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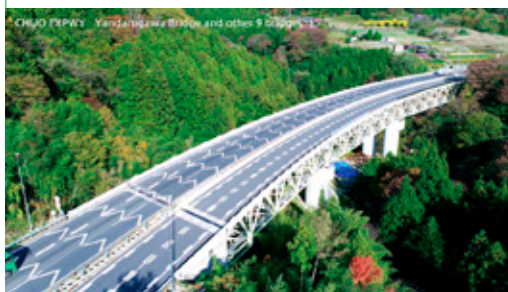


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# OBAYASHI Corporate Report

Obayashi Corporate Report has been published since 2012. This report provides shareholders, investors, and all other stakeholders with easy-to-understand information about the Group's value creation process. We hope that this report creates opportunities for further constructive dialogue with our stakeholders.

## Obayashi Corporate Report 2024: Key Points

### 1 Giving full voice of senior executives and employees

Comprehensive interviews and dialogues with officers and department heads are provided to facilitate better understanding of the Group's medium- to long-term vision, capital policy, business strategy, governance, and other issues.

- President's Message → Page 5
- Financial Review → Page 35
- Words and Messages from:
  - Domestic Building Construction Business → Page 43
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### 2 Enhancing disclosure of information most requested by shareholders and investors

Comprehensive disclosure is provided to satisfy growing requests in engagement with shareholders and investors for more information on our capital policy, the financial impacts of different TCFD scenarios, and how our human resource management can enhance corporate value.

- Medium-Term Business Plan → Page 32
- Information Disclosure Based on TCFD Recommendations → Page 54
- Human Resources Logic Tree → Page 60

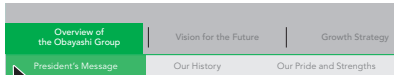
### 3 Changing to an A4 horizontal interactive format

We have switched to an A4 horizontal format that is easier to read on a computer or tablet. The format provides easier access to necessary information and specific pages and user-friendly browsing such as:

- Jump between the report and Obayashi Corporation website
- Jump between pages
- Jump between different segments of the report





**How to Use the Navigation Buttons**

**Section Tabs**

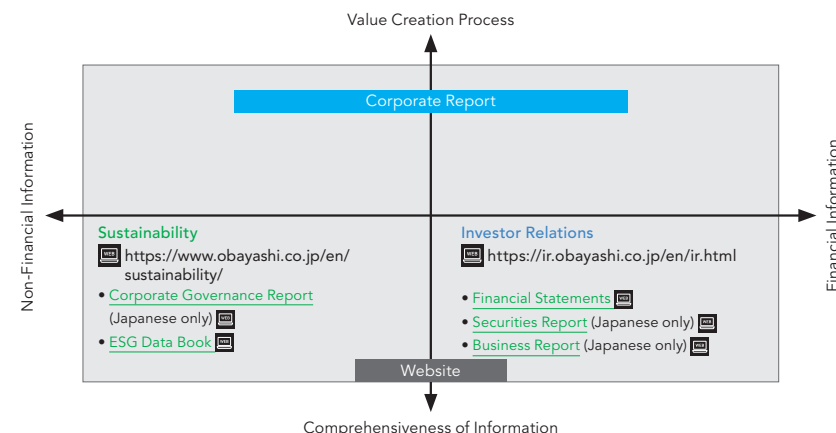


Click the tab to jump to that section

**Navigation Buttons**

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-  Jump to referenced pages in the report
-  Jump to an external site

## Information Disclosure System



## Editorial Policy

### Purpose of Publication

This report is published as a means of comprehensively disclosing the management strategy, financial information, and non-financial information of Obayashi Corporation and the Obayashi Group in a way that will facilitate understanding of the Group's overall business activities.

### Reporting Period

Unless otherwise stated, the report covers FY2023 (April 1, 2023 to March 31, 2024) and some data for FY2024.

### Reporting Guidelines

Guidance for Collaborative Value Creation 2.0 compiled by Japan's Ministry of Economy, Trade and Industry  
 The International Integrated Reporting Framework compiled by the IFRS Foundation (Formerly VRF)  
 The GRI Sustainability Reporting Standards compiled by the Global Reporting Initiative (GRI)

### Publication Date

September 2024

The use of the symbol ¥ indicates the Japanese yen in all instances in this report.

## Notes Regarding Forward-Looking Statements

Any statements in this report with respect to the plans, strategies, and projected and forecasted business performance of Obayashi Corporation and the Obayashi Group that are not historical facts are forward-looking statements based on management's judgement in light of currently available information. Factors that could cause actual results to differ materially from earnings forecasts include, without limitation, risks and uncertainties relating to economic conditions, market demand, currency exchange rates, and tax and other systems.

# Obayashi Basic Principles, Policies and Strategies

## Obayashi Basic Principles

### Obayashi Philosophy

Obayashi's Vision and Mission in Society

### A Leading Sustainability Company

- 1 Exercise honest craftsmanship with superior technologies and create new value in every space.
- 2 Care for the global environment and create solutions to social challenges as a good corporate citizen.
- 3 Value each person with a stake in our business.

By keeping these promises, Obayashi Corporation contributes to realizing a sustainable society.

### Obayashi Code of Conduct

These guidelines help us realize the Obayashi Philosophy and continue being an enterprise trusted by all stakeholders

#### 1 Fulfill our social mission

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>(1) Provide high-quality buildings, infrastructure, and services</li> <li>(2) Foster an environmentally responsible society</li> <li>(3) Value every one of our associates</li> </ol> | <ol style="list-style-type: none"> <li>(4) Build stronger mutual trust with suppliers</li> <li>(5) Build good relationships with communities</li> </ol> |
|--|---|

#### 2 Ensure strict adherence to corporate ethics

- |  |  |
|--|--|
| <ol style="list-style-type: none"> <li>(1) Comply with laws and regulations and take a sensible course of action</li> <li>(2) Promote fair and free competition</li> <li>(3) Maintain appropriate relationships with stakeholders</li> </ol> | <ol style="list-style-type: none"> <li>(4) Avoid all contact with antisocial forces</li> <li>(5) Ensure appropriate information disclosure and transparency of management</li> </ol> |
|--|--|

### Obayashi Three Pledges

The spirit that has guided us since our founding

- |            |  |
|------------|--|
| Quality    | We will deliver excellent construction projects backed by our flawless organizational abilities and outstanding skill, and our most sincere and attentive dedication.  |
| Value      | We will deliver construction projects with substance and rich value at reasonable cost through the efficient application of excellent machinery and equipment, the skillful purchasing of materials, and the pursuit of carefully managed and rational operations. |
| Efficiency | We will eliminate any time wastage and shorten construction periods by demonstrating our full capabilities, coupled with innovative construction methods, superior planning, and meticulous installation.  |

## Policies and Strategies for Creating the Ideal Obayashi Group

### Obayashi Sustainability Vision 2050

#### Pursue sustainability of “the planet, society, and people” and of the Obayashi Group

2040–2050 targets

Decarbonization

+

Provide valuable spaces and services

+

Co-creation of a sustainable supply chain

The Obayashi Group has formulated long-term Obayashi Sustainability Vision 2050 to steer the Group's united efforts to pursue sustainability of the planet, society, and people, and of the Obayashi Group. We seek to do this by embracing the various social trends and changes in our business environment and by incorporating our environment, social, and governance (ESG)-focused management foundation as well as our initiatives to address the challenge of achieving the Sustainable Development Goals (SDGs). The vision targets a future sustainable society, defining the ideal Obayashi Group of 2050. Backcasting was employed to set targets for 2040 to 2050 for the Group to work toward and determine the direction of its business development. To help achieve these targets, we have put concrete action plans in place and set key performance indicators (KPIs) to guide our efforts.



<https://www.obayashi.co.jp/en/sustainability/vision.html>

### Obayashi Group Medium-Term Business Plan 2022 and Addendum

#### Strengthening the Business Foundation and Accelerating Company-Wide Transformation (FY2022- FY2026)

The Group is implementing a five-year plan based on fundamental strategies: strengthen and expand the foundation of the construction business; innovate technologies and businesses; and expand the business portfolio for sustainable growth.

[https://www.obayashi.co.jp/en/company/mid\\_term\\_plan.html](https://www.obayashi.co.jp/en/company/mid_term_plan.html)

### Obayashi Group's Brand Vision

**MAKE BEYOND** TRANSCENDING THE ART AND SCIENCE OF MAKING OF THINGS

[https://www.obayashi.co.jp/en/company/corporate\\_message.html](https://www.obayashi.co.jp/en/company/corporate_message.html)



## Section



## Overview of the Obayashi Group

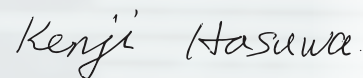
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## President's Message

## Steadily Advancing Our Three Fundamental Strategies to Further Enhance Corporate Value

### First of All

I would like to sincerely apologize for the serious accident that occurred in September 2023 at the construction site of the urban redevelopment project in front of Tokyo Station. Obayashi Corporation deeply regrets that it was not able to protect the safety of those people engaged in the construction work, resulting in the loss of precious lives and serious injuries. The Company takes its responsibility extremely seriously. We will continue to sincerely support bereaved family members and injured workers and their families. Pursuing construction work that prioritizes safety at all times is our top priority. I am taking the lead in ensuring this kind of serious accident never happens again by implementing preventive measures and strengthening safety procedures not only at this site but across all our construction sites.



**Kenji Hasuwa**  
Representative Director  
President and CEO



## President's Message

### Current Business Environment and FY2023 Review

The three-year COVID-19 pandemic finally ran its course and the flow of people and goods has rapidly returned to normal across the whole of society. Private sector capital investment is also recovering now that social and economic activities have normalized. The government has seized this opportunity to break out of Japan's 30-year deflationary environment by implementing comprehensive economic measures to encourage record levels of capital investment and promote sustainable wage increases in private companies. The pursuit of this kind of social transformation at large will have a positive impact on the construction industry. Having said that, there are few signs of resolution to the situation in Ukraine, and our business is impacted by other geopolitical risks including the conflict in the Middle East and the U.S.-China confrontation over Taiwan.

These factors have led to the continued rapid rise in energy and raw material prices, negatively impacting the cost of procuring and transporting the materials and equipment required for construction projects. Regarding the environment for the construction industry in particular, customers are continuing to plan large-scale redevelopment projects in metropolitan areas. We expect the industry to remain busy thanks to increased demand for data center construction as companies pursue digitalization and the pronounced trend of relocating factories and other major capital investment projects back to Japan due to the geopolitical risks I just mentioned. Of course, we are working to comply with the new caps on overtime work stipulated in the revised Labor Standards Act of Japan that came into effect in FY2024. At the same time, we must address the urgent challenge of ensuring our production capabilities by developing new technologies and promoting digital transformation (DX) to boost our productivity, as well as by expanding our supply chain.

It is the Obayashi Group's social mission to use these changes in the social and business environment as an opportunity to enhance corporate value and to ensure the safety of all people who engage in our business. As I said at the beginning of this message, safety must be the top priority. I am personally working together with Obayashi Group employees to ensure everyone upholds our commitment to never compromise on safety for any reason in their daily work.

In terms of business performance, the Obayashi Group reported consolidated net sales of ¥2,325.1 billion in FY2023 (up 17.2% year on year). This performance significantly exceeded the ¥2 trillion mark thanks to smooth progress on building construction and civil engineering projects. On the other hand, consolidated operating income came in at ¥79.3 billion, which meant that it unfortunately fell below the level set in Obayashi Group Medium-Term Business Plan 2022 (hereinafter, "medium-term plan") for the second consecutive year. However, the domestic construction business continues to experience solid demand so FY2023 income for domestic construction business has exceeded our plan and business performance has recovered sooner than expected mainly thanks to our profitability-focused order acceptance strategy and success in passing on increases in construction material prices.

As the construction boom continues, all Group employees work hard each day on our construction sites and other frontline businesses while also paying close attention not only to safety but also to ensuring quality. At the same time, our many suppliers and subcontractors are supporting our supply chain. As president, I am so grateful to all of them.

### Addendum to the Medium-Term Plan and Revision of Capital Policy

We are working hard on "Strengthening the Business Foundation and Accelerating Company-wide Transformation" under the medium-term plan, which





## President's Message

ends in FY2026. The medium-term plan promotes three fundamental strategies: strengthen and expand the foundation of the construction business, innovate technologies and businesses, and expand the business portfolio for sustainable growth. We aim to use the medium-term plan to build a business foundation that can generate stable profits in order to improve profitability.

Regarding the first strategy of strengthening and expanding the foundation of the construction business, we have reaffirmed our commitment to safety and quality as the most important management priority, and will thoroughly instill this commitment not only within the Group but also among everyone who engages in our construction business across the supply chain. Meanwhile, we will also work to enhance productivity, strengthen our capabilities in marketing and provision of added value, expand our construction value chain, and extend our construction service domains. As for the second strategy of innovating technologies and businesses, we are trying to identify new business opportunities in the carbon neutrality and well-being areas to help create new customer value. On the third strategy of expanding the business portfolio for sustainable growth, we are injecting management resources into our five business domains: domestic construction business, overseas construction business, real estate development business, green energy business, and new business initiatives. We are also strengthening our management approach by placing a firmer focus on capital efficiency and fortifying our risk management efforts.

We are determined to put the Group on a firm path toward achieving the sustainable expansion of corporate value by strengthening our human resources and organizations and focusing on DX and technology development to strengthen our management platforms.

We declared a medium-term target of 5% or more for return on invested capital (ROIC) as a performance indicator in the medium-term plan, and had been pursuing management with an emphasis on capital

efficiency. However, the Board of Directors and the Directors' Roundtable Meeting have engaged in discussions over the past year recognizing the need for a management approach that focuses even more strongly on capital efficiency in order to further enhance corporate value and achieve sustainable growth. After reaching agreement on the content, in March 2024, the Group announced a partial revision to the capital policy laid out in the medium-term plan.

The revision is motivated by the need to accelerate the adoption of a management approach that focuses even more strongly on capital efficiency so that we can pursue greater corporate value and sustainable growth. This is based on our continued commitment to the medium-term plan's fundamental policy of "Strengthening the Business Foundation and Accelerating Company-wide Transformation," as well as on making necessary investments for such purposes as enhancing production capabilities to improve ROIC. Specifically, after examining the capital structures of our construction business and other related Group businesses, we set the necessary equity at around ¥1 trillion. In addition to achieving the existing 5% ROIC target by improving profitability, we decided to also aim for a return on equity (ROE) of 10% by the final year of the medium-term plan in FY2026 by implementing a strategic capital policy.

Given the steady movement in our share price since the announcement of the partial capital policy revision, I feel that the capital market has appreciated the Group's new capital policy to a certain degree. We will work hard to achieve sustainable profit growth and strategically offer shareholder returns based on this capital policy.

Furthermore, in May 2024, we announced an addendum to the Obayashi Group Medium-Term Business Plan 2022, "Strengthening the Business Foundation and Accelerating Company-wide Transformation," with particular reference to the following commitments.

- Continuation of thorough measures to strengthen the foundations of the construction business
- Partial revision of performance indicator targets
- Additional measures for accelerating transformation for sustainable growth

We decided it was appropriate to partially revise the performance indicator targets, cash allocations, and other aspects in the medium-term plan based on current earnings forecasts. Our decision was made in light of factors including the fact that we have achieved some success in reducing costs through improved productivity and new technologies, as well as in our order acceptance strategy emphasizing profitability, while society as a whole is growing more positive about passing on price increases in an appropriate way.

## Realizing Our 2050 Vision

In our long-term Obayashi Sustainability Vision 2050 formulated in 2019, we explained that we must give consideration not only to nature but to society and people as well, and that achieving a balance among these aspects is essential to the sustainability of the planet. We then went on to define the ideal vision for 2050 as one in which the sustainability of the planet, society, and people is ensured. To realize this ideal, the Group set three targets for the period spanning 2040 to 2050, namely "Decarbonization," "Provide valuable spaces and services," and "Co-creation of a sustainable supply chain." I firmly believe that by 2050 society will have achieved harmony with a natural environment that is fully carbon neutral. To help bring about such a society, our mission is not only to construct and supply buildings and infrastructure that help achieve carbon neutrality, such as net zero energy buildings (ZEB),<sup>1</sup> but also to work with our supply chain to pioneer greater decarbonization in the procurement, manufacturing, and transportation of materials and equipment in

## President's Message

addition to in the construction phase. Indeed, the future of the Group and the whole construction industry depends on realizing this future landscape.

To realize this ideal vision, I believe it is essential to improve the Group's corporate value and that we must also expand the scale of our business. When moving forward on the medium-term plan, I am always thinking about the future scale of our business, the right strategies for achieving that scale, and the best management approaches to take. As a business manager and Group leader, I believe it is important to paint a future vision of the Company and its dreams, to enthusiastically convey those dreams to employees, and to encourage all employees to share those dreams and hold the Group to a high standard of achievement.

1. A building that consumes zero net primary energy while still providing a comfortable indoor environment

## Progress on Future-Oriented Efforts to Address Material Issues

As part of its aim to help bring about a sustainable society, the Group has identified six ESG-related material issues as priority areas. Materiality considerations have been incorporated into the medium-term plan, and I believe that our efforts to make steady progress on these material issues will help generate medium- to long-term growth for the Group and help bring about a sustainable society. Let me illustrate this point in relation to two of our material issues, namely conducting responsible supply chain management and developing and retaining human resources.

Discussions on the "2024 problem" resulting from the application of regulations limiting overtime work in the revised Labor Standards Act have focused primarily on the logistics industry, but it is also an important issue that needs to be addressed by the construction industry. The primary principle of the standards revision is to thoroughly control overtime work and working on holidays. The Group has always focused on the importance of achieving a good work-life balance, and

has often instructed employees to spend time with family and friends and to set aside time to pursue their own hobbies so that working hours consequently remain within the limits stipulated in the revised act. In other words, rather than developing measures to address the 2024 problem fully in response to government requests, we have chosen to explore how we can achieve a good work-life balance as an organization, and made that a key challenge for the Group. We want everyone to enjoy more fulfilling time, daily activities, and lives in working environments that comply with government and societal demands and that give employees and business partners true satisfaction in their jobs.

## Human Resource and Organizational Development

Employees of the Group are undeniably the driving force behind our attempts to increase the Group's corporate value. The platform development strategy set forth in the medium-term plan includes work experience reform as part of its human resource strategy. This overlaps somewhat with what I was talking about before regarding work-life balance. However, it is also important to feel a sense of joy not only in your personal life but also in your professional life and your relationships with your managers, colleagues, and staff. You cannot effectively develop human resources unless they achieve a good work-life balance and enjoy good relationships with their fellow workmates. Instead of accepting a situation where managers dominate their subordinates, it is better to cultivate relationships in which people with different experiences and expertise work together to ascertain how to tackle and solve specific issues in each job. Fostering these kinds of relationships will also strengthen our organization. For that reason, any form of harassment in the workplace is absolutely unacceptable. Often, the larger the organization, the harder it becomes to

respect the opinions of minority groups. However, to encourage each person to act on their own will, it is extremely important that everyone is aligned about respecting individuals.

It is for society as a whole to address the issue of how to achieve employee well-being through the promotion of diversity and inclusion that enables diverse human resources to play an active role, reinvigorates organizations, and improves corporate value. It is therefore important that the Group addresses this issue as a broader social challenge rather than focusing solely on employees of the Group and its suppliers and subcontractors. Of course, this cannot be achieved overnight, but I believe we should all strive to change our mindset and work hard to achieve these aims. This approach complements our "MAKE BEYOND: Transcending the art and science of making things" brand vision. In addition to the making of things, this vision also illustrates the importance of creating something on your own with the power of vision, the power of creation, and the power of people.

## Harnessing DX as an Organization

DX is a key concept for inspiring major changes in the Group business activities and the construction industry as a whole. The Group has stipulated a DX strategy in the medium-term plan and is promoting DX initiatives designed to strengthen business foundations and accelerate Company-wide transformation. More specifically, in addition to pursuing business process re-engineering (BPR),<sup>2</sup> we are working on DX initiatives in both operational and management areas. This includes the introduction of construction production and management systems that utilize 3D electronic data, such as building information modeling (BIM) and construction information modeling (CIM).<sup>3</sup> In 2022, we established the Digital Transformation Division as an organization tasked with driving digital transformation. The division is responsible for everything from the formation to the promotion and management of

## President's Message

digital strategies that dovetail with our overall management strategy.

The Group's DX strategy is formulated by backcasting from our 2050 vision. It seeks not only to strengthen existing businesses by enhancing information security and reforming business processes, but also considers the development of new businesses and the transformation of business models. I believe that promoting this DX strategy will help the Group improve profits and expand its business portfolio over the medium to long term.

Even back when DX was not a common term, the Group always sought to introduce cutting-edge technologies and transform operational activities and business administration processes. But even the best digital tools are useless if people don't know how to use them properly. It is therefore important to develop digital human resources that can carve new paths and to make digital tools accessible to all employees.

2. A review of existing organizations and systems, and re-designing the business flows, etc. from a process perspective toward the intended objective of the business
3. Building/construction information modeling and management: Introducing 3D models from the planning, surveying, and design stages to make various construction production and management systems more efficient and sophisticated

## A Message to Our Stakeholders

The Group's highest priority is to ensure safety in its business activities. It is also important for employees and their families to remain in good health, so we need to think more deeply about what needs to be done to ensure employees can do their work safely and stay healthy.

Once safety-related issues are resolved, our next priority is improving quality and productivity. FY2024 marks the halfway point for our medium-term plan, which espouses the theme of strengthening business foundations and accelerating Company-wide transformation. Going forward, we will design specific measures to improve profitability as part of our drive to achieve the plan's ¥100 billion consolidated operating income performance target.

We also need to actively visualize and improve work productivity if we are to help employees achieve an appropriate work-life balance. We are consistently addressing this issue together with employees of the Group and its suppliers and subcontractors. If we want to achieve concrete results, it is not enough to simply convey the words or rely on willpower alone. Instead, we have to encourage employees to sense any obstacles for themselves. Furthermore, it is vital not only for each employee to identify why they have difficulties in their daily work, but also to understand any underlying preconceived ideas and the organizational culture causing those difficulties and to promote change. My key challenge and mission is to use these efforts to raise awareness in the workplace and generate concrete results.

Meanwhile, we have been able to successfully lay out a clear capital policy, which is a significant development for the Group management and all its stakeholders. Going forward, we will seek to share the Group's value creation story by being more proactive in providing stakeholders with information on our growth strategy, our approach to strengthening our business portfolio, and progress of our ESG and SDGs-related initiatives, and by promoting continued dialogue with our stakeholders.

I hope you enjoy following our efforts to steadily advance the three Obayashi Group fundamental strategies and further improve corporate value.





# Our History

 <https://www.obayashi.co.jp/chronicle/130th/en/>

Since its founding in 1892, the Obayashi Group has amassed technologies and expertise in the “building of things,” enabling it to tackle epoch-making projects that respond to the demands of society. We have used this prowess, which is, founded on the spirit of the Obayashi Three Pledges, that has been handed down through the generations, to carve out new areas that extend beyond the realm of construction.

1892  
▼  
1926

Foundation and Early Years

- 1894 Outbreak of Sino-Japanese War
- 1904 Outbreak of Russo-Japanese War
- 1914 Outbreak of World War I
- 1919 Paris Peace Conference
- 1920 Postwar Depression
- 1923 Great Kanto Earthquake

1926  
▼  
1945

Modernization Policies and World War II

- 1937 Outbreak of Sino-Japanese War
- 1941 Outbreak of Pacific War

## The Obayashi Group's History



**1892**  
**Founded**  
At the age of 19, founder Yoshigoro Obayashi was a firm believer in development for the future, so he changed his career from kimono merchant to civil engineering and building construction contractor, and at the age of 28, founded the company in Osaka.



**1904**  
**Company named Obayashi Corporation**  
The operation, which had been called the Obayashi Store or Obayashi Yoshigoro Store, was officially named Obayashi Corporation.



**1918**  
**Obayashi Corporation founded**  
The Third Osaka Main Office Building

**1931**  
**Naigai Technos Corporation established**  
Obayashi's lumber mill became an independent company trading under the name of Naigai Mokuzai Kogei Co., Ltd.



**1933**  
**Obayashi Road Corporation established**  
Established under the name Toyo Hosoo as Obayashi Corporation's paving work company.



**1935**  
**Guidelines for On-Site Employees Published**  
The first clear statement of Yoshigoro Obayashi's founding spirit. The Obayashi Three Pledges explained in the foreword to the guidelines remain the cornerstone of our business to this day.

## Our Major Projects



**1892**  
**Abe Paper Mill**  
Yoshigoro Obayashi won the tender to build a new factory for Abe Paper Mill, the first large-scale construction project for the company. This successful tender led to the founding of the company.



**1905**  
**Port of Osaka**  
Dredged an area of 5.18 million m<sup>2</sup>, creating reclaimed land enclosed by a large breakwater. This large-scale construction project, which included a large pier and other port facilities, was equivalent to 20 years' of the Osaka City's annual budget at the time.



**1914**  
**Tokyo Central Station (currently Tokyo Station)**  
The successful completion of this major project to construct a building considered to be the symbol of Tokyo turned the Obayashi, a Kansai region contractor, into a nationwide force in the construction industry.



**1931**  
**Main Tower of Osaka Castle**  
Built using the latest construction methods for steel frame reinforced concrete, the structure soared to 53 m, an unprecedented height in Japan at the time.

1945

1969

From Postwar Recovery to Modernization and Development

- 1945 End of World War II
- 1945 Postwar reconstruction policy
- 1957 Dawn of high economic growth
- 1964 Tokyo Olympics

1970

1988

The Fast Lane to Globalization

- 1970 Japan World Exposition
- 1973 Oil crisis
- 1985 Plaza Accord
- 1986 Beginning of bubble economy
- 1986 Waterfront Project

1989

2010

Overcoming the Long Recession

- 1990 Bubble economy burst in Japan
- 1995 Great Hanshin-Awaji Earthquake
- 1997 Kyoto Protocol
- 2001 Terrorist attacks in the U.S.
- 2008 Lehman Shock

## The Obayashi Group's History

**1963**

### Obayashi Facilities Corporation established

Established under the name Toyo Building Service Corporation as Obayashi Corporation's comprehensive facility management company.



**1964**

### Opened first overseas representative office in Thailand

(1974 Established Thai Obayashi Corporation)



**1970**

### Established the Tokyo Head Office and entered the real estate development business



**1984**

### Oak Information System Corporation established

Established CPC Corporation to provide CAD input services and server and LAN construction, software development and sales.



**1999**

### Entered the international PFI business as an industry pioneer

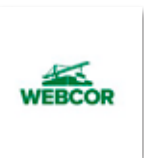
Completed the Stadium Australia (now called Accor Stadium) in Sydney. Obayashi established an in-house expert committee and began researching PFI projects from before Japan's PFI Act was implemented.



**2003**

### Oak Setsubi Corporation became a Group company

Acquired Toshiba Air Conditioning Co., Ltd., which was Toshiba Corporation's air conditioning equipment company, and changed its name to Oak Setsubi Corporation.



**2007**

### Acquired Webcor as the first step in our M&A strategy in North America

Acquired a local company with expertise in prime regions in the United States, one of the world's largest construction markets, to build a strong nationwide network.

## Our Major Projects



**1956**

### Nukabira Dam Power Generation Development

This difficult project in the cold Hokkaido region was completed in just three years. It holds the record for the shortest construction period for a dam in a cold region, and the dam served to satisfy post-war demand for electricity.



**1970**

### The Japan World Exposition (Theme Pavilion)

Built for the first world exposition to be held in Asia. The large roof on the theme pavilion building was constructed using the roof-lifting method for the first time in the world for a heavy structure.



**1982**

### San Francisco Sewer

Obayashi was the first Japanese construction company to receive an order for a public civil engineering project in the continental United States.



**1997**

### Tokyo Bay Aqua-Line

An undersea tunnel that stretches approximately 2.8 km, was constructed using one of the world's largest shield drilling machines at a maximum depth of 28 m below water level, and boasts a maximum soil cover depth of 16 m.



2011  
▼  
2021

## Expanding into New Business Areas and the Introduction of ESG Management

- 2011 Great East Japan Earthquake
- 2013 Announcement of Tokyo Olympics and Paralympic Games
- 2015 Abe Cabinet "100 Million Active Society"
- 2015 SDGs adopted by UN
- 2016 Kumamoto Earthquake
- 2017 Bid rigging incident of the Chuo Shinkansen Maglev Line Construction Project
- 2018 Hokkaido Eastern Iburi Earthquakes  
Torrential rain in western Japan
- Announcement of Osaka-Kansai Japan Expo
- 2019 Enactment of laws related to work style reform
- 2020 COVID-19 spread
- 2021 Tokyo Olympics and Paralympic Games

2022  
▼

## Toward Achieving Carbon Neutrality and Well-Being

- 2022 Russia invades Ukraine
- High inflation

### The Obayashi Group's History

#### 2011

##### Obayashi Green Vision 2050

Formulated the medium- to long-term environmental vision, precursor to the Obayashi Sustainability Vision 2050 (revised 2019).



#### 2012

##### Solar Power Generation Business started

Solar power generation equipment (982 kW) was installed at the Kumiyama Distribution Center, which was developed in-house. Became the Group's first operation to start selling power.



#### 2021

##### Hydrogen Business started

Obayashi began manufacturing and supplying green hydrogen manufactured using geothermal power in the town of Kokonoe, Kusu District, Oita Prefecture.



#### 2022 and 2023

##### Established new business companies

PLIBOT and Oprizon were established as new business initiatives.



Photo: Akita Offshore Wind Corporation

#### 2023

##### Started full commercial operation of large-scale offshore wind farm project

Operation of Japan's first commercial offshore wind farm project started in the ports of Akita and Noshiro in Akita Prefecture.

### Our Major Projects



#### 2012

##### TOKYO SKYTREE®

The world's tallest free-standing broadcasting tower at 634 m.



Photo: SS Co., Ltd. Naomichi Sode

#### 2016

##### The Sumida Hokusai Museum

Harnessed the full power of BIM, including the visualization of 3D cross sections for checking construction plans, accuracy, and other aspects, to construct an innovative building.



#### 2022

##### O-NES TOWER

First full-scale real estate development project for THAI OBAYASHI CORPORATION. Obtained LEED and WELL Gold certification.



#### 2022

##### Port Plus®

Standing at 44 m (11 floors), this is the tallest fire-resistant all-timber building in Japan.

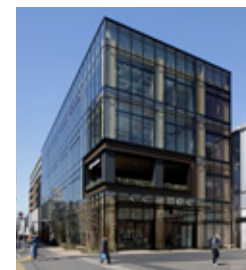


Photo: Nacása & Partners Inc.

#### 2024

##### nonowa Kunitachi SOUTH

Proactively used wood to fix approx. 150 t of CO<sub>2</sub>. Adopted hybrid construction technology, which combines wooden pillars and steel beams and contributes to the spread of wooden buildings in urban areas.



# Our Pride and Strengths

## Our Pride and Strengths

### Project Stories

Throughout its history of over 130 years, the Obayashi Group has always risen to the challenge, using its key strengths—power of vision, power of people, power of creation, and pride of honest craftsmanship—to tackle a variety of projects.

### Power of Creation

#### Creating a new landmark YOKOHAMA SYMPHOSTAGE®

A joint urban development project by four companies from different industries pursuing the ultimate in efficiency and making breakthroughs at a large-scale multipurpose complex development and construction site

The first large-scale (joint) development project with other companies in which Obayashi will serve as the managing company.\* We were determined to capitalize on our position as a developer, designer, and builder to reduce construction time and costs based on a detailed construction plan. We also succeeded on creating a comfortable work environment and closing construction sites for eight days out of every four-week period by creating a positive office environment and actively utilizing ICT tools. We were able to achieve a balance between the pursuit of real job satisfaction and honest craftsmanship.

\*Obayashi Corporation, Keikyu Corporation, Nippon Steel Kowa Real Estate Co., Ltd., Yamaha Corporation, Minato Mirai 21 Central District 53 Block Development JV (Special purpose company in which Obayashi has invested)

 [https://www.obayashi.co.jp/en/special/project80\\_en.html](https://www.obayashi.co.jp/en/special/project80_en.html)



### Power of Vision

#### Building a huge bridge over Bangladesh's "Raging River"

Constructing giant bridge piers with a special foundation structure that is designed specifically for railway bridges

Constructing bridge piers on Bangladesh's Jamuna River (nicknamed Raging River), which floods every year. Under challenging conditions, including the need for year-round construction (both in the rainy and dry seasons), unique heavy scouring of the riverbed, and other factors, we planned and constructed the piers while ensuring safety and workability. In constructing the bridge piers, we utilized a special foundation structure, of which there are very few examples even in Japan. The project is contributing to the logistics efficiency of Bangladesh, which is experiencing remarkable economic growth.

 [https://www.obayashi.co.jp/en/special/project77\\_en.html](https://www.obayashi.co.jp/en/special/project77_en.html)



### Power of People

#### Creating an entirely new Kyoto Racecourse

A 1,500-strong team preserving 100 years of tradition for future generations through our knowledge and skills

Renovation work of Kyoto Racecourse, a landmark with a hundred-year history. The numerous restrictions on renovation work at Kyoto Racecourse included limited workdays due to partial use of an off-track betting location and strict adherence to a construction period during the fixed term of the racetrack's closure. Under these conditions, it was not just about saving time, but ultra-shortening the construction period. We made everyone conscious of the need to boost productivity and sincerely tackled this challenging construction project with a team of more than 1,500 people.

 [https://www.obayashi.co.jp/en/special/project78\\_en.html](https://www.obayashi.co.jp/en/special/project78_en.html)





## Our Pride and Strengths

# Our Pride and Strengths

### The Numbers

The Obayashi Group's key strengths—power of vision, power of people, and power of creation—are revealed in data.

### Power of Creation

KPI achievement rate for the cap on overtime work under the revised Labor Standards Act of Japan

# 94.3%

FY2023 results

→ Page 62



### Power of Vision

Ratio of ZEB proposals\*

# 100%

Number of ZEB certification\*

# 12

FY2023 results

\* Out of design and build projects

→ Page 58



### Power of People

Employee satisfaction rate

# 80.9%

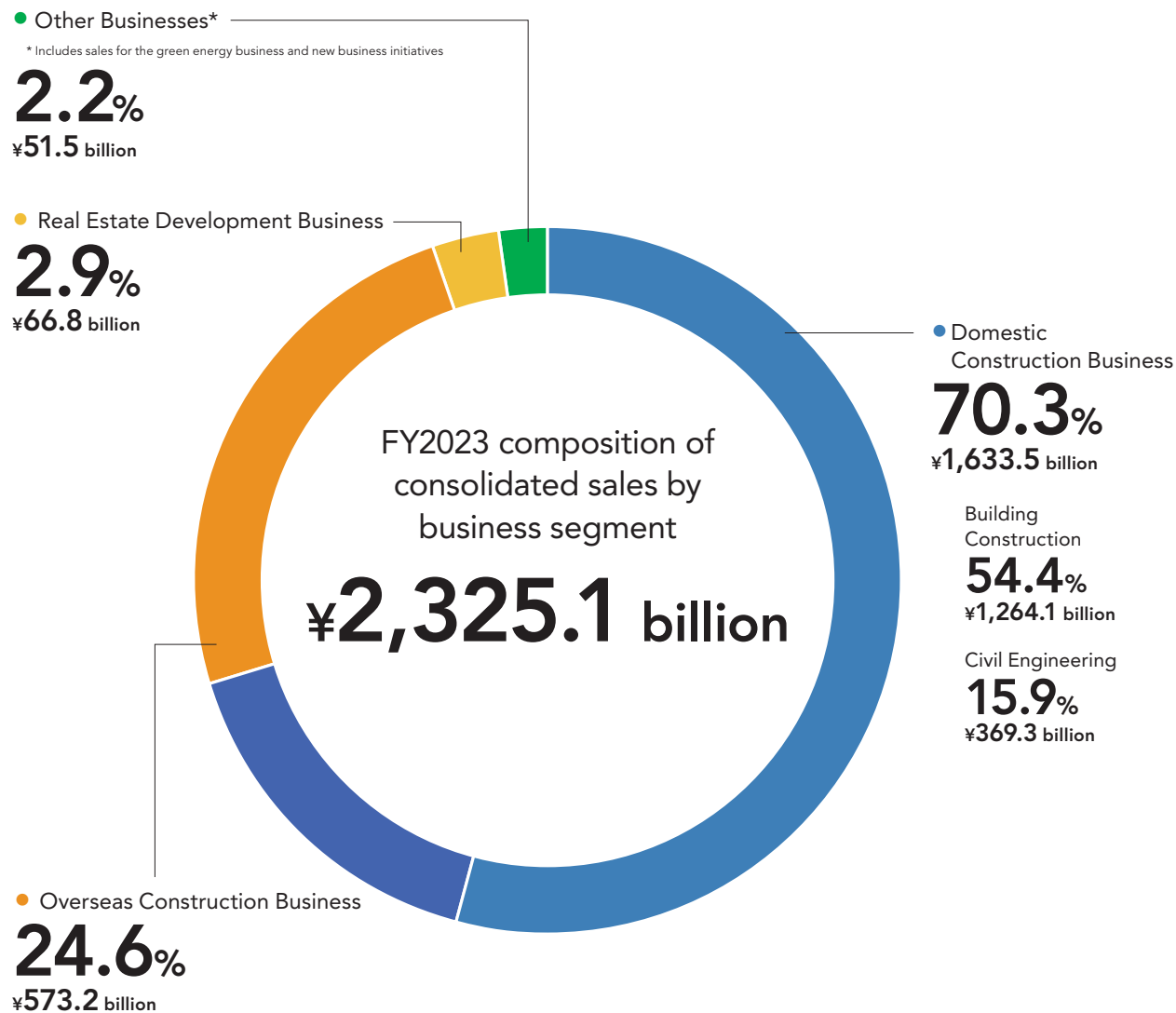
FY2023 results

→ Page 61



## Overview of Obayashi Group Operations

Ever since its founding, the Obayashi Group has sought to expand its business domains based on the spirit of its three pledges to quality, value, and efficiency and by utilizing technologies in "making things" that it cultivated in its domestic construction business. Currently, we are developing a diverse global business in five main domains: overseas construction business, real estate development business, green energy business, and new business initiatives, all centered around the domestic construction business.



### Domestic Construction Business Environment

#### Construction investment

FY2014                      FY2023  
**¥47.5 trillion → ¥70.3 trillion\***

\*Nominal value (Forecast)  
 Source: Estimate of Construction Investment FY2023, Ministry of Land, Infrastructure, Transport and Tourism, Japan

#### Background

- Demand for redevelopment
- Production bases relocating back to Japan
- The Japanese government's policy to build national resilience
- Demand for infrastructure renewal
- Increased construction costs

#### Number of workers in the construction industry

FY2013                      FY2022  
**5.00 million → 4.79 million**

Source: Labor Force Survey, Ministry of Internal Affairs and Communications, Japan

#### Background

- Declining birthrate and aging population
- Work environment
- Wage levels
- Decrease in foreign workers due to yen depreciation

#### Soaring construction material prices

As of March 2024  
**Up 30% on average\***

\*Construction material price index (Tokyo) (vs Jan. 2021)  
 Source: Japan Federation of Construction Contractors

#### Background

- Global raw material shortages and price hikes
- Soaring energy prices
- Impact of yen depreciation

#### Rising labor costs

FY2024  
**Up 16%\***

\*Unit price of labor for public works (vs FY2020)  
 Source: Japan Federation of Construction Contractors

#### Background

- Rise in consumer prices
- Trend in society as a whole to raise wages in line with the government's wage increase policy
- Improvement of compensation to secure workers

#### Overtime cap regulation

From FY2024

Application of cap on overtime work in the construction industry under the revised Labor Standards Act of Japan



## Overview of Obayashi Group Operations

### Domestic Construction Business → Page 42

#### Building Construction → Page 43

Our wide range of projects include structures, such as offices, condominiums, commercial facilities, factories, hospitals, and schools that meet the various needs of customers and society, and we are involved in many projects that have become symbols of the times and local culture. In recent years, our initiatives contributing to society's drive for carbon neutrality have included the construction of environment-conscious buildings, including those with wooden structures and interiors, and net zero energy buildings (ZEB), as well as the adoption of environment-conscious construction methods that use low-carbon materials and fuel.

#### Civil Engineering → Page 44

We help to create a safer, more secure, and more prosperous society by constructing the infrastructure that is essential to our lives, such as tunnels, bridges, dams, river works, urban civil engineering structures, railways, and expressways. In recent years, we have been expanding our business domains to include maintenance and renewal operations, including repairs, and we are actively working to extend the life and enhance the functionality of existing infrastructure. Additionally, we will improve productivity and safety and achieve work style reforms through the promotion of construction DX, including the development and application of automated and autonomous construction technologies.

### Overseas Construction Business → Page 45

We are expanding our building construction and civil engineering businesses mainly in North America, Southeast Asia, and Oceania together with various Group companies that have already developed a deep-rooted presence in their markets, and we support the daily lives of local residents through the construction of various buildings and social infrastructure. By leveraging the business platforms that we have built in various countries for over fifty years, Obayashi Group companies, both inside and outside Japan, mutually and organically complement each other's strengths in technology, human resources, and other areas. This helps us innovate construction technologies and businesses in the global market and secure new revenue opportunities.

### Real Estate Development Business → Page 47

We continue to develop and hold prime properties for lease mainly in urban areas, while flexibly acquiring capital gains through the use of private placement funds and further raising the level of building operation and management. As a business operator, we focus on decarbonization efforts, while also providing safe and secure spaces that support the continuity of tenants. As a business partner and specified agent for urban redevelopment projects, we support the promotion of large-scale developments. We also actively promote the development and acquisition of prime assets in global markets, such as the United Kingdom and Thailand.

### Other Businesses

#### Green Energy Business → Page 48

We are pursuing the power generation business through renewable energy, such as solar, wind, biomass, geothermal and hydroelectric power, as part of the quest to achieve carbon neutrality by 2050, both inside and outside Japan. We are also working to establish value chains to promote society's implementation of carbon-free green hydrogen. We also utilize the knowledge and expertise gained through these activities to propose solutions for the decarbonization-related needs of various customers.

#### New Business Initiatives → Page 50

New businesses focus on utilizing the Group's core technologies to help solve social challenges such as carbon neutrality and well-being and expand into growth markets, in addition to our public-private partnership (PPP) projects and concession initiatives.



Toyo University Asaka Campus



Osaka Station-Tunnel Fukushimahikuzenbashi-Tunnel



Taipei Dome (Taiwan)



O-NES TOWER (Thailand)



Te Ahi O Maui (TAOM) geothermal power plant (New Zealand)

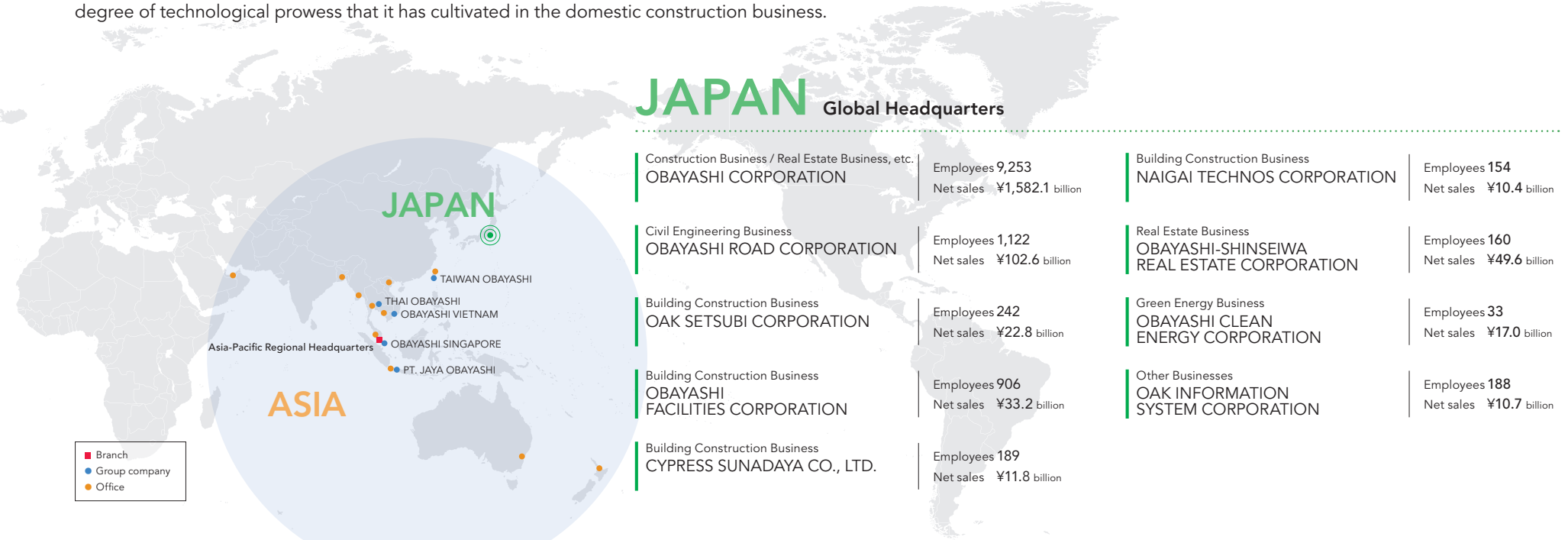


Nara Prefectural Convention Center

# Global Network

 <https://www.obayashi.co.jp/en/company/group.html>

The Obayashi Group is pursuing construction and construction-related businesses in North America, Southeast Asia, Oceania, and other regions. In doing so, it leverages the high degree of technological prowess that it has cultivated in the domestic construction business.



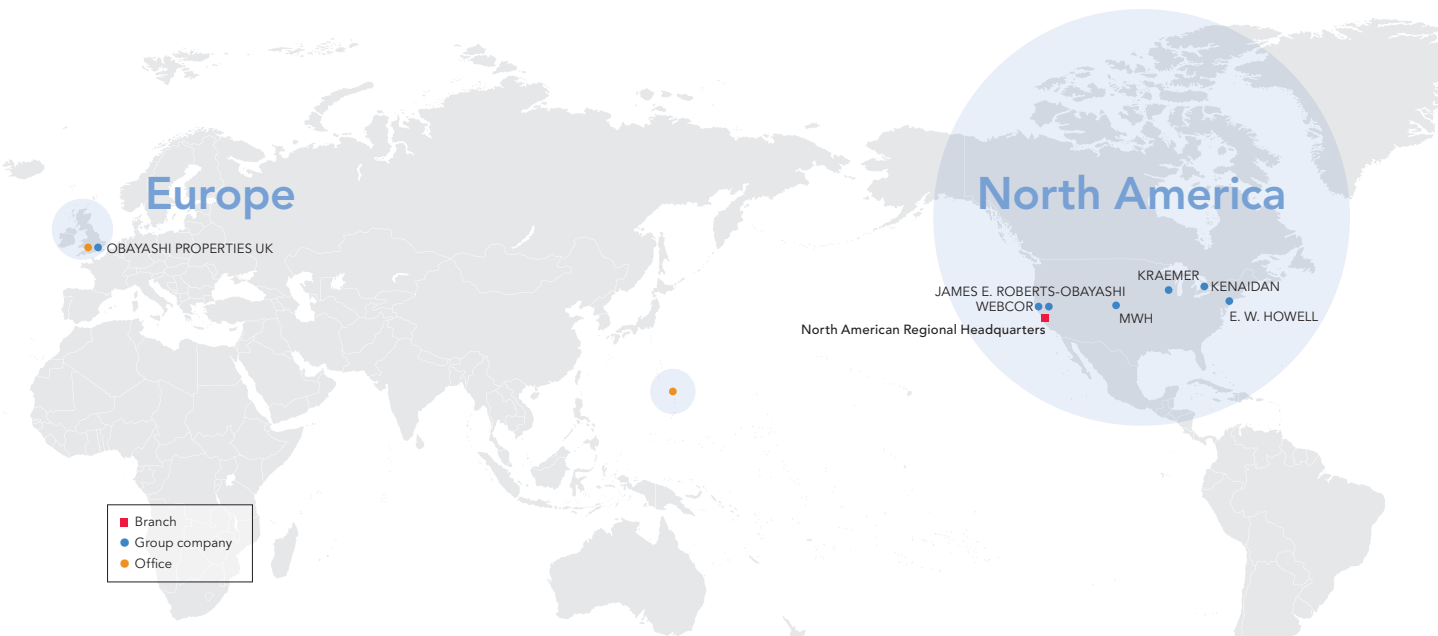
## JAPAN Global Headquarters

|   |   |   |  |
|---|---|---|--|
| Construction Business / Real Estate Business, etc.<br><b>OBAYASHI CORPORATION</b> | Employees 9,253<br>Net sales ¥1,582.1 billion | Building Construction Business<br><b>NAIGAI TECHNOS CORPORATION</b>       | Employees 154<br>Net sales ¥10.4 billion |
| Civil Engineering Business<br><b>OBAYASHI ROAD CORPORATION</b>                    | Employees 1,122<br>Net sales ¥102.6 billion   | Real Estate Business<br><b>OBAYASHI-SHINSEIWA REAL ESTATE CORPORATION</b> | Employees 160<br>Net sales ¥49.6 billion |
| Building Construction Business<br><b>OAK SETSUBI CORPORATION</b>                  | Employees 242<br>Net sales ¥22.8 billion      | Green Energy Business<br><b>OBAYASHI CLEAN ENERGY CORPORATION</b>         | Employees 33<br>Net sales ¥17.0 billion  |
| Building Construction Business<br><b>OBAYASHI FACILITIES CORPORATION</b>          | Employees 906<br>Net sales ¥33.2 billion      | Other Businesses<br><b>OAK INFORMATION SYSTEM CORPORATION</b>             | Employees 188<br>Net sales ¥10.7 billion |
| Building Construction Business<br><b>CYPRESS SUNADAYA CO., LTD.</b>               | Employees 189<br>Net sales ¥11.8 billion      |   |  |

## ASIA Asia-Pacific Regional Headquarters

|   |   |  |
|---|---|--|
| <b>Thailand</b><br>Building Construction Business / Real Estate Business<br><b>THAI OBAYASHI CORPORATION LIMITED</b><br>THAILAND OFFICE<br>Employees 1,345<br>Net sales ¥61.8 billion | <b>Taiwan</b><br>Building Construction Business<br><b>TAIWAN OBAYASHI CORPORATION</b><br>TAIWAN OFFICE<br>Employees 138<br>Net sales ¥15.7 billion  | <b>Indonesia</b><br>Building Construction Business<br><b>PT. JAYA OBAYASHI</b><br>INDONESIA OFFICE<br>Employees 283<br>Net sales ¥15.4 billion |
| <b>Singapore</b><br>Building Construction Business<br><b>OBAYASHI SINGAPORE PRIVATE LIMITED</b><br>Employees 415<br>Net sales ¥55.6 billion   | <b>Vietnam</b><br>Building Construction Business<br><b>OBAYASHI VIETNAM CORPORATION</b><br>HANOI OFFICE<br>Employees 189<br>Net sales ¥18.3 billion |  |
| <b>U.A.E.</b><br>MIDDLE EAST OFFICE   | <b>Myanmar</b><br>MYANMAR OFFICE  | <b>Malaysia</b><br>MALAYSIA OFFICE   |
| <b>Bangladesh</b><br>BANGLADESH OFFICE  | <b>Cambodia</b><br>CAMBODIA OFFICE  | <b>New Zealand</b><br>NEW ZEALAND OFFICE   |

## Global Network



# North America

## North American Regional Headquarters

### U.S.A.

|  |   |
|--|---|
| Building Construction Business<br>WEBCOR, L.P. | Employees 527<br>Net sales ¥182.7 billion |
|--|---|

### U.S.A.

|   |   |
|---|---|
| Building Construction Business<br>JAMES E. ROBERTS-OBAYASHI CORPORATION | Employees 61<br>Net sales ¥46.5 billion |
|---|---|

### U.S.A.

|  |  |
|--|--|
| Civil Engineering Business<br>KRAEMER NORTH AMERICA, LLC | Employees 201<br>Net sales ¥56.4 billion |
|--|--|

### U.S.A.

|  |  |
|--|--|
| Building Construction Business<br>E.W. HOWELL CO., LLC | Employees 170<br>Net sales ¥56.2 billion |
|--|--|

### U.S.A.

|   |                               |
|---|-------------------------------|
| Civil Engineering Business<br>MWH MANAGEMENT INC. | Employees 753<br>Net sales -* |
|---|-------------------------------|

\* Became a consolidated subsidiary of Obayashi in December 2023

### U.S.A.

GUAM OFFICE

### Canada

|   |  |
|---|--|
| Civil Engineering Business<br>KENAIDAN GROUP LTD. | Employees 195<br>Net sales ¥29.8 billion |
|---|--|

# Europe

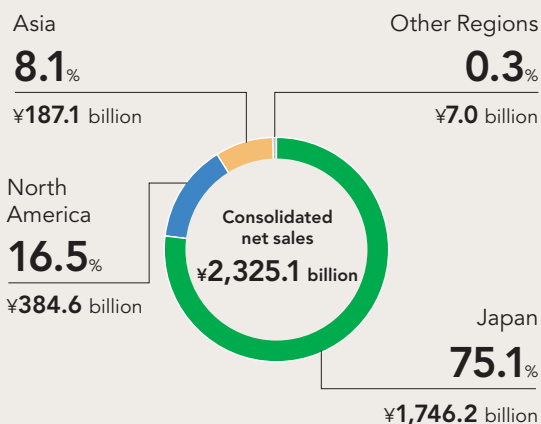
### U.K.

|   |                                       |
|---|---------------------------------------|
| Real Estate Business<br>OBAYASHI PROPERTIES UK LIMITED<br>EUROPE OFFICE | Employees 4<br>Net sales ¥4.9 billion |
|---|---------------------------------------|

### Group Overview (As of March 31, 2024)

|                                       |                          |
|---------------------------------------|--------------------------|
| Overseas offices                      | Employees (consolidated) |
| <b>16</b> countries and regions       | <b>16,986</b>            |
| Group companies                       | <b>147</b>               |
| Obayashi Corporation and subsidiaries | Affiliated companies     |
| <b>119</b>                            | <b>28</b>                |

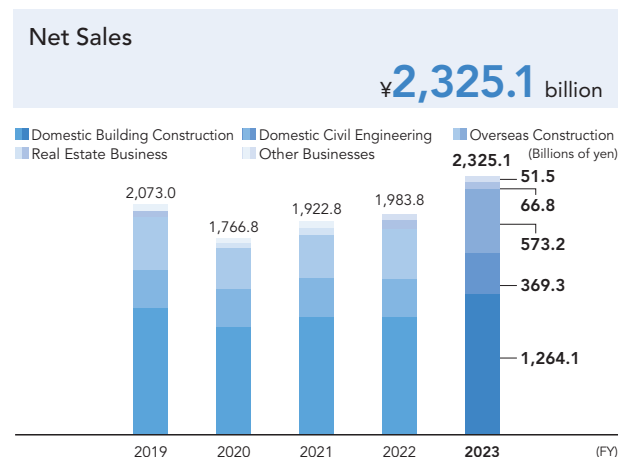
### Net Sales by Region (FY2023 results)



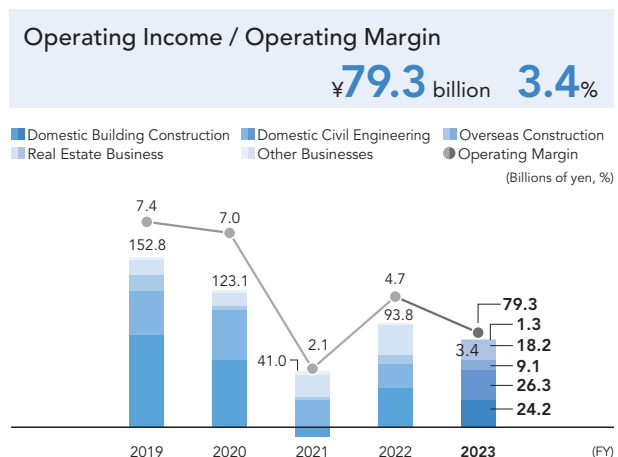


# Performance at a Glance

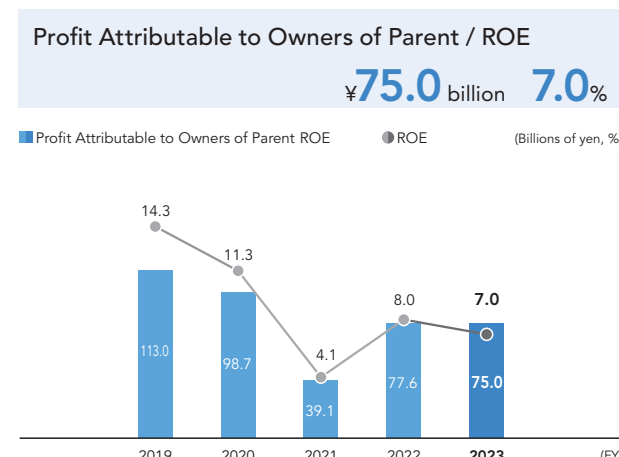
## Consolidated Financial Highlights



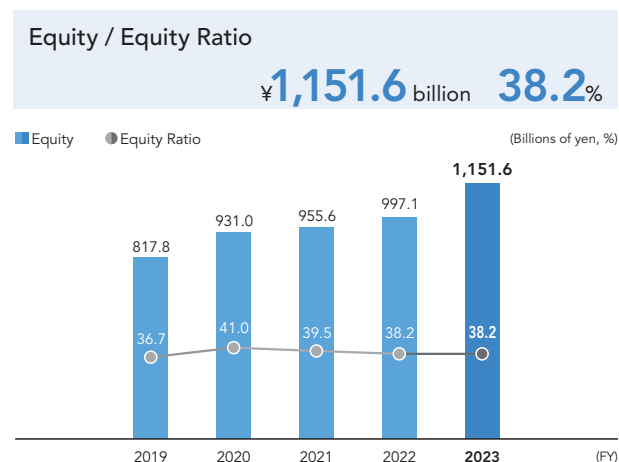
Net sales reached a record high thanks to favorable progress on construction projects in hand for both building construction and civil engineering in the domestic construction business, as well as favorable progress on construction projects in hand in the overseas construction business. In addition, net sales were boosted by currency translation gains due to the weaker yen.



