly analyzed and positively evaluated the aims of our capital policy, although shareholders are no doubt also expecting additional returns.

(2) Operating income target

Q: With regard to your performance indicator target of achieving 100 billion yen or more in consolidated operating income, given that the circumstances in both the domestic civil engineering and domestic building construction businesses are different from in the past, what level of profit improvement are you targeting or setting your sights on? Considering that the provision for loss on construction contracts will be more or less gone in FY2025, wouldn't it be possible to achieve 100 billion yen in profit attributable to owners of parent as well?

A: In the domestic civil engineering business, we are seeking to boost profits by receiving orders for highly profitable construction projects in which we can make use of the Company's technologies. To boost profits, the key point is to increase productivity through initiatives promoting technologies, use of IT, and digital transformation (DX). We intend to raise profit margins by using our technologies to work on national resilience projects, which are upfront investments at the national level. In the domestic building construction business, we have worked hard to increase productivity and are now securing orders without unfairly shortening construction periods or cutting prices. Our financial results have recovered after bottoming out in 2023, and given that the impacts of construction projects that required provision for loss on construction contracts will have almost disappeared in FY2026, the final year of Medium-Term Business Plan 2022, we believe we can achieve our operating income target. With regard to profit attributable to owners of parent, the proceeds from selling shares as we reduce our cross-shareholdings (i.e., shares that we own in our customers' businesses) will help us to achieve 100 billion yen.

(3) Management that emphasizes efficiency

Q: What is the likelihood of the Company achieving ROIC of 5% and ROE of 10%? When announcing these performance indicator targets you indicated that the capital markets' expected cost of shareholders' equity is 8% to 9%, but rising interest rates going forward will cause investors to demand higher returns. Can the ROE target be raised accordingly? Can ROE be maintained at a level exceeding the cost of shareholders' equity?

A: The performance indicator targets in the Addendum to Medium-Term Business Plan 2022—ROIC of 5% and ROE of 10%—were set based on trends in building construction and civil engineering profit levels as well as performance forecasts for the Group as a whole; we believe we are capable of achieving these performance indicator targets. During the medium-term business plan, we are assuming that our core domestic building construction business will achieve a double-digit gross profit margin on completed construction contracts. Given that the business is susceptible to the effects of economic conditions and fluctuations in workload both inside and outside Japan, while the external operating environment is changing in various ways, we need stabilize our profits while responding to client needs and also ensure stable growth. In the real estate development business, we are aiming for stable profits of 15–20 billion yen. The investment plan for the real estate development business calls for 300 billion yen in investment and 140 billion yen in sales of real estate over five years, resulting in a net investment of 160 billion yen. We will control equity as we work to achieve our ROIC and ROE targets.

Q: Under Medium-Term Business Plan 2022 you adopted ROIC as a performance indicator target; what changes have occurred as you have pursued ROIC management?

A: We have been successful in using ROIC reverse trees to instill awareness of Company-wide management targets, such as increasing ROIC by improving operating income and promoting human capital management. The managers at each department and construction site have led this initiative in their units, and we have a solid sense that our efforts have yielded benefits, including some that are not reflected in financial results.

Q: When you explained ROIC to officers and employees engaged in business operations and construction, how did they react? You say that benefits can also mean human resource development, but what do you mean specifically? From your perspective, is the key point not cutting costs, but achieving benefits such as changes in mindset within the Company that are not reflected in financial results?

A: When we announced Medium-Term Business Plan 2022, our employees did not really understand ROIC, but I visited all the Company's branch offices, holding briefings for officers and employees to change their thinking. Using an approach based on ROIC reverse trees leads us to the realization that it is important to increase productivity by deploying resources appropriately from a capital efficiency perspective. Once each business has established its own optimal ROIC management, it will be possible to spin the businesses off as separate companies and create a holding company. I therefore think it is important for employees to start training in how to manage businesses across a range of domains while they are young. In addition, as for researchers work on technology-related development, for example, they are now expected to constantly ask themselves whether a technology can actually be put into practice and whether it will lead to future profits, so their awareness has changed as a result of adopting ROIC.

