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OBAYASHI CORPORATION  
Summary of the Financial Results Briefing Conference  
for FY2025 1st Quarter  
(April 1, 2025, to June 30, 2025)

Date: Friday, August 8, 2025, from 14:00 to 14:50  
Respondent: Takayuki Tomioka, Managing Executive Officer, General Manager of  
Corporate Strategy Division  
Attendees: 104 securities analysts, institutional investors and others

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**1. Presentation on Buyback and Cancellation of Shares, Change in Foreign Currency Translation Method, Financial Results for FY2025 1st Quarter, and Forecasts for FY2025**

An explanation was provided by the Managing Executive Officer, based on the Presentation on Financial Results for FY2025 1st Quarter.

**2. Main Questions and Answers**

**(1) Overall Business Performance**

- Q. Are the first quarter consolidated results within the range anticipated in the company's plans?  
A. We view these results as in line with our plans. Our overall progress is also at the same level as in previous years.

**(2) Domestic Building Construction Business**

- Q. Net sales of completed construction contracts were down 25% year on year in the first quarter, a larger decline than expected. Are there any projects that have been delayed?  
A. Our progress in the first quarter is on schedule, and there are no projects facing concerns such as construction delays.
- Q. The gross profit margin on completed construction contracts started strongly in the first quarter. Given that additional claim approvals can be expected going forward, can you expect a level exceeding 10%? How do you evaluate your progress so far?  
A. In FY2025, we expect the percentage of net sales of completed construction contracts accounted for by projects with provisions for losses on construction contracts to be around half the level of FY2024. In addition, as profitability at the time of receiving orders is trending upward, we expect the gross profit margin on completed construction contracts to improve. However, we cannot give a specific forecast for gross profit margin on completed construction contracts going forward, as it is difficult to predict whether profitability at the time of receiving orders will continue to increase in future.

- Q. I would like to confirm the mid-term outlook for gross profit margin on completed construction contracts. Although profitability at the time of receiving orders and the current gross profit margin on completed construction contracts are steady, what level do you think is achievable in the medium term? Can you provide specific figures?
- A. In FY2026, the impact of the provisions for losses on construction contracts recorded in previous fiscal years will be mostly eliminated, and we expect a corresponding improvement in gross profits. On the other hand, although profitability at the time of receiving orders has risen compared to several years ago, it is difficult to expect further increases in the future, and we cannot provide specific forecasts for gross profit margin on completed construction contracts going forward. However, we believe it will be possible to maintain a high level if the current supply and demand environment continues.
- Q. You stated that you do not expect a significant improvement in gross profit margin on completed construction contracts, but given that SG&A expenses are projected to continue rising, this will affect the company's overall profitability, including leading to declines in operating margin and net profit. Given this situation, isn't an improvement in gross profit margin necessary?
- A. As you noted, as personnel expenses will continue to rise, in order to avoid a decline in our operating margin we must ensure that gross profit on completed construction contracts exceeds wage increases. However, labor costs are also rising throughout the supply chain, making it unlikely that general contractors' gross profit margin on completed construction contracts will continue to rise. Please understand that we must therefore adopt a cautious outlook.
- Q. For large-scale construction projects in hand, do you expect to be able to secure additional claim approvals as in FY2024?
- A. In FY2025, we have fewer projects nearing completion compared to FY2024. Many of our projects are in the early stages of construction and we are therefore not yet at the stage of securing additional claim approvals. Although we will continue aiming to secure additional claim approvals, it is uncertain whether these will be achieved in FY2025 or FY2026.
- Q. Is there any possibility of securing additional claim approvals to improve performance on unprofitable projects with long construction periods? Have you factored this into your FY2025 plans?
- A. Although it is difficult to comment on individual projects, it is possible that there may be such instances. As our FY2025 plan includes somewhat ambitious profit targets, whether we exceed this level will depend on the outcome of negotiations.
- Q. With regard to the order environment for the domestic building construction business (p. 23 of the presentation materials), you indicated that orders are expected to remain strong through to FY2028. However, three months ago, you stated that orders were expected to remain strong through to FY2027. Does this mean that you now have a longer-range projection? In addition, what specific types of construction orders have you factored for in your plans? Is the ordering situation being driven by customers' preference to place orders earlier because they anticipate further rises in construction costs?