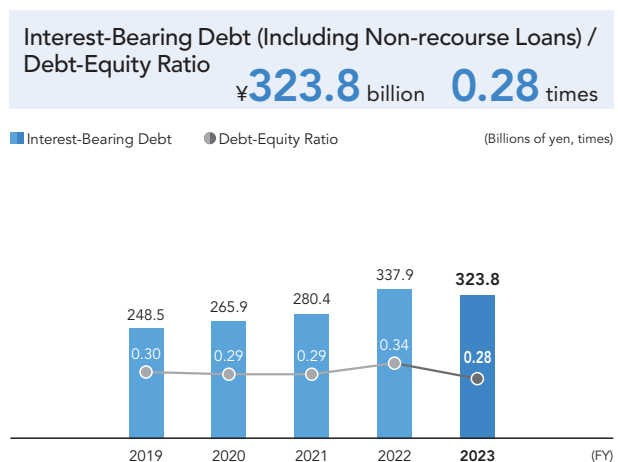
Operating income contracted as gross profit on completed construction projects declined due primarily to losses recorded in relation to the accident at the Yeosu redevelopment project in the domestic building construction business. Other factors weighing on operating income included the year-on-year decline in sales in the real estate business due to the sale of large-scale properties in the previous year, and the recording of allowance for doubtful accounts in the overseas construction business.



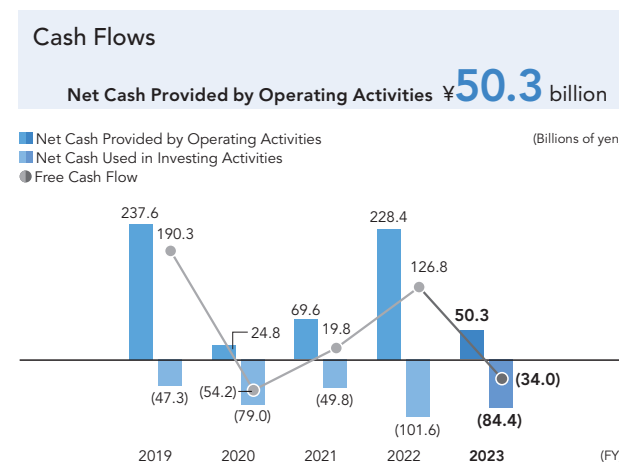
Profit attributable to owners of parent declined on the back of the fall in operating income, despite the increase in profit on the sale of cross-shareholdings. Return on equity (ROE) also decreased by 1.0 percentage point to 7.0% due to the decline in profit and an increase in consolidated equity.



Equity rose on the back of a significant increase in the valuation difference on available-for-sale securities due to the rising prices of cross-shareholdings. The equity ratio held steady year on year due primarily to a rise in equity on the one hand and an increase in liabilities relating to the payment of construction costs on the other.



Interest-bearing debt declined, primarily due to the redemption of corporate bonds. The debt-equity ratio decreased by 0.06 percentage points to 0.28 as interest-bearing debt declined and net assets increased on the back of higher retained earnings and valuation difference on available-for-sale securities.

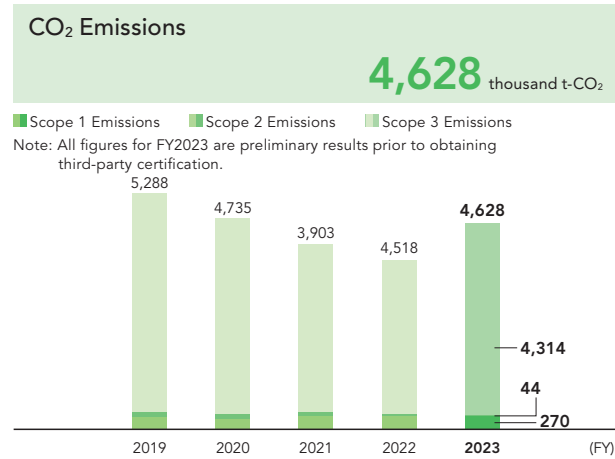


Net cash provided by operating activities declined primarily due to an increase in accounts receivable as large-scale construction projects proceeded in the domestic building construction business. Despite acquiring shares in subsidiaries through M&A, net cash used in investing activities decreased as we moved ahead with the sale of cross-shareholdings.

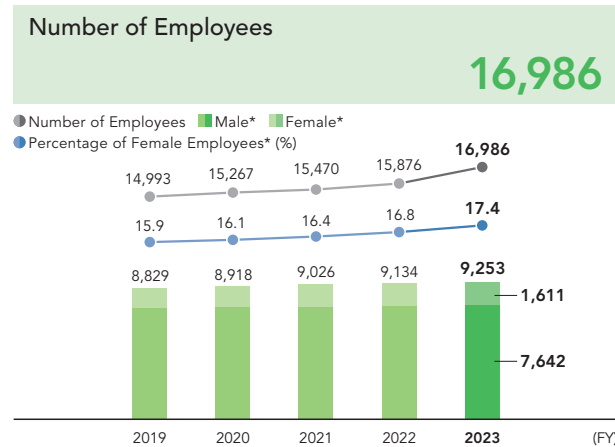
## Performance at a Glance

### Non-Financial Highlights

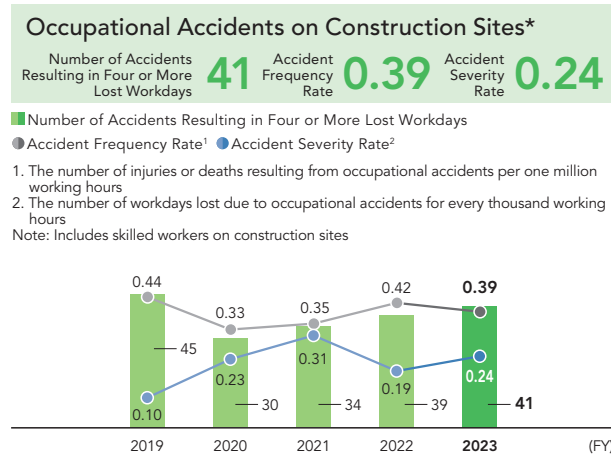
Data marked with an asterisk (\*) is non-consolidated data. All other data is consolidated data.



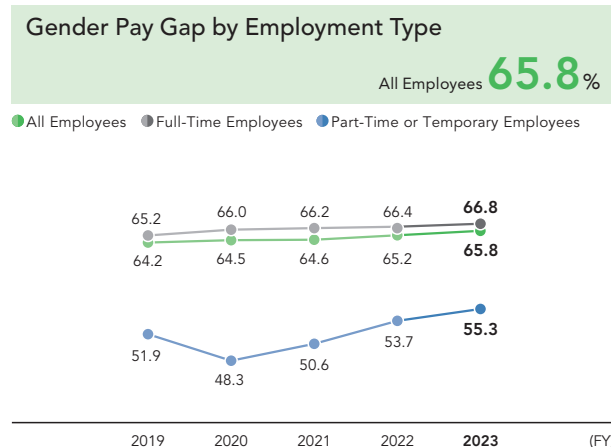
The use of renewable energy and non-fossil certificates reduced Scope 2 CO<sub>2</sub> emissions. However, overall CO<sub>2</sub> emissions increased from the previous year as Scope 1 and Scope 3 emissions increased due to increased net sales and the completion of large-scale design and construction projects.



The number of employees is rising steadily due to increases in new graduate and mid-career hires. The percentage of female employees among new graduate hires exceeded 25% for the first time, with the percentage of female employees among total employees reaching 17.4% (up 0.6 percentage points year on year) in FY2023.



In FY2023, the accident severity rate rose as the number of fatal accidents increased by one year on year. The number of accidents resulting in four or more workdays lost increased by two, but the accident frequency rate improved by 0.03 points.



Many women were employed in clerical positions under our former personnel system. Today, however, we are hiring men and women for career-track positions and the pay gap for full-time employees is narrowing each year. For part-time or temporary workers, the large number of women employed as administrative assistants and for similar positions contributes to the higher pay gap. That gap, too, is gradually narrowing.

### Human Resource-Related Data\*

| Item                                  | FY2021   | FY2022 | FY2023 |       |
|---------------------------------------|--|--------|--------|-------|
| Active Participation                  | Number of new graduate hires                       | 304    | 313    | 352   |
|                                       | Male   | 241    | 247    | 258   |
|                                       | Female   | 63     | 66     | 94    |
|                                       | Percentage female                                  | 20.7%  | 21.1%  | 26.7% |
|                                       | Number of mid-career hires                         | 76     | 102    | 101   |
|                                       | Male   | 65     | 87     | 87    |
|                                       | Female   | 11     | 15     | 14    |
|                                       | Percentage female                                  | 14.5%  | 14.7%  | 13.9% |
|                                       | Number of employees rehired after retirement       | 725    | 735    | 770   |
|                                       | Number of foreign national employees               | 39     | 41     | 46    |
| In management positions               | 5  | 7      | 8      |       |
| Number of employees with disabilities | 239  | 246    | 279    |       |
| Turnover rate (%)                     | 1.2  | 1.7    | 1.6    |       |
| Work-Life Balance                     | Number of employees taking childcare leave         | 51     | 62     | 61    |
|                                       | Number of employees taking nursing-care leave      | 29     | 34     | 51    |
|                                       | Number of employees taking spouse childbirth leave | 201    | 214    | 247   |
|                                       | Number of employees taking child rearing leave     | 58     | 86     | 91    |
|                                       | Annual paid vacation usage rate (%)                | 46.7   | 51.7   | 55.4  |



## Section

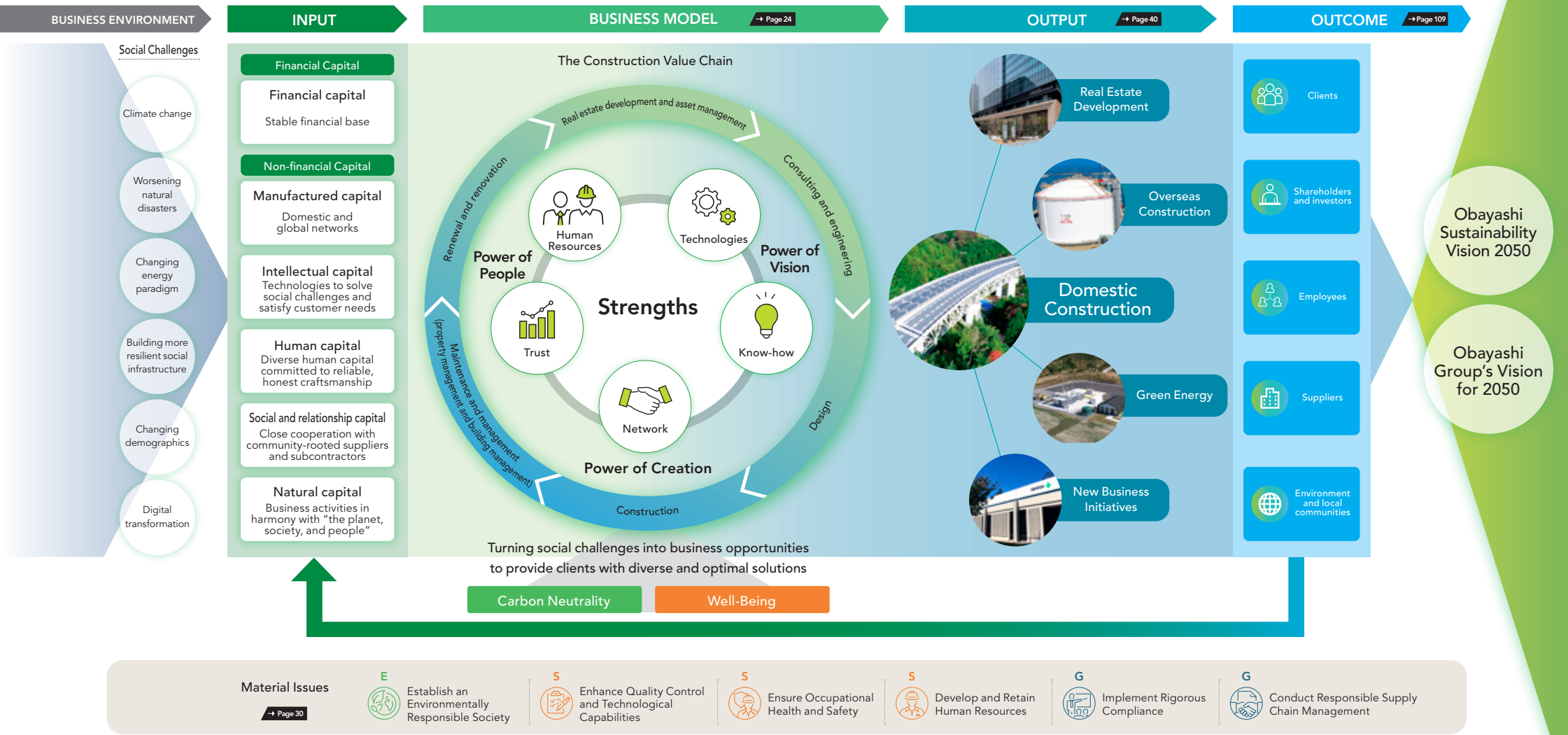
### Vision for the Future

- 22 Value Creation Process
- 24 The Key Drivers of Value Creation
- 26 Case Study: Carbon Neutrality Initiatives for Value Creation
- 27 Case Study: Well-Being Initiatives for Value Creation



# Value Creation Process

Based on the Obayashi Basic Principles, the Obayashi Group works to solve social and corporate sustainability issues through its business using both financial and non-financial capital, aiming to achieve its long-term vision, Obayashi Sustainability Vision 2050.



# Value Creation Process

Values shown below FY are the results of the fiscal year or values as of the end of the fiscal year.

BUSINESS ENVIRONMENT

- Social Challenges
- Climate change
- Worsening natural disasters
- Changing energy paradigm
- Building more resilient social infrastructure
- Changing demographics
- Digital transformation

### INPUT

#### Management resources

#### Further enhancements

#### Financial capital

|                         | FY2022           | FY2023             |
|-------------------------|------------------|--------------------|
| <b>Total assets</b>     | ¥2,609.9 billion | → ¥3,017.0 billion |
| <b>Equity</b>           | ¥997.1 billion   | → ¥1,151.6 billion |
| <b>Invested capital</b> | ¥1,373.8 billion | → ¥1,518.6 billion |

A solid financial base is necessary for sustainable growth. We seek to improve corporate value by pursuing business management with a focus on capital efficiency and striking the right balance between investments based on our growth strategy and shareholder returns.

#### Manufactured capital

|  | FY2022         | FY2023                                   |
|--|----------------|--|
| <b>Group companies/overseas offices</b>                          | 136/16         | → 147 companies/16 countries and regions |
| <b>Real estate development business investment</b>               | ¥101.1 billion | → ¥175.9 billion                         |
| <b>Green energy business investment</b>                          | ¥3.2 billion   | → ¥6.0 billion                           |
| <b>Construction machinery and business facilities investment</b> | ¥14.8 billion  | → ¥33.5 billion                          |
| <b>M&amp;A and others investment</b>                             | ¥10.3 billion  | → ¥44.8 billion                          |

We leverage our expansive global network to provide swift solutions that are tailored to individual regional needs and social challenges. We are working to strengthen our management base and construction business platforms while also expanding growth investment designed to expand our business portfolio.

#### Intellectual capital

|                                      | FY2022        | FY2022-FY2023   |
|--------------------------------------|---------------|-----------------|
| <b>DX-related investment</b>         | ¥16.0 billion | → ¥31.9 billion |
| <b>Technology-related investment</b> | ¥16.1 billion | → ¥33.2 billion |

The Group is proactively implementing DX and technology-related investments to improve productivity and establish a competitive advantage.

#### Human capital

|  | FY2022       | FY2023          |
|--|--------------|-----------------|
| <b>Employees (consolidated)</b>          | 15,876       | → 16,986        |
| <b>Human resource-related investment</b> | ¥5.1 billion | → ¥10.6 billion |

Human resources are a vital management resource that steer the value-creation process. The Group has ongoing commitment to investment for securing the human resources required to support its domestic construction business and fostering the necessary talent to implement its growth strategies.

#### Social and relationship capital

|  | FY2022        | FY2023          |
|--|---------------|-----------------|
| <b>Number of Obayashi Rin-yu-kai* member companies</b> | Approx. 1,200 | → Approx. 1,200 |

\* Suppliers and subcontractors federation

We are committed to building solid bonds of trust through proactive and constructive dialogue with our various stakeholders.

#### Natural capital

|   | FY2022 | FY2023   |
|---|--------|----------|
| <b>Renewable energy generation capacity</b> | 270 MW | → 305 MW |

The Group is determined to contribute to nature positivity through its efforts to achieve decarbonization and a recycling-oriented society, and to respect the natural world.

### BUSINESS MODEL

Real Estate Development

Overseas Construction

Domestic Construction

Green Energy

New Business Initiatives

### OUTPUT

#### OUTCOME

#### Clients

- Providing safe, secure, and comfortable buildings and infrastructure

#### Shareholders and investors

- Raising corporate value
- Stable shareholder returns

#### Employees

- Creating a safe and rewarding work environment

#### Suppliers

- Building strong partnerships based on trust

#### Environment and local communities

- Contributing to society as a good corporate citizen
- Reducing environmental impact

|   | FY2022                           | FY2023                             |
|---|----------------------------------|------------------------------------|
| <b>Client satisfaction rate</b>   | 97.5%                            | → 97.1%                            |
| <b>Number of ZEB certified projects</b>   | 8                                | → 12                               |
| <b>Number of wooden structure and interior orders received</b>                            | 5                                | → 5                                |
| <b>ROE</b>  | 8.0%                             | → 7.0%                             |
| <b>ROIC</b>   | 4.9%                             | → 3.8%                             |
| <b>Dividend amount</b>  | ¥42                              | → ¥75                              |
| <b>Number of fatal accidents</b>  | 2                                | → 3                                |
| <b>Number of accidents resulting in four or more lost workdays</b>                        | 39                               | → 41                               |
| <b>Employee satisfaction rate</b>   | 78.4%                            | → 80.9%                            |
| <b>Turnover rate</b>  | 1.7%                             | → 1.6%                             |
| <b>Raise of the basic wage rate</b>   | 3.5%                             | → 4.5%                             |
| <b>Number of suppliers and subcontractors attending engagement events</b>                 | 145                              | → 201                              |
| <b>Number of persons completing training at the Obayashi Rin-yu-kai Vocational School</b> | 60                               | → 66                               |
| <b>Number of Certified Excellent Site Supervisors and Excellent Operators</b>             | 505                              | → 531                              |
| <b>CO<sub>2</sub> emissions</b>   | 4,518 thousand t-CO <sub>2</sub> | → 4,628 thousand t-CO <sub>2</sub> |
| <b>Cost of social contribution activities</b>   | ¥1.3 billion                     | → ¥1.1 billion                     |

Obayashi Sustainability Vision 2050

Obayashi Group's Vision for 2050

Material Issues



# The Key Drivers of Value Creation

The Obayashi Group will provide added-value service to society by expanding the construction value chain from initial development through to renewal and renovation, centered on the spirit of honest craftsmanship and on the solid technology that are the hallmarks of its history and the tradition it has followed since its foundation.

|  |                              |                           |                            |                   |                      |  |
|--|------------------------------|---------------------------|----------------------------|-------------------|----------------------|--|
| Business opportunities                       | Carbon Neutrality            |                           |                            | Well-Being        |                      |  |
|  | Expand the product lifecycle | CO <sub>2</sub> reduction | CO <sub>2</sub> absorption | Safety            | Security             |  |
| Real estate development and asset management | CO <sub>2</sub> recycling    | CO <sub>2</sub> capture   |                            | Comfort           | Health               |  |
|  | CO <sub>2</sub> recycling    | CO <sub>2</sub> capture   |                            | Comfort           | Health               |  |
| Consulting and engineering                   | Overview                     |                           |                            | Amassed strengths |                      |  |
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## The Key Drivers of Value Creation

|  | Overview  | Amassed strengths   | Further enhancements   | Risks   |
|--|---|---|--|---|
| <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Design</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Construction</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Maintenance and management (property / building management)</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Renewal and renovation</div> |  <p>Team members join forces to accurately understand client needs and achieve design, quality, and cost requirements. In addition to designing and undertaking initiatives with a high level of business value, the team also aims to provide new value to people and society at large and bring about a brighter future by submitting proposals that go beyond the imagination.</p>  | <ul style="list-style-type: none"> <li>Value-added proposals fueled by a wealth of creativity and technical prowess</li> <li>Internal and external networks that support the creation of diverse and flexible proposals</li> <li>Amassed expertise in environmental contribution</li> <li>Internal collaborative systems that enhance problem-solving capabilities</li> </ul>   | <ul style="list-style-type: none"> <li>Expand human resources by cooperating with external design offices</li> <li>Use building information modeling (BIM) for frontloading and to improve productivity</li> <li>Strengthen competitiveness in highly specialized fields</li> <li>Strengthen proposal capabilities for early contractor involvement (ECI)<sup>1</sup> and design-build (DB),<sup>2</sup> as well as PPP and private finance initiatives (PFI)</li> <li>Expand training systems and enhance proposal capabilities</li> </ul>  | <ul style="list-style-type: none"> <li>Secure human resources to meet immediate workload</li> <li>Adjust budget estimates to reflect soaring construction material prices</li> <li>Measures to address abnormal weather patterns and environmental changes</li> <li>Potential quality problems caused by design defects</li> </ul>  |
|  |  <p>After formulating a detailed construction plan, the team carries out construction work with due consideration to safety, quality, and the environment, and delivers completed buildings to clients on time. A joint construction partner with specialist skills is put in charge of the construction, while Obayashi takes responsibility for the overall management of the project, including safety and quality, and construction schedule management.</p> | <ul style="list-style-type: none"> <li>Expertise and technological capabilities to complete difficult construction projects</li> <li>Robotics-driven automation and autonomous construction technologies</li> <li>ICT-driven safety and quality management</li> <li>Price competitiveness achieved through cooperation with suppliers and manufacturers</li> <li>Supply chains that ensure quality and stable supply</li> </ul> | <ul style="list-style-type: none"> <li>Improve productivity by creating production systems and labor-saving methods that utilize IoT, AI, and robotics</li> <li>Pursue initiatives in new construction service areas, such as the construction of wooden structures and interiors, or smart roads</li> <li>Secure skilled workers, appoint foreign national workers, and strengthen human resource development</li> <li>Introduce individual health management system wristbands for skilled workers to prevent occupational accidents</li> </ul>  | <ul style="list-style-type: none"> <li>Potential serious safety- or quality-related incidents</li> <li>Soaring prices and supply constraints of construction materials</li> <li>Impact of timber procurement on ecosystems</li> <li>Shortage of construction site personnel due to aging of skilled workers and the lack of successors with the experience and skills</li> <li>Human rights violations across the supply chain</li> </ul> |
|  |  <p>The team provides safe, secure, and comfortable spaces for building users, and maintains and improves the value of building assets through a variety of management services, such as M&amp;E facility management, cleaning management, and security.</p>  | <ul style="list-style-type: none"> <li>Facilities operation that leverages Internet of Things (IoT), artificial intelligence (AI), and other innovation</li> <li>A wealth of PPP business experience</li> <li>Group cooperation enabling receipt of comprehensive contracts spanning construction work and building management</li> </ul>   | <ul style="list-style-type: none"> <li>Expand building management (BM) administration systems</li> <li>Acquire property/building management contracts through private funds under management</li> </ul>  | <ul style="list-style-type: none"> <li>Demand for operational management services suited to the characteristics of individual real estate properties and facilities</li> <li>Shortage of personnel in the BM business</li> </ul>  |
|  |  <p>The team draws upon its comprehensive knowledge to formulate detailed renewal and renovation plans. It also provides other services, such as those related to extending the useful life of buildings and infrastructure, conserving energy, and supporting business continuity planning (BCP) and business continuity management (BCM), to help maintain and improve the value of building and infrastructure assets.</p>                                  | <ul style="list-style-type: none"> <li>Ability to propose long-term repair plans based on lifecycle</li> <li>Technical proposals based on extensive track record in infrastructure renewal</li> <li>Ability to make renewal and renovation proposals with consideration of carbon neutrality based on knowledge of energy conservation and know-how in energy creation gained from the renewable energy business</li> </ul>     | <ul style="list-style-type: none"> <li>Respond to infrastructure renewal demand</li> <li>Acquire technologies and enhance proposal capabilities through M&amp;A and other means</li> <li>Develop technologies, such as the Obayashi Bridge Renewal Integrated System (OBRIS<sup>®</sup>), and apply those technologies at construction sites</li> <li>Develop and improve technologies in collaboration with the Group companies with specialized technologies</li> <li>Secure competitive advantage through carbon neutrality advisory capabilities for the existing buildings</li> </ul> | <ul style="list-style-type: none"> <li>Occurrence of public disturbance and nuisance to the third parties during renewal and renovation works</li> <li>Intensified competition in the renewal and renovation field</li> </ul>   |

1. A method of concluding a construction contract. It involves engaging in technological cooperation with a holder of priority negotiation rights selected based on its technological proposal, and negotiating price and other factors while reflecting details of the proposal for technological cooperation work into the design.

2. A method in which a client orders both the design and construction work at the same time from a single contractor



## Case Study: Carbon Neutrality Initiatives for Value Creation

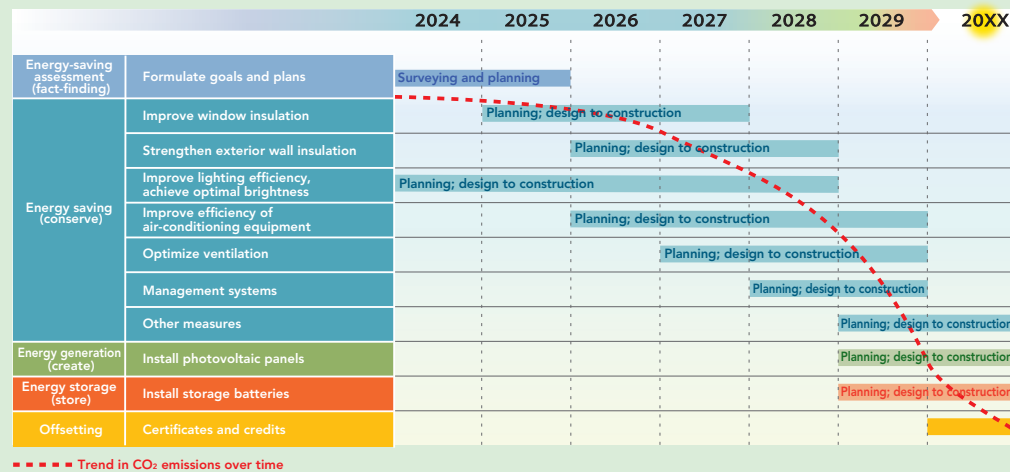
The Obayashi Group is looking to create customer value by using its advisory service to provide energy-saving, energy-creating, and various other solutions to customers as they work to achieve carbon neutrality. In addition, we aim to use this advisory service to establish a stronger competitive advantage in the carbon neutrality arena.

### Advisory Service for Achieving Carbon Neutrality

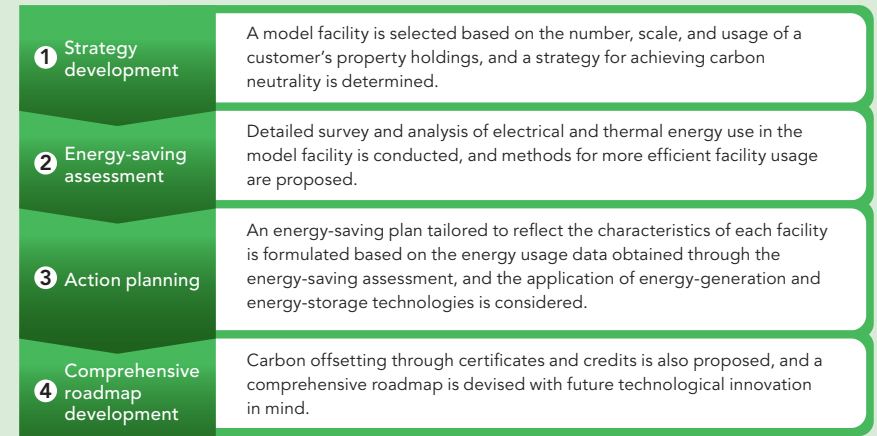
For society as a whole to achieve the goal of carbon neutrality by 2050, it is vital to consider decarbonization measures not only for new buildings, but also for existing buildings. Indeed, many customers view the achievement of carbon neutrality in their existing facilities as an issue that requires action.

Obayashi mobilizes its extensive building renewal track record established in its construction business and expertise gained from the renewable power generation business to provide comprehensive support packages and help propel the carbon neutrality efforts of customers. That support can include building surveys, energy-saving assessments, ZEB conversion simulations, and the creation of renewal process roadmaps. We use a wide variety of methods to propose optimal solutions that are tailored to a particular building's use and characteristics.

### Example of a Renovation Roadmap for ZEB Conversion of Existing Facilities



### Advisory Service Flow



### Future Technology for Supporting Carbon Neutrality

We provide customers with information and support on the adaptation of new technologies to assist with their carbon-neutral goals, such as the WELCS place® smart building platform for digitalizing buildings; lightweight photovoltaic panels made of flexible materials; storage batteries made without rare metals; next-generation energy sources including hydrogen, ammonia, and e-methane (synthetic methane);\* and means for capturing and containing carbon.

\* Synthetic methane is produced from CO<sub>2</sub> and hydrogen, and e-methane is a specific type of synthetic methane produced using green hydrogen or other non-fossil fuels. It does not result in a net increase in atmospheric CO<sub>2</sub> because the CO<sub>2</sub> emitted during the combustion of synthetic methane is offset by the CO<sub>2</sub> used as the raw material.

### Value Creation Process in Advisory Service for Carbon Neutrality



## Case Study: Well-Being Initiatives for Value Creation

Obayashi's smart city business uses data to visualize local consumer issues and needs, and matches those issues and needs with solutions that help create cities in which each person can pursue diverse ways of life. Evolving consumer behavior creates new demand, which in turn enables us to provide added value to customers of our construction and real estate development businesses. Furthermore, data accumulated in the process is being used in new business initiatives, including those in the services and data utilization fields.

### Smart City Business

The area management business, which is at the core of the Company's smart city operations, helps building owners and local governments to manage local areas. The area management business utilizes data on a particular area and its people, while the service business focuses on providing solutions to people in the area and the area data platform business manages data collected through the area management and service businesses.

#### Area data platform business

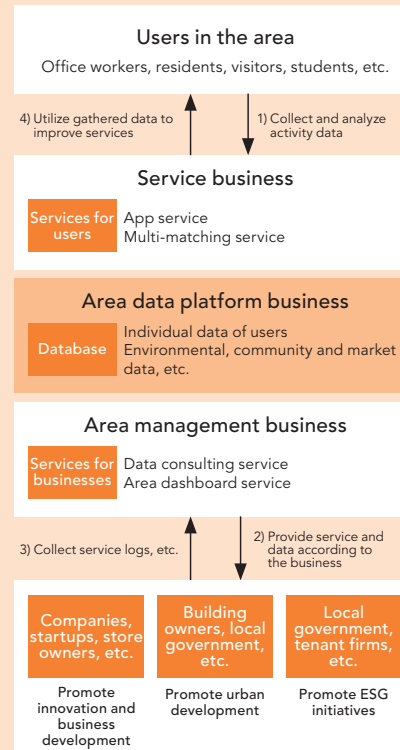
The area data platform business is currently working on building and operating an area data platform that can help with understanding a particular area's conditions and the well-being of its people. It does so by managing area data and subjective personal data based on Obayashi's lifestyle and well-being index. Collaborations across industries and between industry and local governments utilizing such databases will create new business opportunities beyond our conventional sales channels.

#### Service business

By providing smart services that can help solve the issues that people in the area are facing, the service business is promoting positive change in people's attitudes toward well-being and linking that to the creation of demand through data matching. The needs of people in the area are collated from data and that information is provided to businesses and local governments to help build a shared awareness among these parties and achieve optimization for the area overall.

#### Area management business

The area management business is utilizing area data platforms and smart services, working to raise the added value of whole areas with the aim of stimulating construction demand.



### Started Provision of Service Business in Osaka City

Having enlisted the help of five facility owners and approximately 40 service providers in the Nakanoshima and Yodoyabashi areas of Osaka City, the service business was able to test and verify the potential provision of services for approximately 15,000 office workers from FY2022 to FY2023.

We set up a dedicated website that serves as a platform for matching and connecting service providers and office workers. The site can provide well-being diagnoses based on our proprietary lifestyle and well-being index; propose food, fitness, and other services accordingly; and make service reservations.

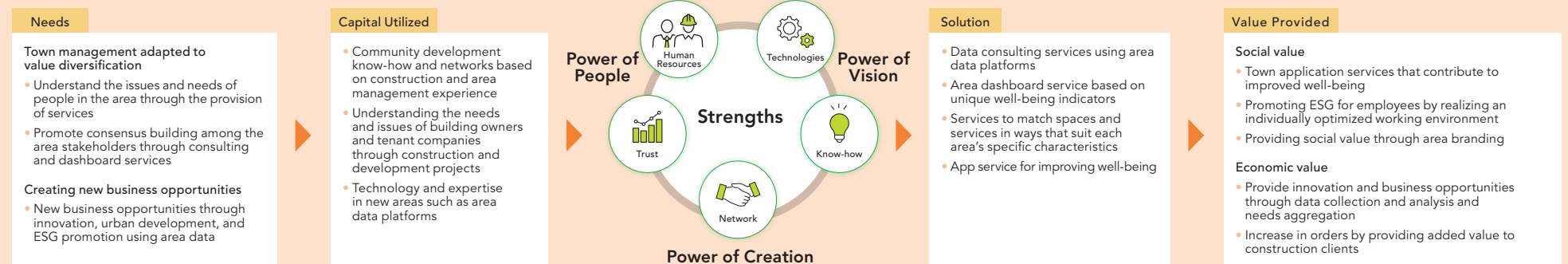
Multiple demonstration tests confirmed the usefulness of the platform, not only for improving office worker satisfaction, but also for providing communication opportunities and motivating workers to come into the office. Having ascertained that facility owners, service providers, and office workers were receptive to our smart city services, we started offering them on a continuing basis in the Nakanoshima and Yodoyabashi areas from June 2024.

Going forward, our aim is to expand into other areas to enhance everyone's well-being. We will do that by matching spaces and services to complement the specific characteristics of each area and solve area-specific issues in order to cooperate with building owners, service providers, and companies that are keen to improve the well-being of office workers and other consumers.



Example of services provided (flower arrangement school)

### Value Creation Process in Smart City Business





## Section

### Growth Strategy

- 29 Our Future
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- 35 Financial Review
- 40 The Five Business Domains
  - 42 Domestic Construction Business
  - 45 Overseas Construction Business
  - 47 Real Estate Development Business
  - 48 Green Energy Business
  - 50 New Business Initiatives

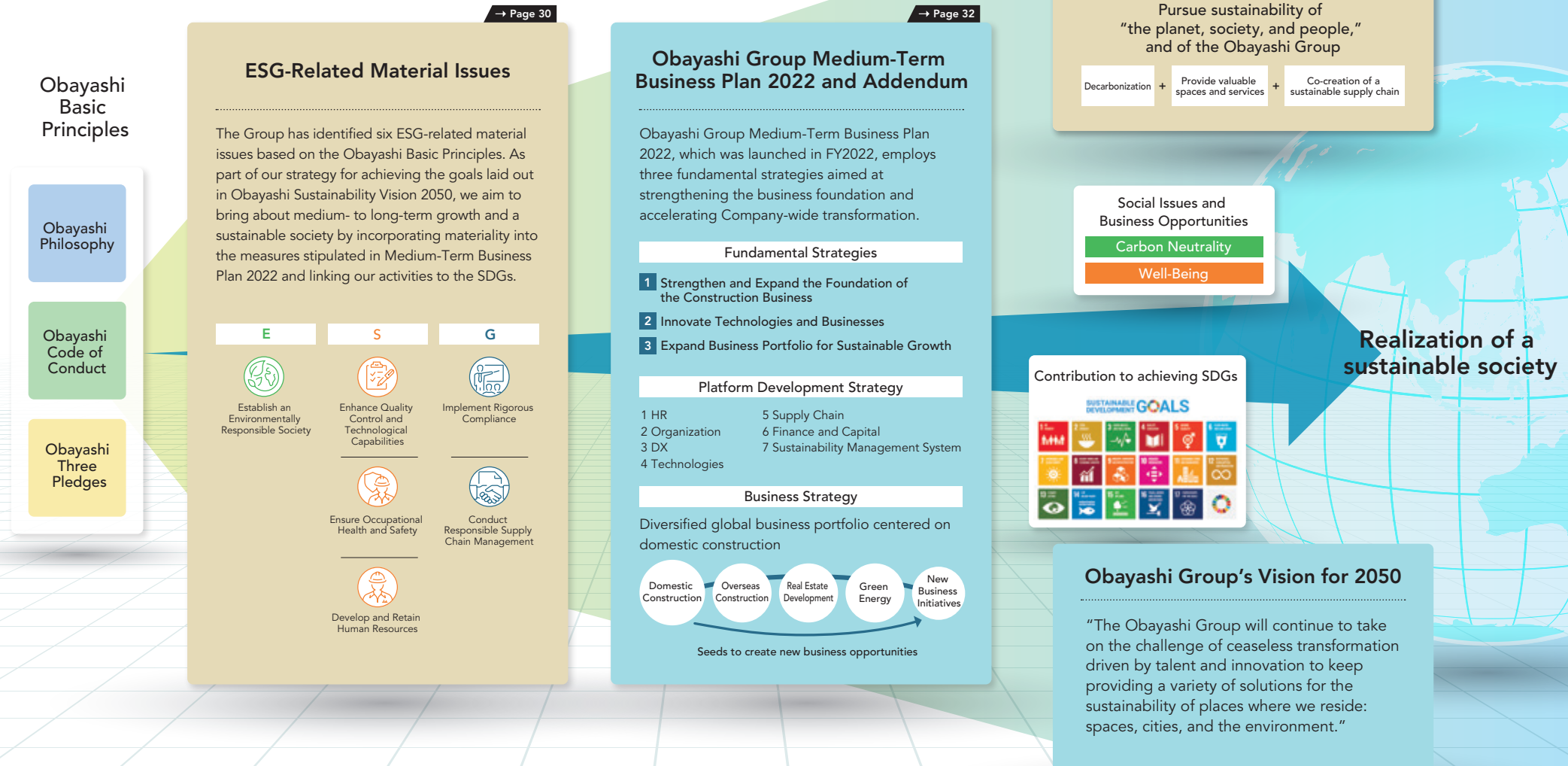


# Our Future

<https://www.obayashi.co.jp/en/sustainability/>

## Roadmap and ESG-Related Material Issues for Achieving the Ideal Obayashi Group

In order to pursue the sustainability of the planet, society, and people, the Obayashi Group is united in working to improve corporate value and solve social challenges through its business by conducting ESG management.



# Material Issues and KPIs

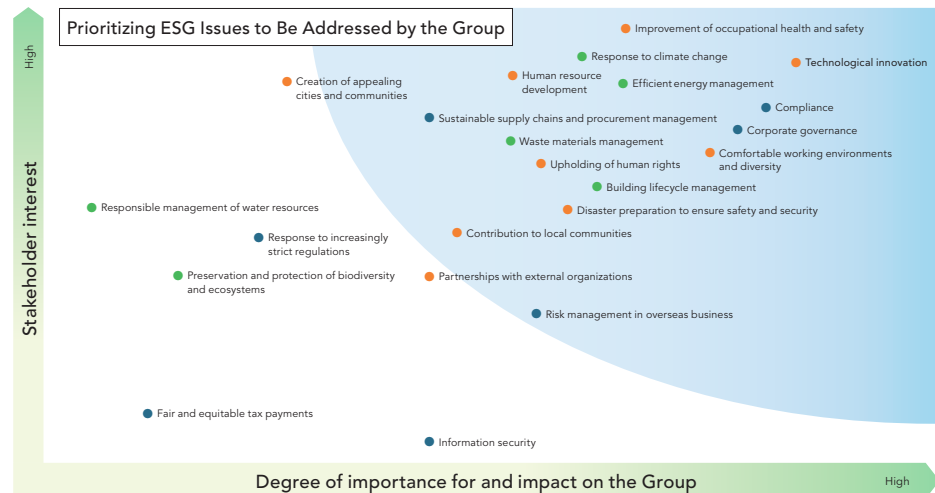
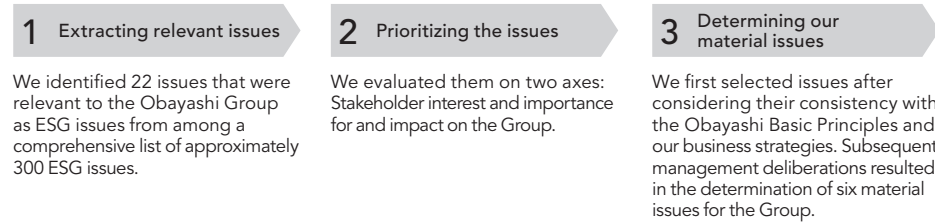
## The Obayashi Group's ESG-Related Material Issues

In promoting ESG management, the Obayashi Group identified six ESG-related material issues in 2019 inspired by the Obayashi Basic Principles.

To achieve the goals laid out in Obayashi Sustainability Vision 2050, we aim to bring about medium- to long-term growth and a sustainable society by incorporating materiality into the measures stipulated in the medium-term business plan and reflecting the SDGs in our activities. We check the progress of action plans and KPIs associated with our material issues each business year and promote their achievement using a PDCA cycle.



## Determination Process

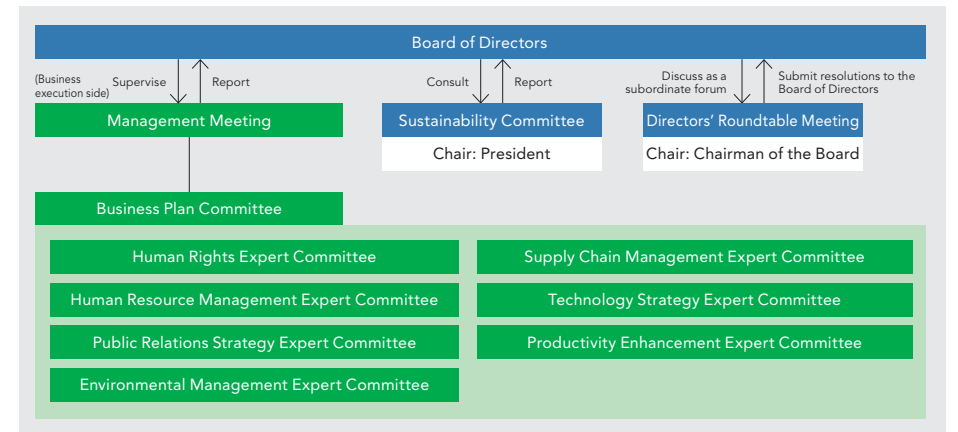


## Sustainability Promotion

We implement corporate activities based on the Obayashi Basic Principles and pursue initiatives designed to help achieve corporate and social sustainability. To enable us to examine and discuss both these challenges, we established the Sustainability Committee (for issues related to environmental and social sustainability) as an advisory body to the Board of Directors and the Directors' Roundtable Meeting (for discussing sustainability-related issues, such as corporate governance and management strategy) as a subordinate forum to the Board of Directors. We determine our management policy for promoting sustainability based on discussions conducted in both forums.

On the business execution side, we have a system in place that consists of the Business Plan Committee commissioned by the president and under the jurisdiction of the Management Meeting, and expert committees in various sustainability-related fields that sit under the Business Plan Committee. These committees formulate and promote specific measures based on the management policies determined by the Board of Directors on the approach to the business portfolio, human resources and organizational strategy, and intellectual property strategy, among others. They also keep up-to-date with progress on the implementation of those measures and consult with the Board of Directors.

## Sustainability Promotion Framework









## Information on Committees

|   |  |
|---|--|
| <b>Business Plan Committee</b>                    | Formulates execution policies relating to sustainability issues and manages progress.  |
| <b>Human Rights Expert Committee</b>              | Resolves human rights issues and promotes human rights awareness based on the Obayashi Group Human Rights Policy.  |
| <b>Human Resource Management Expert Committee</b> | Promotes the implementation of personnel systems, effective use of human resources, pursuit of diversity, and other efforts based on the Obayashi Group Human Resource Management Policy.  |
| <b>Public Relations Strategy Expert Committee</b> | Formulates policies and strategies relating to internal and external corporate communication.  |
| <b>Environmental Management Expert Committee</b>  | Formulates strategies and promotes environmental management based on the Obayashi Group Environmental Policy, compiles information on and evaluates the results of activities based on our environmental management system, and sets targets for and promotes activities in the subsequent fiscal year and beyond. |
| <b>Supply Chain Management Expert Committee</b>   | Formulates policies and strategies relating to supply chain management inside and outside Japan, including partner companies, based on the Obayashi Group CSR Procurement Policy.  |
| <b>Technology Strategy Expert Committee</b>       | Acquires, protects, and utilizes intellectual property rights and formulates intellectual property strategy by organically linking technology development strategy with business strategy, all based on the Obayashi Group Intellectual Property Policy.   |
| <b>Productivity Enhancement Expert Committee</b>  | Promotes the visualization and improvement of productivity across the Company, deploys and monitors the ROIC reverse tree, and promotes reform of organizational culture.  |



Material Issues and KPIs

| ESG-Related Material Issues   | Opportunities and Risks   | Action Plan  | Medium-Term Business Plan 2022 Measures by Business/Measures for Platform Development   | Key Performance Indicator (KPI)   | Reference Pages  |           |
|---|---|--|---|---|--|-----------|
| <b>E</b><br>Establish an Environmentally Responsible Society<br>   | <ul style="list-style-type: none"> <li>Increased construction demand and the creation of new business through the development of environment-related technologies</li> <li>Delayed response to tougher environmental laws and regulations, increased environmental management costs, reduced competitiveness</li> </ul>                                   | Promote environmentally friendly businesses  | Solve social challenges by promoting environmentally friendly design and construction   | Ratio of ZEB (Net Zero Energy Building) proposals in design and build projects  | → Page 58  |           |
|   |   | Promote green energy business  | Promote introduction of energy saving technologies to new and existing properties and introduction of renewable power   | Number of ZEB certified design and build projects   | → Page 58  |           |
|   |   | Promote decarbonization  | Continue the stable operation of and maximize profit from power facilities in operation   | Ratio of renewable energy usage in domestic for-lease properties owned by the Obayashi Group  | → Page 58  |           |
|   |   | Contribute to realizing a recycling-oriented society   | <ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions by introducing energy saving construction and alternative fuel, etc.</li> <li>Reduce CO<sub>2</sub> emissions by adopting solar power and other types of power generated from renewable energy</li> </ul>  | Stable annual electricity generation from renewable energy business   | → Page 57  |           |
|   |   |  | <ul style="list-style-type: none"> <li>Utilize Clean-Crete<sup>1</sup> and other low-carbon materials</li> <li>Promote decarbonization/Work toward carbon neutrality in the construction process (CO<sub>2</sub> emissions reduction)</li> <li>Facilitate the development and rollout of design and construction technologies for hybrid timber mid- and high-rise buildings</li> </ul>   | CO <sub>2</sub> emissions reduction rate (vs FY2019) (Scope 1 + Scope 2)  | → Page 55  |           |
| CO <sub>2</sub> emissions reduction rate (vs FY2019) (Scope 3)  | → Page 55   |  |   |   |  |           |
| Ratio of mixed waste in construction waste  | → Page 56   |  |   |   |  |           |
| <b>S</b><br>Enhance Quality Control and Technological Capabilities<br><br>Ensure Occupational Health and Safety<br><br>Develop and Retain Human Resources<br> | <ul style="list-style-type: none"> <li>Increased productivity, enhanced competitiveness, greater business opportunities</li> <li>Loss of trust, reduced competitiveness, loss of business opportunities</li> </ul>  | Pursue reliable quality  | <ul style="list-style-type: none"> <li>Eradicate serious quality defects</li> <li>Ensure thorough quality management awareness and promote the Quality Management System</li> </ul>   | Number of serious quality defects   | → Page 74  |           |
|   |   | Use technological capabilities to further enhance productivity   | <ul style="list-style-type: none"> <li>Make sure to set application-specific target productivity indicators and assign appropriate personnel</li> <li>Secure production capacity of suppliers and increase their productivity</li> </ul>  | Productivity of a construction site worker or employee per day  | → Page 62  |           |
|   |   | Maintain good construction management system   | <ul style="list-style-type: none"> <li>Expand the production support system</li> <li>Encourage employees to obtain qualifications</li> </ul>  | Ratio of employees with important construction management credentials: professional engineer, registered first-class architect, and registered first-class construction management engineer (building construction, civil engineering, plumbing work, and electricity work) | → Page 66  |           |
|   | <ul style="list-style-type: none"> <li>Securing of talented human resources, enhancement of our network of excellent suppliers</li> <li>Reduced trust from clients and other parties, decline in productivity due to accidents</li> </ul>   | Rigorously apply the Occupational Health and Safety Management System  | <ul style="list-style-type: none"> <li>Each and every employee, supervisor, and construction worker understands that they are responsible for the safety of work sites and firmly believes in the first basic principle for safety, which is the idea that they must ensure their own safety</li> <li>Ensure thorough safety management awareness and promote the Occupational Health and Safety Management System</li> <li>Enhance the construction process management through face-to-face timely discussions within construction site (between supervisors and subordinates, each employees, Obayashi, suppliers and subcontractors), and between construction site and the back office</li> </ul> | Number of fatal accidents   | → Page 67  |           |
|   |   | Promote work style reform  | <ul style="list-style-type: none"> <li>Formulate measures, set KPIs, and monitor the progress to secure an appropriate construction period when receiving orders and take other measures to close construction sites eight days out of every four-week period (for 104 days or more a year)</li> <li>Promote the closing of construction sites eight days out of every four-week period</li> </ul>  | Ratio of construction sites that adhere to the practice of closing eight days out of every four-week period (for 104 days or more a year)   | → Page 62  |           |
|   |   | <ul style="list-style-type: none"> <li>Securing of talented human resources, improved organizational capabilities, expanded business fields</li> <li>Loss of talented human resources, reduced productivity, organizational inertia</li> </ul> | Promote diversity   | Encourage eligible male employees to take childcare leave or other leave for childcare  | Ratio of eligible male employees taking childcare leave or other leave for childcare | → Page 65 |
|   |   |  |   | Ratio of employment of people with disabilities   | → Page 63  |           |
|   |   |  |   | Ratio of women in managerial positions (section manager level or above)   | → Page 63  |           |
|   |   |  |   | Ratio of female engineers   | → Page 63  |           |
|   |   |  |   | Employee satisfaction rate  | → Page 61  |           |
| Promote health and productivity management  | Ratio of employees requiring follow-up health checkups  | → Page 61  |   |   |  |           |
| <b>G</b><br>Implement Rigorous Compliance<br><br>Conduct Responsible Supply Chain Management<br>  | <ul style="list-style-type: none"> <li>Enhanced social trust, improved organizational capabilities, strengthened management foundation</li> <li>Suspension or shutdown of business activities, loss of trust, loss of business opportunities</li> </ul>   | Promote the Corporate Ethics Program   | <ul style="list-style-type: none"> <li>Make sure to comply with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and other laws and regulations</li> <li>Offer constant discussion-style training that uses specific case studies, including elimination of anti-social forces, eradication of accounting misconduct, and eradication of harassment</li> </ul>  | Ratio of employees taking corporate ethics training   | → Page 108   |           |
|   |   | Practice rigorous information security management  | Offer constant security education   | Ratio of employees taking information security training   | → Page 103   |           |
|   |   | Further strengthen the protection of the most important data   | Number of serious violations of laws/ordinances   | → Page 107  |  |           |
|   |   |  | Number of serious information security incident (data leakage, loss, falsification)   | → Page 103  |  |           |
|   | <ul style="list-style-type: none"> <li>Increased competitiveness through the building of strong networks with suppliers, enhanced BCP response capabilities for when disasters occur</li> <li>Suspension or shutdown of business activities due to suspended supply, loss of trust and business opportunities due to human rights issues, etc.</li> </ul> | Promote CSR procurement  | Promote understanding on CSR procurement across Group-wide supply chains  | Ratio of procurement from companies that responded to the CSR procurement questionnaire survey  | → Page 73  |           |
|   |   | Train and support skilled workers  | Number of suppliers and subcontractors attending engagement events  | → Page 73   |  |           |
|   |   |  | <ul style="list-style-type: none"> <li>Train and support talented skilled workers by constantly expanding the Excellent Site Supervisor and Excellent Operator systems and reviewing the certification criteria</li> <li>Improve skills and support the training of skilled workers at the vocational training school, etc.</li> </ul>  | Number of Certified Excellent Site Supervisors and Excellent Operators  | → Page 71  |           |
|   |   | Number of persons completing training at the Obayashi Rin-yu-kai Vocational Training School <sup>2</sup>   | → Page 71   |   |  |           |

1. A type of concrete which can reduce CO<sub>2</sub> emissions by a maximum 80% by replacing cement with industrial by-products such as fine powdered slag from blast furnaces, which do not generate much CO<sub>2</sub>  
 2. A wide-area organization conducting vocational training under a program of Japan's Ministry of Health, Labour and Welfare

## Medium-Term Business Plan

### “Strengthening the Business Foundation and Accelerating Company-wide Transformation” (FY2022–FY2026)

In Obayashi Group Medium-Term Business Plan 2022 “Strengthening the Business Foundation and Accelerating Company-wide Transformation” announced in March 2022, we set FY2022 to FY2023 as the period for implementing measures for strengthening the foundation of the construction business and ensuring stable earnings with consolidated operating income of ¥100.0 billion as the bottom line, while establishing a path to medium- to long-term growth with measures for accelerating transformation through FY2026.