Q: To what extent are employees at the branch office, department, and construction site level aware of ROIC management and acting accordingly?

A: Employees at our Head Office, main offices, branches, and Group companies still have some way to go, but as they work they now bear in mind considerations such as how to approach tasks in order to use human resources effectively. We will continue to instill awareness of ROIC management, including the Obayashi Philosophy, as we work toward further growth and enhanced corporate value.

(4) Thinking behind the necessary level of equity

Q: Could you tell us about the thinking behind the figure of 1 trillion yen as the necessary level of equity? Given that equity is set to accumulate as the Company sells more of its cross-shareholdings, can we expect additional shareholder returns?

A: We set the necessary level of equity by aggregating the equity required for each business. We set a level of 1 trillion yen for the Group as a whole by aggregating the levels of equity required for each business. However, that is predicated on our current business portfolio, so we will revise the figure in light of M&As and other investments for growth going forward. With regard to cross-shareholdings, we will reduce balance sheet risk by selling such shareholdings to realize the latent profits and consider how to allocate the profits generated between investment and shareholder returns as part of our overall cash allocation. We intend to seize every opportunity to make upfront investments to enhance corporate value after informing stakeholders of our growth strategy. However, we will also consider using the accumulated equity for shareholder returns including additional dividends or share buy-backs. Meanwhile, we are continuing to sell cross-shareholdings, but the recent rise in stock prices means that their proportion in relation to consolidated net assets has not decreased. Nonetheless, we are making progress in reaching agreements on sale of cross-shareholdings with railroad companies and developers, which have previously been reluctant to come to agreements. We intend to continue proactively selling cross-shareholdings.

Q: If 1 trillion yen is the result of aggregating the necessary equity for each business, it could change, so I would like to ask you to disclose the calculations used in aggregating, if possible, so that we will be able to predict changes. Also, general contracting is an industry that is susceptible to the effects of economic conditions, so what is your thinking with regard to the necessary level of equity going forward?

A: Equity at March 31, 2024, included 100 billion yen of accumulated share valuation gains due to the rise in stock prices during the year to date. As a company, our key missions are ensuring growth and enhancing corporate value, so if opportunities for M&A or investment in new businesses arise, we will reconsider the necessary level of equity flexibly. With regard to performance indicators for each business, we are currently considering how to disclose these. If we rethink our business portfolio and change the necessary level of equity, we will make an announcement.

(5) Policy on shareholder returns

Q: Few general contractors use DOE as a benchmark, and 5% is high. What was your thinking behind raising DOE from 3% to 5%? Also, could you tell us about the discussion that took place in meetings of the Board of Directors and the opinions of the independent directors?

A: We set DOE at 5% after taking all considerations into account, including earnings forecasts and the dividend amounts we could pay, based on maintaining the necessary equity of 1 trillion yen. Separately from the Board of Directors, the Company also has the Directors' Roundtable Meeting, which serves as a forum for the members of the Board of Directors to discuss a variety of matters freely. It was at the Directors' Roundtable Meeting that DOE was discussed on multiple occasions. The directors had been discussing this issue since the beginning of 2023, so we spent almost 18 months deliberating. Detailed deliberations started around June 2023, when the Directors' Roundtable Meeting held the first of four or five discussions on capital policy. The independent directors expressed various opinions, but in the end, everybody agreed to 5%. This percentage was set after taking all stakeholders into account during the deliberations on shareholder returns. We intend to avoid increasing internal reserves more than necessary and will return profits to stakeholders including employees. Bearing in mind the need to secure employees for the future, we are raising employees' wages at a rate exceeding inflation, while also taking their life plans into consideration. Specifically, we raised base rates by 1.0% in FY2022, by 3.5% in FY2023, and by 4.5% in FY2024. Until FY2022, our policy was to reflect each fiscal year's inflation rate in the following year's wages, but in FY2023 we started predicting each fiscal year's inflation rate in advance and reflecting it in wages from the beginning of the fiscal year.