A. We anticipate strong demand not only for redevelopment projects but also for data centers and manufacturing plants. Although customers often request early completion, we notify them of the earliest possible completion date based on supply chain considerations.

Q. Is profitability at the time of receiving orders continuing to improve?

A. Although it is difficult to assess on a three-month basis as this depends on individual projects, profitability has improved compared to a year ago. We do not anticipate a rapid increase going forward, but we believe it is possible to maintain a high level.

### **(3) Domestic Civil Engineering Business**

Q. Gross profit margin on completed construction contracts appears to have gotten off to a slow start in the first quarter. Although there may be opportunities to secure additional claim approvals for design changes, do you expect to achieve your full-year forecast through progress in the second quarter and beyond? FY2024 also started slowly, but performance trended upward later in the year. Is there a chance I will see a similar trend in FY2025?

A. Although we anticipate a decline in profits in FY2025 compared to FY2024, which benefited from additional claim approvals for design changes, we are confident that we will be able to achieve our plans as we have a large number of construction projects in hand. As for the potential for further upswings, in light of the fact that the past two years' plans ended up exceeding expectations, we have factored in a certain degree of upward momentum in our FY2025 plan from the outset.

Q. Regarding the order environment for the domestic construction business (p. 23 of the presentation materials), what specific projects are involved in defense-related facility development projects, renewable energy and decarbonization-related businesses?

A. In defense-related facility development projects, we expect to receive requests for estimates on construction work on ECI projects that have already been secured, and we anticipate a steady stream of requests for estimates on other projects as well. We also anticipate construction projects in Okinawa. In renewable energy-related businesses, we forecast demand in onshore and offshore wind power plant construction. Going forward, there is also expected to be active market demand for burial facilities for low-level radioactive waste, final disposal sites for high-level radioactive waste, and construction upgrades to power generation facilities.

### **(4) Overseas Construction Business**

Q. Both the building construction and civil engineering businesses made significant progress in operating income in the first quarter. I assume that this level will decline in the second quarter and beyond—does this align with your expectations? Is there any potential for upward momentum?

A. Regarding the overseas construction business, although there were some special circumstances in specific projects, in general, our performance was in line with plans.

Q. Do “special circumstances in specific projects” include one-time profits?

A. Yes, that is correct.

Q. Regarding the order environment for the overseas building construction business (p. 24 of the presentation materials), are there any signs that demand from private sector real estate developers in North America will improve in the second half of the fiscal year? With the FRB hinting at a rate cut, what is your outlook?

A. As you noted, the market environment is sensitive to interest rates, and if the interest rate is lowered, we expect to see effects as early as next fiscal year.

Q. Regarding the order environment for overseas civil engineering business (p. 24 of the presentation materials), what specific business opportunities do you expect in Asia in relation to the energy and transportation infrastructure sectors?

A. We have been awarded a number of contracts for airport-related construction projects in Singapore, as well as subway construction projects.

## **(5) Share buybacks**

Q. Regarding the ¥100.0 billion in share buybacks announced in February 2025, after subtracting the ¥30.0 billion already completed and the ¥40.0 billion announced this time, is it correct to assume that the remaining ¥30.0 billion will be implemented flexibly based on the pace of future sale of cross-shareholdings, profitability levels, and equity levels, and that the amount repurchased will not necessarily be fixed at ¥30.0 billion. I would like to confirm your stance on share buybacks.

A. Although the remainder of the planned share buyback stands at ¥30.0 billion, the timing and amount will be determined after considering factors such as profit plans, investment plans, and cash flow. However, barring unforeseen circumstances, we intend to proceed with the share buyback as previously announced, with a total scale of ¥100.0 billion.

## **(6) Others**

Q. What is the status of electric power-related construction projects, including nuclear power plants? Given concerns over electricity shortages, I believe construction firms have the opportunity to offer added value. What is your approach to energy-related businesses?

A. Nuclear power-related construction projects involve many challenges, such as regulatory issues, and although we do not expect such projects to contribute significantly to our business performance in the short term, we will continue laying the groundwork for any potential future projects. We will also work proactively to capture demand for construction upgrades to existing power plants.