However, in a business environment characterized by more-than-anticipated change, including soaring construction material prices, continued growth in construction demand to levels exceeding our ability to enhance production capacity, and changes in monetary policies overseas, profitability has been underperforming the initial plan. Moreover, in terms of safety and quality, which are essential for the survival of our business, we have been unable to eradicate serious accidents. Given this situation, we believe that it is necessary to continue implementing thorough measures to strengthen the foundation of the construction business.

In order to achieve the Group’s sustainable growth, we aim to establish a Group-wide business structure centered on the domestic construction business, but in which other businesses generate performance equal to or greater than that of the domestic construction business. As such, we will execute measures for accelerating transformation for platform development such as organizational and governance structure measures during the period of the medium-term plan.

For these reasons, in May 2024 we announced an addendum of three measures to the medium-term plan. “Strengthening the Business Foundation and Accelerating Company-wide Transformation.” These measures are: 1) Continuation of thorough measures to strengthen the foundations of the construction business, 2) Partial revision of the performance indicator targets, and 3) Additional measures for accelerating transformation for sustainable growth.

### Background of Addendum to Obayashi Group Medium-Term Business Plan 2022

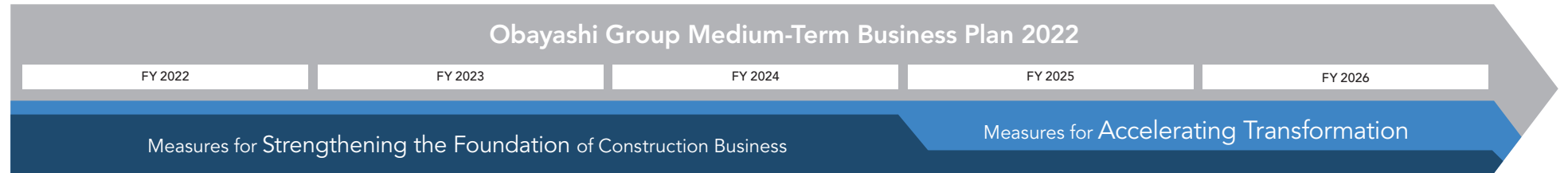


## Medium-Term Business Plan

### Addendum Measure 1 Continuation of thorough measures to strengthen the foundations of the construction business

Medium-Term Business Plan 2022 has two phases: “Strengthening the Foundation of Construction Business” and “Accelerating Transformation.” Regarding measures for Strengthening the Foundation of Construction Business, we will secure safety and quality, thoroughly implement measures to strengthen the foundation of the business and continue implementing other necessary measures while keeping in mind that the business environment will continue changing constantly after FY2024. We will strategize the work portfolio with a focus on securing stable earnings and passing on technology, suppress material price fluctuation risk, including revisions of contract terms and conditions with the client, retain and develop human resources and prioritize early transition to the implementation phase of new technologies that contribute to production capacity enhancement. Regarding measures for Accelerating Transformation, we will establish a path to medium- to long-term growth through Company-wide transformation and achieve stable consolidated operating income of ¥100 billion or more.

#### Basic Policy of the Medium-Term Business Plan 2022



### Strengthen the Foundation

To secure safety and quality, thoroughly implement measures to strengthen foundation of the business and continue other necessary measures by keeping in mind that the business environment changes constantly

**Fundamental Strategy 1** Strengthen and Expand the Foundation of the Construction Business

- Strategize work portfolio focusing on securing stable earnings and passing on technology
- Suppress material price fluctuation risk, including the revision of terms and conditions of the contract with the client
- BPR (business process re-engineering)
- Retain and develop human resources and maintain, strengthen, and expand supply chain
- Respond to the application of overtime cap regulation under the revised Labor Standards Act of Japan

**Fundamental Strategy 2** Innovate Technologies and Businesses

- Early transition in the implementation phase of new technologies that contribute to production capacity enhancement
- Develop innovative construction production systems

**Fundamental Strategy 3** Expand Business Portfolio for Sustainable Growth

- Adopt ROIC and ROE as key performance indicators to make management decisions with a focus on capital efficiency

### Accelerate Transformation

Establish a path to medium- to long-term growth through Company-wide transformation and achieve stable consolidated operating income of ¥100 billion or more

**Fundamental Strategy 1** Strengthen and Expand the Foundation of the Construction Business

- Value-added proposals and development of differentiated technologies to meet social needs
- Strengthen the construction value chain and expand construction service domains
- Improve productivity through implementing innovative construction production systems

**Fundamental Strategy 2** Innovate Technologies and Businesses

- Generate new value for customers in new business domains
- Develop business models and technologies that will lead to resolving social issues, such as carbon neutrality and well-being
- Promote Circular Timber Construction®

**Fundamental Strategy 3** Expand Business Portfolio for Sustainable Growth

- Establish solid and resilient sources of growth and reorganize the five business domains enhanced by continuous investment

Note: Underlined parts are the addendum.



## Medium-Term Business Plan

### Addendum Measure 2 Partial revision of performance indicator targets

In addition to “Notice Concerning Revision of Capital Policy” released in March 2024, revised performance indicator targets including investment plan and cash allocation. 






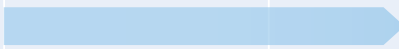
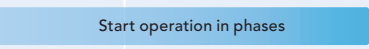
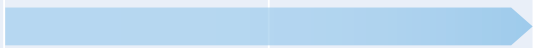
### Addendum Measure 3 Additional measures for accelerating transformation for sustainable growth

- Aim to complete the measures for accelerating transformation for platform development by establishing a Group-wide business structure in the future centered on the domestic construction business and in which other businesses generate performance equal to or greater than that of the domestic construction business for sustainable growth of the Obayashi Group
- Achieve profitable growth through opportunistic growth investments and expansion of human capital investments

**Growth Investment:** Identify areas that contribute to solving social issues such as carbon neutrality and well-being, where the Group can establish a competitive advantage, in each business and focus on growth investment to seize opportunities and expand profits

**Human Capital Investment:** Invest in human capital to develop and secure human resources according to the needs of the core domestic construction business and to realize the growth strategy

- In order to achieve the Group’s sustainable growth, the Company will execute measures for accelerating transformation for platform development such as organizational and governance structure measures during the period of Obayashi Group Medium-Term Business Plan 2022.

| Main Items   | Measures  | Present  | FY2025   | FY2026  |
|--|---|--|--|---|
| Organizational structure   | Consider in-house company system, pure holding company (HD), and transition to IFRS (International Financial Reporting Standards)   |  |  |                              |
| Governance structure  | Shift to a structure in which outside directors make up the majority of the Board of Directors (4 inside and 5 outside)   | Completed  |  |   |
|  | Adopt ROE as the basis for calculating performance-linked remuneration for internal directors   | Completed  |  |   |
| M&A implementation   | Consider the appointment of CxOs such as COO, CFO, CTO to the executive officer to clarify responsibilities   |  |  |                            |
|  | - Establish Strategic Business Development Department in the Corporate Strategy Division (April 2024)<br>- Develop and execute M&A strategies from a Company-wide perspective | Strategy development  | Execute M&A strategy  |   |
| Investment in business platform  | Establish a personnel system to secure and develop human resources for the core construction business and acquire human resources to realize our growth strategy              |  |                       | Start operation in phases  |
|  | Develop a quantitative time-based method of evaluating economic returns on investments in human capital, DX, and technology   |  |                       |   |

## Financial Review



### Solidifying Sustainable Corporate Value Creation Based on a Strategic Capital Policy

**Toshimi Sato**

Representative Director  
Executive Vice President

### FY2023 Review and Outlook for FY2024 Business Environment

In March 2022, the Obayashi Group formulated Medium-Term Business Plan 2022. The medium-term plan set securing a minimum of ¥100 billion in consolidated operating income and achieving a return on invested capital (ROIC) of 5% or more in the medium term as two performance targets for the period to FY2026. In FY2023, the second year of the medium-term plan, consolidated net sales exceeded the original forecast, reaching a record-high level, while consolidated operating income came in at ¥79.3 billion and ROIC stood at 3.8%, both of which were short of

the targets. The environment facing the Japanese economy has changed dramatically since the current medium-term plan was compiled. We have seen raw materials and energy prices soar due to the Russia-Ukraine situation as well as the rapid depreciation of the Japanese yen, disruption in global supply chains in the face of heightened geopolitical risks, and a slowdown in the global economy due to global monetary tightening. The unprecedented rise in construction material prices had a particularly significant impact, especially on projects in our domestic construction business for which we obtained priority negotiating rights prior to and including FY2021. This was one of the reasons why consolidated operating income came in significantly below the ¥100 billion level in FY2023.

We believe our corporate performance bottomed out in FY2023 due to ongoing efforts to address rising construction prices in the domestic construction business by such means as revising contract terms and conditions. Changes in the order environment are also spurring nascent improvements in profitability at the time of receiving orders. We do not expect consolidated operating income to reach ¥100 billion in FY2024. This is primarily due to several underlying factors. In the domestic construction business, large-scale properties for which we recorded provisions for loss on construction contracts are not contributing to profits as construction progress reaches its peak, and the profitability of construction project orders received when construction materials prices were rising rapidly is relatively low. In addition, in the civil engineering business, improvement in profits due to reasons including design changes for ongoing projects cannot be expected at this point. Instead, we predict earnings will steadily recover toward the second half of the medium-term plan.

Domestic construction demand is expected to remain firm for the time being. We expect construction demand to increase in multiple manufacturing fields, including semiconductors, storage batteries, machine tools, general machinery, and electrical machinery as production bases are brought back to Japan and the government designates more commodities as specified critical products. We also expect capital expenditure for electric vehicle (EV)-related facilities and for data centers to rise as decarbonization and digitalization efforts expand. In non-manufacturing sectors, we expect to see continued demand for large-scale urban redevelopment projects and the building of logistics facilities. In the civil engineering field, we foresee continued long-term demand for expressways and other infrastructure development, including renewal, and we expect construction demand to increase as the government strives to build national resilience and promote renewable energy policies.

In our overseas business, uncertainty persists in construction investment in the office, housing, and other non-manufacturing sectors in North America due to the impact of monetary policies. By contrast, construction demand is expected to remain steady in Asia as inflationary pressures ease without economies suffering significant slowdown.

We intend to take advantage of these changes in the business environment to thoroughly implement a strategy for orders that emphasizes profitability and to improve productivity. We will also strive to further improve earnings through opportune growth investments.

## Financial Review

### Addendum to the Medium-Term Plan

In the medium-term plan, we set FY2022 and FY2023 as the period for implementing measures for strengthening the foundation of the construction business and ensuring stable earnings with a consolidated operating income of ¥100.0 billion as the bottom line, while establishing a path to medium- to long-term growth with measures for accelerating transformation through FY2026.

However, due to events that went beyond anticipated changes in the business environment such as soaring construction material prices, continued growth in construction demand to levels exceeding production capacity enhancement, and changes in monetary policies overseas, profitability has been underperforming the initial plan. Moreover, in terms of safety and quality, which are essential for the survival of our business, we have been unable to eradicate serious accidents. Given this current situation, we believe that it is necessary to continue implementing thorough measures to strengthen the foundation of the construction business.

With regard to measures for accelerating transformation, we have taken this opportunity to redefine the direction of the Obayashi Group's sustainable growth strategy by positioning the domestic construction business as our core operation and encouraging other businesses to generate performance that equals or exceeds that of the domestic construction business. In order to establish a Group business structure that can achieve this goal, we must further accelerate our efforts to build a solid management platform and pursue opportune growth investments. Meanwhile, following the revision of our capital policy announced in March 2024, and the revision of the investment plans and cash allocations for accelerating Company-wide transformation, we judged it appropriate to partially revise the performance indicator targets in the medium-term plan and issued an addendum accordingly.

#### 1. Continue thorough measures to strengthen the foundations of the construction business

Considering the Group's current situation, in which serious accidents have not been eradicated, we will reaffirm securing safety and quality as a top management priority. This commitment will be instilled not only within the Group, but across all the people involved in the construction business including the supply chain.

#### 2. Additional measures for accelerating transformation for sustainable growth

Having defined the direction of Obayashi Group sustainable growth strategy, in which we are positioning the domestic construction business as our core operation and encouraging other businesses to generate performance that equals or exceeds that of the domestic construction business, our current aim is to build a Group business structure to help underpin this strategy. We also aim to grow profits through the pursuit of opportune growth investments and increased investment in human capital.

#### 3. Partial revision of performance indicator targets

On March 4, 2024, we announced the Notice Concerning Revision of Capital Policy. In addition to setting targets for necessary equity of around ¥1 trillion, return on equity (ROE) of 10% or more, and a dividend on equity ratio (DOE) of around 5%, we also increased our targets for consolidated net sales and earnings per share (EPS) and set a new target for profit attributable to owners of parent of around ¥100 billion. Regarding investment plans for the five-year period covered by the medium-term plan, in addition to the investment allocation for strengthening our business foundation, we have increased the amount of growth investment to be used for M&A and other means of expanding our business portfolio after considering our actual performance and plans, and have revised our cash allocations accordingly.

#### Revision of Performance Indicator Targets

|   | FY2022 Results   | FY2023 Results   | FY2024 Forecasts | Original Targets                         | Targets after the Change      |
|---|------------------|------------------|------------------|--|-------------------------------|
| Consolidated net sales                                  | ¥1,983.8 billion | ¥2,325.1 billion | ¥2,510.0 billion | Around ¥2 trillion                       | <b>Mid-¥2 trillion range</b>  |
| Consolidated operating income                           | ¥93.8 billion    | ¥79.3 billion    | ¥93.0 billion    | ¥100.0 billion or more                   | ¥100.0 billion or more        |
| Profit attributable to owners of parent                 | ¥77.6 billion    | ¥75.0 billion    | ¥87.0 billion    | —  | <b>Around ¥100.0 billion</b>  |
| Profit attributable to owners of parent per share (EPS) | ¥108.34          | ¥104.69          | ¥121.34          | ¥100 or more                             | <b>Around ¥140</b>            |
| Invested capital at the end of period                   | ¥1,373.8 billion | ¥1,518.6 billion | ¥1,590.0 billion | —  | —                             |
| Equity at the end of period                             | ¥997.1 billion   | ¥1,151.6 billion | ¥1,147.0 billion | Equity ratio of around 40%               | <b>¥1 trillion level</b>      |
| Interest-bearing debt at the end of period              | ¥337.9 billion   | ¥323.8 billion   | ¥400.0 billion   | —  | —                             |
| Return on invested capital (ROIC)                       | 4.9%             | 3.8%             | 4.2%             | 5% or more in the medium term            | 5% or more in the medium term |
| Return on equity (ROE)                                  | 8.0%             | 7.0%             | 7.6%             | Reference: 8% or more in the medium term | <b>10% or more by FY2026</b>  |
| Dividend on equity ratio (DOE)                          | 3.1%             | 5.0%             | 5.0%             | Around 3%                                | <b>Around 5%</b>              |



## Financial Review

### Changes in Investment Plan for Medium-Term Business Plan

Our ultimate goal is to position the domestic construction business as our core operation and encourage other businesses to generate performance that equals or exceeds that of the domestic construction business in order to achieve sustainable growth for the Group. With that goal in mind, we will increase total investment over the five-year period of the medium-term plan by ¥150.0 billion from ¥600.0 billion to ¥750.0 billion. We will also increase growth investments toward expanding our business portfolio, while striving to strengthen our management and construction business platforms. To date, ¥336.0 billion has been invested through FY2023 as follows.

Human resource-related investment is made based on the Obayashi Group Human Resource Management Policy formulated in December 2022, and we are focusing on investment in developing and securing human resources that fulfill our requirements for personnel to drive our core domestic construction business and personnel required to achieve our growth strategies. Regarding investment in DX initiatives, technology, construction machinery and business facilities, and other relevant areas, we have been implementing investments designed to improve productivity ahead of the application of regulations to cap overtime work in the revised Labor Standards Act of Japan from FY2024.

In the real estate development business, we are looking to diversify asset types by expanding the scope of our business from offices to logistics and other facilities, and to globalize our business portfolio by developing and acquiring properties in London and developing properties in Thailand. We are also using

the private fund established by the Group to refresh our asset portfolio and improve our investment efficiency and profitability.

Regarding construction M&A opportunities, MWH US Acquisitions, Inc., a major constructor of water treatment facilities in the United States, became a subsidiary. Our aim is to expand our business in the U.S. water-related infrastructure construction area, which is expected to enjoy stable growth. We also intend to promote further MWH growth by providing the company with the opportunity to utilize our technologies and resources, by providing financial support, and through collaborative measures with existing Group companies in the U.S. Meanwhile, we have acquired a 50% stake in Eastland Generation Limited, a renewable power generation company in New Zealand, and made it an affiliate. Going forward, we will be looking to apply the expertise and leverage the networks that the Group has cultivated in Japan and New Zealand to create synergies that can help promote further growth for Eastland Generation's renewable power generation business.

#### Changes in Investment Plan for Medium-Term Business Plan (FY2022 to FY2026)

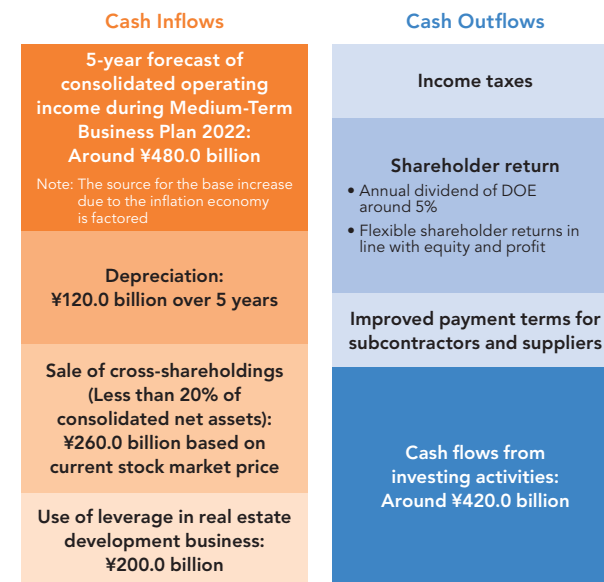
|   | Original Plan            |                       | Plan after the Change |
|---|--------------------------|-----------------------|-----------------------|
|   | FY2022-FY2026            | FY2022-FY2023 Results |                       |
| (Billions of yen)   |                          |                       |                       |
| <b>Intangible asset investment for platform development</b>   |                          |                       |                       |
| Human resource-related investment   | 25.0                     | 10.6                  | 30.0                  |
| DX-related investment   | 70.0                     | 31.9                  | 90.0                  |
| Technology-related investment   | 80.0                     | 33.2                  | 100.0                 |
| <b>Continuous tangible asset investment with a focus on strengthening the foundation of the construction business</b> |                          |                       |                       |
| Construction machinery and business facilities  | 50.0                     | 33.5                  | 75.0                  |
| <b>Growth investment toward expanding business portfolio</b>  |                          |                       |                       |
| Real estate development business  | 300.0                    | 175.9                 | 300.0                 |
| Green energy business   | 50.0                     | 6.0                   | 60.0                  |
| M&A and capital tie-ups, VC, etc. <sup>1</sup>  | 25.0                     | 44.8                  | 95.0                  |
| <b>Total investment amount for 5 years</b>  | <b>600.0<sup>2</sup></b> | <b>336.0</b>          | <b>750.0</b>          |
| Deduction of amount not included in cash flows from investing activities  |                          |                       | (190.0)               |
| Amount recovered from the sale of assets in real estate development business  |                          |                       | (140.0)               |
| <b>Amount to be included in cash flows from investing activities</b>  |                          |                       | <b>420.0</b>          |

1. Including open innovation investment  
2. Potential investments for growth such as large-scale M&A projects are not included in the plan above

#### Breakdown of ¥750 Billion Investment from ESG Perspective

| Breakdown from ESG Perspective |                  |                                     |                   |  | Other Business Investments |
|--------------------------------|------------------|-------------------------------------|-------------------|--|----------------------------|
| E: Environment                 | S: Human capital | S: Productivity, safety and quality | S: New businesses |  |                            |
|                                | 30.0             |                                     |                   |  |                            |
| 20.0                           |                  | 90.0                                |                   |  |                            |
|                                | 5.0              | 70.0                                | 10.0              |  |                            |
| 100.0                          |                  |                                     |                   |  | 200.0                      |
| 60.0                           |                  |                                     |                   |  |                            |
| 180.0                          | 35.0             | 230.0                               | 105.0             |  | 200.0                      |

#### Medium-Term Business Plan Cash Allocation

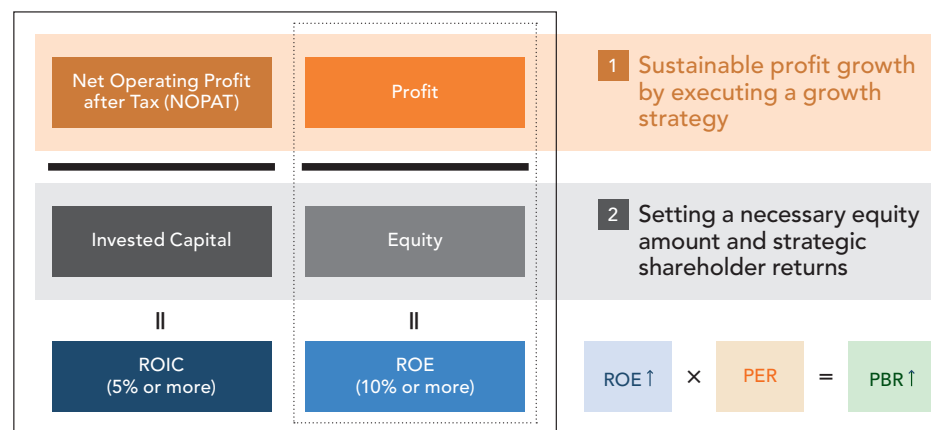


## Financial Review

### Revision of Capital Policy and Shareholder Returns

The medium-term plan stipulates that the Group works to strengthen the business foundation and accelerate Company-wide transformation, and targets a minimum return on invested capital (ROIC) of 5% or more over the medium term as one of the performance indicators for promoting management that emphasizes capital efficiency.

In order to meet this target, we will secure sustainable profit growth for each of our businesses while controlling invested capital. Upon considering the need for a capital structure that focuses more strongly on capital efficiency, including the use of leveraged financing, we have set the level of necessary equity at ¥1 trillion. We aim to achieve ROIC of 5% or more in the medium term and ROE of 10% by FY2026, the final year of the medium-term plan. We intend to achieve this by promoting measures for **1** sustainable profit growth by executing a growth strategy and **2** setting a necessary equity amount and strategic shareholder returns.



#### 1 Sustainable Profit Growth by Executing a Growth Strategy

We generate sustainable profits by further enhancing investment in human resources, DX, technologies, and productivity improvement to continue to fulfill the social mission of the construction industry while giving top priority to safety and quality against the background of the decline in the number of engineers and workers in the construction market.

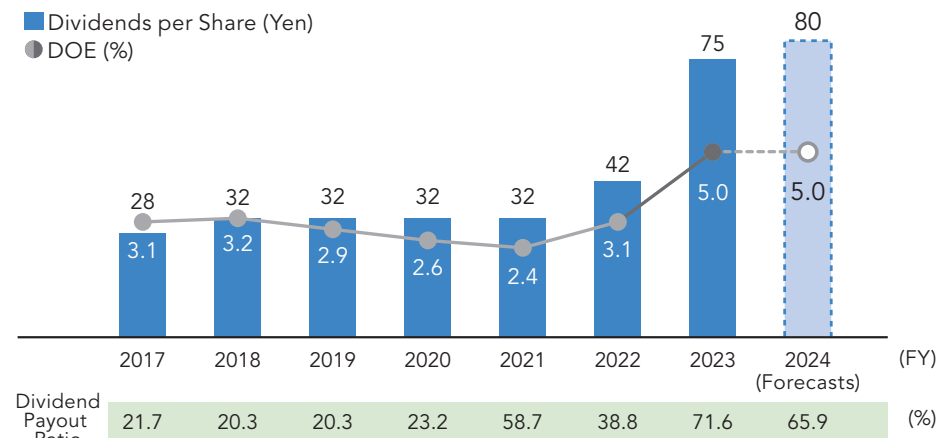
We identify fields where the Group can establish a competitive advantage in contributing to the solution of social issues, such as carbon neutrality and well-being or fields with potential for growth for each business. We will increase profits by implementing proactive and timely growth investment in the identified fields.

#### 2 Setting a Necessary Equity Amount and Strategic Shareholder Returns

In order to optimize Obayashi Group growth centered on the construction business, we set invested capital to reflect the capital cost requirements for each business and determine the necessary equity amount based on the capital structures of each business (including the use of leveraged financing). The necessary levels of invested capital and equity capital are reviewed as needed depending on the scale of business operations and other factors. The Board of Directors will evaluate the capital structure and balance sheet of each business according to the potential impact on the Group's capital efficiency.

We set the necessary equity of the Group during the period covered by the medium-term plan at the one trillion-yen level and will execute strategic shareholder returns. With regard to shareholder returns, we have raised the dividend threshold set forth in the medium-term plan from a dividend on equity ratio (DOE) of around 3% to DOE of around 5%, giving top priority to offering stable dividends over the long term. We will offer returns even more flexibly through special dividends, share buybacks, and other methods by making comprehensive judgements based on these parameters and after taking into account the amount of necessary equity, level of profits, financial position, price-to-book ratio (PBR), and other factors.

#### Dividend Per Share and Dividend on Equity (DOE)



Note: DOE from FY2017 to FY2021 is for reference only

## Financial Review

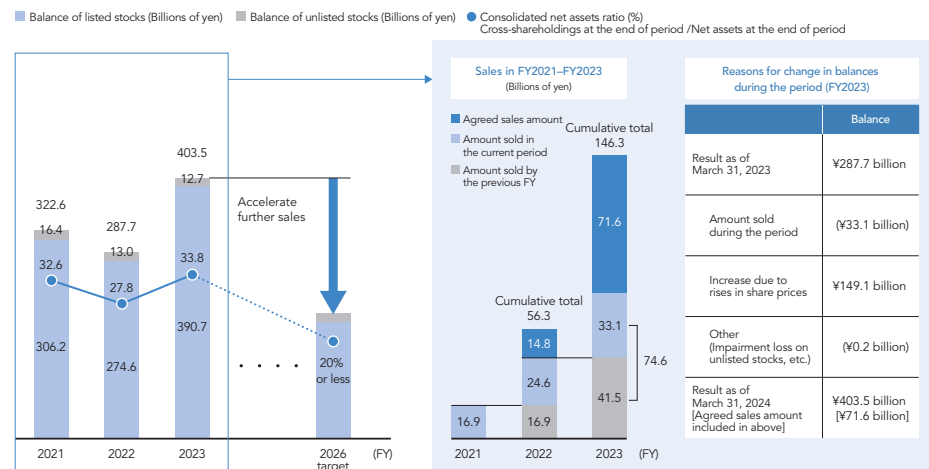
### Reducing Cross-Shareholdings

Obayashi Corporation holds shares in customers' businesses (cross-shareholdings) for the purpose of maintaining and strengthening business relationships. We have constantly been verifying the medium-to long-term economic rationale of these cross-shareholdings and we sell holdings whose significance has diminished from a business perspective based on a comprehensive consideration of capital costs, business returns, and other profitability-related factors and valuation risks. We use the cash generated from the sale of cross-shareholdings to increase corporate value, effectively investing in vehicles that offer stable income and in new areas that contribute to sustainable growth.

We are further reviewing the significance and efficiency of cross-shareholding investments as part of the medium-term plan. We started selling those holdings in FY2021 with the aim of reducing cross-shareholdings to 20% or less of consolidated net assets as soon as possible before the end of March 2027. We sold a total of ¥74.6 billion in cross-shareholdings over the three years from FY2021 through FY2023 (consolidated and market value basis). That total increases to ¥146.3 billion when combined with sales that have been agreed on but not yet executed. Having said that, due to the rise in the share prices of those holdings, the balance of cross-shareholdings rose to ¥403.5 billion at March 31, 2024, on a market value basis, accounting for 33.8% of consolidated net assets.

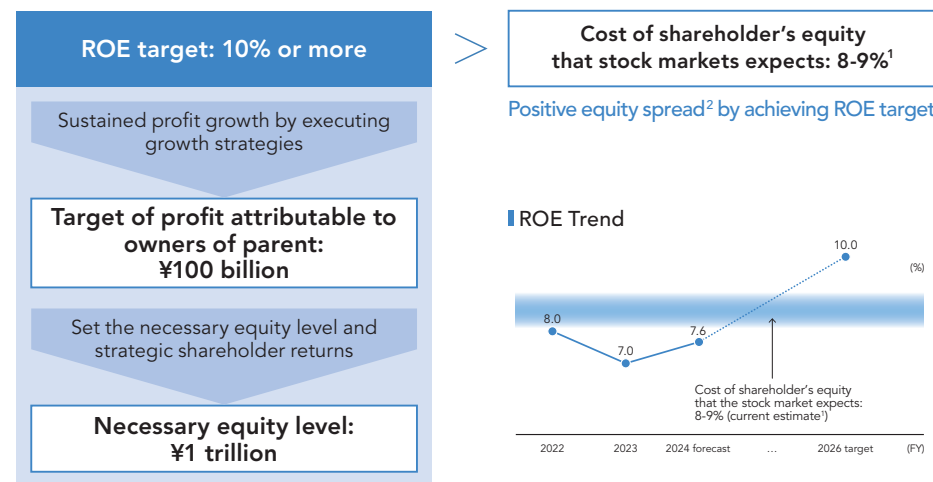
We will not be swayed by trends in the stock market, but will further accelerate the sale of cross-shareholdings by setting the balance of cross-shareholdings to 20% or less of consolidated net assets as a mandatory target.

### Progress on Reduction of Cross-Shareholdings



### Toward Sustainable Growth and Improved Corporate Value

#### Reasons for Setting Target ROE of 10% or More by FY2026



1. Obayashi Group estimate as of 2023  
2. Equity spread = ROE – cost of equity

To increase Obayashi Group corporate value while also striving to secure steady growth, we have to achieve a level of ROE that exceeds the cost of shareholder's equity expected by stock markets (currently assumed to be 8% to 9%). We are aware that a positive equity spread is what enables achievement of investment-driven extended reproduction, a recurrent or cyclic process.

The Obayashi Group intends to build a bridgehead for its growth strategy not only by improving productivity through DX-related and technology-related investments, but also by steadily pursuing growth investments that capitalize on potential opportunities and increase competitive advantage, strategic investments in human capital, and other investments. We will also solidify our sustainable corporate value creation by pursuing a strategic capital policy that focuses on capital efficiency, and steadily enhance Obayashi Corporation's corporate value and shareholder value.



## The Five Business Domains

As part of Obayashi Group Medium-Term Business Plan 2022, we have been building a portfolio of diverse businesses globally centered on our five business domains: the core domestic construction business, as well as the overseas construction business, real estate development business, green energy business, and new business initiatives. We are establishing a business foundation capable of generating stable profits with consolidated operating income of ¥100.0 billion as the bottom line and aim to further improve profitability by strengthening competitiveness and expanding business opportunities.

### Consolidated Financial Highlights

#### Domestic Construction Business

##### Building Construction

Net sales of completed construction projects increased significantly compared to FY2022 thanks primarily to favorable progress on all major construction contracts in hand on a non-consolidated basis and the consolidation of Cypress Sunadaya, with which Obayashi has established a capital alliance.

Operating income declined mainly due to factors that impacted Obayashi on a non-consolidated basis, such as the rise in the ratio of low profit margin projects to total net sales compared to FY2022 and the recording of losses in relation to the accident at the Yaesu redevelopment project.

Orders received on a non-consolidated basis increased from FY2022 due primarily to continued robust construction demand in both the manufacturing and non-manufacturing sectors and an increase in contract amounts associated with rising costs and additional or change requests on construction contracts in hand.

##### Civil Engineering

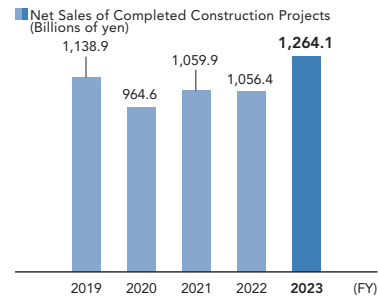
Net sales of completed construction projects increased year on year thanks in part to developments on a non-consolidated basis including favorable progress on all large construction projects in hand and the acquisition of several fast-progressing construction projects.

Operating income increased on the back of developments on a non-consolidated basis including a decline in costs and the acquisition of additional contracts.

Orders received increased compared to FY2022 following the acquisition of multiple large-scale construction projects on a non-consolidated basis.

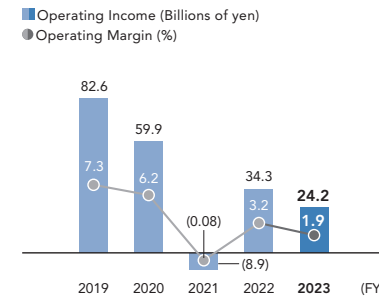
##### Net Sales of Completed Construction Projects

¥ **1,264.1** billion



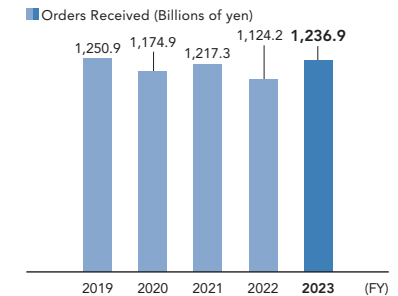
##### Operating Income/Operating Margin

¥ **24.2** billion / **1.9%**



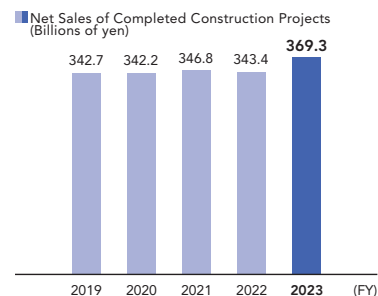
##### Orders Received

¥ **1,236.9** billion



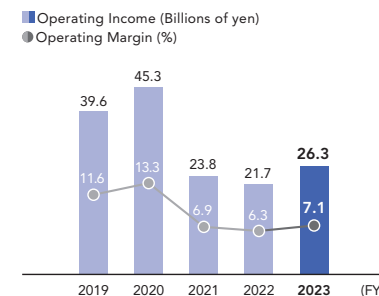
##### Net Sales of Completed Construction Projects

¥ **369.3** billion



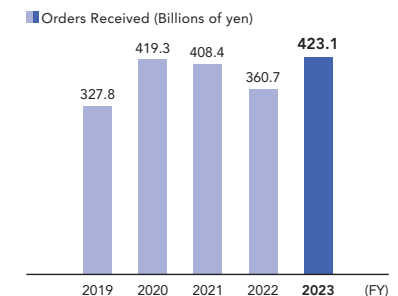
##### Operating Income/Operating Margin

¥ **26.3** billion / **7.1%**



##### Orders Received

¥ **423.1** billion





## The Five Business Domains

### Overseas Construction Business

#### Building Construction

Net sales increased year on year thanks to progress on construction projects in hand at subsidiaries in both North America and Asia, as well as the boost from currency translation gains due to the weaker yen.

Operating income increased significantly year on year due to progress on construction projects in hand at subsidiaries, the acquisition of design change contracts in Singapore, and other factors.

Despite the decline in orders received on a non-consolidated basis compared to FY2022, when orders for large-scale projects were received, overall orders received increased year on year thanks to the large-scale order secured in Singapore by our subsidiary and the boost from currency translation gains.

#### Civil Engineering

Net sales increased compared to the previous year due to favorable progress on all large construction projects in hand at subsidiaries.

Operating income declined following the recording of an allowance for doubtful accounts at our North American subsidiary.

While orders received on a non-consolidated basis in Asia decreased year on year due to the large-scale order acquired in Singapore in FY2022, overall orders increased thanks to the acquisition of a large-scale project at our North American subsidiary.

### Real Estate Development Business

Net sales declined in FY2023 compared to FY2022, when a large-scale property was sold.

Operating income contracted in FY2023 compared to FY2022, when that large-scale property was sold, and as a result of deteriorating vacancy rates in real estate for lease.

The leasing properties business improved in terms of both book value and market value on the back of continued investment in projects under development and investment in logistics facilities.

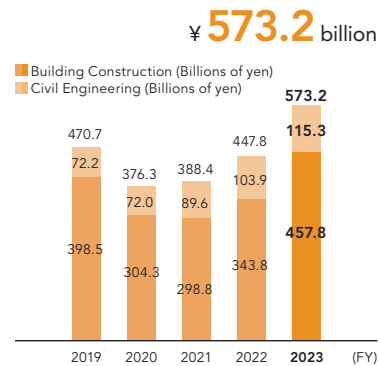
### Green Energy Business

While net sales increased thanks in part to the stable operation of the Obayashi Kamisu Biomass Power Plant, operating income declined due to such factors as maintenance costs on operating facilities.

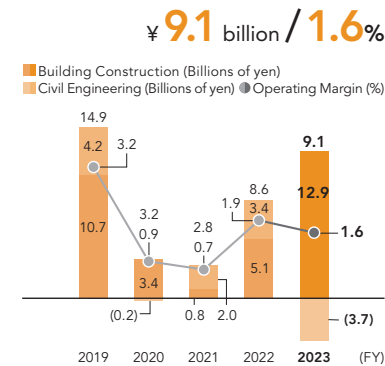
### New Business Initiatives

Net sales declined as the development of facilities in the PPP business was completed. Operating income also decreased due to higher selling, general and administrative expenses at our newly established subsidiary.

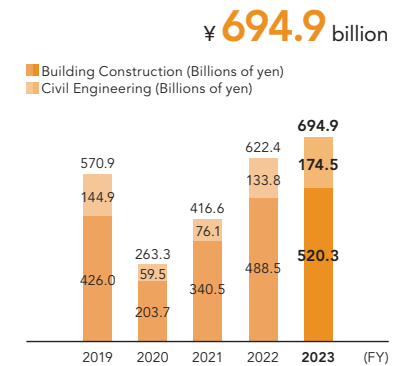
#### Net Sales



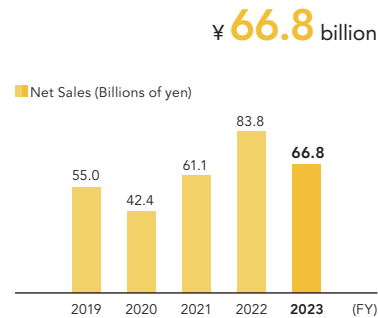
#### Operating Income/ Operating Margin



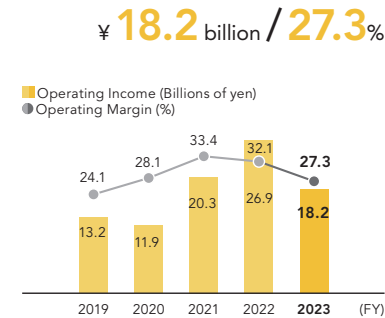
#### Orders Received



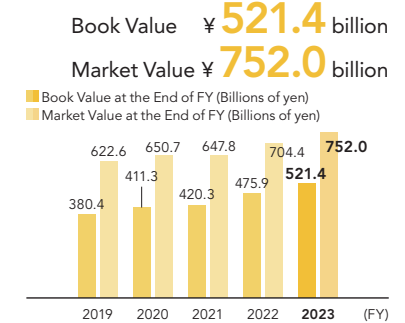
#### Net Sales



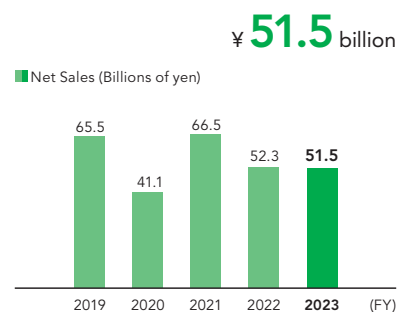
#### Operating Income/ Operating Margin



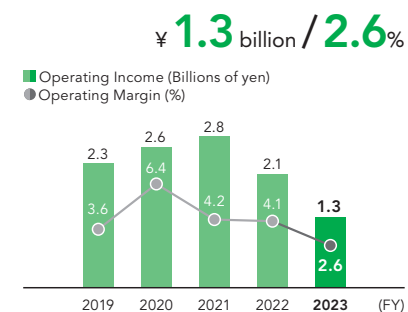
#### Book Value and Market Value of Real Estate for Lease



#### Net Sales



#### Operating Income/ Operating Margin



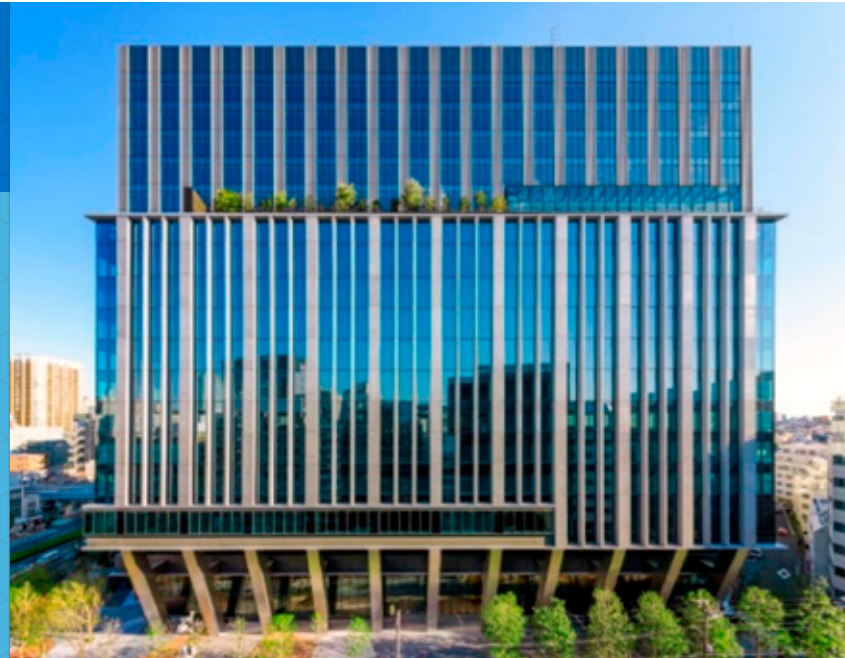


## Domestic Construction Business

### Major Completed Projects

Building Construction (Left)  
GOTANDA JP BUILDING Construction Project  
(Shingawa-ku, Tokyo)

Civil Engineering (Right)  
Chuo Express Way Yandarugawa Bridge and  
Other Nine Bridges  
(Nakatsugawa City, Gifu Prefecture)



## Medium-Term Business Plan Strategy

### Implement measures prioritizing safety and quality

- Strengthened commitment to safety goals (adopted Total Recordable Incident Rate "TRIR"\* as a quantitative KPI in addition to sales and profit)
- Appointment of external personnel to the Safety Division as "Safety Inspector (a newly established position). Guidance to head of main and branch offices regarding safety management that does not conform to conventional practices
- Supervisors from the building construction and civil engineering divisions provide advice to construction offices on quality, process, budget and cost management, as well as safety (passing on technologies)
- Established organization guideline for large-scale projects to further facilitate instructions, orders, reporting, and consultation within the organization
- Clarify the roles and responsibilities of the Company and suppliers and subcontractors with regard to safety and quality management and strengthen the supply chain by fundamentally reviewing construction plans and the construction process while cooperating and sharing knowledge

#### Building Construction

- Secure stable earnings by solidifying the risk management process and by improving cost competitiveness, gathering the efforts of all construction business processes including business development, design, procurement, and production
- Further promote initiatives in growing sectors including data centers, semiconductor plants, pharmaceutical plants, and environmentally responsible building construction such as wooden structure buildings and net Zero Energy Building (ZEB)

#### Civil Engineering

- Secure steady awards and profits by flexibly responding to changes in customer needs, such as Early Contractor Involvement and Design Build, as well as social and environmental changes
- Capitalize know-how as a pioneer in infrastructure renewals such as major expressway upgrades, and maintain/strengthen competitive advantage

#### Building/Civil Common

- Develop a roadmap to promote substantial reductions in CO<sub>2</sub> emissions and implement investment
- Utilize networks to solve social issues such as carbon neutrality

### Maximize value to be delivered, collaborating with supply chains

- Increase the construction capacity through next-generation production technologies, the use of production processes and digital technologies, and the transformation of business operations including BPR
- Strategize work portfolio by focusing on securing stable earnings and passing on technology, in line with construction capacity
- Secure and develop the human resources needed to strengthen the foundation of the construction business in response to the decline in the number of engineers and workers
- Develop a procurement platform for maintaining, strengthening and expanding supply chains
- Work with suppliers/subcontractors to develop successors and secure skilled workers, strengthening and revitalizing Obayashi Rin-yu-kai

\* Total Recordable Incident Rate (TRIR) : A measure of safety related to workplace accidents established by the U.S. Occupational Safety and Health Administration, showing the frequency of workplace accidents per 200,000 hours



## Domestic Construction Business

### Building Construction

#### A Word from the Head of Building Construction Division

#### Prioritizing Safety and Quality in Construction and Building Systems to Satisfy Strong Construction Demand



**Yasuo Morita**

Senior Managing Executive Officer,  
Head of Building Construction  
Division, Head of Safety Division,  
and responsible for Environmental  
Management Division

#### Opportunities

- Solid demand in areas such as factories in line with the relocation of production bases back to Japan, data centers, redevelopment, renewal and renovation, and smart cities
- Rapidly increasing and diversifying customer needs relating to social issues, such as carbon neutrality and well-being

#### Risks

- Unprecedented price rises on a wide range of construction materials and labor cost
- Tight supply chains condition due to increased demand
- Application of cap on overtime work in the revised Labor Standards Act from April 2024, shortage of skilled workers in the construction industry resulting from a declining birthrate and aging population
- Intensifying competition due to lack of expected significant expansion of the domestic construction market

#### Strengths

- Ability to make high-value-added proposals that demonstrate comprehensive prowess through cooperation among business development, design, procurement, and production divisions, and Group companies
- Ability to handle various types of construction, together with our supply chains, backed by our experience in numerous building projects for a wide variety of purposes nationwide
- Construction management capabilities that fuel the provision of high-quality buildings supported by optimal construction plans and sound process management
- Technical capabilities that enable the development of innovative production systems, such as the development and application of next-generation technologies and systems and the utilization of DX

Building construction saw a significant year on year increase in net sales of completed construction contracts in FY2023. To ensure we can satisfy the strong construction demand, we have been focusing on construction process management that gives ultimate priority to preventing accidents or quality defects and improving productivity. In doing so, we took into account project profitability, our construction capacity, and the need to comply with the revised Labor Standards Act to be applied from FY2024.

Despite these efforts, on September 19, 2023 a serious accident occurred at the site in Yaesu, Tokyo. Precious lives were lost and those who survived were badly injured. We deeply regret that we were not able to protect the safety of those people engaged in on-site construction work. In April this year, I also became head of the Safety Division. I take my responsibilities as head of the Safety Division very seriously and will strive to further improve the level of our safety management while also encouraging closer cooperation with the Building Construction Division and Civil Engineering Construction Division. We are assigning new safety directors at all main offices and branches. They will operate under the direct

jurisdiction of the Safety Division in order to strengthen direct cooperation with the heads of our main offices and branches.

As a quality control measure, construction records and other internal information are being shared with the relevant departments. People working not only in our construction-related departments, but also design-related construction supervision departments are striving to improve quality control by appropriately fulfilling their respective roles and responsibilities.

Meanwhile, we are working hard to improve productivity in our construction processes by introducing robots, ICT construction machinery and other next-generation technologies that can help save labor, using building information modeling (BIM) to facilitate early agreement with customers on projects right from the upstream stage, and providing BIM models that are easy for on-site workers to use.

The maintenance, strengthening, and expansion of supply chains is an ongoing challenge for the general construction industry. We are doubling our efforts to strengthen cooperation with existing suppliers and subcontractors that are agile, to find new suppliers and subcontractors, and to help them secure skilled workers and train them to be multi-skilled. In addition,

we have newly established the Procurement Division to share information including that on materials prices across all offices and to promote universal and centralized procurement of materials in an effort to strengthen our procurement capabilities and better address rising prices.

Regarding our efforts to promote environmentally friendly construction, we have reorganized the Timber Design and Construction Department into the Carbon Neutral & Timber Construction Solution Department and enhanced its functions to help put together optimal proposals that satisfy customers' needs with regard to wooden structures and interiors. We will work together with Cypress Sunadaya, the timber manufacturer with which we formed a capital alliance in FY2023, on narrowing down our focal areas with an eye to growth in the market for wooden structures and interiors.

The demand conditions that I mentioned at the beginning of this message are expected to continue. Going forward, we will work hard on the establishment of comprehensive construction systems that prioritize safety and quality in all construction processes, while also striving to improve productivity and provide even higher added value to our customers.

## Domestic Construction Business

### Civil Engineering

#### A Word from the Head of Civil Engineering Construction Division

#### Pursuing Customer-Oriented Business Operations with a Sense of Speed and Fostering Open Workplace Environments That Encourage Dialogue



#### Yoshihito Sasaki

Senior Managing Executive Officer, responsible for overall civil engineering construction, Head of Civil Engineering Construction Division, and Senior General Manager of Safety Division

#### Opportunities

- Growing demand for infrastructure development, including the Japanese government's policy to build national resilience
- Improvement of profitability in future growth areas, such as renewal projects and renewable energy

#### Risks

- Increased costs due to changes in ordering methods and acceleration of decarbonization efforts
- Application of regulation to cap overtime work in the revised Labor Standards Act from April 2024 and shortage of skilled workers in the construction industry due to the declining birthrate and aging population
- Intensifying competition for renewal projects

#### Strengths

- Strong technical capabilities and wealth of expertise that can be used in growth fields
- Thorough safety management awareness and environment-conscious business promotion
- Promotion of construction DX through automation and autonomization technologies
- Comprehensive Group strength, with strong internal cooperation on solving social issues, such as environmental restoration and carbon neutrality
- Organization structure that integrates technological development, marketing, and production support and construction capability based on close cooperation with suppliers and subcontractors

In FY2023, net sales of completed construction contracts and gross profit on completed construction contracts exceeded our target figures by a significant amount due to smooth progress in construction projects in hand, cost reduction efforts, and the acquisition of additional contracts. However, I am aware that we need to review our processes for determining target figures and improve their accuracy. In our efforts to focus more keenly on ROIC, we are changing one of our key management indicators from net sales of completed construction contracts to gross profit on completed construction contracts.

In terms of our business environment, we expect the areas in which we excel, namely the construction of railways and renewal of infrastructure such as roads, bridges, and other works, to continue to exhibit strength. Expansion is also expected in markets related to disaster prevention and mitigation, national resilience enhancement, renewable energy development, and other fields. In tackling these opportunities,

we will fully leverage the Group's advanced technological and construction management capabilities to improve the quality and volume of orders accepted. Furthermore, we will proactively work to refine our proprietary technologies and develop technologies based on customer needs.

We will also strive to promote digital transformation (DX) at construction sites. Through the active use of digital twin technology,\* construction information modeling (CIM), and other tools, we are improving productivity and expanding production capacity, while also encouraging change in the mindsets and behaviors of workers and employees at each site, starting with young employees. For employees to continue tackling challenges in a rapidly changing environment, I think it is important that they engage in dialogue and feel convinced about what they are doing in various situations. Thanks to these kinds of initiatives at all domestic civil engineering sites, we have been able to achieve our targets one year ahead of schedule in relation to the new caps on overtime work

stipulated in the revised Labor Standards Act of Japan. I see this as a big step forward in terms of gaining an intuitive feel of new work styles.

The shortage of skilled workers is a challenge that the construction industry as a whole must address by implementing measures based on a long-term perspective. The Obayashi Group will offer whatever support it can to resolve the problems that have come to light through opinion exchange sessions with suppliers and subcontractors, including issues in recruiting activities, personnel training, and the adoption of ICT.

Obayashi has always adhered to its three pledges of quality, value, and efficiency. To ensure we continue to pass on this universal manufacturing spirit to our future leaders, we will work with our supply chain to keep on leading the industry, maintaining a heightened awareness of customer-orientation, a sense of speed, and a focus on internal dialogue.

\* Technology that uses IoT and other technologies to acquire real-world information and recreate the same environment in cyberspace

## Overseas Construction Business

### Major Completed Projects

Left:  
Century Plaza  
(California, U.S.A.)  
Contractor: Webcor

Right:  
Taoyan Third LNG Receiving Tank  
(Taoyan, Taiwan)  
Contractor: Obayashi JV



Photo: Brandon Barre



## ■ Medium-Term Business Plan Strategy

### Leverage our strong business foundation to seize further growth opportunities in the global market

- Achieve stable performance and continued growth for Obayashi Group companies in North America and expand construction capacity through M&A
- Strengthen the local business foundations of Group companies in Asia and differentiate our business by building cross-border collaborative mechanisms centered on our Asia-Pacific Regional Headquarters to secure stable earnings
- Narrow down target countries for focused efforts, pursue area-specific market entry strategies including M&A in non-construction businesses (real estate development business in North America and Thailand and green energy business, etc.)