Q: It appears that equity will increase from now on as a result of profit recovery in the construction business and the sale of cross-shareholdings. What are your thoughts with regard to the timing, volume, and method of additional returns to stakeholders from the surplus equity over 1 trillion yen?

A: Equity as of March 31, 2024, had increased by 100 billion yen due to valuation gains on cross-shareholdings, but excluding that amount equity was around the 1-trillion-yen level. We are allowing for the possibility of additional returns in future if we judge that the stock price will not fluctuate. Please note, however, that in controlling equity our target is not exactly 1 trillion yen. Allocation of the funds will strike a balance between investment and returns to stakeholders.

Q: Can you explain why you have not undertaken share buy-backs in the past, and what prompted you to change policy now?
A: We are not engaging in share buy-backs simply because our industry peers are doing it. We undertake a share buy-back only if we can explain the logic, purpose, and benefits in a convincing way for stakeholders. In a situation where PBR exceeds one, for example, we do not think we could explain a share buy-back that elevates the stock price, so what I am referring to now is share buy-back as an option for dealing with a fall in the stock price even after we have informed the capital markets of our growth strategy. We choose to undertake share buy-backs to convey a message. So, we do not exclude them as an option.

Q: So if equity accumulates more than necessary and profits increase leading to a cash surplus, you will pay an additional dividend or undertake a share buy-back?
A: That is a reasonable assumption. However, we do not consider the number of issued and outstanding shares to be excessive, so our logic would not be to use share buy-backs to reduce the number of shares.

Q: The proceeds from selling cross-shareholdings could be used to pay dividends. However, the shareholders who receive dividends would be subject to income taxes, so I think that rather than paying a special dividend it would be better to use the proceeds to enhance corporate value through share buy-backs. Do you have a policy in this regard?
A: We understand that investors expect us to buy back shares, but bearing in mind that PBR currently exceeds one, we want to think about how the proceeds from selling cross-shareholdings could best be used to enhance corporate value. The Addendum to Medium-Term Business Plan 2022 set out a direction forward of enabling businesses other than the domestic construction business to generate performance equal to or greater than that of the domestic construction business. However, we still need to tell the capital markets how we will do this, and we must move PER to a new level. Once we have decided on our policy, including how to reduce the cost of capital, we will disclose it.

(6) Future-oriented investments for growth
Q: What growth sectors are you currently considering for future investments for growth?
A: We intend to center our business structure on the domestic construction business and raise our other businesses to a level at which they can generate performance equal to or greater than that of the domestic construction business. In line with our philosophy of contributing to the realization of a sustainable society, we will continue to invest in research and development addressing changes in the social environment. At the same time, we will press ahead with devising our growth strategy and will inform the capital markets of this strategy in the next medium-term business plan.

Q: With regard to any prospective M&A transactions, can you tell us about the structure, entity to be acquired, and approximate scale?

A: When conducting M&As we do not simply acquire corporate entities; we evaluate their human resources in the context of our working relationship. In the case of MWH, the prerequisite for the acquisition was such evaluation in the context of MWH's relationship with Obayashi Corporation and Webcor during previous construction projects. With Cypress Sunadaya, even after the M&A, we are continuing discussions with the president, Kazuyuki Sunada, based on the Obayashi Philosophy to facilitate growth. After conducting an M&A, the issue is to what extent we can leave the operation of the business to the new Group subsidiary's directors. I cannot disclose precisely which entities we are thinking about acquiring, but we intend to disclose information as soon as possible once an M&A appears likely to occur.