### ■ Building Construction ● Civil Engineering ○ Building/Civil Common

#### Opportunities

- Accelerating global efforts toward carbon neutrality and decarbonization
- Changing markets in the wake of changing economies and corporate activities (globalization and DX)
- Growing demand for the development of social infrastructure with low environmental impact
- Stable water treatment infrastructure market in the U.S., transportation infrastructure project demand in the Asia region

#### Risks

- Significant fluctuations in exchange rates due to changes in monetary policy and economic conditions
- Sharp rises in the cost of fuel, transportation, materials, and other items due to the worsening situation in Russia-Ukraine and in Israel
- Concerns about the economic security of Taiwan and other countries where we do business
- Employee safety assurance in the event of an emergency in markets in which we operate, and business continuity risk in such situations

#### Strengths

- Diverse global human resources nurtured through consistent training that includes our overseas trainee system, and our Group training sessions for locally hired staff
- A business foundation in our existing overseas that is expanding and growing stronger through M&A and other measures
- Promotion of decarbonization and well-being-oriented architecture utilizing Obayashi's proprietary technologies (LEED and WELL Gold certification for O-NES TOWER (Thai Obayashi) and recognition for the construction of wooden structures and interiors in Australia)
- A subsidiary that is a leading U.S. water treatment facility construction company
- Know-how and expertise in development of social infrastructure primarily in Southeast Asia
- Strengthened data center project initiatives through cooperation among data center design teams centered on the Asia-Pacific Regional Headquarters
- Introduction of technologies related to BIM/VR (virtual reality) in global projects



## Overseas Construction Business

The Obayashi Group is seeking to expand its business in North America, the world's largest construction market, primarily through M&A. In December 2023, we acquired shares in MWH US Acquisitions, Inc., which is involved in the construction of water treatment facilities in the United States, and made it a specified subsidiary. Making MWH a Group company will help Obayashi develop a full-fledged business in the field of water-related infrastructure construction in the United States, which is expected to enjoy steady growth going forward, and further enhance the Group's corporate value.

### M&A Backdrop

The water infrastructure construction services market in the United States is a stable and promising market that is fairly resilient to changes in economic trends. Public investment in the field is also expected to increase given the rise in urban populations and aging infrastructure. The Group has been looking to make a full-fledged entry into this market for some time because it can contribute to the development of our North American construction business.

MWH is one of the leading construction companies in the U.S. water treatment facility construction market and boasts a wealth of experience and a competitive advantage in the construction of large-scale water treatment facilities. Bringing MWH into the Obayashi Group will enable us to promote further MWH growth. We will provide MWH with access to our technologies and resources, extend financial support, and encourage the establishment of joint ventures or other collaborative projects with existing Group companies in North America.

### Anticipated Synergy Benefits

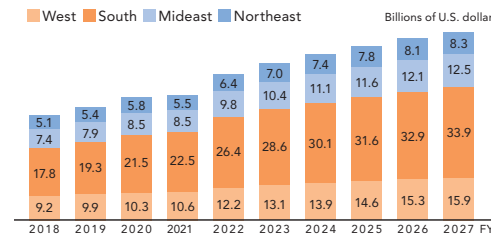
The Obayashi Group and MWH have enjoyed a good relationship to date through collaborations including joint venture projects. Engaging in business activities together with MWH, the Group will be able to capture demand in the stable growth market of water treatment facility construction and renewal, thus expanding sales and profits and further stabilizing its business performance. More specifically, MWH's business strongly complements that of Webcor, L.P., which specializes in construction projects utilizing concrete, and Obayashi's North American business, which specializes in underground structures. This development will strengthen our competitive advantage in bidding as a Group.

The ultimate aim is to secure further growth for the Group as a whole with Obayashi's North American Regional Headquarters serving as a hub for collaboration based on ongoing efforts to facilitate the exchange of human resources and technologies and provide technical support to Group companies.

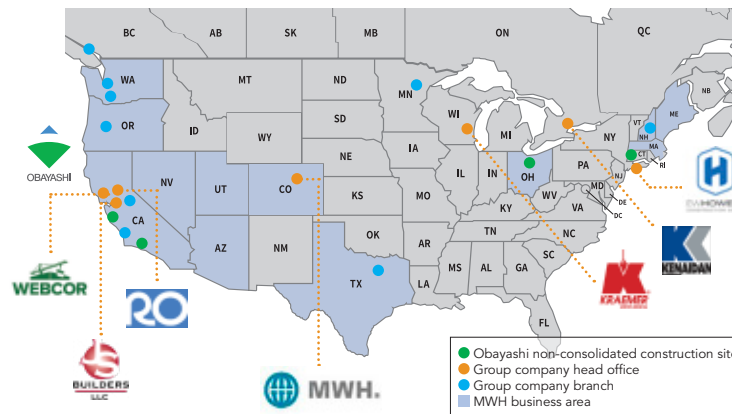
### Major M&A and Expansion in the United States

|   |   |  |   |   |  |   |  |   |
|---|---|--|---|---|--|---|--|---|
| <p><b>1966</b></p> <p>Received an order for the Surfrider Hotel construction project (Hawaii, U.S.A.)</p> | <p><b>1979</b></p> <p>The first Japanese construction company to receive an order for a public civil engineering project in the continental United States (San Francisco Sewer)</p> | <p><b>1989</b></p> <p>Acquired E.W. Howell (Building construction)</p> | <p><b>2007</b></p> <p>Acquired Webcor (Building construction)</p> | <p><b>2011</b></p> <p>Acquired Kenaidan Group (Civil engineering in Canada)</p> | <p><b>2012</b></p> <p>Established JS Builders* (Building construction)</p> | <p><b>2013</b></p> <p>Acquired more shares of James E. Roberts and made it a subsidiary</p> | <p><b>2014</b></p> <p>Acquired Kraemer North America (Road and bridge construction, etc)</p> | <p><b>2023</b></p> <p>Acquired MWH (Water treatment-related construction)</p> |
|   |   |  |   |   |  |   |  |   |

### Demand for Water Treatment Facility Construction in the U.S. by Region (2018–2027)



Source: FMI North American Engineering & Construction Outlook



### Joint Ventures and Other Collaborative Projects between Obayashi Group and MWH

**Southeast Water Pollution Control Plant Biosolids Digester Facilities Project** (California, project under construction)

Client: San Francisco Public Utilities Commission

Joint Venture:



**City of Austin Water Treatment Plant Number 4** (Texas, completed in 2014)

Client: City of Austin

Joint Venture:



## Real Estate Development Business

### Major Project

#### YOKOHAMA SYMPHOSTAGE<sup>1</sup>

Completed in March 2024. A complex consisting of two buildings, the East Tower and the West Tower, with a total floor area of over 180,000 m<sup>2</sup>. The buildings boast enviable environmental performance, having acquired a five-star BELS rating,<sup>2</sup> ZEB Ready certification,<sup>3</sup> and the highest S ranking for CASBEE Yokohama.<sup>4</sup>

1. Minato Mirai 21 Central District 53 Block Development Project (A joint development between Obayashi Corporation, Keikeyu Corporation, Nippon Steel Kowa Real Estate Co., Ltd., Yamaha Corporation, Minato Mirai 53 East LLC)
2. An overall building evaluation system called Building-housing Energy-efficiency Labeling System (BELS); five stars is the highest rank
3. First building in the Minato Mirai 21 Central Zone to be certified in an office section evaluation
4. Comprehensive Assessment System for Built Environment Efficiency Yokohama (CASBEE Yokohama)



### Medium-Term Business Plan Strategy

#### Optimize asset portfolios to improve investment efficiency and profitability

- Diversify asset types and secure stable income gains by investing in growing sectors including environmentally responsible buildings such as ZEB and value-added logistics facilities
- Flexibly obtain capital gains by utilizing private funds under management
- Acquire competitive assets by utilizing networks in Thailand, the United Kingdom, and in other global marketplaces
- Utilize leverage to improve capital efficiency

The real estate development business engages in the sales and non-asset businesses centered on its leasing properties businesses. We aim to promote further growth by leveraging customer relationships as well as real estate development business know-how cultivated through the construction business, and to create synergies with the construction business by, for instance, introducing our latest technologies to improve the value of real estate.

In the leasing properties business, in addition to properties in Japan's urban centers, we will continue to develop and manage high-quality rental properties overseas, primarily in Thailand and the United Kingdom, and will refresh our portfolio by making new investments in the amount of ¥300 billion with net investment of ¥160 billion after property sales worth ¥140 billion.

The sales and non-asset businesses sell properties owned and developed by Obayashi Corporation to entities including a private fund established by Obayashi Realty Asset Management to secure capital gains and shift properties off the balance sheet. The Group is also looking to expand its fee-based non-asset business through real estate operation and management (asset management, property management, and building maintenance).

The aim is to generate stable operating income of ¥15.0 billion or more through these initiatives, and to consider using leverage for investment in the real estate development business to further improve capital efficiency.

In contributing to carbon neutrality and well-being, we will proactively introduce energy-saving technologies cultivated in the construction business into newly developed properties, promote the acquisition of LEED, ZEB Ready, CASBEE, and other environmental certifications, and switch to electric power generated from renewable sources at all the rental properties we own in Japan by 2030. Our real estate development business will also focus on developing IoT- and AI-driven smart buildings, providing safe and secure spaces that underpin the business continuity of tenant companies, and help develop environment-conscious, high value-added sustainable towns and communities.

#### Opportunities

- Social demand related to carbon neutrality, well-being, and other sustainability-related issues
- Emergence of new growth areas that meet customer needs, such as the post-COVID-19 population trends, e-commerce, and wooden structures and interiors

#### Risks

- Changes in office needs associated with application of overtime caps and changes in work styles
- Rise in vacancy rates and fall in rents due to large supply of office space and distribution warehouses
- Deterioration in profitability and growth potential of the real estate development business due to rise in interest rates in Japan and overseas, etc.

#### Strengths

- Ability to secure continuous and stable rental profit by reshuffling our portfolio by making new investments in the amount of ¥300.0 billion with net investment of ¥160.0 billion after property sales worth ¥140.0 billion over five years
- Expanding fee-based no-asset business through private funds by leveraging the Obayashi Group's real estate management and operational expertise
- Strengthening of our earnings base by expanding building uses from offices to logistics facilities, rental housing, and other purposes, and diversifying and globalizing our rental business portfolio through building development, ownership, and operation not only in Japan, but also in Bangkok and London

### Growth Investment toward Expanding Business Portfolio

Investment plan during the medium-term business plan

¥300.0 billion

FY2022–FY2023 results: ¥175.9 billion



## Green Energy Business

### Major Project

#### Megawatt-Class Green Hydrogen Manufacturing Plant

The Obayashi Group is working to build a green hydrogen value chain through the Halcyon Power joint venture company established together with Tuaropaki Trust, which owns a geothermal power plant in New Zealand.



## Medium-Term Business Plan Strategy

### Growth in response to the need to achieve carbon neutrality

- Expand power generation capacity, diversify energy source to lower the total risk
  - 1) Explore renewable energy-related business in Asia and Oceania (expansion of renewable energy business through the acquisition of shares in Eastland Generation Limited)
  - 2) Pursue non-FIT electricity power supply initiatives, etc. (Initiatives using PPA)
- Enhance initiatives for developing and commercializing hydrogen-related technologies
  - 1) Utilize hydrogen to promote decarbonization in the construction business (construction machinery with hydrogen mixed-combustion engines, etc.)
  - 2) Promote business based on experience in hydrogen-related pilot projects both in Japan and abroad, etc. (building a green hydrogen value chain in New Zealand)

The social drive to achieve carbon neutrality is accelerating and customer needs are becoming more diverse than ever before. In addition to expanding our portfolio in the renewable energy business, the green energy business is also accumulating the expertise and experience to enable it to respond to various needs, while focusing on initiatives designed to create synergies with the construction and real estate development businesses.

January 2023 saw the full launch of offshore wind farms in the Japanese ports of Akita and Noshiro in Akita Prefecture, projects in which Obayashi Corporation is participating. This marked the addition of offshore wind power generation to the green energy business portfolio. Then, in March 2023, the green energy business installed solar panels at the new plant of Group company Naigai Technos Corporation and started a power purchase agreement (PPA\*) business to directly sell electricity. Going forward, we will continue to develop renewable energy in Japan and overseas, while also expanding the scope of our business by developing PPA, renewable energy consulting, and other operations.

We have been focusing on the hydrogen business both in Japan and overseas, and intend to accelerate the construction of a green hydrogen value chain. In New Zealand, the green energy business will develop hydrogen production and supply facilities in various locations including the suburbs of the nation's largest city of Auckland, and will cultivate new customers in mobility-related and other sectors and encourage social adoption together with local companies.

Investment funds of ¥60 billion have been earmarked through FY2026 to help implement these kinds of initiatives, which will serve to steadily monetize the provision of green energy and contribute to build a sustainable society.

\* A type of electric power sales contract formed between an electricity consumer and a PPA operator (power generation company). PPA operators install renewable energy power generation equipment, such as solar panels, on land and facilities owned by the electricity consumer in order to supply electricity. The power generating equipment is owned by a third party (the PPA operator or a separate investor), so the electricity consumer can use the renewable electricity without incurring initial costs.

### Opportunities

- Stronger initiatives by national and local governments to turn renewable energy into a major power source and promote the society-wide adoption of hydrogen
- Increasingly diverse customer needs in connection with decarbonization

### Risks

- Increased development and operating costs due to rising prices and others
- Power generation failures and equipment problems caused by abnormal weather conditions such as typhoons, heavy rains, and thunderstorms, and natural disasters
- Difficulty in securing human resources with project management skills

### Strengths

- Track record in the development and operation of solar power, onshore and offshore wind power, biomass, and geothermal power generation facilities, and the production, transportation, and sale of green hydrogen
- Ability to respond to various customer needs through synergies with the construction and real estate development businesses
- Track record in utilizing hydrogen in Japan and other countries

## Growth Investment toward Expanding Business Portfolio

Investment plan during the medium-term business plan

¥60.0 billion

FY2022–FY2023 results: ¥6.0 billion



## Green Energy Business

In addition to the original Kumiyama Solar Power Station launched in July 2012, the Obayashi Group's renewable energy business is involved in 40 different solar, wind, biomass, geothermal, and hydroelectric power generation projects in which the Group has a total ownership interest in power generating capacity of approximately 305 MW.\* We are implementing initiatives designed not only to secure the stable operation of power generation plants but also to encourage society-wide adoption of hydrogen energy, which is being spotlighted as the trump card for decarbonization. We are also seeking to extend expertise and expand the scope of business in this sector as part of the overall drive to help society achieve sustainability. \*As of April 30, 2024

### Power Generation Projects



### Renewable Power Generation Business and PPA

As part of the drive to expand our solar power generation business, we are focusing on power purchase agreements (PPAs), under which renewable electricity is sold directly to electricity consumers. In March 2023, we started on-site power production and supply at Naigai Technos Corporation's new factory in Fujimino City, Saitama Prefecture. Power production plans are also underway to operate a 2 MW PPA project for the Cypress Sunadaya plant, the major timber and laminated wood manufacturer in Saijo City, Ehime Prefecture. PPAs offer clear benefits for electricity consumers in terms of achieving decarbonization, securing an energy supply that is stable over the long term, and improving resilience (strengthening power outage tolerance). Going forward, we will apply the expertise and experience gained through PPAs to propose better solutions for customers.



Meanwhile, in the geothermal power generation area, in FY2024 we are continuing with ongoing assessment of potential in the Northern Kyogoku and Rusutsu areas of Hokkaido with the consent of local authorities and relevant parties and ongoing financial assistance from the Japan Organization for Metals and Energy Security (JOGMEC).

### Overseas Green Energy Business



In April 2024, we acquired a 50% stake in Eastland Generation Limited in New Zealand, adding new geothermal and hydroelectric power generation projects to our power source holdings (ownership interest). We aim to expand the Obayashi Group's green energy business portfolio in New Zealand and secure further earnings. The expertise and experience gained through ownership of an operational geothermal power plant will be used to develop geothermal power generation projects in Japan, where we are currently assessing geothermal potential with a view to commercialization.

In Sri Lanka, the Vidul Biomass Limited joint venture with a local company is stably operating a woody biomass power plant that uses *Gliricidia* legumes and rice husks, among other materials, as fuel.



The Te Ahi O Maui (TAOM) geothermal power plant owned by Eastland Generation Limited (New Zealand)

### Hydrogen Business



Outside Japan, Halcyon Power Ltd.<sup>1</sup> is producing green hydrogen in Taupo, New Zealand using geothermal power. Halcyon is working to create a green hydrogen shipping and supply system for New Zealand and other island nations in the Oceania region.

In June 2024, Halcyon Green Hydrogen Limited<sup>2</sup> commenced commercial operation of a green hydrogen fast refueling station in the Wiri suburb of Auckland, the nation's largest city, to supply hydrogen to local customers. Going forward, the Wiri Station will help establish a green hydrogen value chain in the North Island of New Zealand through its tieup with Halcyon Power's green hydrogen production plant.

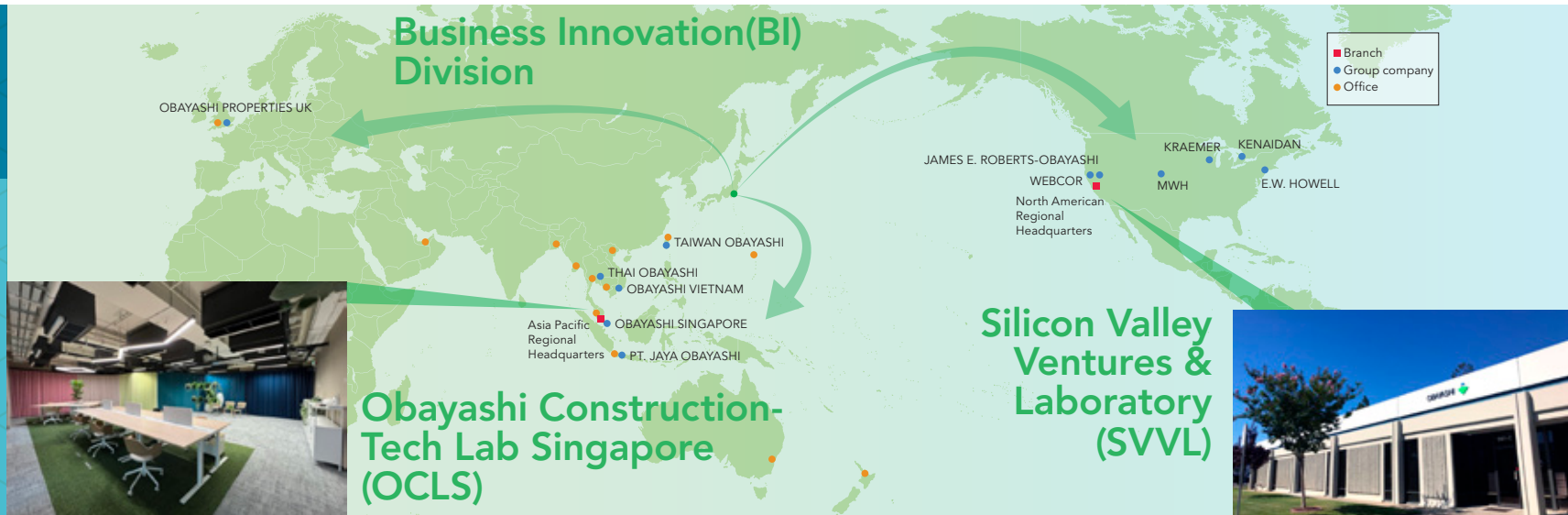
Meanwhile in Japan, in November 2023, green hydrogen produced using geothermal power at Obayashi's plant in the town of Kokonoe, Kusu District, Oita Prefecture was shipped by rail, which helped reduce CO<sub>2</sub> emissions by 82% compared to conventional truck transport. We are also exploring the potential use of green hydrogen to promote the electrification of construction machinery on construction sites, and are committed to further developing hydrogen-related technologies.



Supplying hydrogen to fuel cell buses (FC buses)

1. A joint venture established with the Tuaropaki Trust Maori, a land organization  
2. A joint venture involving Obayashi and Tuaropaki Trust

## New Business Initiatives



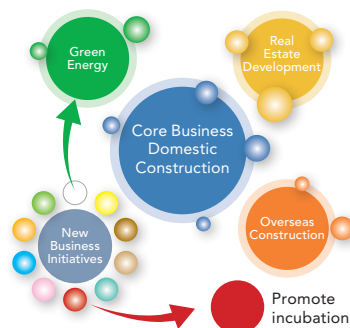
### The Obayashi Group's New Business Initiatives

The Obayashi Group seeks to build a business portfolio with solid foundations and create an organization that enjoys consistent growth by boldly exploring new business initiatives beyond its core domestic construction business and its overseas construction, real estate development, and green energy businesses.

When embarking on new business initiatives, the Obayashi Group considers its most important missions in developing new businesses to be addressing social challenges such as carbon neutrality and well-being, as well as contributing to a sustainable society. This new business development is concentrated in five focus areas: construction DX, city platforms (including smart-city related projects), agriculture and biotechnology, green energy, and space. Businesses are selected based on two criteria: whether the business enables the Group to demonstrate the power of its people, vision, and creation, and whether the market offers sufficient scale, business opportunities, and future growth potential.

PLIBOT and Oprizon are Group companies that were carved out in FY 2022 from among projects that the Business Innovation Division had been developing with the aim of commercialization. The Obayashi Group will continue to strategically invest in new businesses as part of its aim to expand new sources of earnings.

### Diversified Global Business Portfolio Centered on Domestic Construction



A platform to successfully link people and robotics  
<https://www.plibot.co.jp/en/>



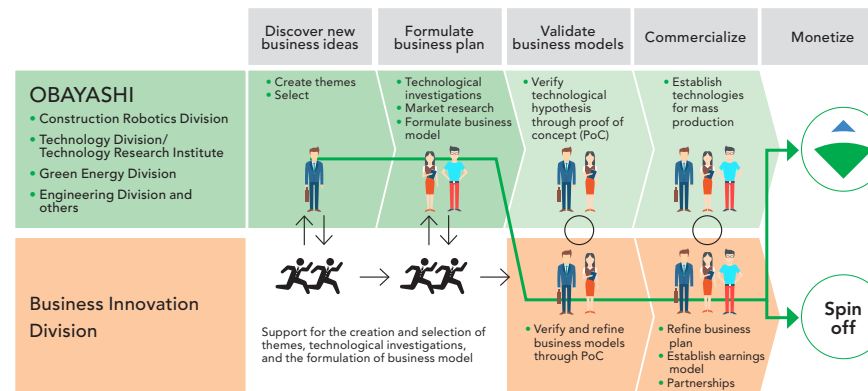
A smart building services provider that creates new experiences  
<https://oprizon.com/en>

### Innovation and New Business Development Process

The Business Innovation Division was established in FY2021 as the organization tasked with developing new businesses. In addition to training personnel who can turn ideas into businesses and drive innovation as well as delivering new value to markets and customers based on a sustainable business model, the division has devised a new business development process to help increase innovation accuracy based on the international standard for innovation management systems (ISO 56002).

Part of this process includes the building of a management system that ensures the appropriate allocation of personnel, budgets, and other resources for new business development projects, which carry a high level of uncertainty. This involves defining the items to be validated for each phase in the discovery of new business ideas, the formulation of business plans, and the validation of solutions.

When implementing new business development processes, the Business Innovation Division leads a three-way collaboration with Silicon Valley Ventures & Laboratory in the United States and the research lab in Singapore to pursue innovation, leveraging the Obayashi Group's global networks and technologies.





## Section

### Framework Supporting Value Creation

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## Environment

<https://www.obayashi.co.jp/en/sustainability/environment.html>



### Naoto Fuji

General Manager of Environmental Management Division  
Senior General Manager-in-Charge of Marketing Division

#### Message

### Effectively Responding to an Increasing Number of Environmental Issues While Focusing on Consequent Economic Value to Generate Greater Corporate Value

#### Accelerating Obayashi Group's Environmental Management to Achieve Our Long-Term Vision

The Obayashi Group boasts a long history in devising initiatives to help solve environmental issues, and has expanded its business with those initiatives in mind. In 1997, we established the Obayashi Corporation Environmental Policy (now known as the Obayashi Group Environmental Policy), which designates autonomous efforts to address environmental issues and the continuous improvement of those initiatives as one of our most important management priorities. In 2011, we formulated Obayashi Green Vision 2050, our medium- to long-term vision on the environment, but in light of growing social trends toward carbon neutrality and other eco-friendly practices and changes in our business environment, we revised that vision and adopted the new long-term Obayashi Sustainability Vision 2050 in 2019. Then, in 2022, we set targets for reducing greenhouse gas emissions based on the GHG Protocol, and obtained science-based targets (SBT\*) certification for those targets.

All our environmental initiatives are intricately linked to our management strategies. Our Medium-Term Business Plan identifies carbon neutrality as a key theme for solving social challenges and discovering new business opportunities, and this overlaps with the quest for society-wide decarbonization in Obayashi Sustainability Vision 2050.

I amassed considerable experience in on-site construction management. After that, I was assigned to the Civil Engineering Technology Division, where I continued to support construction processes on construction sites. As society started to focus on efforts to solve climate change issues, the Obayashi Group began emphasizing the adoption of wooden structures and interiors and other uses of low-carbon materials. I personally witnessed the development of this growing environmental awareness at construction sites. The Environmental Management Division, which I currently lead, was established in April 2022. It is tasked with helping solve various environmental issues, such as alleviating climate change, conserving biodiversity, and recycling resources, and also improving corporate value by focusing on the novel forms of economic value that may arise from those efforts.

\* Medium- to long-term targets for the reduction of greenhouse gas emissions set by companies to meet the goals of the Paris Agreement, and the guiding framework for those targets

#### Contributing to Nature Positivity: Accelerating Climate Change Action and Resource Recycling Efforts

If we are to encourage the entire Group to work together toward its target of helping to solve environmental issues, we have to convince every single employee to incorporate environmental considerations into their daily work and independently and proactively pursue activities to help achieve those aims. With that in mind, we are working hard on bridging the gap between Obayashi policies and its construction sites. Implementing environmental measures at construction sites inevitably costs money. We should focus on the fact that these costs are an investment in a future carbon-neutral society as we seek to encourage our employees, customers, and business partners to develop a similar ecological consciousness.

We are currently focusing on Net Zero Energy Buildings (ZEB) and other similar constructions to achieve net zero energy for buildings. That is not limited to new buildings. Instead, we make comprehensive proposals for carbon neutrality that include projects to convert existing buildings to ZEB compliance—conversion for which there is latent demand—and the zero-energy conversion of all types of buildings. Regarding the use of low-carbon materials, our low-carbon Clean-Crete® has the best track record in the construction industry, achieving 400,000 m<sup>3</sup> cast in FY2023.

As part of our effort to recycle resources, we are promoting our Circular Timber Construction® recycling-oriented business model for optimizing the use of forestry resources. As a construction company, the Obayashi Group has always worked hard to reduce the environmental impact of its downstream construction activities. Going forward, we plan to build a recycling-oriented business model by focusing on the effective use of upstream forestry resources (from tree planting to sawing) and midstream supply chain activities (processing and procurement). We intend to ensure these measures contribute to nature positivity in terms of helping to halt the current decline in biodiversity and reverse nature loss. Furthermore, Obayashi actively discloses information in accordance with TCFD and TNFD requirements, and is committed to further evolving its initiatives to address the increasing number of environmental issues and to improve corporate value.

## Environment

As a sustainability-driven, good corporate citizen, the Obayashi Group considers the commitment to voluntarily engage in, and consistently improve, environmental initiatives to be one of the priority issues in its business management. We seek to help achieve the sustainability of the planet, society, and people as stipulated in Obayashi Sustainability Vision 2050 through our business activities.

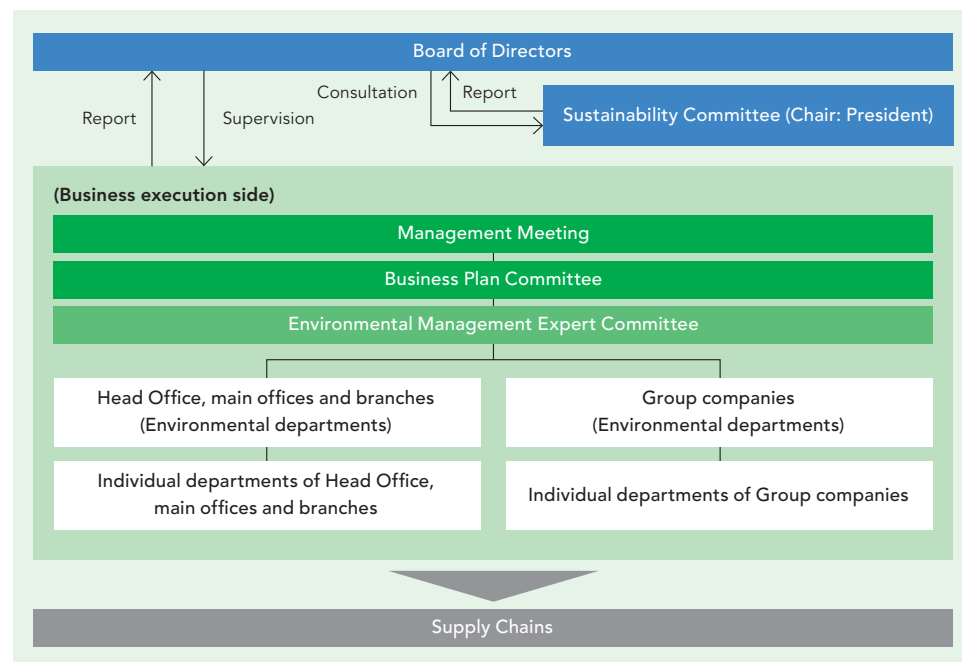
### Environmental Management

Under the Business Plan Committee commissioned by the president, Obayashi has established the Environmental Management Expert Committee chaired by the officer responsible for environment-related matters. The expert committee develops strategies and policies on the Group's environmental management and strives for continual self-improvement by reviewing targets and initiatives based on the evaluation results of its environmental management system.\* The environmental departments in the Head Office, main offices, branches, and Group companies drive Obayashi's environmental efforts and take concrete actions based on the plans and targets set by the Environmental Management Expert Committee.

At Obayashi, environmental compliance is more than just following environmental laws and regulations. We adhere to even stricter standards, and respond appropriately based on those standards. Environmental law and regulation supervisors are appointed at branches throughout Japan, and we also strive to raise knowledge and awareness of environmental laws and regulations by offering e-learning courses and group training sessions.

\* Acquired ISO 14001 certification for all organizations of Obayashi Corporation in Japan

#### Environmental Management Promotion Framework



#### Environmental Management Promotion Activities

| Organization                              | Overview of organization   | Overview of activities  |
|---|--|---|
| Board of Directors                        | <ul style="list-style-type: none"> <li>Comprised of individual directors</li> </ul>  | <ul style="list-style-type: none"> <li>Meets about 15 times a year</li> <li>Supervises environment-related risks and opportunities</li> </ul>   |
| Sustainability Committee                  | <ul style="list-style-type: none"> <li>Chair : President</li> <li>Members : Independent directors, etc.</li> <li>Secretariat: Corporate Strategy Division</li> </ul>   | <ul style="list-style-type: none"> <li>Meets twice or more a year</li> <li>Examines policies on how to address sustainability issues, including the environment, makes recommendations to the board accordingly and assesses the status of execution of these matters</li> </ul>  |
| Management Meeting                        | <ul style="list-style-type: none"> <li>Chair : President</li> <li>Members : Executive officers, including heads of divisions</li> <li>Secretariat: Corporate Strategy Division</li> </ul>  | <ul style="list-style-type: none"> <li>Meets about 30 times a year</li> <li>Reports, discusses, instructs, and resolves important matters regarding sustainability issues, including the environment</li> </ul>   |
| Business Plan Committee                   | <ul style="list-style-type: none"> <li>Chair : Executive officer responsible for business planning</li> <li>Members : Heads of divisions, etc.</li> <li>Secretariat: Corporate Strategy Division</li> </ul>  | <ul style="list-style-type: none"> <li>Meets about 12 times a year</li> <li>Formulates policies related to sustainability issues (including the environment), and manages progress of their implementation</li> </ul>   |
| Environmental Management Expert Committee | <ul style="list-style-type: none"> <li>Placed under Business Plan Committee</li> <li>Chair : Executive officer responsible for the environment</li> <li>Members : Environmental supervisors for individual departments of Head Office</li> <li>Secretariat: Environmental Management Division</li> </ul> | <ul style="list-style-type: none"> <li>Meets twice or more a year</li> <li>Formulates strategies and promotes environmental management based on the Obayashi Group Environmental Policy, compiles information on and evaluates the results of activities based on our environmental management system, and sets targets for and promotes activities in the subsequent fiscal year and beyond</li> </ul> |
| Environmental departments                 | <ul style="list-style-type: none"> <li>Head Office, main offices and branches (Environmental departments)</li> <li>Group companies (Environmental departments)</li> </ul>  | <ul style="list-style-type: none"> <li>Head Office, main offices and branches, and Group companies take specific actions based on the action plans and targets set by the Environmental Management Expert Committee</li> </ul>  |

## Environment

### Information Disclosure Based on TCFD Recommendations

Obayashi declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in July 2020. Since then, we have conducted scenario analysis in order to identify and assess climate-related risks and opportunities and understand the medium- to long-term impact that climate problems may have on our business, and have disclosed climate-related information. In April 2024, we reanalyzed multiple scenarios for the whole Group, including the 1.5°C rise in average global temperatures, and disclosed quantitative information on the expected financial impact.

#### Governance

The Sustainability Committee, which is chaired by the president and composed of independent directors and other members, who have expertise and experience in sustainability, identifies sustainability issues including climate-related issues, examines and recommends policies for addressing identified climate-related issues, and reviews the status of execution of any relevant measures. The board decides on management policy and other matters based on the discussions conducted in the Sustainability Committee.

#### Strategy

Obayashi conducted scenario analysis based on the assumed operation of four major businesses in Japan\* as of the year 2030. The purpose was to identify and assess risks and opportunities and understand the medium- to long-term impact that climate problems may have on our business. In the analysis process, we identified climate change-related transition risks and physical risks under each scenario. We then quantitatively verified the time frame and degree of financial impact each of approximately 30 risks could have on our business, ranked that impact on three levels (major, medium, or minor), and incorporated ways to address the identified risks and opportunities into our business measures.

#### Risk Management

The Sustainability Committee discusses climate-related risks and reports these discussions to the Board of Directors, which deliberates them as needed. Moreover, each department on the execution side assesses the risks inherent in its business processes, and incorporates the necessary avoidance and mitigation measures into those processes before performing them. Meanwhile, the Internal Control Audit Department, which is Obayashi's internal audit arm, audits each department's risk management efforts.

#### Metrics and Targets

To achieve decarbonization by 2050, Obayashi has set targets for reducing greenhouse gas emissions and is working to reduce CO<sub>2</sub> emissions from its business activities and supply chain.

##### CO<sub>2</sub> Reduction Targets

| Metric                   | Base year | Target year | Target |
|--------------------------|-----------|-------------|--------|
| Scope 1+2 reduction rate | 2019      | 2030        | 46.2%  |
|                          |           | 2050        | 100%   |
| Scope 3 reduction rate   | 2019      | 2030        | 27.5%  |

#### Key Climate-Related Risks and Opportunities Identified by the Group

Time frame: short-term (up to three years), medium-term (through 2030), long-term (2031–2050)  
 Financial impact: large (more than 10 billion yen), medium (1 billion to less than 10 billion yen), small (under 1 billion yen)

| Important risks and opportunities | Impacts in 2030  |  |                | Timing of impact | Overview of activities |  |
|-----------------------------------|--|--|----------------|------------------|------------------------|--|
|                                   | Overview   | 4°C scenario   | 1.5°C scenario |                  |                        |  |
| Transition                        | Risks<br>Reinforcement of national decarbonization policies and related laws and regulations | <ul style="list-style-type: none"> <li>Taxes could be levied on CO<sub>2</sub> emitted by construction and other business activities, causing cost increases</li> <li>Price of construction materials, the production of which consumes much energy, could rise, causing procurement cost increases</li> <li>Introduction of renewable energy, causing procurement cost increases</li> </ul>       | Medium         | Major            | Medium- to long-term   | <ul style="list-style-type: none"> <li>Promote energy conservation at construction stage (less fuel consumption, less electric power usage)</li> <li>Reduce CO<sub>2</sub> emissions at construction stage (introduction of diesel fuel alternatives, and renewable energy)</li> <li>Work with supply chains to decarbonize construction machinery (introduction of hybrid and electric construction machinery, etc.)</li> <li>Use recycled and low-carbon materials, increase construction waste recycling rate</li> <li>Establish mid-rise and high-rise wood building design and construction technologies and strengthen supply chains for domestic timber</li> </ul>  |
|                                   | Opportunities<br>Increasing need for energy conservation/renewable energy technology         | <ul style="list-style-type: none"> <li>Increased demand for low-carbon buildings such as ZEB designed</li> <li>Renewable energy continues to replace conventional forms of energy</li> <li>Growing demand for offices with green building certification</li> </ul>   | Minor          | Medium           | Short- to long-term    | <ul style="list-style-type: none"> <li>Supply buildings that have high added value and outstanding environmental performance such as ZEB</li> <li>Promote development and practical application of ZEB technology and low-carbon materials such as low-carbon concrete, etc.</li> <li>Strengthen proposal and sales capabilities through experts on carbon neutral technologies and the construction of wooden structures and interiors, etc.</li> <li>Promote the renewable energy business, the hydrogen business and the PPP business, and use our knowledge and expertise</li> <li>Strengthen marketing of value-enhancing and energy-conserving renovation services for existing facilities using our technology</li> </ul> |
| Physical                          | Risks<br>Higher summer temperatures  | <ul style="list-style-type: none"> <li>Risks to construction site skilled worker health, including heat stroke risk, are rising</li> <li>Poorer work conditions at construction sites could make worker shortage worse</li> </ul>  | Medium         | Medium           | Medium- to long-term   | <ul style="list-style-type: none"> <li>Conduct construction process management with utmost attention to the safety of skilled workers</li> <li>Increase productivity and construction safety using labor-saving technology and ICT</li> <li>Promote improvement in work conditions at construction sites such as heat stroke prevention measures and work style reforms</li> <li>Promote initiatives to improve the hiring and retention rate of skilled workers and support the succession of business and technology at suppliers and subcontractors</li> </ul>  |
|                                   | Risks<br>More severe natural disasters (typhoons, heavy rains, flooding, etc.)               | <ul style="list-style-type: none"> <li>Increased impact from natural disasters could damage buildings and infrastructure during construction or could interrupt construction. There is also increasing risk of needing to respond to damage at suppliers of construction equipment and materials</li> <li>Risks of natural disaster impact on our own real estate properties are rising</li> </ul> | Medium         | Minor            | Medium- to long-term   | <ul style="list-style-type: none"> <li>Strengthen ability to provide BCP response during disasters by building strong networks with suppliers</li> <li>Promote disaster prevention measures using hazard maps and ICT</li> <li>Promote redevelopment projects to enhance environmental, disaster prevention, and business continuity performance</li> </ul>  |
|                                   | Opportunities<br>National resilience initiatives   | <ul style="list-style-type: none"> <li>There is rising demand for infrastructure construction, maintenance, and repair to prevent and mitigate disasters and build national resilience</li> </ul>  | Minor          | Medium           | Short- to long-term    | <ul style="list-style-type: none"> <li>Promote development and practical application of technologies to prevent and mitigate disasters and build national resilience</li> <li>Strengthen marketing of infrastructure construction, maintenance, and repair</li> <li>Promote one-stop business including everything from surveys and inspections using ICT to evaluations, diagnoses, repair, and reinforcement</li> </ul>  |



## Environment

### Promoting Decarbonization

In order to achieve the decarbonization goal stipulated in Obayashi Sustainability Vision 2050, the Obayashi Group has incorporated carbon neutrality into its business plan as a key business opportunity and is promoting concrete initiatives to realize this vision. The FY2030 greenhouse gas emission reduction targets that we set in 2022 were certified as Science Based Targets in October 2022 based on the recognition that they are science-based targets aligned with the Paris Agreement.

#### Greenhouse Gas Reduction Targets for FY2030

**Scope 1**  
**Scope 2** **46.2%** reduction (vs. FY2019)

**Scope 3** **27.5%** reduction (vs. FY2019)

| KPI  | FY2022        | FY2023                    |               | FY2024                    | FY2025 | FY2026 | FY2030 |
|--|---------------|---------------------------|---------------|---------------------------|--------|--------|--------|
|  | Results       | Targets                   | Results       | Targets                   |        |        |        |
| CO <sub>2</sub> emissions reduction rate (vs FY2019) (Scope 1 + Scope 2) | Reduced 24.2% | 46.2% reduction by FY2030 | Reduced 16.8% | 46.2% reduction by FY2030 |        |        |        |
| CO <sub>2</sub> emissions reduction rate (vs FY2019) (Scope 3)           | Reduced 17.5% | 27.5% reduction by FY2030 | Reduced 17.2% | 27.5% reduction by FY2030 |        |        |        |

#### Analysis of Current Situation and Issues

- Scope 1** **Scope 2**
- We have not been able to reduce Scope 1 emissions because effective CO<sub>2</sub> reduction measures for use of fuel by construction machinery have still to enter the practical stage. Instead, we have been working to reduce Scope 2 emissions first through the use of renewable energy and non-fossil certificates.
- Scope 3**
- While the Obayashi Group is building a steady track record in environmentally friendly construction, including ZEB, the Group does not have full control over the volume of orders received for design and build projects or the environmental performance of buildings, so emissions tend to increase in fiscal years with a large number of completed projects.

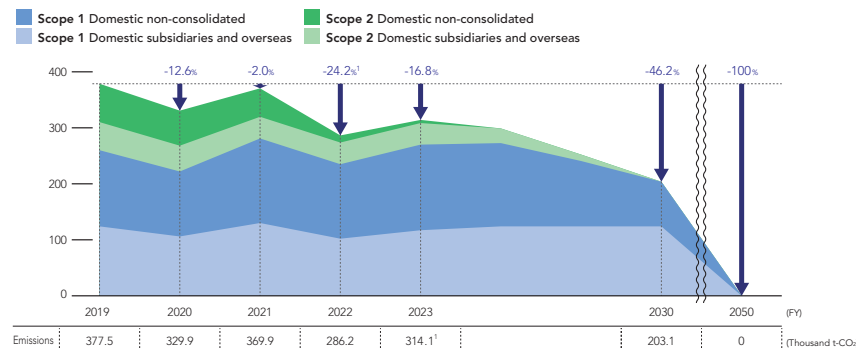
#### Future Emissions Reduction Policy

- Scope 1** **Scope 2**
- The Group will first continue to work on reducing Scope 2 emissions through FY2025, while also establishing usage methods and other matters for electric construction machinery and diesel fuel alternatives. From FY2026 the Group will make the necessary investments and promote full-scale initiatives.
  - Regarding the reduction of Scope 1 emissions, the Group will maximize the use of diesel fuel alternatives such as GTL<sup>1</sup>, biodiesel, and renewable diesel<sup>2</sup> while considering maintenance performance, cost, and supply volumes.
  - The use of electric construction machinery presents issues from a cost and supply perspective. However, the Group intends to introduce electric construction machinery following demonstration experiments and other activities to verify the benefits.
- Scope 3**
- Obayashi aims to use 50,000 m<sup>3</sup> of Clean-Crete<sup>®</sup> and 100,000 t of electric furnace steel beams per year. We will expand the use of these low-carbon materials at construction sites through the introduction of internal carbon pricing, and continue to promote the construction of ZEB and other environmentally friendly construction methods.

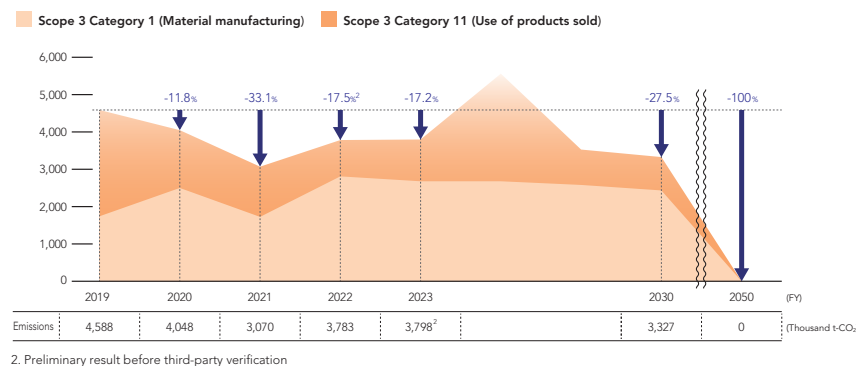
1. Gas to liquid fuels are diesel fuel alternatives produced from natural gas that are cleaner and cause less environmental impact. An 8.5% reduction in CO<sub>2</sub> emissions can be achieved by replacing diesel fuel with GTL, while maintaining properties equivalent to those of petroleum-derived products.

2. Next-generation biofuels that are produced using a hydro-refining process from raw materials such as waste cooking oil and waste animal and vegetable oils that do not compete with food supply. Renewable diesel can reduce greenhouse gas emissions by 90% compared to petroleum-derived diesel on a lifecycle assessment basis and can be used as is in vehicles and heavy machinery that run on diesel.

#### Reductions in Scope 1 and Scope 2 Emissions

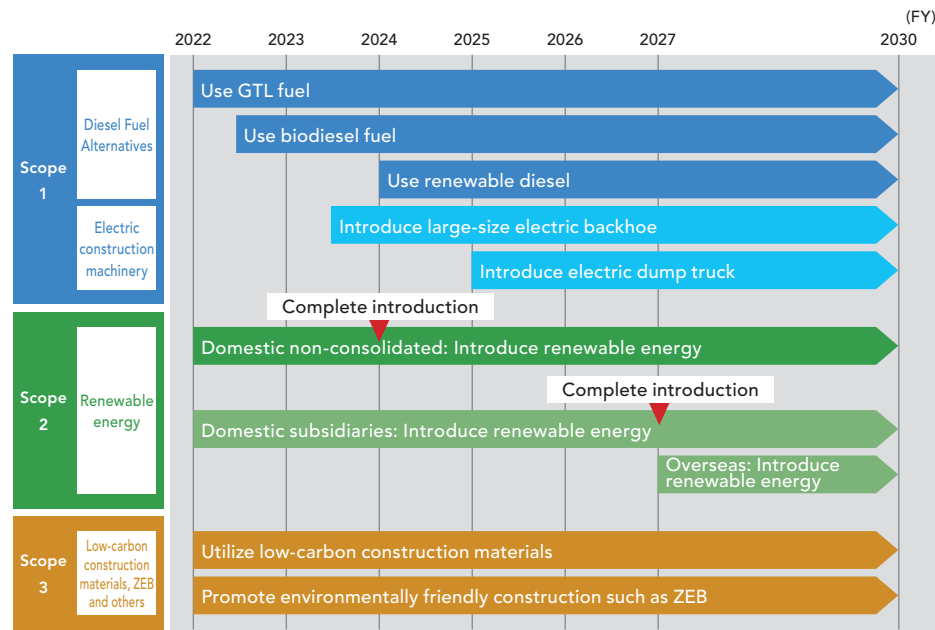


#### Reductions in Scope 3 (Category 1 and Category 11) Emissions



## Environment

### Roadmap for CO<sub>2</sub> Emissions Reduction Measures



### Introducing Next-Generation Fuels and GX Construction Machinery

Obayashi is working with Matsubayashi Corporation and Nishio Rent All Co., Ltd. to facilitate the use of 100% biodiesel fuel in construction machinery used in the Company's construction project for Expo 2025 Osaka, Kansai, Japan. The biodiesel is made from cooking oil used in our cafeteria and waste cooking oil from regular households. We are also conducting demonstration experiments using renewable diesel in cooperation with Itochu Enex Co., Ltd. and Nishio Rent All.

In addition, we started introducing green transformation (GX) construction machinery,\* such as a 20 t-class battery-powered backhoe and a mobile crane, in construction projects undertaken in Japan from FY2024. Meanwhile, at our construction sites we have introduced mixed combustion generators that run on green hydrogen produced by the Company for verification of on-site hydrogen use.

Going forward, we will investigate and verify the impact of using next-generation fuels and introducing GX construction machinery on reducing CO<sub>2</sub> emissions, and establish optimal usage.

\*Battery-powered or wired electric construction machinery that is recognized as emitting zero CO<sub>2</sub> during operation

Use of next-generation biofuel "Renewable Diesel" during construction at Expo 2025 Osaka, Kansai, Japan

[https://www.obayashi.co.jp/en/news/detail/news20231208\\_1\\_en.html](https://www.obayashi.co.jp/en/news/detail/news20231208_1_en.html)

Started introducing GX construction machinery in construction projects

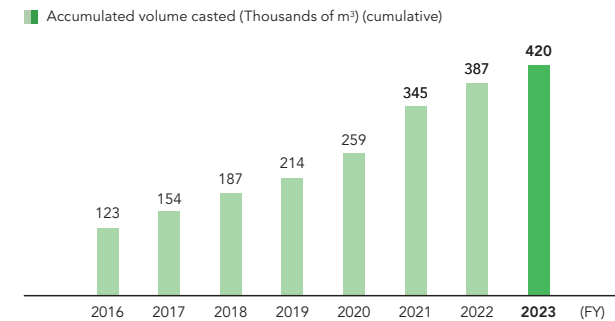
[https://www.obayashi.co.jp/en/news/detail/news20240425\\_1\\_en.html](https://www.obayashi.co.jp/en/news/detail/news20240425_1_en.html)

### Promote Low-Carbon Materials

As part of its efforts to reduce Scope 3 emissions, Obayashi is promoting the wider use of low-carbon materials and environmentally friendly construction methods. Clean-Crete® is a low-carbon concrete developed in house that can reduce CO<sub>2</sub> emissions by up to 80% through the use of large amounts of granulated blast furnace slag, an industrial by-product, instead of cement. Clean-Crete® does not require special manufacturing equipment and is highly versatile, so it can be used both on site and in precast products.

Obayashi started casting Clean-Crete® in October 2023 in the first phase of the Shin-Maruyama Dam main body construction (Yaotsu Town, Kamo District and Mitake Town, Kani District in Gifu Prefecture). Estimated total on-site Clean-Crete® casting is expected to reach approximately 15,500 m<sup>3</sup>, among the largest amounts for a single civil engineering project in Japan. The use of Clean-Crete® is expected to reduce CO<sub>2</sub> emissions by approximately 2,800 t, which is equivalent to annual domestic emissions for roughly 2,370 people.

#### Actual Clean-Crete® Application



Obayashi, in collaboration with Cartier, is using Clean-Crete®, electric furnace steel beams, and other low-carbon materials in the construction of the Women's Pavilion at Expo 2025 Osaka, Kansai, Japan. In addition, we are working to reuse a pavilion facade from a previous Expo and to repurpose leased materials as the foundation steel frame. Utilizing used and leased materials reduces CO<sub>2</sub> emissions generated during the materials manufacturing process to zero and also reduces waste emissions.

Going forward, Obayashi intends to introduce internal carbon pricing for low-carbon materials in an attempt to visualize the impact of this measure on reducing emissions, and also use it to evaluate construction sites adopting low carbon materials. In these ways, Obayashi will further promote the use of low-carbon materials such as Clean-Crete® and electric furnace steel beams.

| KPI  | FY2022 | FY2023       |        | FY2024       | FY2025       | FY2026       |
|--|--------|--------------|--------|--------------|--------------|--------------|
|  | Result | Target       | Result | Targets      |              |              |
| Ratio of mixed waste in construction waste | 4.3%   | 3.0% or less | 3.1%   | 3.0% or less | 3.0% or less | 3.0% or less |

## Environment

### Circular Timber Construction®: A Recycling-Oriented Business Model for Forestry Resources

The Obayashi Group has adopted a new business model, Circular Timber Construction®, which optimizes the entire supply chain for the construction of wooden structures and interiors.

The Group draws on its experience, expertise, and knowledge in the conservation and utilization of forest resources to promote a complete and sustainable cycle for domestic timber, from material production to sawmilling, usage, and reforestation. This cycle encompasses operations upstream (tree planting and cultivation), midstream (processing and procurement), downstream (construction), and beyond (power generation, reuse and recycling). We are working to use sustainable forest resources and to realize a society that coexists in harmony with nature.

#### ■ Planting Tree Saplings Grown in Artificial Light

Obayashi has developed a technology for cultivating saplings, which can facilitate timely delivery of timber by improving germination rate and shortening seedling growth periods. Approximately 700 larch saplings cultivated using this technology have been planted on forest land in Nichinan Town, Tottori Prefecture. We hope to use this technology for sapling cultivation using artificial light to facilitate systematic tree planting and help revitalize forest land across Japan.



Saplings cultivated in artificial light



Tree planting on forest land

#### ■ Biomass Power Generation

The Obayashi Group operates woody biomass power plants in two locations in Japan (Otsuki City in Yamanashi Prefecture and Kamisu City in Ibaraki Prefecture). These plants convert wood and other materials that are no longer needed at upstream, midstream, and downstream stages into energy.

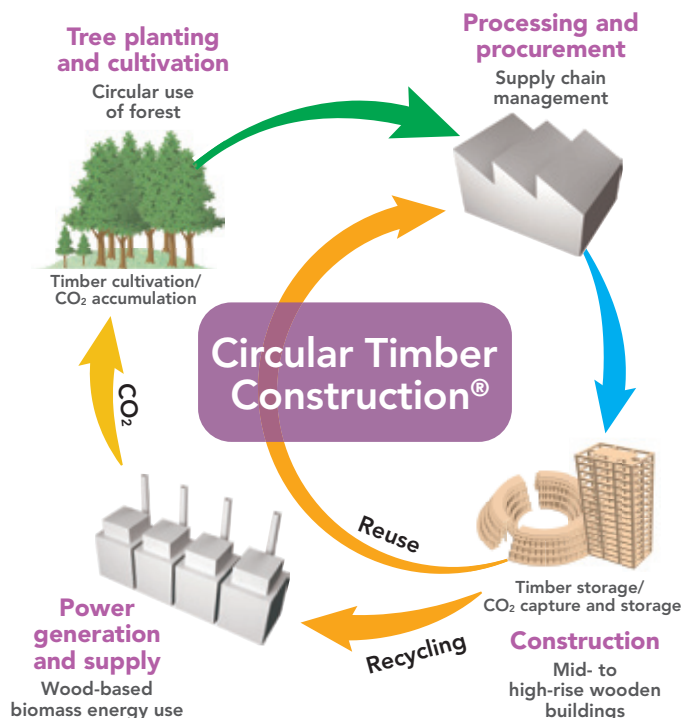
The Otsuki Biomass Power Plant is capable of generating 14.5 MW of power from Japanese-grown wood, which is equivalent to the annual power consumption of approximately 30,000 households. Some of the burnt residue, or ash, produced by the process is reused as roadbed or backfilling material as part of our efforts to promote even deeper circularity. The power plant also contributes to the local community in such ways as revitalizing the forestry industry in Yamanashi Prefecture and creating local jobs.



Otsuki Biomass Power Plant (Generating power from Japanese-grown wood)



Obayashi Kamisu Biomass Power Plant



| KPI  | FY2022      | FY2023      | FY2024      | FY2025      | FY2026      | FY2030      |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | Result      | Target      | Result      | Targets     |             |             |
| Stable annual electricity generation from renewable energy business* | 540,279 MWh | 734,800 MWh | 698,373 MWh | 781,400 MWh | 782,000 MWh | 840,000 MWh |

\* Amount of electricity generated from the Obayashi Group's renewable energy power generation business overall

#### ■ Stable and Efficient Timber Supply

In February 2023, Obayashi formed a capital alliance with Cypress Sunadaya Co., Ltd., a leading manufacturer of Japanese cypress timber products. Cypress Sunadaya ranks among Japan's top companies in terms of both its manufacturing capacity for cross-laminated timber (CLT) boards and price competitiveness, so it is expected to play an important role in solving cost issues relating to the construction of non-residential wooden buildings and wooden interiors. Obayashi is fortifying collaborative efforts between Cypress Sunadaya, Naigai Technos, and other Group companies to strengthen product development and expand CLT sales channels.



Cypress Sunadaya factory



CLT products

#### ■ The Grand Roof Ring at Expo 2025 Osaka, Kansai, Japan (Pavilion World northeast section)

The Grand Roof Ring is set to become the symbol of Expo 2025 Osaka, Kansai, Japan, and will be one of the largest wooden structures in the world when it is completed. Timber produced in Japan is actively used in the section of the project overseen by Obayashi, with cypress from the Shikoku region comprising roughly 50% of the pillar materials, and cedar from Fukushima being used for the beams. The CLT processed from cypress and cedar trees from Shikoku is manufactured in one of the largest CLT production facilities in Japan, owned by Cypress Sunadaya.

Amount of wood used in our construction area: **Approx. 8,300 m<sup>3</sup>**



The Grand Roof Ring



Installing CLT flooring



## Environment

### Promote Environmentally Friendly Businesses

The Obayashi Group is promoting environmentally friendly business, including the promotion and expansion of ZEB and the introduction of power derived from renewable energy sources in its rental properties. Obayashi has built a steady ZEB track record by bringing together relevant departments to work as one and proactively present proposals to clients. ZEB targets for newly constructed buildings are stipulated in documents including the latest Strategic Energy Plan issued by the Agency for Natural Resources and Energy, which is part of Japan's Ministry of Economy, Trade and Industry. ZEB is expected to become more widespread in the future, so Obayashi is developing ZEB-related technologies and designing tools for compiling more effective client proposals.

| KPI  | FY2022                 |         | FY2023         |         | FY2024         | FY2025 | FY2026 |
|--|------------------------|---------|----------------|---------|----------------|--------|--------|
|  | Results                | Targets | Results        | Targets |                |        |        |
| Ratio of ZEB proposals (design and build projects)   | 100%                   | 100%    | 100%           |         | 100%           | 100%   | 100%   |
| Number of ZEB certification (design and build projects)                                      | 8                      | 5       | 12             |         | 5              | 5      | 5      |
| Ratio of renewable energy usage in domestic for-lease properties owned by the Obayashi Group | Lease office buildings | 86%     | 100% by FY2026 | 92%     | 100% by FY2026 |        |        |
|  | Lease properties       | 85%     | 100% by FY2030 | 91%     | 100% by FY2030 |        |        |

#### ZEB Ready Simplified Evaluation System

Detailed specifications for electrical equipment, air-conditioning, and some other facilities may not be finalized in the early stages of a building's design, presenting the problem that the potential energy-saving performance of a building cannot be accurately evaluated at that point. Obayashi has developed a ZEB Ready Simple Evaluation System that can quickly evaluate the degree of ZEB Ready achievement even in the early stages of a building's design when equipment specifications have yet to be determined. The system uses data from past office buildings designed by Obayashi and a simplified 3D model to estimate the load on the building exterior.

The system is not just for buildings with rectangular planes but can also be applied to buildings with complex shapes. It can assist in the formulation of more effective proposals by comparing proposals and checking the effectiveness of certain environmentally friendly architectural designs in real time.

[https://www.obayashi.co.jp/en/news/detail/news20230713\\_1\\_en.html](https://www.obayashi.co.jp/en/news/detail/news20230713_1_en.html)

#### Design Support System for Highly Precise Evaluation of ZEB

When applying for ZEB certification, companies commonly calculate energy-saving performance using the standard input method stipulated in Japan's Building Energy Efficiency Act. However, it requires a great deal of time and effort to input the copious amount of detailed information on equipment and machinery installed. Obayashi is working with Izumi Consulting to develop the industry's first design support system, SmoothSEK®, which automatically extracts the necessary information from BIM data for calculating energy-saving performance requirements for ZEB certification applications.

The support system facilitates the accurate and smooth calculation of energy-saving performance and reduces the time spent on these calculations by about 50% compared to conventional methods.

[https://www.obayashi.co.jp/en/news/detail/news20230809\\_1\\_en.html](https://www.obayashi.co.jp/en/news/detail/news20230809_1_en.html)

## Biodiversity Conservation

At every phase of its business activities, including R&D, design, construction, and maintenance, Obayashi remains committed to technological development that preserves and creates ecosystems with rich diversity, while endeavoring to avoid or mitigate environmental impact at construction sites and surrounding areas.

#### Certification as a Nationally Certified Sustainably Managed Natural Site

To help achieve the global 30by30\* roadmap for protecting or conserving at least 30% of land and sea areas by 2030, Japan's Ministry of the Environment launched a project in FY2023 to certify areas where biodiversity is effectively conserved by the activities of the private sector.

The wooded area at the Obayashi Technical Research Institute in Kiyose City, Tokyo has been certified as a site where nature is conserved in recognition of efforts by the Company. Efforts include conserving rare plants by managing them appropriately and inviting local civic groups to attend regularly-held rare plant observation sessions.



Endangered golden orchids growing in the woods around the Obayashi Technical Research Institute

\* Target to effectively conserve at least 30% of land and sea as healthy ecosystems toward the goal of halting and restoring biodiversity loss by 2030 (Nature Positive)

#### TNFD Disclosure Initiatives

Obayashi endorses the principles of the Task Force on Nature-related Financial Disclosures (TNFD) and participates in the TNFD Forum, which supports the organization's activities. Obayashi is a registered TNFD Adopter—an organization that applies the disclosure recommendations published by TNFD in September 2023. We were also declared a TNFD Early Adopter at the World Economic Forum Annual Meeting held in Davos in January 2024. TNFD Early Adopters are companies that indicate their intention to disclose the required information by FY2025.

Currently, we are working on educating our employees through in-house study sessions while also analyzing our businesses, assessing risks and opportunities, and exploring matters including actions to be taken. We will continue to consider various issues further with a view to disclosure.



# Human Resource Management

 <https://www.obayashi.co.jp/en/sustainability/employee/hrm.html>



## Koji Furuse

Executive Officer

Responsible for Harassment Prevention Department, Legal Department, Human Resources Department, Finance Department, and Accounting Department, and Senior General Manager of Tokyo Main Office (responsible for project administration)

### Message

## Doing Our Utmost to Ensure Well-Being to Become a Company with Mutually Empowering Strong Organizations and Strong Individuals

### Becoming a Company That Prizes Honest Craftsmanship and Encourages Mutually Empowering Strong Organizations and Strong Individuals

The Obayashi Group is known in the industry for its people-oriented approach, and I myself am conscious of Obayashi as a company that truly values people. Our corporate philosophy states that we value each person with a stake in our business as a leading sustainability company. Ever since its founding, the Obayashi Group's business has been deeply connected with people and the environment, and that remains as true today as it ever was. Our unwavering conviction and determined social mission is to provide safety, security, and comfort for our planet and all the people it sustains.

I also believe that the commitment to honest craftsmanship is deeply rooted in our company ethos. I am not exaggerating when I say that our Group's commitment to honest craftsmanship has propelled the Group's development to date, and the importance of precise work has been passed down through generation after generation of Obayashi employees. Built upon this commitment is a belief in the future-oriented power of vision, the unfailing power of creation, and the power of people who interact with integrity, which is deeply ingrained in the spirit of all Group employees. Unexpected situations arise all the time and, on many occasions, we have to make split-second decisions regarding unforeseen issues. In facing such issues, we will be sustained by these three powers of vision, creation, and people. Throughout its corporate history, Obayashi Group growth has been supported by many people who possess these powers.

To further enhance our corporate value going forward, we need to foster a corporate culture that encourages freer and more open discussions, and nurture self-motivated personnel. When fostering a more open culture, it is important not only to create comfortable workplaces and to institute a "brake" function to thoroughly manage risks and nip any problems in the bud, but also to develop an "engine" function that drives the desire to embrace individual ideas and opinions and achieve higher goals as an organization. For the Obayashi Group, self-motivated personnel are those who share our vision and are willing to work with their colleagues to

improve themselves. I think it is important to develop as a company with strong organizations and strong individuals that resonate with each other and inspire copious and consistent innovation.

### Committed to the Well-Being of the Group's Employees

The Obayashi Group formulated the Obayashi Group Human Resource Management Policy in December 2022. The policy's five commitments have existed as implicit knowledge within the Group for a long time, but employees have become more conscious of them since they were enshrined as explicit knowledge in the shape of the human resource policy.

I want all our Group employees to actively pursue their very best performance in both their professional and personal lives. It would be wrong to make reducing working hours the end goal of any efforts to improve work-life balance. Instead, we must aim to achieve higher goals together by improving operational efficiency and productivity, and to achieve a healthy lifestyle based on enjoying our personal lives to the full. I want senior employees to actively encourage their junior colleagues to pursue a good work-life balance. At the same time, because harassment ruins any effort to create value, we must eradicate, not just reduce, all forms of harassment in the workplace.

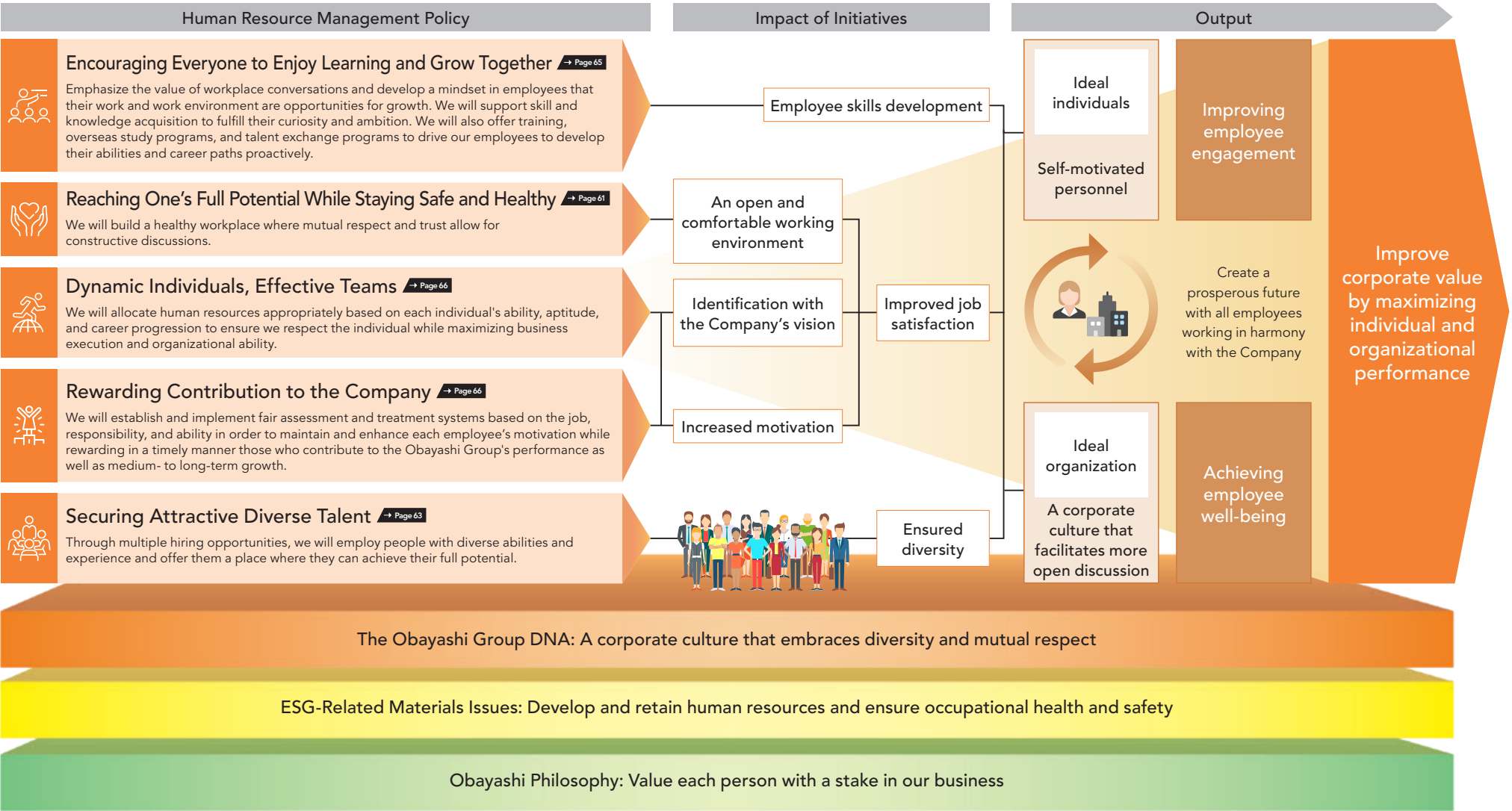
I am in charge of human resources at the Obayashi Group, which is a company that truly values people. As such, I will do my very best to ensure that each and every Group employee achieves well-being.

## Human Resource Management

The Obayashi Group believes it is essential to value each person with a stake in its business, as stated in the Obayashi Philosophy, because it is the strength of each and every employee that supports companies. Based on a corporate culture that embraces diversity and mutual respect, we have established “developing and retaining human resources” and “ensuring occupational health and safety” as material ESG issues for the Group, and initiatives are in place to address those issues.

Our human resource strategy is an important element of the platform development strategy of Obayashi Group Medium-Term Business Plan 2022. In December 2022, the Obayashi Group Human Resource Management Policy was formulated. We will strive to provide professional growth opportunities and create rewarding workplaces for our employees as part of our quest to improve corporate value by maximizing individual and organizational performance.

### Human Resources Logic Tree

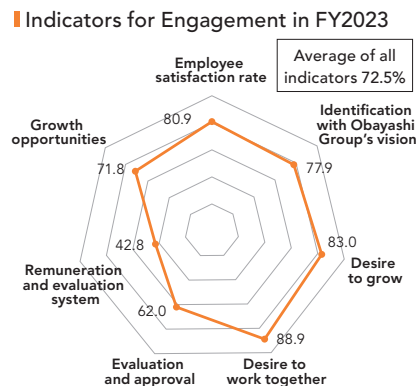




## Human Resource Management

### Improving Employee Engagement

The Obayashi Group strives to maximize the performance of individuals and organizations and, as such, seeks to assign the right person to the right job based on the abilities and aptitudes of each employee and the career paths they choose. We also share our vision and goals with all employees to help create a workplace in which all employees can feel motivated and satisfied in their daily work. To improve employee engagement, Obayashi is implementing various initiatives that dovetail with the Obayashi Group Human Resource Management Policy. We believe that strong engagement fosters positive organizational activity, so we conduct engagement surveys of all employees. The survey covers seven set engagement indicators: the “employee satisfaction rate,” which is a KPI; “identification with Obayashi Group’s vision,” “desire to grow,” and “desire to work together,” which measure the ideal human resources defined in the policy; and “evaluation and approval,” “remuneration and evaluation system,” and “growth opportunities,” which measure the degree of employee satisfaction in relation to such factors as working environments and growth opportunities. The average of these engagement indicators was 72.5% in FY2023.



| KPI                        | FY2022 | FY2023      |        | FY2024      | FY2025      | FY2026      | FY2030      |
|----------------------------|--------|-------------|--------|-------------|-------------|-------------|-------------|
|                            | Result | Target      | Result | Targets     |             |             |             |
| Employee satisfaction rate | 78.4%  | 70% or more | 80.9%  | 70% or more | 70% or more | 70% or more | 80% or more |

### Achieving Well-Being

The Obayashi Group believes that, in order for employees to maximize their abilities, it is important to maintain good physical and mental health, to respect their peers, and to be able to engage in constructive discussion based on trust. We seek to further strengthen and invigorate our organizational capabilities by creating healthy, comfortable, and open working environments.

| KPI  | FY2022 | FY2023        |        | FY2024        | FY2025        | FY2026        | FY2030        |
|--|--------|---------------|--------|---------------|---------------|---------------|---------------|
|  | Result | Target        | Result | Targets       |               |               |               |
| Ratio of employees requiring follow-up health checkups | 38.6%  | Less than 40% | 35.0%  | Less than 35% | Less than 35% | Less than 35% | Less than 30% |

### Reaching One’s Full Potential While Staying Safe and Healthy

#### Promoting Health and Productivity Management

The Obayashi Group regards health and productivity management as an important element of its human resource strategy. In December 2022, we formulated the Obayashi Health and Productivity Management Policy and established the Health and Productivity Management Promotion Expert Subcommittee to actively pursue health and productivity management issues and determine ultimate targets and indicators for specific health management issues.

The Group makes use of in-house clinics to provide general medical care and medical advice including how to quit smoking. We strive to maintain and improve the physical and mental health of employees by boosting the rate of participation in stress checks, promoting follow-up medical care, and holding various health-related events. We also focus on making consultation desks easier for employees to use, and provide specialist doctors and clinical psychologists to support employee wellness. In February 2023, we introduced “carefull”, a welfare platform available to all Group employees and their families, that deals with health issues at every stage of life. We offer seminars that provide vital health information for planning a career and various life events, and provide an anonymous community for advice seeking.

#### Health and Productivity Management Policy

For the well-being of our employees and their families, the Obayashi Group strives to provide a fulfilling workplace and support initiatives to improve, maintain, and enhance our employees’ mental and physical health.

#### Improve work engagement among female employees Sanitary pads are provided in women’s restrooms

Sanitary pads are provided in women’s restrooms of offices and construction sites as part of the Company’s drive to create environments in which all people can work comfortably. We believe that this measure can help reduce menstruation-related anxiety and difficulties and improve work engagement among female employees.



#### Address health issues at every life stage Adoption of “carefull”

In February 2023, the Obayashi Group adopted “carefull”, a service that addresses health issues at each life stage, in an effort to create working environments where all people can enjoy a vibrant and enthusiastic work life. The “carefull” service allows employees to learn about various health issues in their own time and provides a community that enables employees to anonymously discuss concerns that could be difficult to discuss in a regular setting. It also provides opportunities to consult with specialists. All of these services are available to employees, as well as their families.

Online roundtable discussions are also held on “carefull” to empower working women and information is provided, including self-care programs tailored to different menstrual conditions and a special menopausal plan that can be done at home. “carefull” also offers support not only for specific women’s health issues, but also for the change-of-life symptoms that men might experience as well.



A screen on the “carefull” online service

## Human Resource Management

### Reducing Working Hours

In FY2021, Obayashi set 100% achievement of the revised Labor Standards Act's limit on overtime work as a KPI and established an inter-departmental organization called the Work Style Reform Project Team to lead Company-wide efforts to reduce total working hours. Thanks to these measures, we were able to make a notable level of progress in FY2023 by reaching 94.3% achievement on KPIs on all standards. Going forward, we intend to take work style reform to the next level. Complying with laws and regulations is a given, but we will also strive to build open workplaces where employees can work respectfully together and gain job satisfaction as they strive to reduce working hours, based on a recognition that the legal cap on overtime work of 45 hours per month or 360 hours a year presents the ideal that we must achieve.

### Annual KPI Achievement Rate for Overtime Work Hours (FY2023 Results)

| General Rule   | Special Measure   | Achievement rate (%) (construction sites) | FY2022 comparison results (pt) (construction sites) |
|--|---|---|---|
| No more than 45 hours/month<br>No more than 360 hours/year                             | Yearly limit<br>No more than 720 hours/year                                       | 98.1<br>(96.7)                            | +3.4<br>(+5.7)                                      |
|  | Multiple-month average limit<br>No more than 80 hours on average over 2-6 months* | 96.3<br>(94.4)                            | +4.1<br>(+6.2)                                      |
|  | Single-month limit<br>Less than 100 hours/month*                                  | 98.4<br>(97.6)                            | +1.8<br>(+2.2)                                      |
| Special measure limit<br>Special measure (more than 45 hours/month) up to 6 times/year |   | 96.0<br>(93.3)                            | +6.4<br>(+10.3)                                     |
| Achievement of all criteria  |   | 94.3<br>(91.1)                            | +7.4<br>(+11.6)                                     |

\*Includes work on legally mandated days off

### Achieving Operational Efficiency and Sharing Best Practices

The Obayashi Group promoted initiatives to encourage work style reforms at the individual level from FY2017 to FY2023 centered on the Work Style Reform Project Team. We were determined to complete this process by FY2024, when the cap on overtime work was applied to the construction industry.

One major initiative involving all employees was the provision of e-learning seminars roughly once a quarter to ensure employees gain a correct understanding of the revised Labor Standards Act and what it entails. In FY2023, we held four seminars on various work style-related themes, such as the legal approach to work hours in excess of statutory working hours and the caps imposed on overtime work through the revised Labor Standards Act. The seminars also introduced the Company's human resources systems that facilitate flexible work styles (participation rates for the four seminars: 85.2%, 87.2%, 87.5%, and 85.9%, respectively). The training materials used to date have been posted on the Company's intranet and are proving useful for workplace study sessions and individual reference.



Visualizing working hours

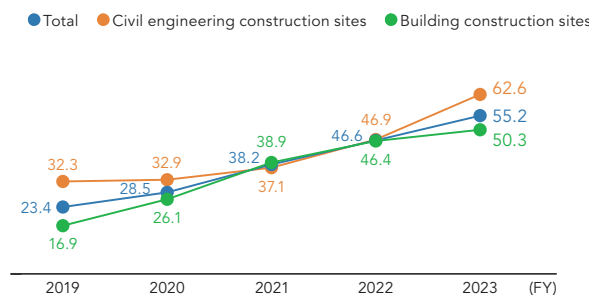
To properly manage attendance records and to prevent unpaid overtime or false entries that do not reflect the actual situation, we are enhancing our monitoring of employee attendance to ensure legal compliance. This involves sending regular reminders and advance alerts to employees to ensure attendance records are entered and approved on a daily basis and introducing a system of visualizing on-site working hours. We also prepared a work manual for young employees to enable them to perform work at a meaningful level even on construction tasks they have not done before. This helps employees to learn about upcoming processes themselves and to understand what needs to be done in each phase, from the planning stage, to before the work starts, the day of the work itself, and after the work is completed.

### Construction Sites Closed Eight Days Out of Every Four-Week Period

Obayashi has set a KPI of closing construction sites eight days out of every four-week period (104 days or more a year) at 100% of its construction sites by FY2024 in line with the basic policy advocated by Japan Federation of Construction Contractors (JFCC). In FY2023, the achievement rate was 55.2% for the Company's building construction and civil engineering sites in Japan. Obayashi is now seeking the cooperation of clients and promoting various initiatives to help achieve this ambitious goal.

| KPI   | FY2022   | FY2023  | FY2024   | FY2025  | FY2026   |
|---|----------|---|----------|---|--|
|   | Results  | Targets   | Results  | Targets   | Targets  |
| Ratio of construction sites that adhere to the practice of closing eight days out of every four-week period | 46.6%    | 60% or more   | 55.2%    | 100%  | 100%   |
| Productivity of a construction site worker or employee per day  | ¥105,000 | Equal to or more than the previous fiscal year (¥105,000 or more) | ¥103,000 | Equal to or more than the previous fiscal year (¥103,000 or more) | Equal to or more than the previous fiscal year |

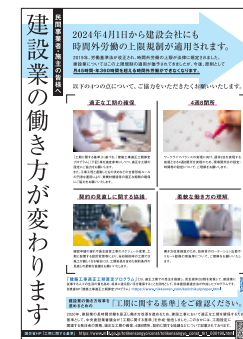
### Ratio of Construction Sites Closed Eight Days Out of Every Four-Week Period



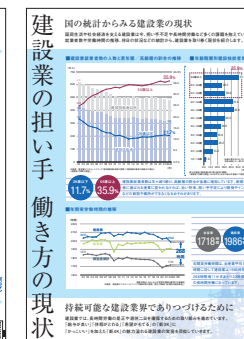
### Getting Clients on Board for Appropriate Construction Periods

To close construction sites for eight days out of every four-week period, it is necessary to set appropriate construction periods. We explain this to the client using leaflets published by JFCC and other means when receiving orders, and clients are becoming more accommodating on this issue. The proportion of projects for which the system of closing eight days out of every four-week period is accepted is increasing each year. In FY2023, the proportion of orders received with that stipulation rose to 61.8%\* in the domestic building construction business.

\* Proportion of construction work with a contract amount of or more ¥100 million, or a construction period of four months or more



Leaflets published by JFCC



## Human Resource Management

### Securing Attractive Diverse Talent

We believe that each and every employee supports the Company, and we are committed to promoting diversity and inclusion in order to continue to create new value. We strive to create workplaces where diverse human resources can fulfill the same role, irrespective of their gender, nationality, culture, generation, or ability/disability. We are also working to hire more talent and to encourage the active participation of our personnel.

| KPI   | FY2022 | FY2023         | FY2024 | FY2025  | FY2026 | FY2030 |       |
|---|--------|----------------|--------|---------|--------|--------|-------|
|   | Result | Target         | Result | Targets |        |        |       |
| Ratio of women in managerial positions (section manager level or above) | 5.3%   | 6.4% by FY2024 | 5.7%   | 6.4%    | 7.0%   | 7.5%   | 10.0% |
| Ratio of female engineers   | 10.4%  | 12% by FY2024  | 11.1%  | 12.0%   | 12.5%  | 13.0%  | 15.0% |

### Promoting Diversity and Inclusion

For the Obayashi Group, diversity and inclusion (D&I) is about embracing diverse ways of thinking and individuality, drawing out individual strengths and capabilities, and ultimately harnessing these aspects to generate greater corporate value and sustainable growth. The Group considers this to be a key source of corporate growth. In April 2021, we established the Diversity & Inclusion Promotion Department. Driven by its mission to help create an ever-evolving organization that enables diverse human resources to play an active role and embraces change with a positive attitude, the Diversity & Inclusion Promotion Department works with the Human Resources Department and labor unions to promote D&I. This is done in a way that balances efforts to shift employees' mindsets, to implement measures such as reforming personnel systems, and to establish mechanisms for encouraging employees to change their own approach and behavior.



### Promoting Opportunities for Female Employees

Obayashi has striven from an early stage to create working environments that allow employees to utilize their individual skills and abilities, and to enable both men and women to play an active role based on their abilities, rather than their gender. We aim to increase the ratio of women in managerial positions to 6.4% and the ratio of female engineers to roughly 12% by FY2024 as part of our second action plan based on Japan's Act on the Promotion of Women's Participation and Advancement in the Workplace. We also endorsed the Keidanren (Japan Business Federation) "#Here We Go 203030" initiative, which seeks to increase the percentage of executive positions held by women to 30% or more by 2030. Obayashi provides career support to help women transition through individual life stages. That support includes the organization of gatherings for female engineers to share their views and experiences and online roundtable discussions with employees currently on childcare leave. Female students interested in science and engineering can also take part in on-site tours conducted as part of the next-generation training program. In October 2022, Obayashi attained the highest three-star rating of "Eruboshi" (L-boshi) certification from the Japanese Minister of Health, Labour and Welfare, which is based on the above-mentioned Act.

### Securing Specialized Human Resources

Obayashi appoints personnel to positions based on ability, irrespective of whether they are foreign nationals, mid-career hires, senior workers, or other personnel types. The number of mid-career hires in FY2023 exceeded 20% of the total number of hires. And locally hired national staff play an active role as core personnel responsible for business administration and management at our overseas Group companies.

Senior workers can serve as important human resources that help develop young talent and pass on skills to the next generation of employees. We have therefore created an environment that encourages senior workers to continue to play an active role even after retirement and have re-employed 100% of those who wished to utilize the system.

In April 2023, Obayashi significantly revised the annual salary level for senior workers appointed to such positions as managers with important responsibilities at construction sites, and in April 2024 we also applied the same revision to senior back office employees.

### Employing People with Disabilities

In 2001, Obayashi established a special subsidiary firm, Oak Friendly Service Corporation, to promote the employment of people with intellectual or mental disabilities at 10 business sites across Japan. Employees with disabilities are given work tasks that take into account the nature of their disability and are supervised by specialist job coaches to help them develop greater independence and interact with society.

| KPI   | FY2022 | FY2023       | FY2024 | FY2025       | FY2026       | FY2030       |              |
|---|--------|--------------|--------|--------------|--------------|--------------|--------------|
|   | Result | Target       | Result | Targets      |              |              |              |
| Ratio of employment of people with disabilities | 2.35%  | 2.4% or more | 2.62%  | 2.5% or more | 2.5% or more | 2.7% or more | 2.7% or more |

### Seminar on Employing People with Disabilities

In FY2023, Obayashi asked a consulting company to conduct a training session to help human resources personnel, D&I personnel, and manager-level personnel acquire basic knowledge on employing people with disabilities and the skills required to manage staff with disabilities.

Attendees gained knowledge about the characteristics of disabilities and how to tailor their support to suit a specific disability. They also participated in group study to glean some specific pointers on the managerial work involved. In these ways, we are working to encourage the employment and retention of people with disabilities.



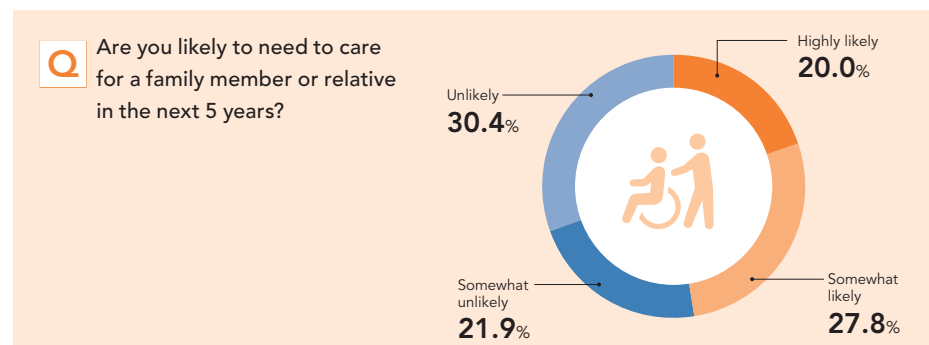
## Human Resource Management

### ■ Balancing Work and Nursing Care Commitments

The Obayashi Group is establishing working environments that enable employees juggling work and nursing care commitments to work comfortably, and devising ways of supporting each employee based on their individual circumstances.

A survey on employees' nursing care commitments conducted in March 2023 indicated that about 48% of employees are likely to need to care for a family member or relative within the next five years. Based on the survey results, we widely advertised information on nursing care and nursing care-related systems to employees through in-house newsletters and other channels. Going forward, we plan to consider and expand necessary measures and the provision of information on flexible work styles while incorporating employee feedback.

### ■ Survey on Employees' Nursing Care Commitments Results



### ■ Conveying Information Through In-House Newsletters

介護はまだまだ先? だと思いませんか?

介護のスタートは「地域包括支援センター」訪問から

介護保険サービスの利用の流れ

### ■ Childcare Support

Obayashi strives to create comfortable workplaces that enable employees to balance work and private commitments regardless of gender. One such initiative is focused on ensuring 100% of eligible male employees take childcare leave or other leave for the purpose of childcare by FY2024. We hold weekly online "OBAYASHI Talk Café" sessions for employees on childcare leave to share information about the Company, discuss childcare concerns, and generally alleviate any anxieties they might feel while on childcare leave. We are also keeping up with our training sessions for managers and developing measures that will appeal to the child-raising generation, such as holding Company-run parenting classes. Thanks to these initiatives, the ratio of eligible male employees taking childcare leave increased from 49.5% in FY2017 to 94.8% in FY2023, with the average number of leave days taken rising from 3 to 11 days, respectively.

### A Word from an OBAYASHI Talk Café Participant

#### Online Roundtable Discussions with Employees on Childcare Leave (OBAYASHI Talk Café)

When I gave birth to my first child in 2020, we were in the middle of the COVID-19 pandemic, and I sometimes felt lonely looking after my child on my own. When I took childcare leave to have my second child, I was invited to participate in the Obayashi Talk Café, a newly launched online event where employees on childcare leave were able to chat. We were able to exchange truly practical information because our children were of similar ages, and we worked for the same company. I wanted to work in marketing even before joining Obayashi, but I also felt strongly that I should gain experience working at a construction site. When I learned that there was a site near my home, I started to think that if I could return to work there, I would be able to balance my work and childcare commitments without having to use the shortened work hours system. I mentioned this at the Talk Café, and then the Human Resources Department helped me in returning to work at the construction site I had wanted to be assigned to. Obayashi employees are motivated to do well in their work because the Company listens to and respects its employees' wishes.



Misa Shibamiya  
(Now working at construction site in Tokyo)

### ● Company-Run Parenting Classes

Since FY2021, we have offered our own annual parenting classes. Parenting classes hosted by hospitals and municipalities focus primarily on providing information needed during pregnancy and in the prenatal and postnatal periods. In contrast, our classes provide useful information covering a longer term, from the childcare leave period to after returning to work. In FY2023, we held an online parenting class led by an outside speaker. The course covers a range of issues including life with a newborn, psychological and physical changes that occur postpartum, the role of fathers, how to nurture good partnerships as a couple, and team-building for working couples raising children. By encouraging employees to think about these issues together with their partners, we aim to alleviate various concerns related to childbirth.

大林組版両親学級  
イマドキ子育て世代のための仕事も!家庭も!を実現セミナー2024

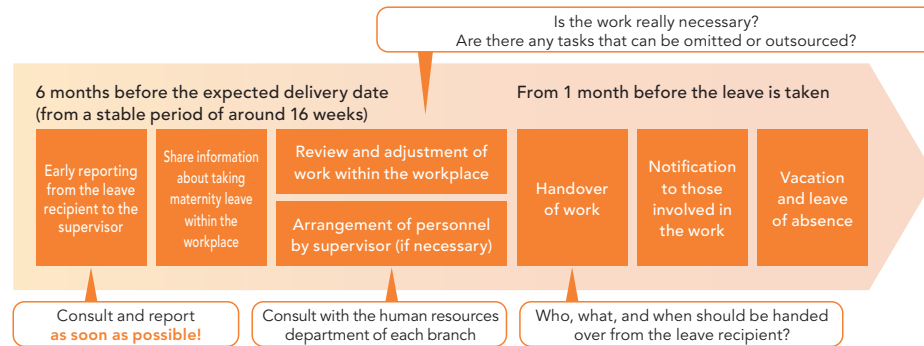
## Human Resource Management

### ■ Encouraging Male Employees to Take Childcare Leave

Japan's Act on Childcare Leave, Caregiver Leave and Other Measures was revised in 2022. Since then, we have been encouraging male employees to take childcare leave or other leave for childcare purposes.

Our corporate ethics training sessions, which are compulsory for all Group officers and employees, cover childcare leave for male employees along with compliance, appropriate management of working hours, and elimination of antisocial forces. The aim of covering the topic of childcare leave in training sessions attended by all employees regardless of age or gender, rather than in sessions for employees who are eligible for childcare leave or in the target age group, is to promote understanding of childcare leave in all workplaces, and to foster an atmosphere that makes it easier for men to take childcare leave.

### ■ Recommended Flow for Taking Maternity Leave (Excerpts from Training Materials)



| KPI  | FY2022 | FY2023 |        | FY2024  | FY2025 | FY2026 | FY2030 |
|--|--------|--------|--------|---------|--------|--------|--------|
|  | Result | Target | Result | Targets |        |        |        |
| Ratio of eligible male employees taking childcare leave or other leave for childcare | 81.3%  | 100%   | 94.8%  | 100%    | 100%   | 100%   | 100%   |

### A Word from a Childcare Leave Taker

#### Encouraging Male Employees to Take Childcare Leave

I am really glad I took childcare leave. You often hear people talking about the benefits of taking the leave and, for me, there were many advantages. I got to spend time with my newborn child, and I developed a greater sensitivity toward my wife's challenges with juggling housework and childcare, which led to a strong relationship of trust between us. I had learned to cook, do the laundry, and other general housework skills when I lived alone as a student, but everything becomes much more difficult when childcare is added into the mix. I had some difficulties during my childcare leave and some problems getting the leave in the first place, but I do not regret my decision. This experience has helped me understand just how difficult it is to raise children. Since returning to work, I have become more efficient and proactive in my job, so I do not leave everything at home to my wife.



**Satoru Yamamoto**  
(Now taking the second childcare leave)

### ■ Encouraging Everyone to Enjoy Learning and Grow Together

The Obayashi Group has positioned human resource development as one of its most important measures because it believes that human resources are a key management resource. We foster a corporate culture that encourages employees to view their own work and work environment as an opportunity to grow. It also helps employees take the initiative in developing skills and building their own career path by supporting the acquisition of skills and knowledge and providing development opportunities through such means as training and overseas study.

### ■ Human Resource Development

We offer level-specific training according to age and job responsibilities and also provide specialist training for specific job types, business segments, and areas of responsibility. The development of human resources to fuel global business development is a key focus, and the Group is currently expanding this kind of training. For example, the basic training program that had been offered to candidates for international assignment has been incorporated into level-specific training for all young employees since FY2023.

Initiatives to help employees develop skills independently have been in place since FY2022. These initiatives include the holding of various workshops on improving productivity looking at how employees conduct their work and communicate, in addition to seminars on career support and online self-learning programs that offer employees the opportunity to learn new or different skills.

### ■ Training System

|                      |  | -20s  | 30s-40s  | 50s  |
|----------------------|--|---|--|--|
| Career path          | Training for new hires   | Level-specific  |  |  |
|                      |  | Associate-level employees   | Middle management level  | Senior management level  |
| Training system      | <ul style="list-style-type: none"> <li>Training for prospective employees</li> <li>Training for new hires</li> <li>Follow-up training for new hires</li> </ul> | Common group training   |  |  |
|                      |  | <ul style="list-style-type: none"> <li>Developing independent human resources</li> <li>Resilience</li> <li>Global mindset</li> <li>etc.</li> </ul>                | <ul style="list-style-type: none"> <li>Basic of business administration</li> <li>Management</li> <li>Developing subordinates</li> <li>Communication</li> <li>etc.</li> </ul> | <ul style="list-style-type: none"> <li>Risk management</li> <li>Management strategy</li> <li>etc.</li> </ul> |
|                      |  | Selective training (global leadership training, English language training, etc.)  |  |  |
|                      |  | Occupation-specific specialized training (building construction, civil engineering, mechanical and electrical, administration)                                    |  |  |
|                      |  | Training on the basis of business unit and type of operation (marketing, design, construction support, engineering technology, nuclear power, ICT, BIM/CIM, etc.) |  |  |
|                      |  | OJT as a mentee   | OJT as a mentor  |  |
| Personal development | Support for earning qualifications (distance learning, courses at training centers, introduction to reference books, etc.)                                     |   |  |  |
| Study, transfer      | Study in Japan or overseas, temporarily transfer to other businesses   |   |  |  |

## Human Resource Management

### Level-Specific Training in FY2023

| Target                                  | Purpose  | Program   | Training hours | Number of trainees |
|---|--|---|----------------|--------------------|
| Advanced                                | As future managerial candidates, participants learn about the Company's business environment and management policies, and study management perspectives on corporate organization and risk management.   | Organizational theory and risk management II                            | 14             | 113                |
| Intermediate Level III                  | As leaders of their own departments, participants consider the Company's business environment and think about organizational management and hidden risks from a high-level perspective.  | Basic business administration and risk management I                     | 11             | 217                |
| Intermediate Level II                   | Participants confirm their roles as managers, learn about the management styles of their organization and the role the organization plays.   | Management II   | 13             | 222                |
| Intermediate Level I                    | As future managerial candidates, participants learn how to train and manage staff. They also learn how to improve their communication skills.  | Management I and communication  | 7              | 263                |
| Practical Level II                      | As chiefs playing central roles in practical work, participants acquire the ability to comprehend and proactively address individual work issues and improve their self-management skills.   | Self-reliant human resources development II and self-management         | 14             | 270                |
| Practical Level I<br>5th Year Employees | Participants acquire the resilience (recovery and restorative power) and self-control required in an era of growing diversification and complexity, and are encouraged to be more autonomous in their behavior. The young employees will also be taught how to develop a global mindset. | Resilience/ self-reliant human resources development and global mindset | 14             | 228                |

### Supporting Employees Seeking New Qualifications

The Group extends proactive support to employees seeking to gain new qualifications so they can acquire further expertise, independently progress their careers, and be motivated to improve themselves. We have set incentives for each business segment, area of responsibility, and type of job, and cover a portion of the cost of learning materials and examinations. We are also working to improve the number of employees seeking to acquire priority qualifications that are particularly important for our management and business operations. Systematic progress has been made in this area. In addition to financial rewards for passing exams, allowances for priority qualifications are also provided. Furthermore, to develop the necessary human resources to support the Company's digital transformation (DX), we encourage employees to acquire DX qualifications by inviting external lecturers to conduct online courses and providing other support.

| Number of Employees with Key Qualifications (As of March 31, 2024, non-consolidated) |       |
|--|-------|
| Registered first-class architect   | 2,154 |
| Registered first-class construction management engineer (building construction)      | 2,949 |
| Professional engineer  | 1,106 |
| Registered first-class construction management engineer (civil engineering)          | 1,775 |
| Real Estate Notary   | 1,150 |
| Registered first-class construction accountant                                       | 276   |
| IT Passport  | 472   |
| Data Scientist Certification Literacy level  | 22    |

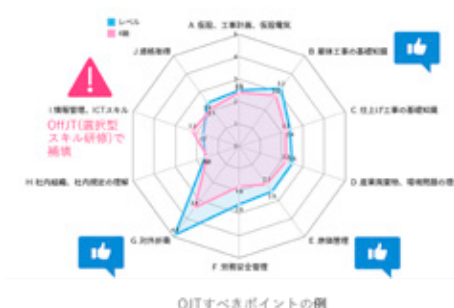
| KPI   | FY2022 | FY2023               |        | FY2024               | FY2025 | FY2026 |
|---|--------|----------------------|--------|----------------------|--------|--------|
|   | Result | Target               | Result | Targets              |        |        |
| Ratio of employees with important construction management credentials | 82.7%  | Maintain 80% or more | 81.3%  | Maintain 80% or more |        |        |

### Dynamic Individuals, Effective Teams

The Obayashi Group strives to maximize the performance of individuals and organizations and, as such, seeks to assign the right person to the right job based on the abilities and aptitudes of each employee and the career paths they choose. We also share our vision and goals with all employees to help create a workplace in which all employees can feel motivated and satisfied in their daily work.

#### Assignment of Right Person to Right Job

We introduced a talent management system in FY2022. We manage building construction employee skills using a database that lists each employee's detailed work experience, qualifications and other information. That enables supervisors to swiftly grasp the skills and development of each staff member and conduct on-the-job training by assigning new tasks that enable employees to fill any gaps in their skill set. We are seeking to raise the skill level of our workforce by offering off-the-job training opportunities for tasks on which skill scores are generally low. This system is designed to encourage employees to systematically develop their own careers and skills, and to optimize the allocation of available human resources.



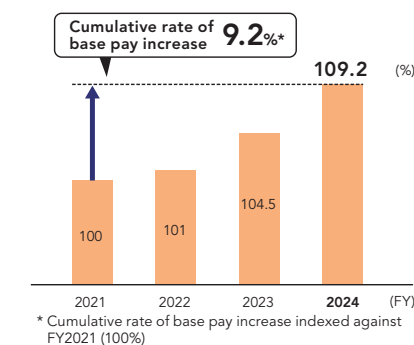
A screenshot from the talent management system

### Rewarding Contribution to the Company

The Obayashi Group revises wage levels to support the lives of employees who work hard to improve the Group's business performance and ensure its medium- to long-term growth, as well as to support the lives of their families. Not only that, but we reward employee contribution to our business in a timely and appropriate manner and strive to maintain and increase their motivation. Ensuring that employees are treated appropriately based on fair and equitable personnel evaluations is the bedrock of our personnel system. We have also established various internal award systems to honor the contributions employees make to their organization. In addition to awarding employees, we offer special commendations to recognize efforts and achievements of people outside the Company.

| Major Internal Awards for FY2023 |                       |
|----------------------------------|-----------------------|
| President's Special Award        | 1                     |
| Work Style Reform Award          | 98 construction sites |

#### Rising Base Pay (Non-consolidated)



\* Cumulative rate of base pay increase indexed against FY2021 (100%)



# Safety

<https://www.obayashi.co.jp/en/sustainability/safeenv.html>

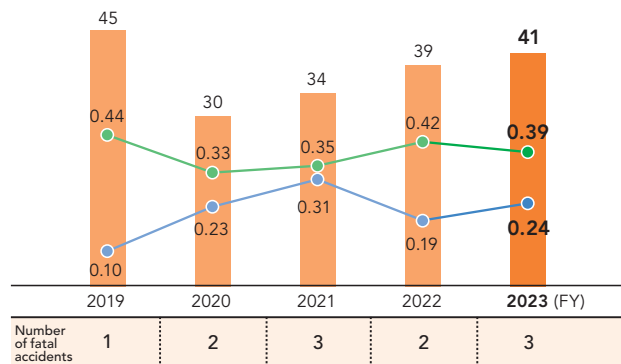
The Obayashi Basic Principles state “value each person with a stake in our business.” We therefore make the safety of our construction sites, where so many people work, a top priority. We also practice health and safety day to day under our Health and Safety Principles and Health and Safety Policies.

| KPI                       | FY2022 | FY2023 |        | FY2024  | FY2025 | FY2026 | FY2030 |
|---------------------------|--------|--------|--------|---------|--------|--------|--------|
|                           | Result | Target | Result | Targets |        |        |        |
| Number of fatal accidents | 2      | 0      | 3      | 0       | 0      | 0      | 0      |

## Ensuring Occupational Health and Safety

In line with our Health and Safety Principles, which emphasize our resolve to ensure the health and safety of workers and to create comfortable workplace environments, we are promoting health and safety activities on a daily basis. Safety at construction sites in particular is of the utmost importance because many people work on those sites. In FY2024, we set the goal of eliminating fatal and serious accidents, and are working on priority measures to ensure that goal is achieved. We are also working to enhance and promote safety training. In addition to conducting group training using actual case studies of accidents as examples for all employees working on construction sites, we provide hazard simulation training for skilled workers using virtual reality and other means. Interactive patrols have been introduced into on-site patrol activities that check the status of health and safety in order to raise safety awareness and sensitivity to danger across each construction site. Dialogue within the construction site helps identify hidden risks and issues and facilitates the implementation of more effective safety measures.

## Occupational Accidents on Construction Sites (Including skilled workers on construction sites)



■ Number of accidents: Those resulting in four or more lost workdays  
 ● Accident frequency rate: The number of work-related injuries or deaths recorded for every 1 million work hours  
 ● Accident severity rate: The number of workdays lost to workplace accidents recorded

## Issues to Be Addressed

### Ensuring Safety as a Top Priority

On September 19, 2023, a serious accident occurred at the construction site of the urban redevelopment project in front of Tokyo Station. A steel column collapsed during the erection of a steel frame and two workers were killed and four were injured. We deeply regret that we were not able to fully ensure the safety of those people engaged in on-site construction work, resulting in the loss of precious lives. We take our responsibility extremely seriously. We will treat bereaved family members and injured workers and their families with the utmost sincerity, and fully cooperate with the authorities’ ongoing investigations.

The Obayashi Group is determined to ensure such an accident never occurs again by reaffirming its commitment to never compromise on safety and to ensure the safety of all people involved in the Group’s business as two management policies of the utmost importance. We are promoting initiatives to ensure these commitments are achieved, and will strive to regain the trust of all our stakeholders.

### Immediate On-Site Measures

Directly after the tragic accident occurred, a task force was established by order of the president and headed by the executive vice president responsible for construction overall. The heads of the Safety Division and the Building Construction Division and other officers and department heads also participated in the task force. We have also cooperated with the investigation by the authorities, and examined safety measures taking into account all possible causes of the accident. Construction resumed on January 16, 2024, with the consent of the relevant authorities, the client, and other related parties.

### Company-Wide Preventive Measures

| Key measures for ensuring safety as a top priority                              |  |
|---|--|
| Assign dedicated safety directors to main offices and branches                  | External human resources with high-level expertise in occupational health and safety are appointed as safety directors at main offices and branches. They will operate under the direct jurisdiction of the Safety Division, which provides strict guidance and advice based on objective external perspectives and established laws and regulations.  |
| Fortify our commitment to safety  | Raising awareness of safety among each and every employee requires a dedicated commitment by senior managers. So that safety remains at the forefront of managers’ minds, the heads of all main offices and branches have been asked to set voluntary safety goals, and opportunities to directly communicate those goals will be provided at relevant meetings.   |
| Revise safety education and training  | To ensure that every single employee learns about Obayashi Corporation’s basic safety standards, we revised the Company’s safety training by standardizing the level of training at each main office and branch and throughout the civil engineering and construction businesses and by introducing workshop-style training sessions that encourage employees to view safety as a personal priority. Also, more frequent safety training will be provided and in other ways increase learning opportunities. |
| Formulate guidelines on construction site organization for large-scale projects | Guidelines on construction site organization for large-scale building construction projects are created to determine which managers are considered particularly important in terms of organizational arrangements at large-scale construction sites. They also stipulate the appointment and responsibilities of project directors based on relevant laws and regulations. The resultant model will then be introduced as standard Company-wide practice.  |

## Safety

### Occupational Health and Safety Management Framework

We have established a Central Health and Safety Committee chaired by the president. It meets at least twice a year to discuss and consider basic matters concerning occupational accident prevention and health maintenance and promotion.

Furthermore, in the event of an emergency, such as an occupational accident at a construction site, we ensure smooth communication between main offices, branches and the construction site.

### Targets and Priority Measures for FY2024

Ensuring the safety of all people involved in our business is a social mission of the Obayashi Group as a whole. The tragic accident occurred at the construction site of the urban redevelopment project in front of Tokyo Station must prove a turning point in terms of safety. We are currently working to eradicate all occupational accidents by ensuring every employee remains constantly and acutely aware of all safety considerations, by being committed to never compromising on safety, and by ensuring the safety of all people involved in Obayashi Group business.

Obayashi Group health and safety measures for FY2024 are outlined below. These safety measures are thoroughly implemented at all main offices and branches, construction site offices, suppliers and subcontractors.

#### ● Priority measures

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>1 Prevent occupational accidents under the strong leadership of the project manager and participation of all employees, suppliers and subcontractors</li> <li>2 Develop appropriate plans and work procedures, ensure compliance with work procedures and on-site rules</li> <li>3 Eliminate disasters caused by collapses in steel construction, etc.</li> <li>4 Eliminate heat stroke</li> <li>5 Prevent accidents resulting in falls</li> </ul> | <ul style="list-style-type: none"> <li>6 Prevent machinery accidents</li> <li>7 Prevent landslide disasters</li> <li>8 Prevent fire accidents</li> <li>9 Prevent flying and falling disasters</li> <li>10 Prevent damage to third parties due to accidents</li> <li>11 Increase health and safety management capabilities and enhance safety training</li> <li>12 Promote the creation of healthy work environments</li> </ul> |
|---|--|

#### ● Prevention of workplace accidents

- 1 **Initiative for Enhancing On-Site Inspections**  
We are strengthening on-site patrols to inspect safety equipment and prevent unsafe behavior, including by checking the status of compliance with work procedures and the establishment of a pause during work changes.
- 2 **Initiative to Enhance Calling Out**  
We are promoting the creation of an environment in which workers on-site can call out each other for unsafe behaviors, to prevent the occurrence of accidents.
- 3 **ATKY Initiative**  
We are promoting ATKY, the elements of which are safety, inspection, checks, and hazard prediction. ("ATKY" is an acronym for the equivalent terms in Japanese).

### Sharing Information on Health and Safety and Preventing Recurrence of Accidents

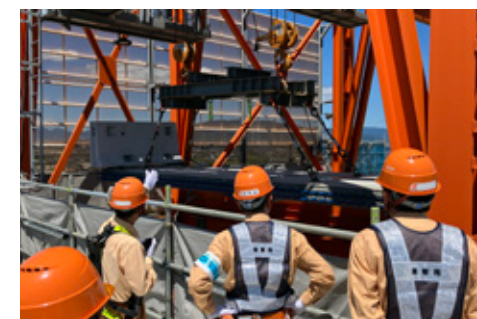
In the case of a serious accident, we collect data on the situation, identify the cause of the accident, and formulate preventive measures. Information is promptly conveyed and the necessary training provided at construction sites to prevent further accidents. The Central Health and Safety Committee also establishes health and safety slogans to encourage greater shared awareness of our commitment to never compromise on safety. Each year, employees are asked to submit suggested slogans. The slogan that won first prize for FY2024 was "Don't leave safety up to chance or to others. Be vigilant and talk to each other to ensure zero accidents." This occupational health and safety slogan will be displayed for all to see at various sites and locations for the duration of FY2024.



Original health and safety leaflet with the FY2024 slogan

#### ■ Safety Patrols

Regular safety patrols are conducted to confirm occupational health and safety on our construction sites. In July 2023, the president conducted special safety patrols at some construction sites in Japan. For the patrols, a checklist was used to confirm all points were covered. The president also encouraged greater shared awareness of the commitment to never compromise on safety, to nip in the bud unsafe behavior or conditions that are thought to result in accidents, and to also prevent accidents that result in lost workdays.



Special patrol by the President

#### ■ Safety Training

Obayashi strives to provide effective training for employees and support suppliers' educational initiatives to help deepen understanding related to the prevention of occupational accidents. For employees working on construction sites in particular, we provide special interactive training to heighten their sensitivity to danger. Simulating accidents that have actually occurred is an effective way of improving accident-prevention capabilities and enhancing on-site safety instruction and leadership skills.

We also seek to heighten safety awareness and to ensure thorough safety on construction sites by providing instant access to safety information at all times and exposing workers to safety-related information on a daily basis to keep safety considerations at the forefront of everyone's minds.