6. Medium- to Long-Term Growth Strategy

Q: I believe that Obayashi Corporation is capable of generating operating income of 150 billion yen, and I would like to see it target 200 billion yen as its next hurdle, but doing so will require the Company to rethink its business portfolio. Do you have an investment strategy for reaching 200 billion yen and do you have ideas that will drive further growth? Also, could you tell us what led a construction company to become involved in hydrogen production?

A: In line with the Obayashi Philosophy of contributing to the realization of a sustainable society, we will take action including making new investments to enable businesses other than the domestic construction business to generate profits equal to or greater than those of the domestic construction business. With regard to hydrogen, we believe that in future the main form will be green hydrogen, rather than blue hydrogen, which is derived from brown coal and presents difficulties in terms of containing the CO_2 emitted during production. In New Zealand, we are currently producing and selling green hydrogen. In the town of Kokonoe in Oita Prefecture, Japan, we are producing hydrogen using geothermal power and supplying it to Toyota Motor Kyushu, Inc. ZEC (net Zero Energy Construction) is a social challenge, and energy is directly connected to water, which is linked with food, and food is linked with agriculture. Turning to nuclear facilities, it is possible that in future the types of reactors used will get smaller and operators will undertake new construction again. Obayashi Corporation has a Nuclear Facilities Division; it has limited work to do at the moment, but is preparing for the future by recruiting engineers and developing them, including by passing on technical know-how. We are working to address demand for a more stable electrical power supply, viewing it as a business opportunity.

Q: When do you plan to announce the Company's medium- to long-term growth strategy?

A: We plan to incorporate it into the next medium-term business plan and expect to announce it in the second half of FY2026 after the announcement of our first-half financial results.

Q: Could the growth strategy aim to double profit over a 10-year span?

A: We intend to center our business structure on the domestic construction business and raise our other businesses to a level at which they can generate performance equal to or greater than that of the domestic construction business. At the moment I am unable to tell you when we will achieve that.

7. Reduction of Cross-Shareholdings

Q: Cross-shareholdings include some that should not be sold, some for which investment efficiency is not too bad, and some that offer synergies with work contracts; do you think there is a certain rationale for maintaining such shareholdings?

A: In the past we decided whether or not to keep cross-shareholdings by assessing all factors including their contribution to orders received and the returns they delivered as stock investments. However, as an individual company we now have no choice but to accept the requirement of the stock market that we sell our cross-shareholdings and use the proceeds to invest for growth and enhance shareholder returns.

8. Stock Price and Market Capitalization

Q: To what extent are officers and employees aware of the Company's stock price and performance?

A: The Company offers short-term performance-linked remuneration (STI) and medium- to long-term performance-linked remuneration (LTI) as part of its officers' remuneration system and shares are given to officers when they retire based on evaluation of each individual's KPI achievement. At the officer level, therefore, we have succeeded in creating a system that encourages awareness of the stock price and performance. Meanwhile, for employees, we are thinking of a stock-linked remuneration component within bonuses as an option to consider going forward.

9. Governance

Q: This fiscal year a non-Japanese person became an executive officer of the Company; will the number of non-Japanese directors and executive officers increase in future as the Company pursues an increasingly diverse and globalized business portfolio?

A: We will be reexamining our executive officer system flexibly as part of deliberations on company spin-offs or creation of a holding company.

10. Others

Q: Why did you start holding these small meetings?

A: In the past, opportunities for dialogue with institutional investors and securities analysts were infrequent, being limited to financial results briefings once every six months. So, we thought we would set up these small meetings as a means of enhancing our dialogue with the capital markets, receiving a wide range of advice from investors and analysts, and facilitating deeper understanding of the Group. Ultimately, we hope this will lead to more favorable evaluation of the Group's businesses and reduction in the cost of capital.

Q: What is your relationship with the founding family as you run the Company?

A: The founding family has essentially delegated business execution to us. The loyalty of officers and employees toward the founding family remains high. Although Takeo Obayashi has now withdrawn from the position of representative director, he continues to play an active role as chairman of the Board.