# Human Rights

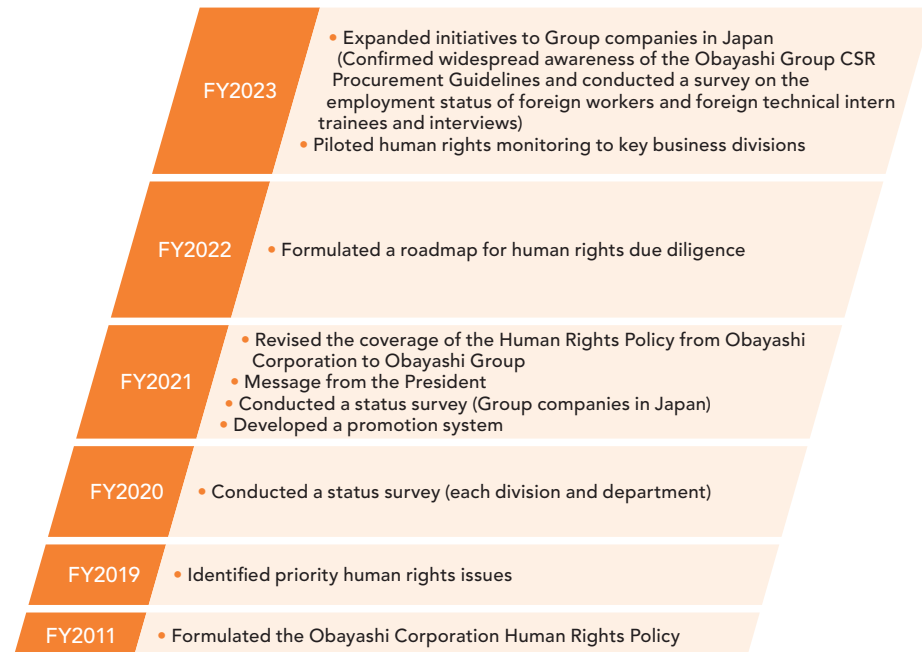
The Obayashi Philosophy is founded upon a commitment to value each person with a stake in our business, and we are therefore striving to be a company that values every one of its associates. Not only do we comply with the laws and regulations of each market in which we operate, we have also formulated the Obayashi Group Human Rights Policy in accordance with the United Nations Guiding Principles on Business and Human Rights, an international standard, and promote initiatives to uphold human rights based on this policy.

## Conducting Human Rights Due Diligence

We conduct human rights due diligence through our Human Rights Expert Committee (chaired by the officer in charge of human resources) and the Supply Chain Management Expert Committee (chaired by the head of the Procurement Division) on the executive side. These committees also strive to resolve human rights issues across our supply chains, and to promote human rights awareness.

Since formulating the Human Rights Policy in FY2011, we have promoted various initiatives relating to human rights due diligence and worked to put systems in place. Then, in FY2022 we created a medium-term roadmap for the whole Group. In line with the roadmap, in FY2023 we started trials to expand our initiatives to our Group companies in Japan and to conduct human rights monitoring of our major business segments with a view to establishing systems. We continue to promote initiatives for upholding human rights based on the roadmap.

### Progress of Human Rights Due Diligence



## PDCA Cycle on Human Rights Due Diligence

Based on the United Nations Guiding Principles on Business and Human Rights, we operate a PDCA cycle on human rights: identifying and assessing negative impact, preventing and mitigating negative impact, monitoring, and disclosing information and providing explanations.



### Human Rights Issues Prioritized by the Obayashi Group

- Child labor
- Forced labor and human trafficking
- Reasonable consideration of people who are subject to discrimination or are in a vulnerable position
- Harassment
- Poor work and living environments
- Establishment of appropriate labor conditions
- Ensuring building and structure safety
- Infringement of the lives and health of local residents
- Infringement of privacy rights



## Human Rights

**P** **Identify and assess negative impacts on human rights**

To better identify and assess major human rights issues, we first categorized our business and supply chain according to the Group's main business segments, namely the construction business, real estate development business, and new business initiatives mainly related to renewable energy, and then proceeded to identify the risks for individual stakeholders. Next, we took such steps as referring to reports from national governments and NGOs in individual countries and obtaining expert advice, then began assessing identified risks. These efforts have helped identify the human rights issues that we need to prioritize in relation to stakeholders (significant human rights issues).

**D** **Prevent and mitigate negative impacts on human rights**

An Occupational Health and Safety Management System is used in our main construction business to help establish appropriate working environments. The management system pursues the important goals of "improving health and safety management skills and providing better education" and "promoting creation of an environment that takes health into consideration," both of which are designed to help improve working environments.

Obayashi conducts questionnaire surveys across the supply chain every fiscal year to confirm the widespread awareness and acceptance of the Obayashi Group CSR Procurement Guidelines. We send individual feedback to each company that responds to the questionnaires and encourage them to improve their initiatives for preventing and mitigating any negative impacts on the identified human rights issues.

**C** **Monitor and assess effectiveness**

In operating the Occupational Health and Safety Management System, we establish specific measures designed to achieve the above-mentioned goals, operate a PDCA cycle, and regularly monitor implementation. This is all part of our overall aim to continuously improve our health and safety management activities.

Furthermore, our Human Rights Expert Committee and our Supply Chain Management Expert Committee monitor human rights due diligence initiatives and CSR procurement in the supply chain on a regular basis, and enhance the effectiveness of those initiatives by introducing improvements across all departments.

**A** **Explain and disclose**

The latest initiatives and metrics are published on the Obayashi Corporation website and in corporate reports each fiscal year.

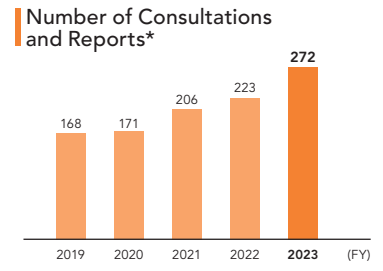
We have also issued statements to address laws on modern slavery in the United Kingdom, Australia, and Canada,\* where the Group conducts business.

\*A statement responding to Canada's new Fighting Against Forced Labour and Child Labour in Supply Chains Act was issued by local subsidiary, Kenaidan Group.

## Establishing Human Rights Help Desks

Obayashi has set up help desks for consultation and whistleblowing both inside and outside the Company based on our Corporate Ethics Consultation and Reporting System to serve as contact points for people seeking assistance on human rights-related issues. We have also set up a contact point dedicated to harassment-related matters. Both help desks can be accessed openly or anonymously by all Group employees as well as external stakeholders, such as suppliers and job seekers. The content of any submitted report is confidential and thoroughly protected to prevent any disadvantageous treatment of whistleblowers.

In FY2024, we adopted JP-MIRAI Assist, a multi-language consultation and remedy service for non-Japanese workers operated by General Incorporated Association JP-MIRAI, to improve the working and living environments of such workers including foreign technical intern trainees engaged in the Obayashi Group's operations in Japan.



\* Including whistleblowing on such issues as legal violations not related to human rights

## Human Rights Awareness Activities

We provide education on basic human rights in new hire training and job level-specific training. In FY2023, we also conducted e-learning for all Group employees on issues relating specifically to procurement of construction materials from the perspective of respect for human rights and environmental protection (94.1% participation rate). We convey information about our human rights policy and help desks in these training sessions to ensure full employee awareness and understanding.

Meanwhile, the specialized Harassment Prevention Department conducts annual e-learning for all Company employees on harassment and implements awareness-raising activities (88.4% participation rate in FY2023).

We also conduct a questionnaire survey on harassment once a year to understand and improve the workplace environment, and if the survey results show that the workplace environment is not favorable, we take measures such as making individual approaches in cooperation with relevant departments. We work to create a harassment-free workplace through e-learning, questionnaire surveys, and various training programs.



Themed e-learning video regarding procurement of construction materials from the perspective of respect for human rights and environmental protection

# Supply Chain Management

<https://www.obayashi.co.jp/en/sustainability/suppliers.html>

The Obayashi Group has set the co-creation of a sustainable supply chain as one of the 2040–2050 targets of Obayashi Sustainability Vision 2050. With that aim in mind, we have been working across the whole supply chain to strengthen competitiveness and secure the workers we need to support our future.

That means tackling various challenges under the guidance of the Supply Chain Management Expert Committee, including improving working environments for skilled workers on construction sites and using construction DX to improve the productivity of the Obayashi Group, its suppliers, and subcontractors, as well as addressing human rights and other issues in the supply chain both inside and outside Japan.

| Supply Chain Management Expert Committee |   |
|--|---|
| Chair                                    | Head of Procurement Division  |
| FY2023                                   | Met 3 times <ul style="list-style-type: none"> <li>Discussed supply chain management goals</li> <li>Reported on and discussed activity results and individual surveys, and formulated activity plans for the next fiscal year</li> <li>Discussed the revision of payment conditions for suppliers and subcontractors, etc.</li> </ul> |

## Supply Chain Management Goals

The basic strategy is to recognize and value every person involved in the Group's business and to mutually improve added value by inspiring prosperous business for all and exploring fresh collaborations across the supply chain. The achievement of each of the five issues below is the goal that the Group is striving for.

|   |  |  |   |  |
|---|--|--|---|--|
| <p><b>1</b> <b>Strengthening and expanding technological capabilities</b></p> <p>Strengthen and expand the technological capabilities of suppliers and subcontractors to improve production capacity and cost competitiveness</p> | <p><b>2</b> <b>Inigorating self-management skills</b></p> <p>Encourage a shift in mindset from one of dependence to one of independence and then to mutual inspiration and development, invigorate the self-management skills of our suppliers and subcontractors, and improve the level of safety and quality control management across the entire construction process</p> | <p><b>3</b> <b>Mutual inspiration and development</b></p> <p>Transform business processes and improve productivity through mutual inspiration and development between the Obayashi Group and its suppliers and subcontractors and among suppliers and subcontractors</p> | <p><b>4</b> <b>Securing talented workers</b></p> <p>Improve working environments and skilled worker treatment to help boost new employee numbers and reduce turnover, and ultimately secure the workforce we need and expand our production capacity base</p> | <p><b>5</b> <b>Fulfillment of social responsibility</b></p> <p>Fulfill Obayashi's corporate social responsibilities and help create a prosperous society by working to solve social challenges and by thoroughly complying with laws and regulations</p> |
|---|--|--|---|--|

## Obayashi Rin-yu-kai and Obayashi Rin-yu-kai Vocational Training School **1** Strengthening and expanding technological capabilities

Obayashi Vocational Training School  <http://www.kunrenko.com/> (Japanese only)

Obayashi Rin-yu-kai is made up of suppliers and subcontractors across Japan and boasts approximately 1,200 member companies engaged in various types of construction work and businesses. We regularly monitor the health of the operations of its member companies. As part of this drive, Obayashi Rin-yu-kai holds regular liaison meetings for sharing information on revisions to various laws and regulations, and its branches across Japan each conduct their own initiatives.

Obayashi Corporation and Obayashi Rin-yu-kai launched the Obayashi Rin-yu-kai Vocational Training School in 2014. The school aims to train skilled workers of suppliers and subcontractors and to transfer skills to the next generation of workers. It offers three courses: scaffolding, reinforcing, and form working, as well as short-term course specializing in CAD as a construction skill improvement course. Our employees are designated as instructors.

In March 2023, the school set up a new O-DX Room and started offering training on crane slinging\* operations using virtual reality (VR) tools and safety experiential training. In addition, it has conducted on-site training at all branches since FY2024.

Furthermore, site supervisors and crane operators who have been recommended by individual Obayashi Rin-yu-kai branches or deemed by Obayashi as having particularly excellent skills and safety awareness are certified as Excellent Site Supervisors and Excellent Operators, and given an allowance that reflects the number of days they work at our construction sites. Since FY2023, efforts have been made to expand the Junior Class certification quota for skilled workers under 40 years of age to boost motivation among that group, increase new employee numbers, and reduce turnover.

\* The work of securing a load to the crane when lifting loads with a crane

| KPI   | FY2022  | FY2023   |         | FY2024     | FY2025     | FY2026     |
|---|---------|--|---------|------------|------------|------------|
|   | Results | Targets  | Results | Targets    |            |            |
| Number of persons completing training at the Obayashi Rin-yu-kai Vocational Training School | 60      | Equal to or more than the previous fiscal year (60 or more)  | 66      | 50 or more | 50 or more | 50 or more |
| Number of Certified Excellent Site Supervisors and Excellent Operators                      | 505     | Equal to or more than the previous fiscal year (505 or more) | 531     | 570        | 600        | 610        |

## Supply Chain Management

### Improving Skills through Task-Specific Training Sessions

- 1 Strengthening and expanding technological capabilities**
- 2 Invigorating self-management skills**
- 3 Mutual inspiration and development**

Obayashi has been conducting task-specific training sessions since FY2022 with the ultimate aim of enhancing technical capabilities and safety and quality control abilities in the specialized areas of all construction work. To date, we have hosted training sessions on plastering and demolition work. In FY2023, training sessions were offered to improve framing work skills.

Suppliers and subcontractors shared information in the training sessions on good practice for labor-saving work and the use of next-generation technologies, and exchanged opinions on processes for nurturing employees.

Going forward, we intend to improve the technical capabilities and productivity of suppliers and subcontractors by expanding the specific skillsets covered in these training sessions.



Skills training session for framing work

### The Business and Skills Transfer Support Center **4 Securing talented workers**

In April 2023, Obayashi opened the Business and Skills Transfer Support Center to help suppliers and subcontractors solve management issues such as the aging of skilled workers and the lack of successors, and provide the necessary support. The center has consulted for individual companies to discuss business succession, talent recruitment, human resource development and retention, the use of IT, and other issues. Also, it holds successor development training sessions for management and leadership training sessions for executives of Obayashi Rin-yu-kai member companies.

Going forward, we will better advertise the center and respond to the expected increase in the number of consultations. Also, we will enhance training sessions, and make other efforts to solve the issues that suppliers and subcontractors are facing.

#### Main Consultation Requests Received in FY2023 and Responses

| Consultation Requests   | Responses   |
|---|---|
| How to develop and retain human resources   | Proposed and formatted an employee satisfaction questionnaire                           |
| Request for instructors to help train mid-level employees   | Offered communication training  |
| How to hire non-Japanese workers  | Offered individual explanations on the relevant procedures                              |
| How to go about reviewing salary frameworks for mid-career hires and how to boost motivation of current employees | Proposed evaluation criteria for the Company to help create new salary frameworks, etc. |

### Next-generation Training **4 Securing talented workers**

In recent years, the construction industry has been facing a decline in the number of new employees, along with the aging of skilled workers. These developments are bound to have a significant impact on Obayashi's ability to maintain the scale of its business going forward, so we have been proactive in our efforts to secure workers.

In FY2023, in cooperation with Obayashi Rin-yu-kai we held a Construction Industry Work Experience Festival for high school students. Under the guidance of experts in various skills from Obayashi Rin-yu-kai member companies, participants gained a really good idea of what it would be like to work on a construction site. Activities spanned everything from assembling rebars and formwork to VR-enabled slinging work, scaffolding assembly, and the operation of heavy equipment.

Obayashi also holds tours of construction sites and hosts roundtable discussions with suppliers and subcontractors to encourage wider joint initiatives for securing workers.



High school students experiencing plastering

### Improving Work Environments (Preventing Heatstroke, Improving IT Environments)

- 3 Mutual inspiration and development**
- 4 Securing talented workers**

The Obayashi Group believes that initiatives designed to improve working environments for skilled workers on construction sites are an important part of supply chain management. Taking measures to prevent heat stroke is a particularly urgent issue given that heat stroke accounts for roughly 30% of all accidents on our construction sites. A Heat Stroke Prevention Working Group has been formed to consider ways of combatting this issue by, for instance, requiring each site to create a compulsory heat stroke prevention plan. In an effort to eliminate heat stroke-related accidents, we are introducing our proprietary SisMil (heat index monitoring system) and individual health management system wristbands at multiple sites from FY2024.

We have also established new procedures in our own guidelines ("O-standard"), for standard construction management regarding the use of tablets by our employees and suppliers and subcontractors in order to reduce paper-related onsite workloads. Tablet rental services have been introduced on construction sites to actively encourage the use of such devices.

In addition, we have introduced the learning video sharing platform "CLEVAS Cloud." Through this platform, over 100 videos on topics ranging from various manuals to safety measures and ways to improve skills are offered, making for a much more efficient training environment.



Individual health management system wristband



## Supply Chain Management

### The Obayashi Group CSR Procurement Policy

#### 5 Fulfillment of social responsibility

The Obayashi Group formulated the Obayashi Group CSR Procurement Policy to help create a sustainable society as called for in the Obayashi Basic Principles. The Basic Policy on CSR Procurement Initiatives covers items that Group employees need to comply with when pursuing CSR procurement. Meanwhile, the CSR Procurement Guidelines stipulate practices that the Group requires of suppliers based on the overall policy. We strive to ensure that the guidelines are understood and take root across our suppliers' supply chains as well, as part of the broader effort to promote CSR initiatives in all related supply chains.

Obayashi conducts questionnaire surveys across the supply chain every fiscal year to confirm the widespread awareness and acceptance of the Obayashi Group CSR Procurement Guidelines, and the degree of compliance. In FY2023, the survey covered approximately 1,500 companies, including members of the Obayashi Rin-yu-kai and companies that conduct regular business with the Group. We send individual feedback to each company that responds to the survey and encourage them to improve their compliance.

| KPI  | FY2022 | FY2023 |        | FY2024      | FY2025      | FY2026      |
|--|--------|--------|--------|-------------|-------------|-------------|
|  | Result | Target | Result | Targets     |             |             |
| Ratio of procurement from companies that responded to the CSR procurement questionnaire survey | 79%    | 70%    | 78%    | 70% or more | 70% or more | 70% or more |

### Traceability Survey on Procured Construction Materials

#### 5 Fulfillment of social responsibility

Obayashi Corporation has been conducting traceability surveys since FY2021 on timber materials that have been pinpointed as potentially damaging the environment and violating human rights in Southeast Asia, and on solar panel materials that have been pinpointed as potentially violating human rights in the Xinjiang Uyghur Autonomous Region.

In FY2023, we surveyed 76 major timber suppliers and seven solar panel suppliers. The surveys broadly confirmed the traceability of both materials, but, in the process, one solar panel supplier said that they did use materials sourced from Xinjiang, so our representatives visited and interviewed the supplier directly. The supplier in question has acquired the internationally recognized SA8000 certification and manages its supply chain accordingly. The interview confirmed that the supplier does not use any parts or materials that are manufactured through child or forced labor.

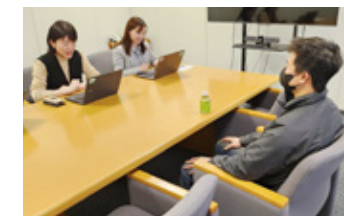
Going forward, we will remain vigilant to any risk of potential human rights violations by the Obayashi Group and conduct ongoing investigations. We will also promote initiatives designed to firmly uphold the human rights of all people involved in the business of the Group, including those of suppliers.

### Survey on the Reception of Foreign Technical Intern Trainees

#### 5 Fulfillment of social responsibility

Potential human rights violations against foreign technical intern trainees have been pinpointed as a social concern, so since FY2022 Obayashi has conducted questionnaire surveys on how foreign technical intern trainees are being accepted at relevant suppliers and subcontractors. In FY2023, interviews were directly conducted with two foreign technical intern trainees in addition to four suppliers and subcontractors.

Neither the survey nor the interviews revealed any obvious human rights violations, but it did highlight some areas for improvement. We will continue to conduct surveys and consult on potential improvements.



An interview with a foreign technical intern trainee

### Engaging with Suppliers and Subcontractors

#### 5 Fulfillment of social responsibility

Obayashi holds a meeting with Obayashi Rin-yu-kai member companies to discuss a wide range of issues that encompass quality, safety, and environmental consideration, as well as how to reform work styles, improve productivity, and secure workers. Any useful opinions or examples shared during the discussion are applied across the entire Company and incorporated into subsequent activities. Every six months, suppliers and subcontractors are evaluated based on seven factors, including quality, safety, and environmental consideration. Each participating company is individually notified of the evaluation results, guidance is provided in the form of interviews and other means to spur improvements, and awards are presented to excellent suppliers and subcontractors.

We also offer regular training sessions on sustainability and digital transformation (DX) to raise awareness and encourage the formulation of various initiatives at each company.



A training session for sustainability

| KPI  | FY2022 | FY2023   |        | FY2024   | FY2025   | FY2026   |
|--|--------|--|--------|--|--|--|
|  | Result | Target   | Result | Targets  |  |  |
| Number of suppliers and subcontractors attending engagement events | 145    | Equal to or more than the previous fiscal year (145 or more) | 201    | Equal to or more than the previous fiscal year | Equal to or more than the previous fiscal year | Equal to or more than the previous fiscal year |

# Quality

<https://www.obayashi.co.jp/en/sustainability/quality.html>

Quality is the foundation that supports the Obayashi Group's business. The Obayashi Quality Policy is based on our commitment to continuously improve business practices, and consequently customer satisfaction. It centers on providing buildings that customers can feel safe, satisfied, and proud to use. To that end, we consistently engage in technology development and improvement activities that help ensure rational quality control and enhance quality.

A key challenge identified in Obayashi Group Medium-Term Business Plan 2022 is the continuation of our corporate culture, which places the utmost importance on safety and quality, and aims to create new value for customers by viewing the assurance of well-being (safety, security, comfort, and health) as a business opportunity.

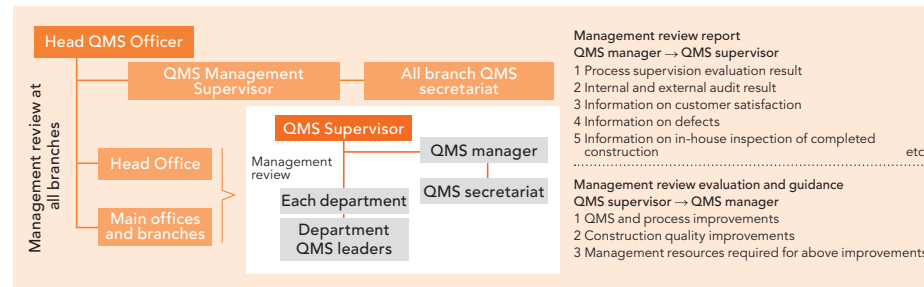
| KPI                               | FY2022 | FY2023 |        | FY2024  | FY2025 | FY2026 | FY2030 |
|-----------------------------------|--------|--------|--------|---------|--------|--------|--------|
|                                   | Result | Target | Result | Targets |        |        |        |
| Number of serious quality defects | 2      | 0      | 1*     | 0       | 0      | 0      | 0      |

\* Various actions were taken to address the defect discovered in FY2023, such as carefully examining each individual cause of the defect, forming specific measures to prevent a reoccurrence, and sharing information across the Company using notifications, technical standards, and other materials. When appropriate, these materials are also distributed to suppliers and subcontractors to help convey the importance of implementing daily quality control measures and generally improving quality awareness across all construction management stages.

## Quality Control Framework

Inspired by the Obayashi Quality Policy, we established a quality management system (QMS) based on ISO 9001, where the officers in charge of quality for the domestic building construction and civil engineering business segments serve as head QMS officers. We conduct consistent quality control and make continuous improvements in all processes from marketing, design, construction, and aftersales services.

### QMS Promotion Framework



## Patrols during Quality Week

One week a year is designated as Quality Week for the entire Group in order to raise awareness of quality and further promote quality control activities. One key feature of Quality Week is the special quality patrols conducted by the president. We have been conducting patrols since FY2020, not only in Japan, but also at overseas construction site offices. Our proactive quality control activities include holding study sessions, patrolling sites, sharing messages, and reviewing quality control documents at both construction site offices operating under the direct control of Obayashi Corporation and those of Group companies.



Jaya Obayashi created Safety and Quality Week banners

## Training Employees to Ensure High Quality

We conduct training designed to improve our engineers' construction management skills as part of our quest to maintain and improve quality. We provide training at the interactive facilities of our Robotics Centers using mock-ups of reinforcing bars, steel frames, exterior and interior finishes, and mechanical and electrical facilities not just for Company employees, but also for employees from Group companies as well as suppliers and subcontractors. This training helps them acquire the specialized knowledge they need for their particular jobs and learn techniques in construction management. We also provide various high-level training programs at our construction sites and the Technology Research Institute. This training includes, for example, hands-on technical training to enable participants to acquire the latest techniques.



Education and training on quality

### Education and Training for FY2023

| Manufacturing training |   | Educational videos on quality |  |
|------------------------|---|-------------------------------|--|
| Outline                | Constructing a full-scale mock-up to provide hands-on quality training for young staff (since FY2012)                                 | Outline                       | Publication of videos that can be used for on-site study sessions or as self-study materials for younger staff members |
| Location               | East Japan Robotics Center, West Japan Robotics Center  | Posted place                  | Intranet   |
| Purpose                | Acquisition of basic quality knowledge and improvement of quality control skills  | Purpose                       | Improvement of basic quality knowledge and quality management skills   |
| Type                   | Building construction (reinforcing steel, steel frame, exterior, interior) M&E facilities (electricity, air conditioning, sanitation) | Type                          | Building construction (basic quality materials for each type of construction, examples of defects)                     |
| Target                 | Building construction: 1st to 7th year of employment<br>M&E facilities: 1st to 10th year of employment                                | Target                        | Building construction: 1st year of employment to construction manager level (accessible to everyone in the Company)    |
| Number of participants | Building construction: 21 times, 212 employees<br>M&E facilities: 10 times, 137 employees   | Number of published contents  | 85 (as of April 2024)  |

## Technologies and Intellectual Property

 [https://www.obayashi.co.jp/en/solution\\_technology/](https://www.obayashi.co.jp/en/solution_technology/)



### Naoki Kajita



Senior Managing Executive Officer  
Head of Technology Division

#### Message

### Using Technologies Perfected in Accordance with the Obayashi Three Pledges to Transcend the Making of Things


#### Technology to Achieve Our Three Pledges of Quality, Value, and Efficiency, as Well as Safety


Ever since its founding in 1892, the Obayashi Group has channeled the technologies and expertise in the “building of things” amassed through its core construction business into developing various technologies that enable people to live safe and fulfilling everyday lives. “Technological development” seems like a straightforward term, but I see subtle differences in the role of technological development between the construction and manufacturing industries. Unlike the manufacturing industry, where mainstay products can change completely, the need for buildings, roads, and other infrastructure remains largely the same today as it was in the past and will likely be the same in the future. Having said that, people of any era will always want buildings to be safer and more comfortable, and to be built faster. The role of technological development in the construction industry is to satisfy those demands. Naturally, we are also keen to foray into new fields, but for us, technological development centers on construction that upholds the spirit of our Three Pledges. In other words, technological development should focus on creating buildings that people can feel safe living in, or highways that people feel safe driving on.

To that end, over the past decade, the Obayashi Group has been focusing on resilience measures based on lessons learned from the 2011 Great East Japan Earthquake and tsunami in northeastern Japan. The Group has channeled resources into expressway renewal projects and into developing seismic isolation and control technologies that protect buildings from earthquakes. Our [brake damper](#)  technology is a good example. The vibration control system absorbs the seismic energy in a similar way to when a driver applies the brakes in a car. It can be applied not only to preventing vibrations in newly built skyscrapers, but also to the renovation of existing buildings and bridges for improved vibration control. [Construction robotics](#) (Japanese only)  involves automating various processes, reducing labor involved in machine operation, and digitalizing construction processes in order to achieve higher quality, better value, and greater efficiency.

The Building Construction Division, Civil Engineering Construction Division, and other internal divisions cooperate in developing technologies, and at the center of these

collaborative efforts is the [Technical Research Institute](#) (Japanese only) . The research institute develops construction technologies that focus on construction systems, structures, the natural environment, urban environments, geotechnology, and beyond. The Obayashi Group is involved in a wide range of construction work from high-rise buildings to warehouses, roads, tunnels, and marine projects, so we strive to secure the necessary human resources and establish the research facilities to deal with the various technical issues that arise in an extensive range of construction projects.

In FY2024, we set up the new [Obayashi Construction-Tech Lab Singapore \(OCLS\)](#)  to serve as a research and development base in Asia. That will enable us to expand Obayashi Group technologies and construction methods outside Japan, as well as enabling us to absorb the latest global technologies and expand our international markets.

We are also promoting open innovation. For the construction industry, open innovation is significant not just from a technical perspective but also in terms of creating close relationships with partners who share our vision and want to join with us in shaping the future of society. For example, we are actively developing the next-generation “[Diver-Street](#)”  road concept together with Toyota Motor Corporation to satisfy the demands of automakers. Elsewhere, we are currently working with Kansai Electric Power Co., Ltd., Osaka Metro Co., Ltd. and other companies to develop a new transportation system in which electric buses that go around the city serve as storage batteries for the city of Osaka.

We are also seeking to make the best use of the Obayashi Group’s zeal for making things beyond the realm of the construction industry and even into outer space. The Obayashi Future Laboratory was launched in 2019 to explore the seeds of next-generation technologies as a strategic move to support the Obayashi Group into the future. One of the laboratory’s assigned realms is the development of outer space. We will continue to develop technologies for our core businesses that enable us to improve all kinds of structures that we are already building—building them taller, lighter, at better value and more safely, while also tackling new technology development challenges such as the building of unprecedented structures in space.



## Technologies and Intellectual Property

In order to innovate technologies and businesses, one of the basic strategies of Obayashi Group Medium-Term Business Plan 2022, the Group is seeking to create, utilize, and protect its expertise and other intellectual property as well as its patents and other industrial property rights. We also pursue initiatives centered on intellectual property to help address our aims of carbon neutrality and well-being, and achieve Obayashi Sustainability Vision 2050.

### Obayashi Group Intellectual Property Policy (excerpt)

We define intellectual property as overall intellectual assets encompassing a broad spectrum of techniques, ideas, know-how, accumulated data, and networks built with external partners, regardless of whether or not they are protected by statutory industrial property rights, such as patent and design rights, linked together in an organic fashion. We will create and utilize these assets effectively to generate value, in order to ensure the sustainable advantage of our business and contribute to solving social issues. We aim to achieve a sustained increase in the Obayashi Group's corporate value by developing intellectual property activities in an integrated manner.

#### Create

We effectively acquire intellectual property to realize the vision and business strategies of the Obayashi Group.

#### Utilize

We make the most effective use of intellectual property so acquired in order to create new value on an ongoing basis.

#### Protect

In order to ensure the protection of intellectual property, we secure and exercise our legitimate rights to such property while respecting those of others.

#### Communicate

We communicate with our stakeholders in a comprehensible way about our activities aimed at achieving the Obayashi Group's sustainable growth by creating value through the acquisition and utilization of intellectual property.

### Intellectual Property Strategy Using Intellectual Property (IP) Landscape

The Obayashi Group pursues an intellectual property strategy that organically links its technology development and business strategies in accordance with the Obayashi Group Intellectual Property Policy that was compiled in April 2023. In particular, the IP landscape\* serves as a guideline and highlights the importance of discussions based on IP information among the departments in charge of management, marketing, production, and research when formulating management or business strategies. Proactive use of the IP landscape can strengthen collaboration with senior management and other departments that are not directly involved in technology development.

The intellectual property strategy is not limited to patents, trademarks, and other industrial property rights. It also covers designs, ideas, expertise, and a wide variety of other intellectual property, and we intend to further innovate technologies and businesses through the protection of their creation and utilization.

\* The method of 1) conducting analysis that incorporates intellectual property information into management and business information, and 2) sharing the analysis results (overview of current situation, future prospects, and other aspects) with managers and business executives when formulating management or business strategies. (Sharing is defined as interactive exchanges in the form of debates and discussions on the formulation and consideration of management or business strategies and receiving feedback on the analysis results.) (Source: Overview of research on intellectual property information analysis and utilization that contribute to management strategies [Japanese only], Japan Patent Office, April 2021)

### Structure on Intellectual Property Strategy

The Obayashi Group established the Intellectual Property Strategy Department within the Technology Division with the aim of effectively acquiring and utilizing intellectual property. This department works together with business divisions to promote initiatives, from the formulation of technology strategies to the acquisition, utilization, and protection of IP rights. We also established the Technology Strategy Expert Committee, chaired by the head of the Technology Division and under the jurisdiction of the Business Plan Committee commissioned by the president. The Technology Strategy Expert Committee considers and formulates policies and strategies across all departments related to the acquisition of intellectual property with an eye on the future business environment, as well as the active use of existing intellectual property.

### Investing in Intellectual Property Creation and Education

The medium-term business plan earmarks ¥100 billion for technology-related investment over the five years from FY2022 to be used for platform development. Steady progress is being made on more advanced digitization and process reform designed to improve productivity in the construction business, promote the utilization of internal data, and strengthen the Group's ability to formulate effective customer proposals. Internal and external investments were made to promote internal data integration and usage. We also invested in business process re-engineering (BPR) and other projects over the past two years. Funds are being channeled into focus projects including the transition to building information modeling (BIM) infrastructure, the building of data platforms, and BPR. To help promote digital transformation, the Group is also acquiring digital technologies in various fields from smart cities to the utilization and practical application of digital twins, robotics and automated construction technologies, and construction lifecycle management.

These investments are vital to the execution of the Group's core construction business. The benefits from these investments will be reflected in medium-term earnings from the construction business. While quantifying the investment benefits is a task for the future, the introduction of more advanced construction technologies is already generating higher productivity. We will continue to make the investments required to maintain and improve our industry-leading technological prowess and productivity.

### Intangible Asset Investment for Platform Development

Investment plan during the medium-term business plan (technology-related)

¥100.0 billion

FY2022–FY2023 results: ¥33.2 billion

## Technologies and Intellectual Property

### Technologies in Focus

## Technology Verification at Expo 2025 Osaka, Kansai, Japan

The Obayashi Group is involved in various roles in Expo 2025 Osaka, Kansai, Japan, designing and constructing pavilions and other facilities at the venue and working as a partner for the signature pavilion. Below are some of our technologies that help uphold the Expo's ethos of designing a sustainable society to support future lives.



### Achieving a Reduction of Roughly 50% in CO<sub>2</sub> Emissions from the Manufacture of Construction Materials

The Women's Pavilion is a collaborative display space supported by Cartier, government organizations, and the Japan Association for the 2025 World Expo. It encourages visitors to aspire to an equitable and sustainable future through the experiences and perspectives of women. Obayashi has participated in the study teams on the pavilion construction from the basic design stage, working specifically on carbon management.

By their very nature, pavilions are used for a shorter period of time than regular buildings and, as such, an extremely large proportion of their CO<sub>2</sub> emissions (at least 80%) is emitted during the production of construction materials in particular. We have committed to reduce those CO<sub>2</sub> emissions from construction materials by approximately 50%, compared to the use of regular materials. This will be achieved by effectively employing such means as using low-carbon materials for the steel frame and concrete, which make up a large proportion of the building's weight, using electric furnace steel beams (instead of blast furnace steel beams) for roughly 75% of the pavilion's main steel frame components, reusing a facade from a previous expo, and using foundation steel beams repurposed from leased materials.



Women's Pavilion in collaboration with Cartier @Cartier

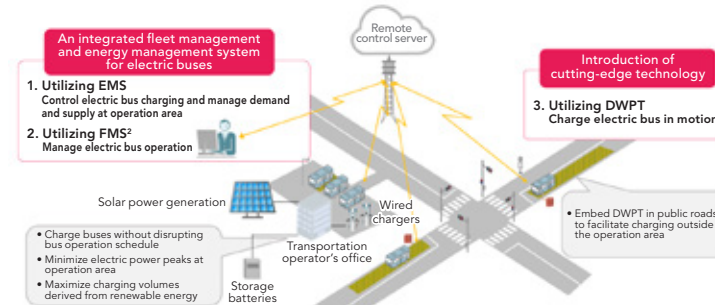
[https://www.obayashi.co.jp/en/news/detail/news20231204\\_1\\_en.html](https://www.obayashi.co.jp/en/news/detail/news20231204_1_en.html)

### An Integrated System for Electric Bus Operation and Energy Management

Obayashi Corporation; Kansai Electric Power Co., Inc.; Osaka Metro Co., Ltd.; Daihen Corporation; and East Nippon Expressway Company Limited are developing technologies that integrate electric bus fleet management and energy management systems under the Smart Mobility Society Construction Project operated as part of the Green Innovation Fund promoted by Japan's New Energy and Industrial Technology Development Organization (NEDO). We are in charge of the technology development of embedding a dynamic wireless power transfer (DWPT)<sup>1</sup> system in public roads.

When transportation companies introduce a large number of electric buses, electrical equipment and power systems in the immediate area have to be strengthened to cope with the overlap in charging times, and there are also concerns over potential increases in electricity costs. This technology is designed to keep buses running even in the face of sudden and frequent changes in the operational plan, while achieving optimal energy management by distributing the time when electricity is used. We will use renewable energy more effectively and contribute to building a sustainable smart mobility society for which carbon neutrality is a realistic prospect, while aiming to create a society that uses energy efficiently.

#### Image of Integrated System for Electric Bus Operation and Energy Management



1. A system that uses the principle of electromagnetic induction to wirelessly transmit electricity from coils embedded in the road to coils installed in an electric bus
2. Fleet management system: A system for creating and managing operational plans, and arranging the necessary vehicles, etc.

[https://www.obayashi.co.jp/en/news/detail/news20220720\\_1\\_en.html](https://www.obayashi.co.jp/en/news/detail/news20220720_1_en.html)

## Digital Transformation (DX)



### Tetsuya Kurebayashi

Managing Executive Officer

Head of Digital Transformation Division

#### Message

### Promoting DX That Captures Social Change to Generate Business and Employee Growth

#### Progress of DX Strategy under Medium-Term Business Plan

Digital transformation (DX) has been positioned as a platform development strategy in Obayashi Group Medium-Term Business Plan, and we plan to invest a total of ¥90 billion in the DX-related field over the plan's five-year period. In today's world, DX investment is vital to corporate growth, and we must continue to enhance that investment to stay abreast of any changes in the social environment.

There are two key points when it comes to our DX strategy. The first involves improving dynamic capabilities,<sup>1</sup> which are the essence of DX. We are already actively investing in DX to underpin our management and enable us to quickly adapt to any changes in the business or social environment. The second point involves improving productivity. The revised Labor Standards Act of Japan was applied to the construction industry from April this year. Information and communications technology (ICT) must be used to help reduce overtime or long working hours and eliminate what we call "muri, muda, mura" in Japan, or unreasonable expectations, futile action, and inconsistency.

One of the advantages of digitalization is that it allows you to share and reuse data. The widespread use of the internet in today's world makes it possible to share data quickly with many people. By reusing that data, productivity can be increased, and more value can be created. We are currently encouraging the sharing and reuse of data across the Obayashi Group.

The role of the Digital Transformation Division, which was established in 2022 with responsibility across the whole organization, is to strongly promote DX throughout the Obayashi Group. All companies are accelerating their DX-related initiatives because DX fuels corporate competitiveness. Against that background, the division is aiming to strengthen Obayashi's corporate competitiveness by constantly aligning management and DX strategies and achieving the optimal balance for the entire Group.

#### Improving Corporate Value through DX Strategic Logic

We laid out our DX strategic logic as part of the Group's DX initiatives. By using the basic policy of Medium-Term Business Plan as a guide and referring to prevailing trends in society and the construction industry, we have created an ideal future vision to which we should aspire and are promoting digital measures backcast from that future vision. Right now, we are not simply digitalizing our business. Instead, we have been promoting digitalization investment that addresses changes in society and market environments, while also progressing measures based on strategic logic that considers impact on ROIC and utilizes an OODA<sup>2</sup> loop. We intend to continue to follow those measures in FY2024.

The engines for fueling DX laid out in our DX Strategy Overview are: (1) data integration and usage, (2) streamlining of systems, (3) automation and robotics, and (4) digital HR development. It is particularly important to take a long-term view on developing digital human resources rather than to demand speedy results. Obayashi keeps a close eye on the latest technological trends so that it can plan and implement effective human resource development programs. We have also introduced zero-trust security<sup>3</sup> because we believe it is vital to strengthen security to maximize the application of ICT.

We recognize that the DX strategies the Group is working to implement require both closed initiatives designed to establish Obayashi's competitive advantage and open initiatives designed to actively progress the industry as a whole. In the BIM area, we are implementing a pioneering open strategy through the public disclosure of Obayashi's Smart BIM Standard<sup>®</sup> (SBS) modeling rule, one that encourages the application of standard BIM operational rules for the industry. We hope to contribute not only to solving some of the urgent issues facing the construction industry, such as reducing long working hours and improving construction efficiency, but also to the overall growth of the construction industry as one of the top runners. We are targeting a shift to the BIM production base by the end of FY2024.

In today's world of VUCA,<sup>4</sup> companies must have the ability to respond to changes in the social environment, and DX plays a vital role in mounting an effective response. I want to help fuel Obayashi Group business growth and employee growth over the medium to long term by enthusiastically implementing our DX strategy.

1. A company's ability to adapt to changes in the business environment and flexibly transform itself

2. OODA: observe, orient, decide, act; a framework for decision-making and action

3. A security approach that prevents threats by verifying the identity of every person and device trying to access information assets on a private network based on zero-trust principles without relying on conventional perimeter security

4. VUCA: volatility, uncertainty, complexity, ambiguity; a situation in which the future is uncertain and difficult to predict

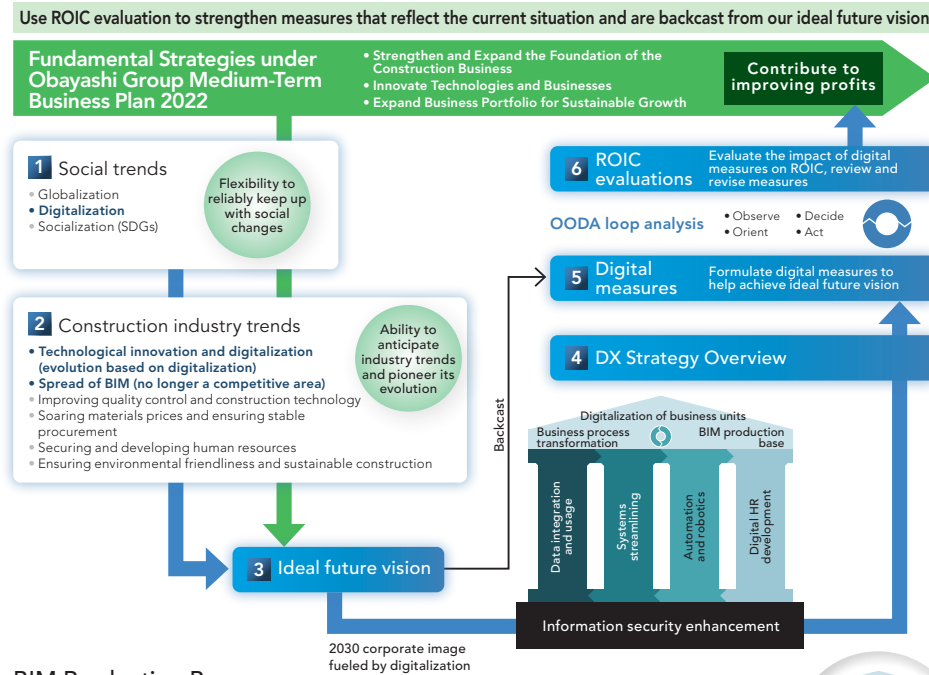


## Digital Transformation (DX)

The Obayashi Group compiles and implements digital measures after considering the prevailing trends in society and the construction industry and backcasting from its ideal future vision. At the same time, the Group is always striving to gain the flexibility it needs to stay reliably abreast of social change and the ability to anticipate industry trends and pioneer the industry's evolution.

The Group's digital measures are based on the four focus areas set out in the Obayashi Group DX Strategy Overview as well as on the enhancement of information security to ensure sustainable and robust DX transformation.

### DX Strategic Logic



### BIM Production Base

#### Centralized Management of Building Component Information through Construction PLM

A vital part of our efforts to strengthen our BIM production base involves building a construction product lifecycle management (PLM) system that centrally manages building component information across all processes of a construction project. By applying PLM systems designed for the manufacturing industry to construction projects, we will be able to consolidate building component information that was previously managed in different internal departments and achieve our aim of ensuring data integrity and consistency.

The construction PLM system also contains a construction bill of materials (BOM)\* that displays building information in a new format. Users can generate a construction BOM by linking component parts information extracted from BIM using SBS with various data masters. In operations from the design stage right through to the after-sales stage, data on component parts can be aggregated and extracted across different departments and projects based on this consistent building component information. By streamlining materials procurement and managing information based on material logs, we are working to further improve the value we provide to our customers.

\* A components list (chart), made by extracting information on components such as pillars, beams, walls, fixtures, and windows from the BIM model

### Business Process Transformation

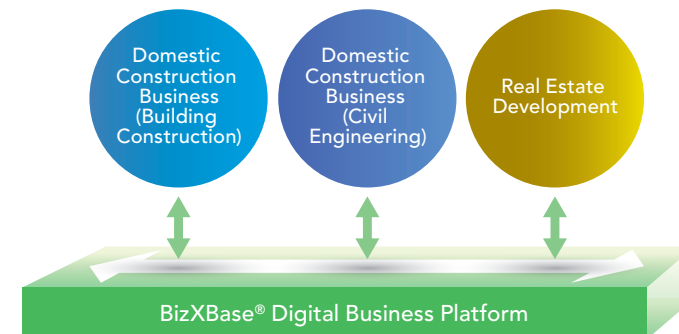
#### Expanding BizXBase® Digital Business Platform

As part of the drive to digitalize daily operations in our core domestic construction and real estate development businesses, we have launched a new operational system called BizXBase, which utilizes cutting-edge cloud services, and will continue to incrementally expand the system's functions going forward.

When building the system, we took existing business processes into account, forecast a future with a medium- to long-term decline in employee numbers, identified areas for potential simplification and streamlining, and promoted process reform. In the future, the business flows that have been redesigned through these reforms will be implemented on the BizXBase platform, and the results of work and the bases of judgement will be accumulated. This accumulated data will be used to manage various customer communication channels as part of the drive to provide more advanced value.

#### BizXBase Benefits

- Business process review**  
Enables identification of areas of existing operations that can be simplified or streamlined and the creation of a future vision for business to help implement digitalization and process reform
- Productivity improvement of each business**  
Enables accumulation of digital data on operational results and assessment factors, as well as the utilization of that database
- Maximization of organizational knowledge for application to new project activities**  
Facilitates the sharing of sales information at stages that would not have been previously possible, and the utilization of expertise and marketing information gathered by people no longer working at the Company



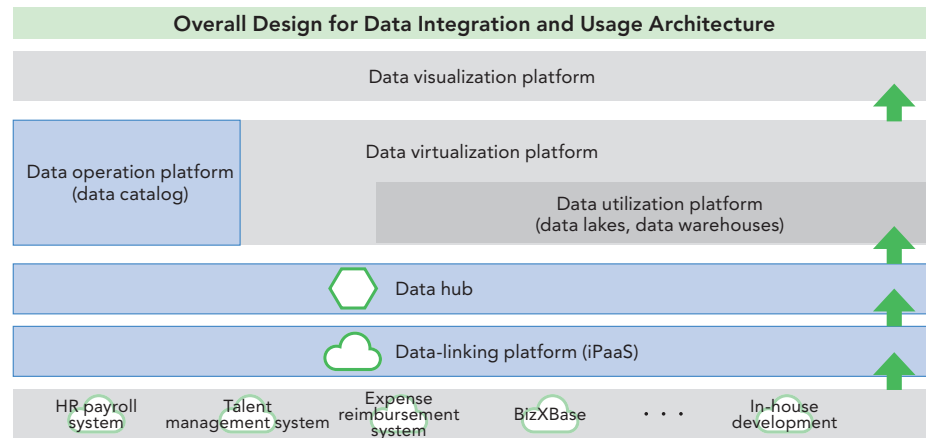
## Digital Transformation (DX)

### Data Integration and Usage

#### ■ Building Platforms for Data Integration and Usage

Obayashi Corporation has been building platforms for data integration and usage since FY2023. In FY2023, we created the “Grand Design,” overall design for data integration and usage architecture, and started operating data utilization platforms (data lakes and data warehouses).

The Company is also working toward the ultimate scenario in which all projects can be managed horizontally by storing several types of data including BizXBase in data lakes and data warehouses. Right now, we are building data-linking platforms and data hubs that efficiently collect and link operational data currently scattered across the cloud.

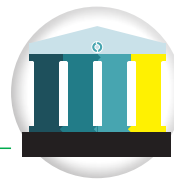
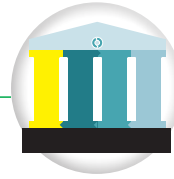


### Developing Digital Human Resources

Developing digital human resources is one of the pillars of backoffice DX included in our DX Strategy Overview, and we are working to raise the level of digital literacy and improve our organizational capabilities. Training is designed for all Group employees as well as people working in the supply chain (partner companies, suppliers and subcontractors).

The Group’s human resources training and support systems feature programs (educational systems and frameworks) based on specific characteristics such as age or position as well as original training opportunities that encourage motivated employees to view the acquisition of digital literacy as a personal matter.

Obayashi Corporation supports the view expressed by the Digital Literacy Council (of which Japan’s Ministry of Economy, Trade and Industry is an observer) that everyone involved in business should be a user of digital tools, and is listed as a supporting company.



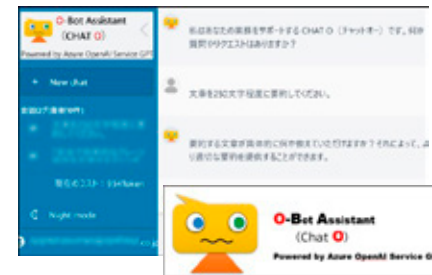
### Automation and Robotics

#### ■ Generative AI

We are promoting the use of generative AI toward automation and robotics as part of backoffice DX in our DX strategy. We released an in-house O-Bot Assistant (Chat O) text-generating AI using Microsoft’s Azure OpenAI Service as a ChatGPT environment that can be accessed safely.

We have also developed AiCorb® video-generation AI that can create building facade designs based on hand-drawn sketches. This is used as a design support tool to help generate ideas in the early design stage.

Instead of just releasing these systems, we also focus on educating users. Generative AI user guidelines, practical guides, and precautions are uploaded to the internal portal site, and employees can also attend in-house training sessions on generative AI.



Chat O supports various tasks such as idea generation, summary, and other tasks in a natural conversational style.

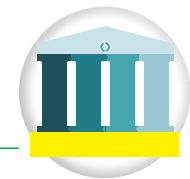
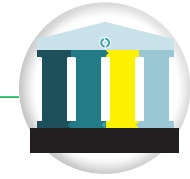


AiCorb generates facade designs based on hand-drawn sketches and supports idea generation in the early design stage.

### Information Security Enhancement

Obayashi Corporation has made information security enhancement the basis for these reforms in order to ensure the Company’s various forms of digital transformation prove sustainable and robust. To enhance information security, we are introducing technical measures while also working to establish regulations and other rules, and to improve literacy.

As a technical measure, the shift to a zero-trust security environment was completed in June 2022. In terms of establishing rules, we revised the Obayashi Group Information Security Policy in March 2021 and have since conducted annual reviews. We are working to increase awareness of the policy across the Group. And to improve literacy, all employees take compulsory information security e-learning courses twice annually. In addition, we are planning the introduction of a dedicated tool that will give employees access to a wealth of educational content at all times. Furthermore, to ensure all necessary measures are comprehensively implemented, we will comply with the NIST SP800-171 standard established by the National Institute of Standards and Technology (NIST) in the United States.



## Digital Transformation (DX)

### Feature Using BIM/CIM to Improve Productivity in the Construction Industry

#### Bird Paradise (Mandai, Singapore)

Bird Paradise, a bird park that opened in Northern Singapore in May 2023, is among the largest in Asia and was constructed by Obayashi Singapore.

The project, with Nature First as its theme, required the construction of a large-scale, complex structure on the 170,000 m<sup>2</sup> park grounds while protecting nature and biodiversity. The organic design had to be constructed so that it would conform with the natural terrain, and as such presented a major challenge. The topography of the area was accurately ascertained using point-cloud data collected via drones and 3D scanners, and the data was then processed using BIM to create a digital twin. This made it possible to efficiently identify and resolve problems arising in the detailed design, component production, and construction stages, such as the installation of 170 irregular-shaped 30 m steel columns to create an aviary, and the re-creation of a beautiful landscape with a 20 m waterfall and rice terraces.

These efforts utilizing a digital twin received global recognition, with Autodesk, Inc. selecting the project to be presented at the Autodesk University 2023 international conference.

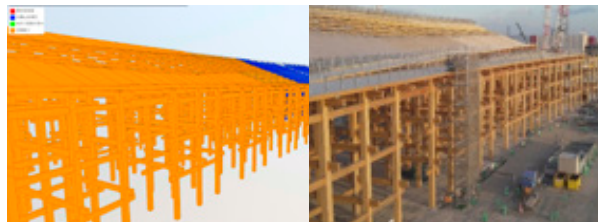


Built eight walk-in aviaries that feature re-creations of the world's various ecosystems

#### Expo 2025 Osaka, Kansai, Japan

Obayashi Corporation won an order for the Pavilion World northeast construction area at the Expo 2025 Osaka site and was also named the general contractor overseeing the three other construction zones. We are now successively introducing each system that we had been preparing through FY2023.

Obayashi Corporation has used its proprietary ProMIE<sup>®</sup> visual project management system for the construction of the Grand Roof Ring, a symbolic structure of the Expo site. ProMIE enables centralized management of the series of processes from the manufacture of the construction materials to their shipping, delivery, and erection using BIM. Information on approval of wooden material drawings as well as the shipping date, completion date of materials, and status of construction at the site were entered into the system by those responsible for installation and shown on a color-coded display so that construction status information could be shared in real time among related parties. This enabled efficient progress management.

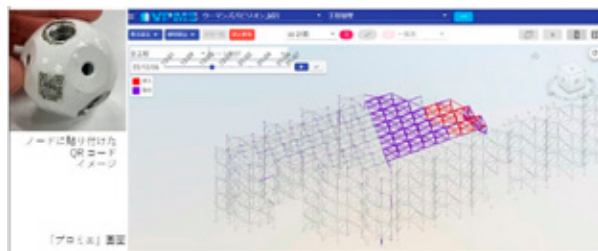


The Grand Roof Ring at Expo 2025 Osaka, Kansai, Japan (Left: BIM data, Right: Actual construction in progress)

External materials for the Women's Pavilion were recycled from the Japan Pavilion facade at Expo 2020 Dubai. Each part was labeled with a QR Code<sup>1</sup> and carefully managed for precise assembly at the new facade.

QR Code management made it easy to identify each part. This resulted in a reduction in the amount of time spent sorting parts, ascertaining where they were meant to go in the new construction, and carrying and assembling the parts in situ.

1. QR Code is a registered trademark of DENSO WAVE INCORPORATED



Managed construction process by affixing a QR Code to each part

#### New Kagawa Prefectural Gymnasium (Tentative name) Construction Project

The New Kagawa Prefectural Gymnasium consists of a main arena with a single-layer lattice shell structure<sup>2</sup> spanning 116 m in diameter and two other facilities all connected under a huge roof. We fully utilized BIM in bringing the unique design and complex structural frame to life.

When it came to the excavation work, a model of the shape of the excavation area was created in the BIM system and entered into ICT construction machinery. This cut down the work required for on-site marking and other processes, while also reducing the need for other workers to deal with heavy machinery, thus improving safety.

Furthermore, because there was not enough room on the site to lay out the steel frame, it was erected using the escape construction method<sup>3</sup> and we used BIM for construction simulations while verifying the tensile stress on the structural frame and the amount of deformation.

The BIM model created could also be employed as a digital mock-up using virtual reality equipment, and this contributed to building early consensus with the customer.

2. A structure consisting of a single layer of triangular steel frame components laid out in a spherical shape
3. A construction method for erecting a steel frame from the far end of a plot using cranes and working toward the near end



New Kagawa Prefectural Gymnasium (Above: BIM data, Below: Actual construction in progress)



## Section

## Governance

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## Independent Directors' Dialogue

“ Freer, more open, and vigorous discussion aimed at boosting corporate value ”



### Hiroyuki Kato

Independent Director

Former director and current advisor to Mitsui & Co., Ltd. Became independent director of Obayashi Corporation in 2021.

### Masako Orii

Independent Director

Served as executive officer at Suntory Holdings Limited and senior managing director of Suntory Wellness Limited. Current advisor to Suntory Holdings Limited. Became independent director of Obayashi Corporation in 2020.

### Yukiko Kuroda

Independent Director

Worked previously for Sony Corporation. Founder and current advisor of People Focus Consulting Co., Ltd. Became independent director of Obayashi Corporation in 2022.

## Independent Directors' Dialogue

### How do you evaluate the effectiveness and transparency of the Obayashi Group's governance and what are the biggest priority areas to improve them?

**Orii** Looking back on Obayashi Corporation's progress in recent years, I feel it has made steady advances on governance led by the Board of Directors. Indeed, the Company has been enhancing governance in true Obayashi style. After establishing Obayashi Group Medium-Term Business Plan 2022, it decided to incorporate dividend on equity (DOE) into its shareholder return policy, revised its officer remuneration system, clearly stipulated the succession plan as well as criteria for the appointment and dismissal of the president, and then announced the revision of its basic capital policy in March 2024. All this was inspired by open and honest discussion between internal and independent directors and the airing of various perspectives, underpinned by mutual trust and an appropriate degree of tension. The challenge now is for all of us to show the determination to maintain momentum and generate even greater progress. Personally, I would like to deepen the discussion on ensuring safety and quality in recognition of the tragic nature of the serious accident that occurred. I would also like to encourage further discussion on human capital to ensure the Obayashi Group's employees become its greatest strength.

**Kuroda** We have been able to regularly discuss medium- to long-term strategies and issues in the Directors' Roundtable Meeting that was set up roughly one year ago. It is worth noting that we discussed capital policy revision on multiple occasions in FY2023. Instead of opting for the widespread practice of buying back shares, the Company considered its medium- to long-term growth strategy and reviewed the level of equity and shareholder return ratio required to achieve its return on equity (ROE) and return on invested capital (ROIC) targets. Looking ahead, I think that business portfolio development and the

amassing and utilization of intangible assets will become priority areas for achieving the Group's growth strategy.

**Kato** I agree that the Directors' Roundtable Meeting recently established to support the Board of Directors is a successful venue for internal and independent directors to freely discuss different issues. One of the positive results of open discussions facilitated by the board and the Roundtable Meeting was the capital policy revision announced in March. As my two colleagues have mentioned, nurturing a dynamic corporate culture and effective human resources is also important. Meanwhile, we may not yet have sufficiently discussed the construction business, although it is high in priority and is the Group's core business. This segment is the main source of Obayashi Corporation's earning power, so I believe we have a responsibility to encourage a broad and deep discussion on the most important themes of safety and quality.

### What are the Obayashi Group's strengths and what are employee qualities and characteristics?

**Orii** From my interactions with employees, I feel their keen sense of carefully structuring ideas, as well as their impressive ability to give shape to those ideas. I converse regularly with people involved in the voluntary projects run by female employees as well as the Diversity & Inclusion Promotion Department. Also, the other day, I was struck by employees' commitment and responsibility with regard to "making things," as well as their sincerity when talking to the Head of Hokuriku Branch about the 2024 Noto Peninsula Earthquake response. Ultimately, it is the people in the front line that implement a company's strategy, so I believe these particular qualities represent vital strengths for the Obayashi Group. Creating value is important, but it is also important to communicate the significance of that value. To fully leverage these strengths,

the Company should accelerate diversity and nurture a corporate mindset and culture that encourages employees to demonstrate greater individuality.

**Kato** It is hard to describe the Group's strengths in a nutshell, but when I interact with Obayashi Group employees, I am always struck by their sincerity, open-mindedness, candor, and professionalism. The Group culture empowers frontline people by delegating responsibility to them, which in turn leads to the power of its people and to its frontline capabilities. The employees fulfill the work entrusted to them admirably. The challenge going forward, however, will be to build frameworks that encourage employees to create things that are completely new based on their own ideas. I think the Company needs to promote freer and more vigorous discussion in order to create a framework for incorporating employees' ideas into business and expanding on those ideas.

**"The Company should accelerate diversity and nurture a corporate mindset and culture that encourages employees to demonstrate greater individuality."**





## Independent Directors' Dialogue

**Kuroda** I have heard that Obayashi Corporation's key strength lies in its frontline capabilities, but, unfortunately, I have not yet had many opportunities to interact with employees working at construction sites. I am, however, constantly impressed by the determined perspective and high degree of competence of employees working in the office. The materials they prepared for our capital policy revision and our discussion of management strategy were excellent. They do not just simply present the rhetoric but also offer statistical verification based on data analytics and other methods. I thought the documentation had been created by a consulting company, so I was very surprised when I found out it had been compiled in house.

"General contractors have been around for a long time, so they have some unique business practices and values, but we speak up if we are not comfortable with any of those practices."

### What role do you think independent directors should play in helping to further enhance corporate value?

**Kato** The discussion of capital policy over the past few years culminated in a successful revision, and feedback from capital markets was positive. That is significant progress, but to ensure a more robust and sustainable capital policy going forward, the Company needs to establish a strong, growth-driving earnings base. This falls largely within the realm of the Company's executives, but we independent directors must ensure the creation of such an earnings base by participating in discussions and monitoring the relevant factors including strategies, their implementation, and human resource training. Elsewhere, in the core construction business, the proportion of overseas business is increasing, and local human resources will be vital in achieving success in those business going forward. Finally, Obayashi Corporation needs to strengthen governance frameworks for the whole Group and there is an urgent need to train managers who can effectively supervise overall management.

**Kuroda** I see my role as assisting with the determination of the Obayashi Group's chosen path and management strategy, overseeing internal control and risk management, and reminding management of shareholder and broader stakeholder perspectives. General contractors have been around for a long time, so they have some unique business practices and values, but we speak up if we are not comfortable with any of those practices.

**Orii** I would like to help the Obayashi Group accurately and reliably implement Company-wide transformation to achieve sustainable growth as stipulated in the medium-term plan. To that end, I will keep a close eye on initiatives encompassing clear awareness of the issues, the need for speed, and incorporation of such transformation into the organizational culture. In terms of further enhancing corporate value, the other day I watched

"The discussion of capital policy over the past few years culminated in a successful revision, and feedback from capital markets was positive. That is significant progress."



the first episode of the new *Project X* television series by the public broadcaster NHK featuring Obayashi Corporation's challenging journey to construct the TOKYO SKYTREE® tower. I visited the Technology Research Institute last year and experienced firsthand the astonishing technologies at the very core of the Company. Given its determined corporate philosophy and technological prowess, I can see the Obayashi Group utilizing technologies to promote carbon neutrality and well-being to help bring about a sustainable future for society while achieving its own sustainable growth. For my part, I will carefully monitor and discuss initiatives to ensure the coordinated pursuit of the Obayashi Philosophy, technology, and strategy.





## Independent Directors' Dialogue

### What message would you like to convey to shareholders and investors?

**Kuroda** The market viewed the capital policy that was announced in March very positively. Usually, the price of shares tends to spike and then fall right back when any strategies on shareholder returns are announced, but that didn't happen this time. I believe this is because investors understood the underlying medium- to long-term strategies and policies. The Group aims to boost corporate value over the medium to long term instead of taking piecemeal measures to shore up its share price. I hope investors will support that quest.

**Orii** The best way to meet the expectations of investors and other stakeholders is to create value for society and achieve sustainable growth as a company. I want to consider a range of perspectives on the axes of time and space and evaluate all pertinent risks and opportunities in order to ensure that aim can be achieved in accordance with the Obayashi Philosophy.

The capital policy revision in March 2024 was well regarded by the investors. I am aware that there will be growing demands on the Company to determine an appropriate balance between growth investment and shareholder returns based on various factors, and to boost both shareholder profits and corporate growth.

**Kato** With respect to the medium-term plan, although the Obayashi Group has not been able to achieve its planned targets as a result of the unprofitability of some

projects since the first year, I have confidence in its solid earning power. Indeed, the Group is already on a recovery track and is expected to generate near-plan performance in FY2025 and FY2026. It is our job as independent directors to closely monitor the situation. Meanwhile, shareholder returns have improved considerably thanks to the capital policy revision implemented through board discussion. The Company is now successfully pursuing management with an eye on share price and shareholder interests, which is a great step forward. I will continue to promote discussions on how to achieve a virtuous cycle in which the Group's earnings base expands and shareholder returns increase even further.



# Directors, Members of the Audit & Supervisory Board, and Executive Officers

## Directors

(As of July 1, 2024)



**Takeo Obayashi**

Chairman of the Board

Number of shares held: 16,944,095

Tenure: 41 years

Apr. 1977 Joined the Company  
Jun. 1983 Director  
Jun. 1985 Managing Director  
Jun. 1987 Senior Managing Director  
Jun. 1989 Executive Vice President  
Jun. 1997 Vice Chairman  
Jun. 2003 Chairman  
Jun. 2007 Director  
Jun. 2009 Chairman  
Representative Director  
Apr. 2023 Chairman of the Board (incumbent)



**Kenji Hasuwa**

Representative Director  
President and CEO

Number of shares held: 40,500

Tenure: 9 years

Apr. 1977 Joined the Company  
Apr. 2010 Executive Officer  
Oct. 2012 Managing Executive Officer  
Oct. 2014 Head of Technology Business  
Development Division  
Jun. 2015 Director  
Apr. 2016 Senior Managing Executive Officer  
Mar. 2018 Representative Director (incumbent)  
President  
Apr. 2023 President and CEO (incumbent)



**Atsushi Sasagawa**

Representative Director

Number of shares held: 6,737

Tenure: 3 years

Apr. 1980 Joined the Company  
Apr. 2015 Executive Officer  
Head of Yokohama Branch Office  
Mar. 2018 Managing Executive Officer  
Head of Building Construction Division  
at Osaka Main Office  
Apr. 2019 Senior Managing Executive Officer  
Jan. 2021 Head of Marketing Division  
(incumbent)  
Apr. 2021 Executive Vice President (incumbent)  
Head of Tokyo Main Office  
Jun. 2021 Director  
Apr. 2023 Representative Director (incumbent)



**Toshimi Sato**

Representative Director

Number of shares held: 10,600

Tenure: 6 years

Apr. 1985 Joined the Company  
Jan. 2011 Senior General Manager of North  
American Regional Headquarters at  
Overseas Business Division  
Apr. 2013 General Manager of Finance  
Department at Head Office  
May 2015 General Manager of Corporate  
Management Planning Department at  
Head Office  
Apr. 2017 Executive Officer  
Jun. 2018 Director  
Apr. 2019 Managing Executive Officer  
Apr. 2022 Senior Managing Executive Officer  
Apr. 2023 Executive Vice President (incumbent)  
Apr. 2024 Representative Director (incumbent)



## Directors, Members of the Audit &amp; Supervisory Board, and Executive Officers

## Directors

(As of July 1, 2024)

**Masako Orii**

Independent Director\*

Number of shares held: 0  
Tenure: 4 years

Apr. 1983 Joined Suntory Limited  
Apr. 2012 Executive Officer of Suntory Holdings Limited  
Apr. 2016 Senior Managing Director, Member of the Board of Suntory Wellness Limited  
Apr. 2019 Advisor of Suntory Holdings Limited (incumbent)  
Executive Director of Suntory Hall, Suntory Foundation for the Arts (incumbent)  
Jun. 2020 Independent Director of the Company (incumbent)  
May 2021 Outside Director, Audit and Supervisory Committee Member of TOHO CO., LTD. (incumbent)

**Significant concurrent positions:**

Executive Director of Suntory Hall, Suntory Foundation for the Arts  
Outside Director, Audit and Supervisory Committee Member of TOHO CO., LTD.

**Hiroyuki Kato**

Independent Director\*

Number of shares held: 0  
Tenure: 3 years

Apr. 1979 Joined Mitsui & Co., Ltd.  
Apr. 2010 Managing Officer of Mitsui & Co., Ltd.  
Apr. 2012 Executive Managing Officer of Mitsui & Co., Ltd.  
Jun. 2014 Representative Director, Senior Executive Managing Officer of Mitsui & Co., Ltd.  
Apr. 2016 Representative Director, Executive Vice President of Mitsui & Co., Ltd.  
Apr. 2018 Director of Mitsui & Co., Ltd.  
Jun. 2018 Counselor of Mitsui & Co., Ltd.  
Jul. 2020 Advisor of Mitsui & Co., Ltd.  
Jun. 2021 Independent Director of the Company (incumbent)

**Significant concurrent position:**

Non-Executive Director of Sims Limited (Australia)

**Yukiko Kuroda**

Independent Director\*

Number of shares held: 0  
Tenure: 2 years

Apr. 1986 Joined Sony Corporation  
Jan. 1991 Representative Director of People Focus Consulting Co., Ltd.  
Jun. 2010 Outside Audit & Supervisory Board Member of Astellas Pharma Inc.  
Mar. 2011 Outside Director of CAC Holdings Corporation  
Apr. 2012 Managing Director/Founder of People Focus Consulting Co., Ltd.  
Jun. 2013 Outside Director of Marubeni Corporation  
Jun. 2015 Outside Member of the Board of Mitsui Chemicals, Inc.  
Jun. 2018 Outside Director of Seven Bank, Ltd. (incumbent)  
Independent Director of Terumo Corporation  
Jun. 2022 Independent Director of the Company (incumbent)  
Aug. 2022 Outside Director of Oracle Corporation Japan (incumbent)  
Mar. 2024 Advisor/Founder of People Focus Consulting Co., Ltd. (incumbent)

**Significant concurrent positions:**

Outside Director of Seven Bank, Ltd.  
Outside Director of Oracle Corporation Japan



New appointment

**Hiroyuki Shime**

Independent Director\*

Number of shares held: 0

Apr. 1975 Joined UNITIKA LTD.  
Apr. 2003 Executive Officer of UNITIKA LTD.  
Apr. 2005 Managing Executive Officer of UNITIKA LTD.  
Jun. 2008 Director, Senior Executive Officer of UNITIKA LTD.  
Jul. 2012 Director, Managing Executive Officer of UNITIKA LTD.  
Jun. 2014 Representative Director and President, Chief Executive Officer of UNITIKA LTD.  
Jun. 2019 Representative Director Chairman of UNITIKA LTD.  
Jun. 2022 Outside Auditor of DAIHEN Corporation (incumbent)  
Jun. 2023 Advisor of UNITIKA LTD.  
Jun. 2024 Independent Director of the Company (incumbent)

**Significant concurrent position:**

Outside Auditor of DAIHEN Corporation



New appointment

**Yoshihiro Ikegawa**

Independent Director\*

Number of shares held: 0

Apr. 1983 Joined Mitsubishi Chemical Industries Limited (current Mitsubishi Chemical Corporation)  
Apr. 2005 Managing Director of MCC PTA India Corp. Private Limited  
Apr. 2014 Executive Officer of Mitsubishi Chemical Corporation  
Dec. 2015 Executive Officer of Mitsubishi Chemical Holdings Corporation (current Mitsubishi Chemical Group Corporation)  
Apr. 2018 Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation  
Apr. 2019 Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation and Director of the Board of Mitsubishi Chemical Corporation  
Apr. 2021 Representative Corporate Executive Officer and Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation  
Apr. 2022 Executive Vice President of Mitsubishi Chemical Holdings Corporation and Representative Director, Director of the Board of Mitsubishi Chemical Corporation  
Jun. 2023 Executive Consultant of Mitsubishi Chemical Corporation (incumbent)  
Jun. 2024 Outside Director of Toyo Seikan Group Holdings, Ltd. (incumbent)  
Independent Director of the Company (incumbent)

**Significant concurrent position:**

Outside Director of Toyo Seikan Group Holdings, Ltd.

\* An Outside Director as per Article 2, Section 15 of Japanese Companies Act



## Directors, Members of the Audit &amp; Supervisory Board, and Executive Officers

## Members of the Audit &amp; Supervisory Board

(As of July 1, 2024)



New appointment

**Eiichiro Okano**

Standing Audit &amp; Supervisory Board Member

Number of shares held: 3,100

Apr. 1982 Joined the Company  
Apr. 2019 General Manager of iPD Center at Building Construction Division  
Apr. 2020 Executive Officer  
General Manager of Digital Integration Division  
Feb. 2022 Head of Digital Transformation Division  
Apr. 2022 Managing Executive Officer  
Apr. 2024 Advisor  
Jun. 2024 Standing Audit & Supervisory Board Member (incumbent)

**Isao Watanabe**

Standing Audit &amp; Supervisory Board Member

Number of shares held: 3,000  
Tenure: 2 years

Apr. 1982 Joined the Company  
Dec. 2008 General Manager of General Administration Department at Tohoku Branch Office  
Jan. 2011 General Manager of Public Relations Department, CSR Division  
Apr. 2013 General Manager of CSR Division  
May 2015 General Manager of Secretarial Department  
Apr. 2020 Senior General Manager of Kanto Branch Office  
Apr. 2022 Advisor  
Jun. 2022 Standing Audit & Supervisory Board Member (incumbent)

**Yoshihiro Yamaguchi**

Outside Audit &amp; Supervisory Board Member\*

Number of shares held: 0  
Tenure: 2 years

Apr. 1980 Joined the Ministry of Construction  
Apr. 1991 First Secretary of the Mission of Japan to the European Community at the Ministry of Foreign Affairs of Japan  
Jul. 2002 Director of Regional Development Division, City and Regional Development Bureau at the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)  
Apr. 2004 Director of First Development and Promotion Division, Okinawa Development and Promotion Bureau at Cabinet Office  
Apr. 2005 Counselor for First Development and Promotion at Cabinet Office  
Jul. 2006 Outside Audit & Supervisory Board Member of Metropolitan Expressway Co., Ltd  
Jul. 2009 Executive Director of Research Institute of Construction and Economy (RICE)  
Aug. 2012 President of Policy Research Institute for Land, Infrastructure, Transport and Tourism at the Ministry of Land, Infrastructure, Transport and Tourism (PRI)  
May 2013 Chief Executive Director of the Overseas Construction Association of Japan, Inc. (OCAJI)  
Nov. 2019 Vice-president and Chief Executive Director of the Overseas Construction Association of Japan, Inc. (OCAJI)  
Jun. 2022 Advisor of the Overseas Construction Association of Japan, Inc. (OCAJI)  
Outside Audit & Supervisory Board Member of the Company (incumbent)

**Eiji Mizutani**

Outside Audit &amp; Supervisory Board Member\*

Number of shares held: 0  
Tenure: 2 years

Oct. 1981 Joined Shinwa Audit Corporation (currently KPMG AZSA LLC)  
Mar. 1985 Registered as Certified Public Accountant  
May 2003 Partner at Asahi & Co. (currently KPMG AZSA LLC)  
Sep. 2010 Board Member of KPMG AZSA LLC  
Apr. 2011 Chairperson of Senior Review Board of KPMG AZSA LLC  
Apr. 2014 General Manager of Quality Control Division of KPMG AZSA LLC  
Jun. 2021 Retired from KPMG AZSA LLC  
Audit & Supervisory Board Member of J-OIL MILLS, INC. (incumbent)  
Jul. 2021 Representative of Eiji Mizutani CPA Firm (incumbent)  
Jun. 2022 Outside Audit & Supervisory Board Member of the Company (incumbent)

**Significant concurrent positions:**

Audit & Supervisory Board Member of J-OIL MILLS, INC.  
Representative of Eiji Mizutani CPA Firm

**Shinya Kuwayama**

Outside Audit &amp; Supervisory Board Member\*

Number of shares held: 900  
Tenure: 1 year

Apr. 1977 Joined the Ministry of International Trade and Industry  
Jan. 2000 Director of Economic Cooperation Division, Economic Policy Bureau at the Ministry of International Trade and Industry  
Jan. 2001 Director of Trade Finance and Economic Cooperation Division, Trade and Economic Cooperation Bureau at the Ministry of Economy, Trade and Industry  
Jul. 2002 Director of Personnel Division, Minister's Secretariat at the Ministry of Economy, Trade and Industry  
Aug. 2004 Deputy Director-General for Trade and Economic Cooperation Bureau at the Ministry of Economy, Trade and Industry  
Sep. 2005 Counselor at the Cabinet Secretariat (assistant to Assistant Chief Cabinet Secretary)  
Jul. 2008 Director-General for Regional Economic and Industrial Policy at the Ministry of Economy, Trade and Industry  
Jul. 2009 Retired from the Ministry of Economy, Trade and Industry  
Aug. 2009 Executive Officer of Sohgo Security Services Co., Ltd. (ALSOK)  
Apr. 2010 Managing Executive Officer of ALSOK  
Jun. 2011 Director and Managing Executive Officer of ALSOK  
Apr. 2014 Representative Director and President of ALSOK Stationed Security Co., Ltd.  
Apr. 2016 Advisor of ALSOK  
Jun. 2016 President of the Association for Overseas Technical Cooperation and Sustainable Partnerships  
Jun. 2023 Outside Audit & Supervisory Board Member of the Company (incumbent)



## Directors, Members of the Audit & Supervisory Board, and Executive Officers

### Executive Officers

(As of July 1, 2024)

#### President and CEO

Kenji Hasuwa

#### Executive Vice Presidents

Atsushi Sasagawa Responsible for overall building construction, and Head of Marketing Division

Toshimi Sato Responsible for overall administration

Seiji Nagai (Co-Chairperson (Representative Director) of Kansai Keizai Doyukai (Kansai Association of Corporate Executives))

#### Senior Managing Executive Officers

Naoki Kajita Head of Technology Division

Hironobu Kawakami Head of Osaka Main Office, Head of Building Construction Division at Osaka Main Office, Head of Yumeshima Development Division, and Senior General Manager of Marketing Division

Yoshihito Sasaki Responsible for overall civil engineering construction, Head of Civil Engineering Construction Division, and Senior General Manager of Safety Division

Yasuo Morita Head of Building Construction Division, Head of Safety Division, and responsible for Environmental Management Division

Motoi Yano Head of Tokyo Main Office, Head of Building Construction Division at Tokyo Main Office, and Senior General Manager of Marketing Division

#### Managing Executive Officers

Yuichi Yamamoto Head of Nagoya Branch Office

Goichi Kamochi Head of Architectural Design & Engineering Division

Nobuyuki Wakuni Head of Hiroshima Branch Office

Akihiro Higashide Head of Civil Engineering Construction Division at Tokyo Main Office, and Senior General Manager of Marketing Division

Kazuyuki Goto Senior General Manager of Building Construction Division (responsible for mechanical & electrical, and renovation), and Senior General Manager of Building Construction Division at Tokyo Main Office (responsible for mechanical & electrical, and renovation)

Kenichi Ando Head of Green Energy Division, Senior General Manager of Marketing Division, and responsible for PPP Division

Hiromitsu Kato Head of North American Regional Headquarters

Futoshi Takahashi Head of Real Estate Development Division

Toshiro Kito Senior General Manager of Building Construction Division at Osaka Main Office (responsible for business development)

Mitsuaki Sadatoshi Senior General Manager of Marketing Division

Shigeru Edatsune Head of Procurement Division, Senior General Manager of Civil Engineering Construction Division, Senior General Manager of Building Construction Division, and Senior General Manager of Building Construction Division at Tokyo Main Office (responsible for procurement)

Tetsuya Kurebayashi Head of Digital Transformation Division

#### Executive Officers

Kyoji Ikeda Yasuyuki Onishi

Kimihiko Sato Kenji Okamura

Kojiro Nitta Naoyuki Suzuki

Yoshikatsu Imazuka Hidefumi Takenaka

Hitoshi Shibuya Jun Nakamura

Atsushi Takeuchi Shinji Nishikawa

Shinobu Yamanaka Katsunori Hanato

Koji Kohirata Masato Yanou

Osamu Yoshizaki Hiroshi Abe

Hajime Onojima Shinya Urakawa

Ryuji Kitaoka Ikuo Takeuchi

Hiroshi Kondo Katsuhito Yamaura

Kazutoshi Mitsui Lee Aik Seng

Ryuichi Yanagawa

Tetsuo Ueda

Shigeru Kojima

Kazuhiisa Sugiyama

Toshio Suzuki

Takayuki Tomioka

Koji Furuse

Ikuo Okuwaki

Takayuki Akiyama

Tsuyoshi Ito

Akio Inoue

Takuji Imagawa



## Messages from the Outside Audit & Supervisory Board Members



### A Hawk's-Eye View and an Ant's-Eye View

Enhancing governance in order to manage a corporate organization and maintain discipline. Ensuring compliance as the foundation for determining the direction of this enhancement. These tasks are not only a social obligation, but also result in a significant impact on corporate profits. The concept of compliance in particular not only relates to complying with laws and regulations, but also social norms and ethics that are constantly changing along with social conditions. We must be sensitive to these changes at all times. To appropriately guide the Obayashi Group's corporate activities, I believe it is necessary to audit the Group from a multifaceted, three-dimensional perspective. That means gaining both a hawk's-eye view that affords us a wider picture of the overall global macroeconomic and social situation and an ant's-eye view that enables us to grasp the details of actual work on site at the micro level.

### Strengthening Comprehensive Business Management Functions

Obayashi Corporation has been steadily working to ensure stable business continuity and increased capital efficiency, which are both key management challenges. Maintaining and enhancing corporate governance systems is vital for determining the appropriate direction of corporate management. The monitoring of business execution is fundamental to governance, but there are cases in which the monitoring function is not fully effective. To help form timely and appropriate responses to different upcoming situations, the Obayashi Group should further strengthen monitoring functions for each business, including the overseas business segment, each division, and each company. It should also conduct cross-sectional management spanning these units by further strengthening its comprehensive business management function. It is important to always remember that strengthening governance functions significantly impacts medium- to long-term profits.



### Actively Exercise Authority Based on a Highly Ethical and Independent Approach

Audit & Supervisory Board members have a wide range of duties to perform, from overseeing operations and management to monitoring compliance and governance (the foundation of any company), laws, taxation, working environments, and risk management. Concerning Audit & Supervisory Board members, Japan's Corporate Governance Code states that, "in order to fully perform their duties, it would not be appropriate for *kansayaku* and the *kansayaku* board (Audit & Supervisory Board members and the Audit & Supervisory Board) to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management." I am determined to use my knowledge of finance, accounting, and auditing as a certified public accountant and uphold a high standard of ethics and independence. I will also actively exercise my authority in order to appropriately fulfill my role and responsibilities in helping the Obayashi Group achieve sustainable growth and enhance its corporate value.

### A Willingness to Tackle Any Challenge

Soaring prices, labor shortages, the revised Labor Standards Act, green transformation (GX), SDGs, ESG, digital transformation (DX), cyberattacks, activist activities, pandemics, and economic security. The corporate environment has undergone drastic change in recent years. In this era of volatility, uncertainty, complexity, and ambiguity (VUCA), where a large degree of uncertainty makes it hard to predict the future, companies have to clarify their own vision and tackle new challenges in order to achieve sustainable growth and increase corporate value. The Obayashi Group should also pay close attention to hidden risks. Each of its employees should strive to enhance corporate value by developing a more global perspective and demonstrating a willingness to tackle new challenges. I would like to see the Group create an environment that encourages all employees to look beyond the scope of their own work and engage in freer and more vigorous discussion on a broad range of issues.



### Honest and Determined Action

I was appointed just last year, so I have spent the year exploring what someone like me with no experience of the construction industry can contribute. I have been studying the corporate culture of Obayashi Corporation and its particular characteristics. However, as a person from outside the field, I decided to express the opinions of an outsider who heeds general common sense and the perspectives of other industries and companies. Obayashi Corporation has its roots in the Kansai Region in Western Japan and many people use the typically outspoken local dialect, which adds to the frank and open workplace atmosphere. I am also from the same region, so I feel comfortable at Obayashi. Following the major accident that occurred last September, the Group is facing significant challenges, but I hope it takes honest and determined action in true Obayashi spirit to effectively address and learn from the tragic incident.

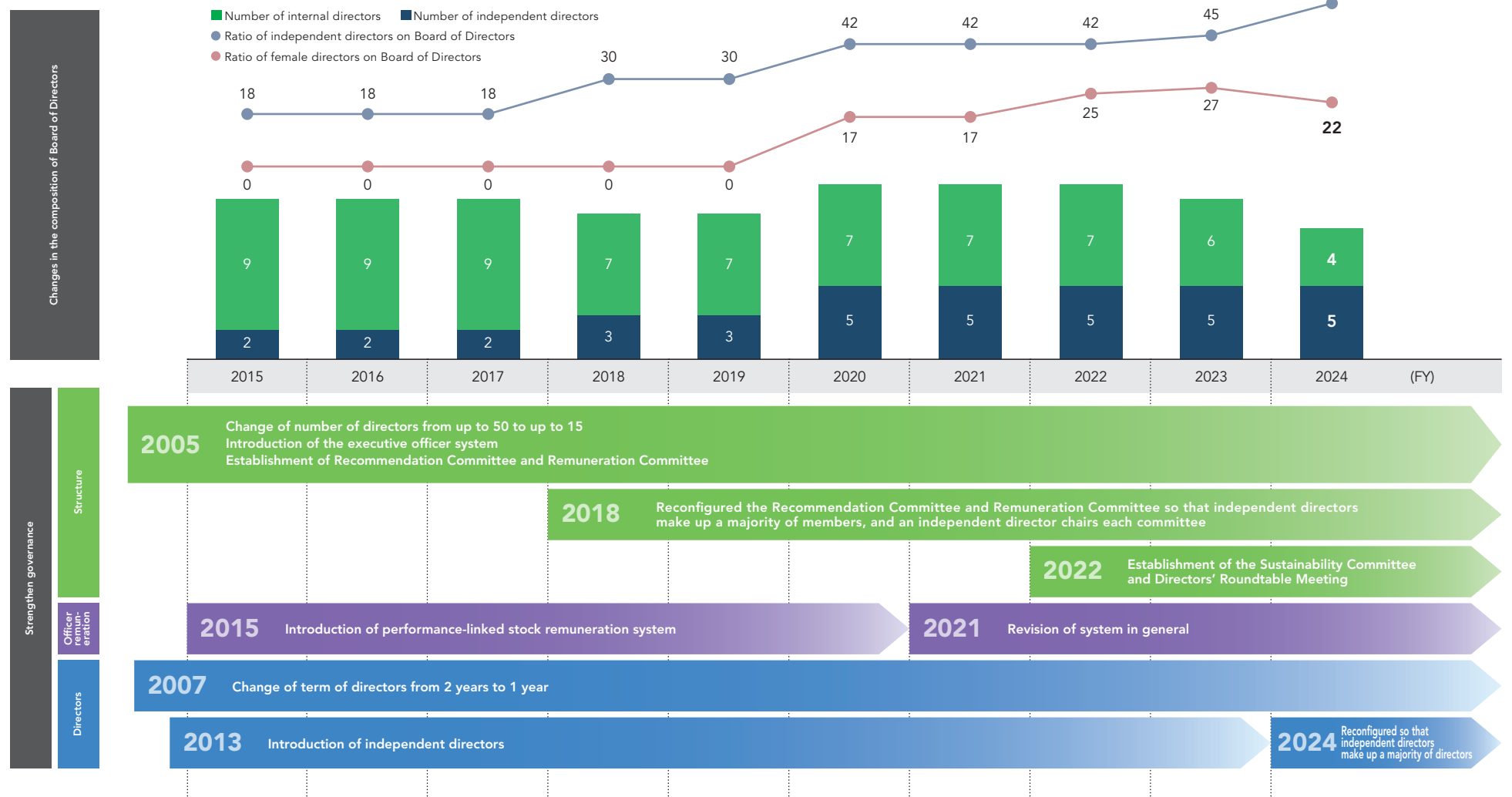
### Meaningful Safety and Quality Measures

Governance frameworks at major Japanese companies have been transformed in recent years. Obayashi Corporation has also instigated various reforms following such developments as the revision of Japan's Corporate Governance Code. The Company recently announced a revision of its capital policy that covers the pursuit of sustainable profit growth and strategic shareholder returns. The Board of Directors and the Audit & Supervisory Board are also actively engaging in discussions to strengthen governance. However, due to the occurrence of a serious accident, questions are now being asked about whether Company-wide governance systems were functioning properly in relation to safety and quality, which are vital issues for a construction company. I want the Company to ensure that it avoids simply formulating superficial or token safety measures, and instead takes truly effective action to prevent a recurrence.

# Management Structure

Obayashi believes that transparency and sound management, along with a strong corporate governance framework, are critical to maintaining society's trust. By enhancing corporate governance, we are also able to achieve sustainable growth and greater corporate value over the medium-to long-term. One specific aspect is to engage in transparent, fair, rapid, and resolute decision-making. Such decision-making is always based on the principles of Japan's Corporate Governance Code as set out by the Tokyo Stock Exchange, laws and regulations, and society's expectations.

## Main Initiatives to Enhance Corporate Governance

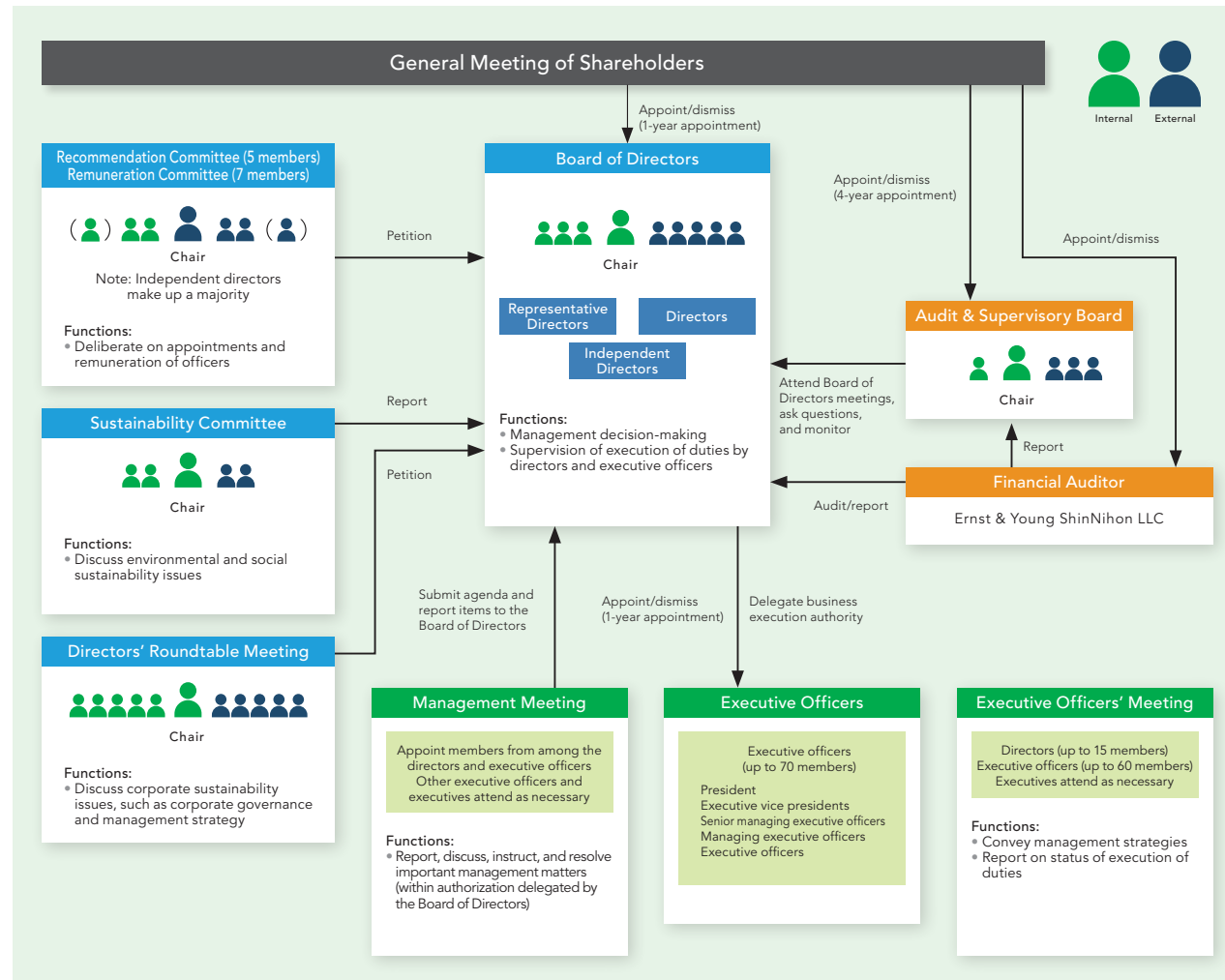


## Management Structure

### Corporate Governance Framework

Obayashi has established legally required institutions, such as the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, financial auditor, and other statutory bodies. In addition, we have established systems, such as Management Meeting composed of selected directors and executive officers and executive officer system, to facilitate management decisions and appropriate audits, enabling us to make detailed and swift decisions.

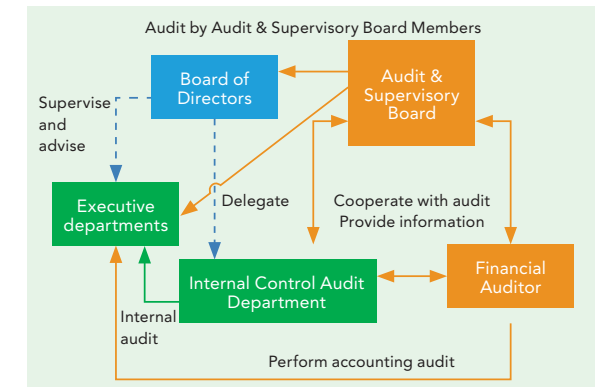
### Management Structure (As of July 1, 2024)



### Audits by Audit & Supervisory Board Members, Financial Auditor, and Internal Audit Arm (Three-Way Auditing)

The Audit & Supervisory Board members and financial auditor each conduct audits from their independent standpoints. Audit & Supervisory Board members receive reports and briefings as required from the financial auditor. The two parties also share information and opinions as appropriate to help increase the effectiveness of audits. Meanwhile, the Internal Control Audit Department, Obayashi's internal audit arm, is responsible for audits to monitor the effectiveness of internal control and the execution of duties by each department. Such audits are performed according to Obayashi's Internal Audit Regulations and are separate from audits by the Audit & Supervisory Board members and financial auditor. The Audit & Supervisory Board members and the Internal Control Audit Department also share information and opinions as appropriate to improve the effectiveness of audits.

### Three-Way Auditing



### Establishment and Operation of an Internal Control System

Obayashi has established and operates an internal control system based on Japan's Companies Act and Ordinance for Enforcement of the Companies Act. The purpose of the system is to ensure appropriate business operations throughout the Group. The relevant departments conduct an annual self-inspection of the operational status of this system. The Board of Directors discusses the results of these inspections and monitors the system to ascertain its appropriate operation.



## Management Structure

### Board of Directors

The Board of Directors consists of nine members, including five independent directors. Each director participates in business decision-making and execution, and also supervises the execution of duties by other directors, executive officers, and employees. The term of each directorship is set at one year, enabling Obayashi to flexibly establish management systems in response to changes in the business environment and clarify management accountability for each business period.

To ensure the clear separation of business management and execution, the chairman serves as the chairman of the board, instead of the president who is responsible for steering the business execution function. The chairman of the board plays an important role in Obayashi's corporate governance. The chairman manages proceedings in the Board of Directors meetings to stimulate constructive discussion and encourage independent directors and all other attendees to freely communicate their views. The chairman also actively communicates with independent directors outside of board meetings and provides opportunities for them to deepen their understanding of Obayashi's business and corporate culture.

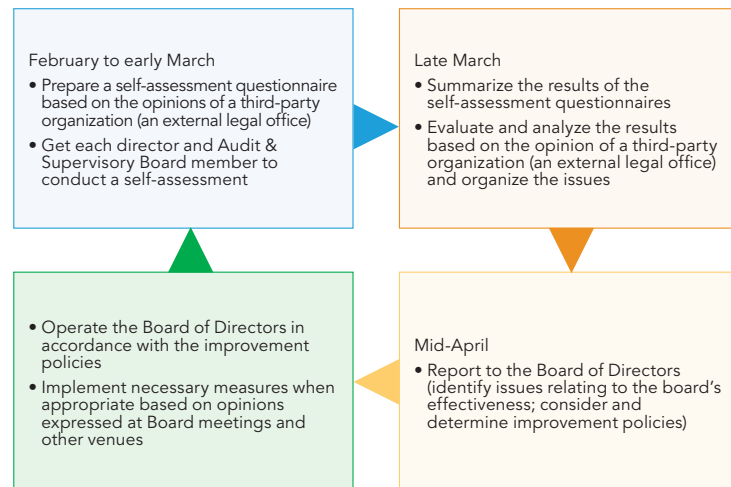
### Evaluating the Effectiveness of the Board of Directors

#### Method

Once a year, Obayashi conducts an evaluation and analysis of the effectiveness of the Board of Directors as a whole. The results are reported to the Board of Directors and reflected in subsequent operations. Specifically, each director and Audit & Supervisory Board member fills out a self-assessment questionnaire. We take the results of the questionnaires into account when conducting analysis and evaluation of the effectiveness of the Board of Directors as a whole with the advice of an external legal office.

The self-assessment questionnaire comprises items for evaluating the Board of Directors' size, composition, method of operation, status of deliberations, support systems for effectiveness evaluations, and more. The questionnaire is reviewed every year based on the opinions of an external legal office as well as changes in the role that the Board of Directors is expected to play and other factors.

#### Effectiveness Evaluation Cycle



### Key Agenda and Items Reported in FY2023

- Revision of capital policy and the medium-term business plan
- Reduction of cross-shareholdings
- Appointment and dismissal of directors, Audit & Supervisory Board members, executive officers, and others (including progress reports on the successor candidate training plan for the post of president)
- Discussion of significant investments
- Report on business risks
- Matters concerning the Board of Directors effectiveness evaluation
- Report on status of the execution of duties by the representative director

#### FY2023 Results

In FY2023, we confirmed that the Board of Directors continued to function effectively as a whole. Based on the results of the evaluation and analysis, we have made improvements, such as further enhancing opportunities for deliberation and discussion pertaining to the management strategies and management policies that should be focused on in board meetings.

With regard to the role of the Board of Directors and the method of its operation, in addition to making improvements based on the results of the effectiveness evaluation, we will continue to improve the effectiveness of the Board of Directors by considering and implementing necessary measures as appropriate based on the opinions of individual directors and Audit & Supervisory Board members.

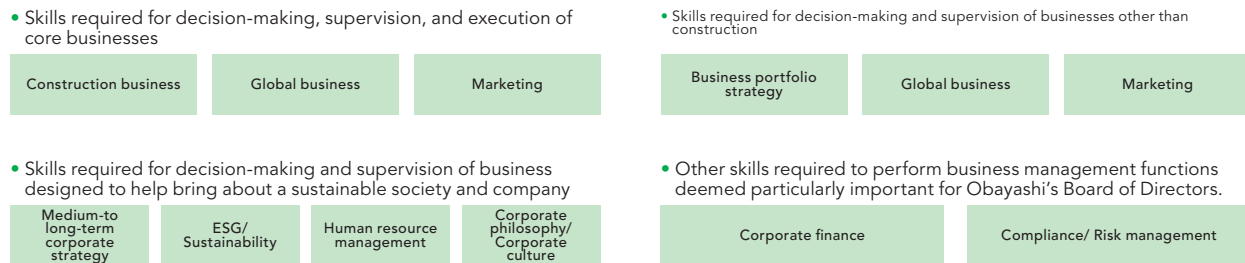
### Issues Identified in the Evaluation of Board Effectiveness and Measures Taken

| Issues Identified   | Measures Taken and Improvement Policies   |
|---|---|
| <ul style="list-style-type: none"> <li>• Need to review the proportion of remuneration linked to medium- to long-term business performance to provide a better incentive for executive directors to strive to improve business performance (FY2020)</li> </ul>                            | <ul style="list-style-type: none"> <li>• Introduced remuneration KPIs linked to the management indicators included in the medium-term business plan and increased the proportion of performance-linked remuneration to create better incentives for improving business performance and increasing corporate value (FY2021)</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Not enough time for thorough discussion due to the increased number of business execution matters as business scale expanded (FY2020, FY2021, FY2022)</li> <li>• Need to enhance discussion on management strategies (FY2022, FY2023)</li> </ul> | <ul style="list-style-type: none"> <li>• Increased the number of board meetings from 14 to 15 times a year (FY2021)</li> <li>• Revised the criteria for the referring issues for discussion to the Board of Directors (FY2022, FY2023)</li> <li>• Expanded time for discussing management strategies and other issues by establishing the Directors' Roundtable Meeting (FY2022, FY2023)</li> </ul> |
| <ul style="list-style-type: none"> <li>• Need to improve the transparency and objectivity of succession plans for the CEO and other positions, and board succession (FY2021)</li> </ul>   | <ul style="list-style-type: none"> <li>• Reviewed the operating procedures for the appointment and dismissal of the president and successor planning (FY2022)</li> <li>• Expanded reports to the Board of Directors regarding the above (FY2023)</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Need to strengthen board supervision of intangible assets, such as human capital, intellectual property, and business portfolio (FY2022, FY2023)</li> </ul>  | <ul style="list-style-type: none"> <li>• Continued discussion on this issue in the Board of Directors and Directors' Roundtable Meeting (FY2022, FY2023)</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Need to improve board effectiveness in addressing environmental and social sustainability issues (FY2022)</li> </ul>   | <ul style="list-style-type: none"> <li>• Sustainability Committee identified environmental and social sustainability issues (risks and business opportunities) and deliberated on how best to respond, followed by Board of Directors discussion based on the results of those deliberations (FY2023)</li> </ul>  |

## Management Structure

### Director Skill Matrix

In order to achieve sustainable growth and enhance the corporate value of the Group, the following skills (expertise and experience) necessary to carry out the decision-making and supervisory functions of the Board of Directors, the executive functions of directors, and other functions have been selected as categories for the skill matrix. For independent directors, particular emphasis is placed on skills relating to medium- to long-term corporate strategy/business portfolio strategy because these skills are vital for decision-making and supervision relating to any business entry or withdrawal.



|                       | Name              | Tenure   | Construction business | Medium-to long-term corporate strategy/ Business portfolio strategy | ESG/ Sustainability | Human resource management | Global business | Marketing | Corporate finance | Compliance Risk management | Corporate philosophy/ Corporate culture |
|-----------------------|-------------------|----------|-----------------------|---|---------------------|---------------------------|-----------------|-----------|-------------------|----------------------------|---|
| Internal directors    | Takeo Obayashi    | 41 years |                       | ●   |                     |                           | ●               |           |                   |                            | ●                                       |
|                       | Kenji Hasuwa      | 9 years  | ●                     | ●   | ●                   |                           |                 | ●         |                   |                            | ●                                       |
|                       | Atsushi Sasagawa  | 3 years  | ●                     |   |                     | ●                         | ●               | ●         |                   |                            |   |
|                       | Toshimi Sato      | 6 years  |                       | ●   | ●                   | ●                         | ●               | ●         | ●                 | ●                          |   |
| Independent directors | Masako Orii       | 4 years  |                       | ●   | ●                   |                           |                 | ●         |                   | ●                          | ●                                       |
|                       | Hiroyuki Kato     | 3 years  |                       | ●   |                     |                           | ●               | ●         |                   | ●                          | ●                                       |
|                       | Yukiko Kuroda     | 2 years  |                       | ●   | ●                   | ●                         | ●               |           |                   |                            | ●                                       |
|                       | Hiroyuki Shime    | -        |                       | ●   |                     | ●                         | ●               | ●         |                   |                            | ●                                       |
|                       | Yoshihiro Ikegawa | -        |                       | ●   | ●                   |                           | ●               | ●         |                   |                            | ●                                       |

### Training of Directors and Audit & Supervisory Board Members

The Company's directors make important management decisions and supervise the management of business. Audit & Supervisory Board members audit the execution of duties by directors, executive officers, and employees. Members of both bodies continually update their relevant knowledge and skills.

All directors, Audit & Supervisory Board members, and executive officers take a training course each year led by external instructors. The course covers corporate governance, business risk management,

sustainability, and other topics. We provide other training opportunities for directors and Audit & Supervisory Board members as necessary. Such training may include participation in external seminars. Audit & Supervisory Board members regularly participate in external workshops to increase their understanding of their role and duties and to acquire the knowledge they need to perform those functions.

## Management Structure

### Reasons for Appointment

|                       | Name              | Tenure   | Reasons for appointment and expected role   | Committee participation in FY2024 <sup>1</sup> and attendance in FY2023 |                          |  |                          |                        |
|-----------------------|-------------------|----------|---|---|--------------------------|--|--------------------------|------------------------|
|                       |                   |          |   | Board of Directors meetings   | Sustainability Committee | Directors' Roundtable Meeting <sup>2</sup> | Recommendation Committee | Remuneration Committee |
| Internal directors    | Takeo Obayashi    | 41 years | Since assuming the director position in 1983, Mr. Obayashi has been involved in the management of the Company as a member of the Board of Directors. He plays an important role for corporate governance, prompting members of the Board of Directors including independent directors to discuss freely and striving to manage meeting agendas to have constructive discussions, and other as chairman of the board.  | ◎<br>15/15<br>(100%)  | ○<br>2/2<br>(100%)       | ◎<br>11/11<br>(100%)                       | ○<br>8/8<br>(100%)       | ○<br>4/4<br>(100%)     |
|                       | Kenji Hasuwa      | 9 years  | Since assuming the executive officer position in 2010, Mr. Hasuwa has held the positions of senior general manager-in-charge of Civil Engineering Construction Division at Tokyo Main Office, senior general manager of Technology Division, and head of Technology Business Development Division (responsible for overseeing new businesses including renewable energy business), and has been responsible for the Group's construction, technology, and new business divisions. He has demonstrated strong leadership as representative director and president since March 2018, contributing to improving the Group's corporate value.   | ○<br>15/15<br>(100%)  | ◎<br>2/2<br>(100%)       | ○<br>11/11<br>(100%)                       | ○<br>8/8<br>(100%)       | ○<br>4/4<br>(100%)     |
|                       | Atsushi Sasagawa  | 3 years  | Since joining the Company, Mr. Sasagawa has engaged in building construction business. Ever since assuming the executive officer position in 2015, he has held the positions of head of Yokohama Branch Office, head of Building Construction Division at Osaka Main Office, and head of Tokyo Main Office. He is currently responsible for overall building construction as executive vice president, and is supervising the Company's marketing strategy as head of Marketing Division. He also assumed the director position in 2021 and has participated in the Company's management as representative director since 2023.   | ○<br>15/15<br>(100%)  |                          | ○<br>10/11<br>(91%)                        |                          |                        |
|                       | Toshimi Sato      | 6 years  | Since joining the Company, Mr. Sato has engaged in overseas administrative work. Ever since assuming the executive officer position in 2017, he has been responsible for corporate management planning, human resources, finance and accounting, compliance, and others. He is currently serving as executive vice president, responsible for overall administration. He also assumed the director position in 2018 and has participated in the Company's management as representative director since April 2024.   | ○<br>15/15<br>(100%)  | ○<br>2/2<br>(100%)       | ○<br>11/11<br>(100%)                       |                          | ○<br>4/4<br>(100%)     |
| Independent directors | Masako Orii       | 4 years  | Ms. Orii has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of the Suntory Group. Obayashi has appointed her in the expectation that she can provide advice and suggestions important for decision-making regarding the Company's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from the Company, and based on her abundant knowledge about ESG management, compliance, and others. She is also expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors, chair of the Recommendation Committee, and a member of the Remuneration Committee.                                 | ○<br>15/15<br>(100%)  | 2/2<br>(100%)            | ○<br>10/11<br>(91%)                        | ◎<br>8/8<br>(100%)       | ○                      |
|                       | Hiroyuki Kato     | 3 years  | Mr. Kato has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of Mitsui & Co., Ltd. Obayashi has appointed him in the expectation that he can provide advice and suggestions important for decision-making regarding the Company's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from the Company, and based on his abundant knowledge from his experience in establishing global business strategies, and others. He is also expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors, chair of the Remuneration Committee, and a member of the Recommendation Committee.     | ○<br>15/15<br>(100%)  |                          | ○<br>11/11<br>(100%)                       | ○                        | ◎<br>4/4<br>(100%)     |
|                       | Yukiko Kuroda     | 2 years  | Ms. Kuroda has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of People Focus Consulting Co., Ltd., which she founded. Obayashi has appointed her in the expectation that she can provide advice and suggestions important for decision-making regarding the Company's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from the Company, and based on her abundant knowledge in sustainability and organizational development, and others. She is also expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors, the Remuneration Committee, and the Sustainability Committee. | ○<br>15/15<br>(100%)  | ○<br>2/2<br>(100%)       | ○<br>11/11<br>(100%)                       |                          | ○<br>4/4<br>(100%)     |
|                       | Hiroyuki Shime    | -        | Mr. Shime has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of UNITIKA LTD. Obayashi has appointed him in the expectation that he can provide advice and suggestions important for decision-making regarding the Company's management policy and business strategy, from the viewpoint of a person with corporate management experience, such as serving in top management as president, and based on his abundant knowledge of business strategy formulation, and other. He is also expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors and the Recommendation Committee.   | ○   |                          | ○  | ○                        |                        |
|                       | Yoshihiro Ikegawa | -        | Mr. Ikegawa has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of Mitsubishi Chemical Group. Obayashi has appointed him in the expectation that he can provide advice and suggestions important for decision-making regarding the Company's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from the Company, and based on his abundant knowledge in long-term management planning and sustainability, and other. He is also expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors, the Remuneration Committee, and the Sustainability Committee.                           | ○   | ○                        | ○  |                          | ○                      |

1. For each committee, ◎ indicates the chair and ○ indicates members

2. Comprised of 11 members including two standing Audit & Supervisory Board members



## Management Structure

### Audit & Supervisory Board and Committees

#### Audit & Supervisory Board

The Audit & Supervisory Board consists of five members—two standing Audit & Supervisory Board members and three outside Audit & Supervisory Board members—who each serve a four-year term. Each Audit & Supervisory Board member audits the execution of duties by directors in accordance with the Obayashi Audit Guidelines for Audit & Supervisory Board Members. That process includes adopting a standpoint that is independent of the Company's directors and verifying whether the execution of duties by directors, executive officers, and employees complies with laws, regulations, the Articles of Incorporation, and other rules. They also conduct accounting audits to ensure the Company's financial statements are appropriate. When appointing a financial auditor, the Audit & Supervisory Board is tasked with confirming the appropriateness of the chosen financial auditor's performance of duties, auditing system, independence, and expertise, among other aspects.

#### Key Audit Items in FY2023

- Appropriate establishment of the internal control system and the status of its operation
- Fostering of legal and regulatory compliance awareness, and the status of implementation of measures to prevent reoccurrence of Antimonopoly Act violation
- Status of reduction in overtime work hours, measures to improve employee's job satisfaction, and initiatives taken to prevent harassment

#### Sustainability Committee and Directors' Roundtable Meetings

The Sustainability Committee is chaired by the president and comprises five members—the president, two directors, and two independent directors. The Directors' Roundtable Meeting is headed by the chairman of the board and comprises 11 members—the chairman, four directors, five independent directors, and two standing Audit & Supervisory Board members.

The Sustainability Committee examines and discusses environmental and social sustainability issues as an advisory body to the Board of Directors. The Directors' Roundtable Meeting is a subordinate body of the Board of Directors and examines and discusses corporate sustainability issues, such as corporate governance and management strategy. Discussing sustainability-related issues at board meetings based on the deliberations conducted in both the committee and roundtable helps ensure the effective and efficient monitoring, supervision, and involvement of the board in sustainability issues, and assists with the formation of management policies that accurately capture the business environment.

#### Key Agenda Items at Sustainability Committee Meetings in FY2023

- Review of achievement of KPIs for each material issue in FY2022 and in the first half of FY2023
- Monitoring of efforts to reduce greenhouse gas emissions
- Monitoring of human rights due diligence and CSR procurement initiatives
- Enhancement of TCFD-aligned disclosure, studies toward TNFD-aligned disclosure

#### Key Agenda Items at Directors' Roundtable Meetings in FY2023

- The growth strategy with respect to the medium-term business plan and its addendum, as well as the Group's capital policy and measures to increase shareholder returns
- Trends among institutional investors, their evaluation of the Company, and other information gained through means including IR interviews
- Efforts toward management that prioritizes safety

#### Recommendation Committee

The Recommendation Committee is chaired by an independent director and comprises five members—two directors and three independent directors including the chair. The Recommendation Committee deliberates on the appointment of directors and submits the results to the Board of Directors. This structure is intended to clarify the officer selection process, while ensuring transparency and objectivity.

With particular regard to the appointment or dismissal of the president, the Recommendation Committee regularly evaluates the succession plan (appointment and dismissal criteria, selection criteria and training policy for successor candidates, and other elements) and whether that plan is being properly implemented, and submits the results of its deliberations to the Board of Directors

The Recommendation Committee suggests people with a thorough knowledge of the business fields in which the Group is involved as candidates for executive director. It also recommends people with insight and considerable experience in corporate management as candidates for independent director, and people with diverse expertise as candidates for outside Audit & Supervisory Board member. The selection of directors is based on an individual's attributes in terms of their character, insight, and talent, and whether they are capable of significantly contributing to the Company's business development. Diversity-related factors, such as gender and internationality, are also taken into consideration.

Operating guidelines for the Recommendation Committee stipulate the criteria and procedure for appointing and dismissing Company directors other than the president. If an officer is considered to be potentially unfit for the job, the committee will discuss whether that officer should be dismissed in accordance with stipulated guidelines.

The Recommendation Committee met eight times in FY2023.

#### Key Agenda Items in FY2023

- Current evaluation of successor candidates for the position of president and training plan going forward\*
- Evaluation of the president's reappointment based on the above criteria (discussion conducted without the president in attendance)
- Recommendation of FY2024 candidates for director and Audit & Supervisory Board member

\* Deliberations held based on evaluation sheets for each candidate on appointment criteria for president: 1. knowledge, experience, and track record (management experience as an organizational leader, track record in issue resolution), 2. professional qualities and capabilities (business foresight, vision, and leadership), and 3. character and personality

#### Remuneration Committee

The Remuneration Committee is chaired by an independent director and comprises seven members—three directors and four independent directors including the chair. The committee deliberates on issues relating to officer remuneration and submits the results to the Board of Directors. This structure is intended to clarify the process for determining the amount of officer remuneration, while ensuring transparency and objectivity.

The Remuneration Committee considers the need to continuously review the remuneration system, discusses potential revision proposals, and determines remuneration amounts for the upcoming fiscal year after evaluating such factors as the level of achievement of performance indicator targets by individual directors and executive officers.

The Remuneration Committee met four times in FY2023.

#### Key Agenda Items in FY2023

- Performance-linked remuneration based on FY2022 corporate results and individual performance
- FY2023 performance indicators for individual officers
- FY2024 basic remuneration for officers
- FY2024 performance-linked remuneration system for officers

## Management Structure

### Officer Remuneration

Our basic policy on remuneration for each director and executive officer is to provide basic remuneration, a fixed amount that is determined in advance commensurate to the responsibilities of each position, and in addition determine the amount and other aspects of performance-linked cash remuneration (bonus) and performance-linked stock remuneration for each fiscal year in accordance with each person's actual contribution to business performance. The purpose of this basic policy is to secure outstanding human resources and provide an incentive to each director and executive officer to improve earnings and enhance corporate value.

Specifically, for basic remuneration (fixed cash remuneration), the Board of Directors sets forth a table of remuneration for each position following deliberation by the Remuneration Committee (chaired by an independent director, and of which independent directors make up a majority of the membership). At the end of each fiscal year, the Remuneration Committee uses that table to determine the remuneration of each director and executive officer for the next fiscal year. The goal of performance-linked cash remuneration (bonus) is to incentivize contributions to improving business performance for each fiscal year and enhancing corporate value. Individuals are evaluated based on predetermined Group-wide and individual performance indicator targets. Cash bonuses are paid once a year to directors and executive officers (excluding independent directors) based on the degree of achievement of the performance indicator targets. The cash remuneration given to directors (the combined amount of basic remuneration and bonuses) is capped at ¥720 million per year in accordance with a resolution of the 117th Ordinary General Meeting of Shareholders held on June 24, 2021.

The performance-linked stock remuneration system is intended to incentivize contributions to improving business performance mainly over the medium to long term, as well as corporate and shareholder value. The

system distributes Obayashi shares to directors and executive officers (excluding independent directors and individuals residing overseas) based on the duties associated with each position and the degree of achievement of predetermined performance indicator targets. The system covers both fixed provision stock remuneration, in which the individual receives a predetermined number of shares commensurate to the duties associated with their position, and variable stock remuneration, in which the number of shares received depends on the degree of achievement of performance indicator targets. Variable stock remuneration is itself divided into two parts: short-term performance-linked stock remuneration (number of shares based on the degree of achievement of short-term performance indicator targets) and medium- to long-term performance-linked stock remuneration (number of shares based on the degree of achievement of medium- to long-term performance indicator targets).

Obayashi has stipulated in its internal rules that, if a director or executive officer with the right to receive the stock remuneration vested upon retirement is found to have committed an act of material violation, including a material breach of the duties of their position or the Company's internal rules, that person may be required to return the said remuneration.

The basic policy on Audit & Supervisory Board member remuneration is to set an amount required to secure outstanding talent. The ultimate aim of this policy is to ensure the effective functioning of corporate governance. Remuneration standards are established in advance through discussions by Audit & Supervisory Board members. They are set separately for standing (full-time) members and outside (part-time) members. Remuneration is determined in line with those standards, capped at ¥10 million per month in accordance with a resolution of the 101st Ordinary General Meeting of Shareholders held on June 29, 2005.

### Example Breakdown of Officer Remuneration

| Category of remuneration                                     | Fixed remuneration   | Short-term performance-linked remuneration              |  | Medium- to long-term performance-linked remuneration       |   |
|--|--|---|--|--|---|
|  | Monthly cash remuneration (Independent directors: fixed remuneration only) | Short-term performance-linked cash remuneration (Bonus) | Short-term performance-linked stock remuneration | Medium- to long-term performance-linked stock remuneration | Fixed provision stock remuneration <sup>2</sup> |
| Proportion of remuneration <sup>1</sup> (Example: President) | Approx. 60%  | Approx. 15%   | Approx. 10%                                      | Approx. 15%  | 0%  |

1. Assuming 100% achievement of each KPI

2. Stock-based remuneration is paid at the time of retirement. Fixed-provision stock remuneration is positioned as performance-linked remuneration because the share price fluctuates in accordance with medium- to long-term performance and, as such, the value received at the time of retirement will increase or decrease. This remuneration is reserved for executive officers who do not also serve as directors.

### Performance Indicators for Performance-Linked Remuneration (Example: President)

| Category of remuneration                                   | Key performance indicators (KPI)   |
|--|--|
| Short-term performance-linked cash remuneration (Bonus)    | Consolidated operating income, profit attributable to owners of parent per share (EPS)   |
| Short-term performance-linked stock remuneration           | Consolidated operating income, profit attributable to owners of parent per share (EPS)   |
| Medium- to long-term performance-linked stock remuneration | Return on equity (ROE), total shareholder return (TSR), ESG indicators (reduction in CO <sub>2</sub> emissions, number of fatal accidents and serious injuries, employee satisfaction) |

### Total Remuneration for Directors and Audit & Supervisory Board Members (FY2023)

| Position  | Total amount of remuneration (Millions of yen) | Total amount by type of remuneration (Millions of yen) |  |   | Number of eligible officers |
|---|--|--|--|---|-----------------------------|
|   |  | Basic remuneration (Cash remuneration)                 | Performance-linked cash remuneration (Cash remuneration) | Performance-linked stock remuneration (Non-cash remuneration) |                             |
| Directors (Independent directors)   | 667<br>(70)                                    | 489<br>(70)  | 72<br>(-)  | 104<br>(-)  | 12<br>(5)                   |
| Audit & Supervisory Board members (Outside Audit & Supervisory Board members) | 102<br>(38)                                    | 102<br>(38)  | -<br>(-)   | -<br>(-)  | 6<br>(4)                    |

Note: The above includes one director and one outside Audit & Supervisory Board member who stepped down at the conclusion of the 119th Ordinary General Meeting of Shareholders held on June 28, 2023.

### Remuneration for Financial Auditor (FY2023)

| Category                  | Remuneration for audit certification services (Millions of yen) | Remuneration for non-audit services (Millions of yen) |
|---------------------------|---|---|
| Obayashi Corporation      | 116   | 10  |
| Consolidated subsidiaries | 87  | -   |
| Total                     | 203   | 10  |

## Chairman of the Board's Dialogue

How has Obayashi Group corporate governance evolved to date? How have discussions changed among members of the Board of Directors, as the main vehicle driving governance? Chairman of the Board, Takeo Obayashi, explores these questions with two independent directors who retired in June. (This dialogue took place in April 2024.)



**Naoki Izumiya**

Former independent director



**Takeo Obayashi**

Chairman of the Board



**Yoko Kobayashi**

Former independent director

### How has Obayashi Group corporate governance evolved to date?

**Izumiya** I have served as an independent director for Obayashi Corporation for six years since 2018. When I started, the Company was already making progress in establishing a corporate governance-related framework. There was an independent director system and an executive officer system, and the Company had two voluntary

committees, namely the Recommendation Committee and the Remuneration Committee. However, the atmosphere in the Board of Directors was not necessarily marked by determination to achieve something specific through vigorous discussion. About four years ago, the first female independent director was appointed and the discussion on performance-linked executive remuneration became more rigorous. Then, in FY2022, the Recommendation Committee led discussions on the criteria for appointing and dismissing the company president and on succession planning. By then, the Company had moved on from establishing the

required systems and organizations to actually enhancing governance. Many issues still need to be addressed, but I feel the Obayashi Group's corporate governance has evolved significantly over the past six years.

**Kobayashi** I was appointed as an independent director four years ago in 2020 and started off learning about the Obayashi Group by delving into its history. The Obayashi Three Pledges, which have been passed down since the Group's founding, underpin everything that it does. The pledges illustrate the Company's approach and attitude to



## Chairman of the Board's Dialogue

manufacturing and its long-held belief in what we would now call purpose-oriented management. I felt that the Company had a Japanese-style governance system with all employees, customers, and the entire supply chain sharing similar beliefs and dedication. However, institutional investors have been scrutinizing the existence of certain governance functions much more closely over the past few years. I also realized that widespread loyalty to the Three Pledges did not on its own constitute sufficient governance for overseas institutional investors in particular. As Mr. Izumiya said, the Company had the required governance framework in place, but, four years ago, I did not feel it was functioning well enough. My impression today is completely different. The functions of each organization, including the Recommendation Committee and the Remuneration Committee, have been clearly defined as shown in the corporate governance chart, and are now fully operational. Institutional investors should see this as a company with a solid governance system.

**Obayashi** Thank you for that praise. As Ms. Kobayashi pointed out with regard to the Three Pledges, the Obayashi Group certainly possesses a well-established, unique approach that solidly underpins the concept of governance. However, this concept has been widely discussed in society at large and is consequently undergoing significant change. We want to respect our Company's unique traditions, but we also have to consider social trends and ensure we move in the right direction. We have been working on this with the help of our independent directors. Previously, only internal directors served on the Board of Directors, which was strongly focused on the need to comply with laws and regulations and meet formal requirements in terms of corporate governance. Today, the board listens attentively to the views of independent directors and encourages vigorous discussions. We live in a time when society demands that the Board of Directors be effective to help promote sustainable management. The Obayashi Group has been reforming its governance for less than ten years but, as you both point out, we have made significant progress.



I am really glad to have had the expertise of all our independent directors to call upon when pursuing this reform.

### How have discussions by the Board of Directors changed?

**Izumiya** The one facet of the Board of Directors that I feel has changed significantly is the ability to now have a genuine discussion on enhancing corporate value. The most important role of an independent director is to offer appropriate supervision and advice on how to steer business onto a sustainable growth path and increase corporate value over the medium to long term. We are keenly aware of our mandate from shareholders in that regard. In the past, the Board of Directors seemed to focus more on formulating business plans and discussing business management than on enhancing corporate value. A lot of time was spent poring over a thick stack of materials and creating detailed business plans. Of course,

that is important and is one of the things that I like about the Obayashi Group. However, I often got the impression back then that my opinions on increasing corporate value were skimmed over.

**Kobayashi** I agree. Early on in my tenure as an independent director, I felt that comments on ROE or ROIC that I made to various people at Obayashi were not really accepted, and neither was my approach to governance. Instead, the prevailing belief was that these were corporate planning matters that had little to do with frontline business operations. Recently, I have come across many instances of people drawing reverse tree diagrams on how to improve ROIC in Executive Officers' Meetings and discussing how to improve frontline capital efficiency. In fact, I'm amazed at how quickly this awareness has taken hold. In March 2024, the Obayashi Group announced the revision of its basic capital policy and specific measures pursuant to put more emphasis on capital efficiency, an issue that was discussed exhaustively by the board. I have always advocated the need for a clear capital policy at board meetings. While it did take some time, investors

## Chairman of the Board's Dialogue

seem to be very satisfied with the Obayashi's disclosure of a surprisingly clear capital policy. I am glad to see the executive side listening attentively to the opinions of independent directors and taking appropriate action.

**Izumiya** I feel that the discussion in recent Board of Directors meetings has started to change significantly. Initially, judging from comments made by internal directors, I did not sense a strong awareness among them on the link between capital policy and increasing corporate value. But their awareness gradually became greater and the issues were discussed more deeply, leading to the announcement of the revised capital policy this year. The Company's decision to clarify its capital policy has improved the quality of its dialogue with investors and was well received by the capital markets. I think the Company has made great progress, with the Board of Directors now able to balance discussions on business management and corporate value, investors recognizing the results of these actions and pricing shares at a fair level, and the next steps now starting to emerge on the horizon.

**Obayashi** The remarks from independent directors at board meetings are extremely valuable. Your understanding of the construction industry and Obayashi Group business



might not be on a par with that of our business executives, but we really appreciate your opinions, which stem from your own experience and knowledge and provide an outside perspective that is really helpful. The attitude of our executive directors also seems to be changing significantly and they are now keen to listen attentively to the opinions of independent directors. Around the time Mr. Izumiya was appointed six years ago, internal directors would often listen quietly to external opinions but, in recent years, I feel we have grown more adept at having two-way discussions. We also set up the Directors' Roundtable Meeting to complement the Board of Directors and provide internal and independent directors with a separate venue to discuss different issues more openly. There is no set theme for these meetings and no minutes are taken. It is simply a venue for expressing and exchanging opinions. I think this action has helped deepen the discussion among directors and encourage greater mutual understanding.

### How would you like to see the Board of Directors evolve going forward?

**Obayashi** I recognize the importance of the chairman of the board's role as an intermediary between directors on the business execution side and independent directors who carry out the monitoring function, and in clarifying the key elements of any issue and facilitating vigorous discussion. Naturally, there are gaps in the information that each of us has. The executive directors boast a wealth of expertise and knowledge of business operations, but they do not have corporate management experience at other companies. Meanwhile, our independent directors play an active part in society in various roles and have individual areas of expertise. Both Mr. Izumiya and Ms. Kobayashi have extensive knowledge of corporate management. I therefore try to improve the quality of the discussions in which these talented people engage. While we do now have more fruitful discussions in the Board of Directors, however, we still have some way to go. All too often, the

discussion can shift back into a one-way discourse in which executive directors answer questions from independent directors. This is an issue that I intend to continue working on and resolving as chairman of the board. Regarding the agenda for board meetings, we have been somewhat preoccupied with discussions about the medium-term business plan, but we now need to spark greater discussion on enhancing corporate value, as we did for the capital policy that we talked about earlier. One particularly important discussion will be on how to improve human capital. There are many elements to discuss here, including what we must do to foster global human resources.

**Kobayashi** Mr. Obayashi, as chairman of the Board, you are always trying to devise new ways to run the Board of Directors and effectively stimulate greater discussion. On business matters that might be difficult for independent directors to understand, you take the trouble to clarify things for us by asking the executive directors to provide additional explanations. At board meetings in general, it is not common for executive directors to pose pointed questions to independent directors. This is true across many Japanese companies, not just the Obayashi Group, but that might change in the future. I hope that in these regards too, you will act as a facilitator and encourage lively discussion.

**Izumiya** There are two important themes for the future growth of the Obayashi Group. The first is risk management. Misconduct and fraud are two key risks that companies in the construction industry have faced throughout their long history and that could significantly damage corporate value. Of course, we also have to focus on safety and quality risks. Meanwhile, it is important to manage various business-related risks, such as strategic risk. Given the uncertain business environment and the sluggish medium- to long-term outlook for the Company's Japanese business, the Board of Directors should consider how to expand overseas business and recognize the hidden risks associated with that strategy. These various risks should be appropriately managed through enterprise

## Chairman of the Board's Dialogue

risk management (ERM). The other important theme is the management of intangible assets. In addition to the human capital that Mr. Obayashi pointed out, R&D and technological development represent key sources of value creation for the Obayashi Group. Independent directors should also be tasked with carefully supervising investment in, and the appraisal of, these intangible assets.

**Kobayashi** I too recognize monitoring to ensure sound risk management as the key theme for the Board of Directors. Many people think of risk management as the process of eliminating risks that have manifested in the past, but it is also important to look ahead and try to eliminate potential future risk factors. When it comes to predicting the future, some risks are clearly visible and some can only be guessed at. However, to maintain sound risk management, the Board of Directors needs to recognize and monitor both types of risk. Most risk management falls within the realm of the executive directors, but some risks may fall through the executive risk management net. Identifying substantive future risks from among these and pointing them out is an important role that the Board of Directors should fulfill.



### Do you have any thoughts to share as your retirement approaches?

**Izumiya** I will retire from my post as an independent director as of the General Meeting of Shareholders to be held in June 2024. In that role, I did not have much contact with employees, but I communicated with executives and found out a great deal about their approach to work and their lifestyles. This left a strong impression on me, and it served as a learning experience. During my dialogues and discussions, I really felt the power of the Obayashi Group's history spanning more than 130 years and its solid corporate culture. Through all the stories I heard from executives, I gained a keen sense of the unique nature of the Obayashi Group, which I view as its key strength. I am grateful for this experience. I have high hopes for the Obayashi Group going forward, especially regarding the empowerment of women. I interacted with many extremely talented women during my tenure. I look forward to seeing these women advance and be appointed as internal executive directors at the earliest possible opportunity.

**Kobayashi** After serving four years as an independent director, I am retiring from my post at the same time as Mr. Izumiya. During my tenure, I made many suggestions, including recommendations to clarify capital policies, strengthen ESG management, enhance information security, and promote gender diversity. I was touched by how attentive people were to these suggestions and how many were acted upon. Over the four years, I developed a strong impression of the Obayashi Group as a corporate group that responds to recommendations by taking swift and meaningful action. I was also impressed by the culture of commitment to always being truthful and presenting things as they really are. As Mr. Izumiya said, I too feel that the Group's female employees have great potential. There could be a cultural element here, but these women tend to hold themselves back, so I hope they will muster the courage to step forward and that the Company will be



more proactive in selecting excellent female talent for promotion. Do that, and I am convinced that the Obayashi Group will grow and advance exponentially. I would like to continue following developments in this regard even after I retire from the board.

**Obayashi** You both accepted your posts at a time when the Board of Directors was undergoing great change, and I am extremely grateful for your consistently frank and appropriate advice. As always, you have given me much to think about during today's discussion. I consider it my key task to always take away some crucial points from board meetings or other meetings to consider later. I will take today's discussion back with me and carefully explore how we might incorporate the points you have made in our future management. I view the wealth of valuable opinions that you have shared with us to date as irreplaceable assets and I sincerely thank you both for all that you have done for the Obayashi Group.



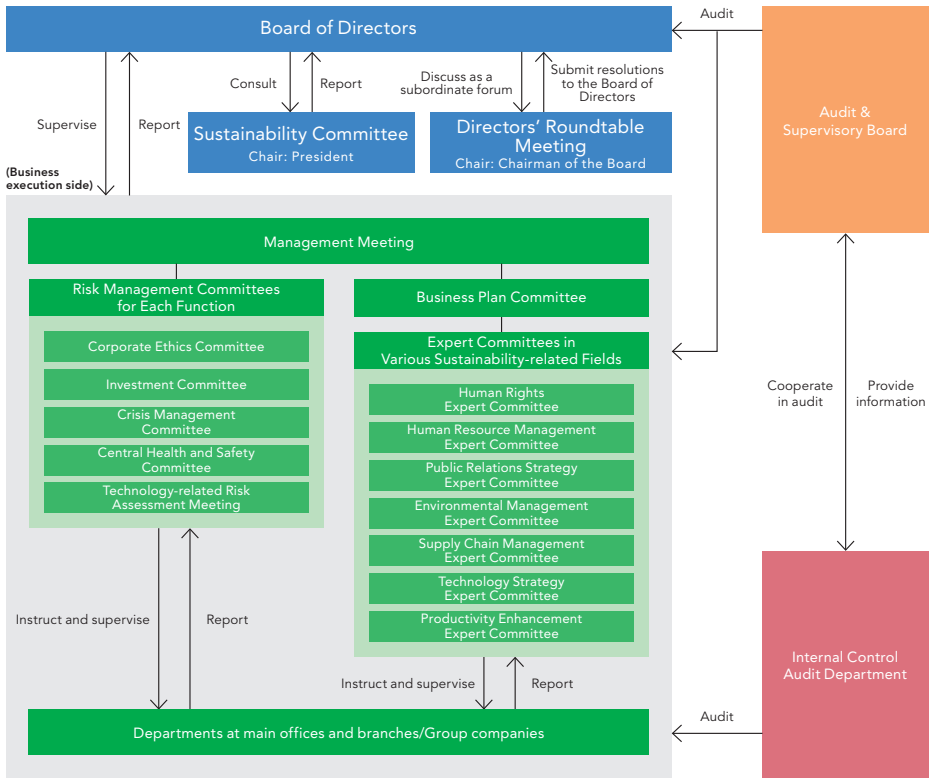
# Risk Management

## Risk Management System

Obayashi identifies and analyzes any risks that might impact the Group through function-specific risk management committees, such as the Corporate Ethics Committee and the Central Health and Safety Committee, and the Business Plan Committee and its various subordinate committees for each sustainability-related fields. Important decisions are referred to the Board of Directors and Management Meeting for discussion. These bodies determine and evaluate the risks related to each agenda item. They discuss whether the determined response to the potential manifestation of a particular risk is appropriate and make decisions accordingly.

In addition, each department assesses the risks inherent in its business processes and builds any necessary avoidance and mitigation measures into those processes. The Internal Control Audit Department, which is Obayashi's internal audit arm, audits each department's risk management efforts.

### Risk Management System

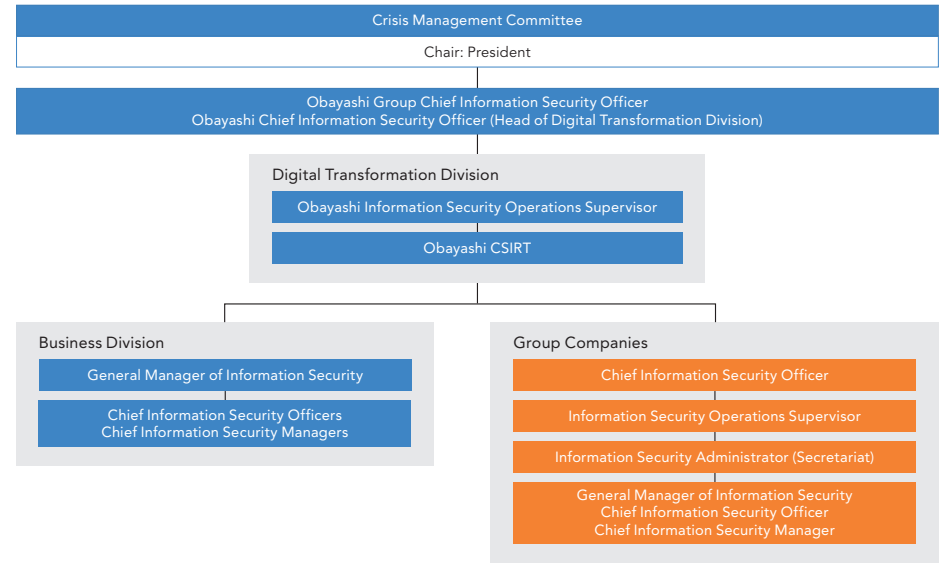


## Information Security

Obayashi established an information security policy in FY2001 and started developing more detailed security measures. However, the way in which people use information systems is changing as digital technology advances and work style reforms progress, and external attacks on information systems are becoming increasingly sophisticated. Consequently, the Company's policy was fully revised in March 2021 to better deal with growing information security risk. The revision expands the scope of application to the entire Obayashi Group and ensures that the policy conforms with the unified standards of the National center of Incident readiness and Strategy for Cybersecurity (NISC), and it has been renamed the Obayashi Group Information Security Policy. Since then, the policy has been updated and communicated annually to deal with new information technologies and devices.

This unified framework ensures the Group conforms with Japanese and overseas laws, regulations, standards, and other rules on information security frameworks including Computer Security Incident Response Team (CSIRT), training, auditing, and safety management measures. The new policy sets concrete standard measures with which Obayashi Group companies must comply. We will work to raise the level of information security throughout the Group by implementing these practices.

### Information Security System



| KPI   | FY2022  | FY2023  | FY2024  | FY2025  | FY2026 | FY2030 |
|---|---------|---------|---------|---------|--------|--------|
|   | Results | Targets | Results | Targets |        |        |
| Ratio of employees taking information security training | 100%    | 100%    | 100%    | 100%    | 100%   | 100%   |
| Number of serious information security incidents        | 0       | 0       | 0       | 0       | 0      |        |

## Risk Management

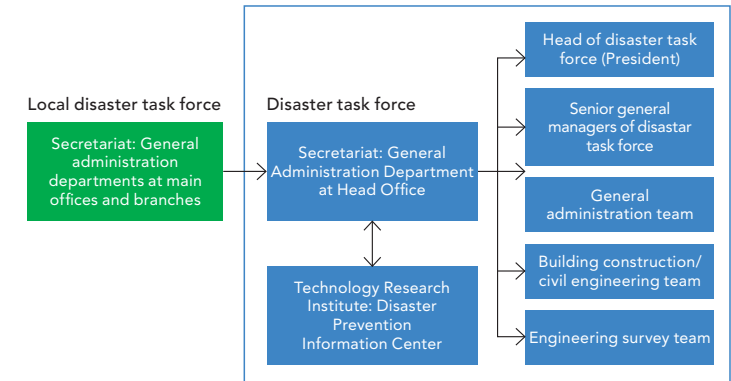
### Business Continuity Plan (BCP)

The Obayashi Group has formulated a BCP to anticipate disaster risks, such as large-scale earthquakes, and is drafting and implementing measures to prevent business interruptions and to recover quickly in the event of a disruption.

As part of its BCP, the Company strives to always maintain a solid supply chain of people and goods to help eliminate various bottlenecks that would become key obstacles when attempting to conduct business in the event of a disaster. This is done by establishing, in advance, systems relating to personnel and suppliers and subcontractors as well as measures to secure materials, equipment, fuel, and other vital supplies required for ensuring business continuity and restoring infrastructure. For example, the Company has set up a system to instantly check the safety of employees and receive damage updates from construction sites, Company facilities, Group companies, suppliers and subcontractors in the event of an earthquake-related disaster. The system enables the Company to swiftly identify the extent of damage and the operable parts of the supply chain. Obayashi also secures the resources it needs to ensure business continuity by establishing multiple potential channels in regular times in terms of logistics bases and vehicles that can be operated during a disaster, and signing disaster support agreements with fuel supply companies.

Furthermore, the Company enlists the cooperation of all main and branch offices for earthquake disaster drills that are conducted in May each year, and branch-specific earthquake disaster drills are conducted independently by individual branches every November, both to confirm initial BCP response and identify any issues. The Company addresses any issues that emerge during the earthquake drills through appropriate PDCA cycle implementation in an effort to further improve its BCP.

### Disaster Task Force Communication System



### CLOSE-UP Disaster Drill Simulating a Nankai Trough Earthquake

In May 2023, Obayashi Corporation conducted a joint earthquake disaster drill with all branches simulating a Nankai Trough earthquake with a maximum intensity of seven on the Japanese seismic scale in the Tokai, Kinki, Sanyo, Shikoku, and Kyushu regions. It was assumed that severe damage was sustained across a broad area, including that from major tsunamis in coastal areas. A total of approximately 35,000 people participated in the drill: 16,000 employees (including external affiliated staff) from all offices of 17 Obayashi Group companies in Japan and 19,000 people from suppliers and subcontractors. This included all the staff who confirm people's safety and conduct simulated tsunami-related flood evacuation drills.

#### Main Elements of the Drill

For this drill, the earthquake was assumed to have struck outside working hours at 7 a.m. The Osaka Main Office and the Nagoya, Hiroshima, and Shikoku branch offices played the role of affected offices and conducted initial response training, including setting up a task force and assessing immediate damage. Meanwhile, the Head Office and other main offices and branches that were not affected by the quake played the role of support sites, offering assistance based on information coming in from the affected branches.



All-Branch Earthquake Response Meeting

The social infrastructure in the affected areas was assumed to have suffered a huge amount of damage, and the internet was down, making it hard to share information. Each office set up a task force to check the safety of employees and confirm the damage to construction site offices and logistics bases and their operational status, and then practiced promptly sharing that information with all branches. Various other training was also conducted prior to the drill date, including training to provide support in response to customer requests.

The Obayashi Group remains committed to effectively utilizing management resources for the purpose of disaster preparedness, recovery, and reconstruction in order to fulfill its mission to contribute to local communities and society as a member of the construction industry and a corporate citizen.

#### 1. Initial Response Training for Affected Branches and Support Branches

Once the simulated disaster had occurred, the affected branches immediately set up local task forces. Assuming there was no power or internet, the affected sites used emergency communication equipment to report damage and requests for assistance to the disaster task force set up at the Head Office.



#### 3. Setting Up Logistics Bases and Procuring and Transporting Relief Supplies

In this training exercise, the East Japan Robotics Center (Kawagoe City, Saitama Prefecture) and the West Japan Robotics Center (Hirakata City, Osaka Prefecture), which will serve as logistics bases in times of disaster, worked with a rental company covering a wide area to procure the requested relief supplies.



#### 2. Inter-site Coordination through All-Branch Earthquake Response Meeting

Assuming that three hours had passed since the simulated earthquake hit, an earthquake response meeting was held to share information about what systems had been set up at each branch, the extent of damage and the operational status of construction site offices and logistics bases, and systems for communicating with customers, etc.



#### 4. Evacuation from Flooded Tsunami-Struck Areas

Hazard maps were used to confirm disaster risks at main offices and branches, construction site offices, and other locations. Evacuation drills were conducted for Obayashi Corporation employees and all other workers at construction sites located in areas that would likely be flooded in the event of a tsunami.





## Risk Management

### Responding to Business and Other Risks

| Risks  |   | The Five Business Domains |                       |                         |              |                          | Response  |
|--|---|---------------------------|-----------------------|-------------------------|--------------|--------------------------|---|
|  |   | Domestic Construction     | Overseas Construction | Real Estate Development | Green Energy | New Business Initiatives |   |
| Impact of legal regulations on business  | Impact including potential costs incurred in responding to the amendment, abolition, establishment of laws and regulations, or changes in applicable standards and others   | ○                         | ○                     | ○                       | ○            | ○                        | <ul style="list-style-type: none"> <li>Encourage each business department, the Legal Department, and other internal organizations to continually monitor trends in the establishment, amendment, and abolition of legal regulations</li> <li>Appropriately reflect the accompanying costs in estimated costs and revenue and expenditure forecasts</li> </ul>   |
| Construction market trends   | Decrease in construction orders and other effects when an economic recession or other event causes the construction market to shrink  | ○                         | ○                     |                         |              |                          | <ul style="list-style-type: none"> <li>Formulate human resource plans that anticipate market trends</li> <li>Strengthen marketing and procurement capabilities</li> <li>Improve productivity and expand construction capabilities through technological development</li> <li>Diversify revenue sources by expanding business domains</li> <li>Build a solid financial position</li> </ul>   |
| Construction work defects, serious accidents, and others   | Deterioration in business performance and corporate reputation caused by serious defects or accidents   | ○                         | ○                     |                         |              |                          | <ul style="list-style-type: none"> <li>Establish a strict quality management system</li> <li>Operate a thorough safety management system through the Safety Division</li> <li>Use insurance to hedge risk</li> </ul>  |
| Client/Supplier credit risk  | Difficulty collecting funds or delay in business due to uncertain credit of a client, supplier and subcontractor, or other business partners  | ○                         | ○                     | ○                       | ○            | ○                        | <ul style="list-style-type: none"> <li>Conduct thorough credit checks before and during transactions</li> <li>Receive payment and pay subcontractors for construction work in proportion to the amount of work completed in the construction business</li> </ul>  |
| Risks relating to changes in labor unit prices and construction material prices, and difficulties in procurement | A decline in profit margins caused by a sudden rise in material prices or labor costs, or a delay in construction due to difficulties with procuring materials or shortage of skilled workers, and any associated damage compensation           | ○                         | ○                     |                         |              |                          | <ul style="list-style-type: none"> <li>Maintain a level of orders that accurately reflect the construction capacity of the Group, including suppliers and subcontractors</li> <li>Ensure early purchase of materials</li> <li>Use forward exchange contracts to hedge risk</li> <li>Calculate estimated costs by determining accurate costs that include future predictions</li> <li>Build a stable supply chain</li> <li>Develop labor-saving automation technologies and machinery</li> </ul> |
| Fluctuation of asset prices  | The recognition of valuation or impairment losses and other issues caused by a significant decline in the market value of real estate, investment securities, and other assets  |                           |                       | ○                       |              |                          | <ul style="list-style-type: none"> <li>Formulate investment plans considering the balance with the financial base</li> <li>Conduct stricter advance screening by the Investment Committee and other bodies</li> <li>Regularly check the operation, business conditions, and market price of any entity acquired through investment</li> </ul>   |
| Long-term business risks   | A deterioration in earnings, loss and other issues due to costs incurred, or other issues resulting from a significant change in the business environment or a serious accident at long-term businesses, such as PPP and renewable energy field |                           |                       |                         | ○            | ○                        | <ul style="list-style-type: none"> <li>Formulate investment plans considering the balance with the financial base</li> <li>Conduct stricter advance screening by the Investment Committee and other bodies</li> <li>Appropriately share risks with business partners and subcontractors</li> <li>Use insurance to hedge risk</li> <li>Monitor the operational status of projects</li> </ul>   |





## Risk Management

### Responding to Business and Other Risks

| Risks  | The Five Business Domains   |                       |                         |              |                          | Response |  |
|--|---|-----------------------|-------------------------|--------------|--------------------------|----------|--|
|  | Domestic Construction   | Overseas Construction | Real Estate Development | Green Energy | New Business Initiatives |          |  |
| <b>Risks in overseas businesses</b>  | A significant change in the business environment, such as political instability due to terrorism, conflict and other issues, fluctuation in economic conditions, sudden fluctuations in exchange rates, or changes in legal systems in our operating countries    |                       | ○                       | ○            | ○                        | ○        | <ul style="list-style-type: none"> <li>Operate business in countries and regions with stable political climates</li> <li>Grasp conditions and respond in a timely manner at the North American and Asia-Pacific Regional Headquarters</li> <li>Receive payment for contracted work and pay subcontractors in the local currency</li> <li>Use forward exchange contracts to hedge risk</li> </ul> |
| <b>Leakage of confidential information</b>                                     | Loss of social trust or compensation for damages resulting from the leak of personal information or confidential information due to an external attack, fraud by employees, or other events   |                       | ○                       | ○            | ○                        | ○        | <ul style="list-style-type: none"> <li>Establish an information management system based on the Rules on Protection of Personal Information and the Obayashi Group Information Security Policy</li> <li>Update security infrastructure based on the zero-trust concept</li> <li>Consistently implement training, awareness-building, and other human resource management measures</li> </ul>      |
| <b>Risks relating to large-scale natural disasters and infectious diseases</b> | Damage to ongoing construction projects and functional paralysis at the Head Office and main offices and branches, or other impacts of earthquakes, tsunami, storms, floods, or other large-scale natural disasters, or the spread of a highly infectious disease |                       | ○                       | ○            | ○                        | ○        | <ul style="list-style-type: none"> <li>Formulate a BCP for each type of risk</li> <li>Offer consistent education and training</li> <li>Ensure a solid financial base that enables the Group to continue business even when business activities are significantly impacted</li> </ul>   |
| <b>Climate change risks</b>  | The introduction of a carbon tax, a rise in summer temperatures, intensification of natural disasters, or other such events   |                       | ○                       | ○            | ○                        | ○        | <ul style="list-style-type: none"> <li>Promote initiatives designed to reduce environmental impact as the Group strives to achieve the decarbonization target proclaimed in Obayashi Sustainability Vision 2050</li> <li>Support the recommendations of the TCFD and implement measures based on scenario analysis</li> </ul>  |

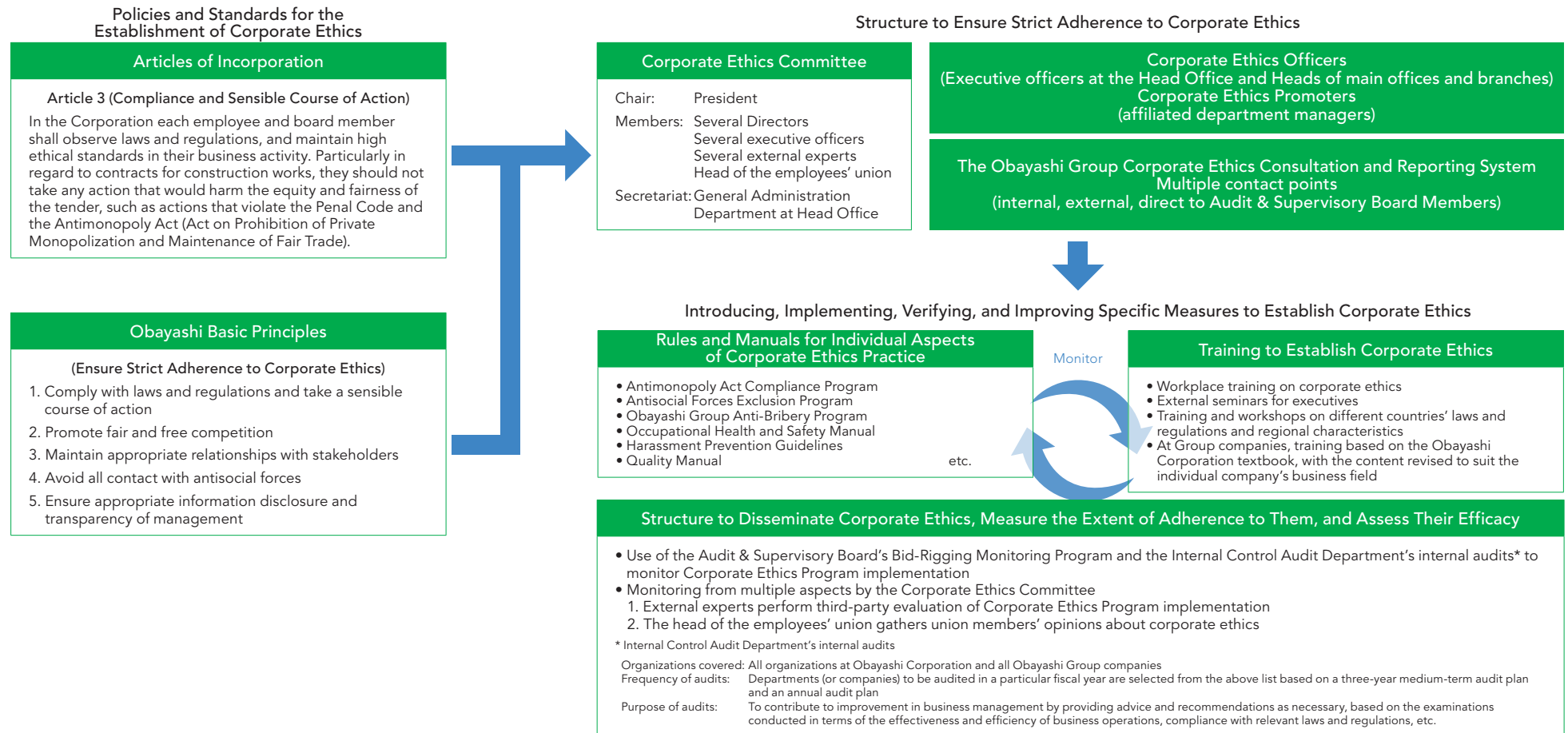
# Compliance

Obayashi constantly strives to ensure thorough awareness of corporate ethics and compliance and has declared its determination to uphold laws and regulations in the Company's Articles of Incorporation, which form the bedrock upon which to build a sound corporate culture. The Obayashi Basic Principles also stipulates guidelines for ensuring strict adherence to corporate ethics, and the Company's senior management lead by example when promoting those corporate ethics.

| KPI   | FY2022 | FY2023 |        | FY2024  | FY2025 | FY2026 | FY2030 |
|---|--------|--------|--------|---------|--------|--------|--------|
|   | Result | Target | Result | Targets |        |        |        |
| Number of serious violations of laws/ordinances | 0      | 0      | 0      | 0       | 0      | 0      | 0      |

## Promoting Our Corporate Ethics Program

Obayashi has established the Corporate Ethics Program to help prevent all forms of corruption. In doing so, the Company first formulated policies and standards, and established an organizational system. With this foundation in place, it introduced specific measures and now constantly verifies and improves the program, mainly by regularly checking the implementation of the policies and standards.



## Compliance

### The Obayashi Group Anti-Bribery Program

Obayashi set up the Obayashi Group Anti-Bribery Program in April 2013 to prevent the bribery of public officials and other persons, both inside and outside Japan. The program encompasses the education of officers and employees. This includes, for example, conducting e-learning in local languages at bases overseas, conducting appropriate selecting procedures at joint venture partners and other companies, and establishing consultation desks to help prevent fraudulent activities. No incidents of corruption or bribery have been identified since FY2017.

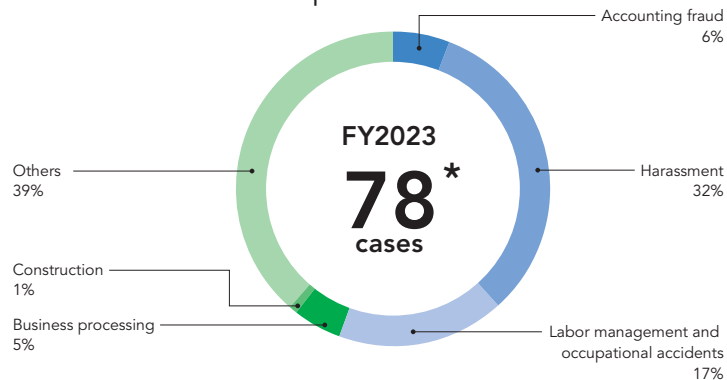
### Corporate Ethics Training in the Workplace

Obayashi conducts corporate ethics training in the workplace from April to May each year. The training, which uses textbooks prepared by the Corporate Ethics Committee Secretariat, is provided to all employees, including employees accepted on assignment, seconded employees, and part-time employees. The training is based on the Company's Articles of Incorporation and the Obayashi Code of Conduct for ensuring strict adherence to corporate ethics. The discussion-driven training is conducted by individual departments and uses specific incidents that could occur in an employee's immediate environment relating to thorough compliance with Japan's Antimonopoly Act and other laws and regulations, the elimination of antisocial forces, the eradication of fraudulent accounting, and other issues. Going forward, we will continue to conduct corporate ethics training in the workplace to both ensure legal and regulatory compliance and encourage each and every employee to act sensibly and ethically.

### Corporate Ethics Consultation and Reporting System

Obayashi has established a Corporate Ethics Consultation and Reporting System for all people involved in Obayashi Group business, including Group employees, employees accepted on assignment, seconded employees, part-time employees, and people linked to suppliers and subcontractors. The system serves as a hotline for seeking advice or for reporting all types of corporate ethics-related issues, such as misconduct or harassment in the workplace, legal and regulatory violations, and corruption and bribery. Every report is swiftly investigated. The findings of those investigations are then reported to the appropriate departments and necessary action is taken.

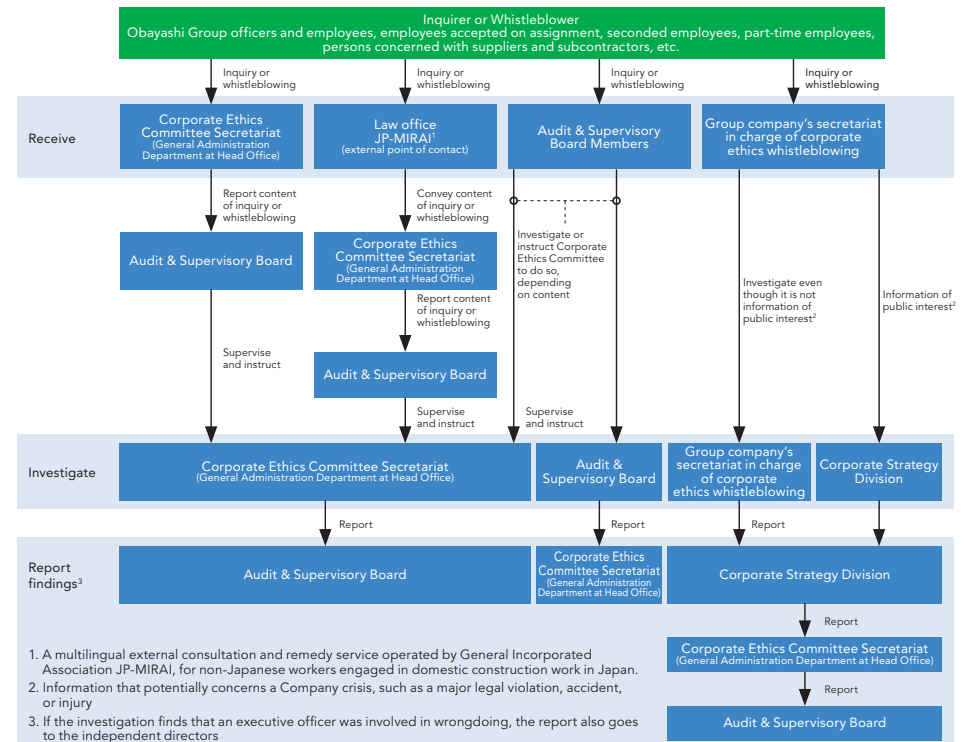
### Number of Consultations and Reports



\* Excluding the number of consultations and reports received at the Harassment Consultation Desk

| KPI   | FY2022 | FY2023 |        | FY2024  | FY2025 | FY2026 | FY2030 |
|---|--------|--------|--------|---------|--------|--------|--------|
|   | Result | Target | Result | Targets |        |        |        |
| Ratio of employees taking corporate ethics training | 100%   | 100%   | 100%   | 100%    | 100%   | 100%   | 100%   |

### Flow of Reporting through Each Contact Point





# Stakeholder Engagement

Obayashi's business activities are conducted with various stakeholders. To continue operating as a company that enjoys the trust of its stakeholders, we seek to incorporate the opinions and requests that we receive from engagement with our stakeholders into our corporate management in order to fulfill the expectations and demands of society at large.

### Major Themes at IR Interviews in FY2023

- Demand, and orders and competitive market environment in the domestic building construction business
- Construction material prices and labor costs
- Construction capacity, supply chain constraints
- Initiatives for the revised Labor Standards Act of Japan starting in FY2024
- Progress of the reduction of cross-shareholdings, revision of the targeted sales due to rising stock price

### Responding to Engagement Results

- Have almost achieved the equity ratio target of 40%, to what extent does the Company intend to increase it in the future?
- When targeted equity ratio of around 40% is achieved, retained earnings should be used for shareholder returns.
- What will be the ROE target after FY2025, when the impact of projects for which a provision for loss on construction contracts has been recorded will be eliminated.


➔ Revised Capital Policy ➔ Page 38

## Engagement with Shareholders and Investors

The Obayashi Group uses the Obayashi Group IR & SR Basic Policy as a guideline for engaging with shareholders, investors, and other stakeholders. We also conduct timely, appropriate, accurate, and fair information disclosure to our domestic and overseas shareholders, investors, and other stakeholders via the Obayashi Corporation website or other means.

The Group's Investor Relations & Shareholder Relations Department periodically gathers opinions and comments from shareholders and investors through IR and SR activities, deploys this information to senior management and relevant departments and works to share information. Also, the Group's executive officer responsible for IR and SR activities presents reports to the Board of Directors and to the Directors' Roundtable Meeting, as an effort to provide timely, appropriate, and effective feedback, and to reflect that feedback in our management measures, which leads to more effective engagement.

Obayashi Group IR & SR Basic Policy  <https://ir.obayashi.co.jp/en/ir/governance/policy.html>

Report on engagement with shareholders and investors (FY2023: April 2023–March 2024)  <https://ir.obayashi.co.jp/en/ir/governance/dialog.html>






## Conducting Business Briefings and Site Tours Based on Themes of High Interest

Business briefings and construction site tours for institutional investors and securities analysts are held in line with themes of their interest.

In FY2023, in response to a particularly high number of questions about compliance with the revised Labor Standards Act of Japan, we conducted a tour of a construction site where we have been able to close the site eight days out of every four-week period and conducted a business briefing on the status of compliance with the revised Labor Standards Act.



A scene from a construction site tour where an employee explains the site's productivity improvement

| Major stakeholders  | Our responsibilities   | Main methods of engagement  |
|---|--|---|
|  Clients                            | <ul style="list-style-type: none"> <li>• Provision of quality buildings, infrastructure, and services that satisfy our clients through consistent quality control based on a quality management system</li> <li>• Development of cutting-edge technologies and provision of solutions to help meet the various needs of our clients</li> <li>• Provision of comprehensive support in the event of a disaster, from the compilation of business continuity plans (BCPs) to recovery construction</li> </ul>   | <ul style="list-style-type: none"> <li>• Website communication</li> <li>• Publication of the <i>Obayashi Corporate Report</i></li> <li>• Management of information in accordance with the Customer Information Guidelines</li> </ul>  |
|  Shareholders and investors        | <ul style="list-style-type: none"> <li>• Disclosure of information in a timely, appropriate, accurate, and fair manner</li> <li>• Assurance of management transparency by continuing constructive engagement with our shareholders, investors, and other stakeholders</li> <li>• Enhancement of engagement channels with shareholders and investors</li> <li>• Effective feedback within the Company of opinions and comments received from shareholders and investors and reflection of that information in management measures</li> <li>• Maintaining stable dividends over the long term and conducting flexible shareholder returns</li> </ul> | <ul style="list-style-type: none"> <li>• Ordinary General Meeting of Shareholders</li> <li>• Financial results briefings for institutional investors and securities analysts</li> <li>• Individual meetings with institutional investors and securities analysts</li> <li>• Meetings with international institutional investors at conferences hosted by securities companies</li> <li>• Overseas investor relations activities</li> <li>• Tours of construction sites and facilities, business briefings, and topic briefings for institutional investors and securities analysts</li> <li>• Publication of the <i>Obayashi Corporate Report</i></li> <li>• Website communication</li> </ul> |
|  Employees                         | <ul style="list-style-type: none"> <li>• Development of work environments and systems based on respect for human rights and diversity that enable employees to play an active role and make the most of their individual characteristics and capabilities</li> <li>• Offering of skills development opportunities through various training programs and other means</li> <li>• Creation of comfortable work environments that safeguard the health and safety of our employees and the establishment of frameworks to support their physical and mental health</li> </ul>  | <ul style="list-style-type: none"> <li>• Labor-management consultation</li> <li>• Intranet</li> <li>• Corporate Ethics Consultation and Reporting System</li> <li>• Hotlines for employees seeking advice on mental health, nursing care, and other issues</li> <li>• Various training programs</li> <li>• Occupational Health and Safety Management System</li> </ul>  |
|  Suppliers                         | <ul style="list-style-type: none"> <li>• Adherence to fair transactions and strengthening of the bonds of trust as a partner that seeks to grow and develop with its suppliers</li> <li>• Respect for the human rights of workers and the creation of comfortable working environments that safeguard their health and safety</li> </ul>   | <ul style="list-style-type: none"> <li>• Procurement activities</li> <li>• Training materials on the CSR Procurement Guidelines</li> <li>• Questionnaires on the CSR Procurement Guidelines</li> <li>• Cooperation with Obayashi Rin-yu-kai</li> </ul>  |
|  Environment and local communities | <ul style="list-style-type: none"> <li>• Proactive participation by individual employees in social contribution activities with the aim of bringing about a sustainable society</li> </ul>   | <ul style="list-style-type: none"> <li>• Tours of facilities and construction sites</li> <li>• Environmental education</li> <li>• Obayashi Foundation Scholarship Program</li> <li>• Fair and equitable tax payment</li> <li>• Matching Gift Program</li> <li>• Support for disaster-stricken areas</li> </ul>  |

## Section

### Data Section

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# Financial Summary

## Consolidated Financial Summary

| Fiscal years ended March 31                                      | FY2013    | FY2014    | FY2015    | FY2016    | FY2017    | FY2018    | FY2019    | FY2020    | FY2021    | FY2022    | Millions of yen | Thousands of<br>U.S. dollars <sup>3</sup> |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------|---|
|  |           |           |           |           |           |           |           |           |           |           | FY2023          | FY2023                                    |
| <b>Business Results</b>  |           |           |           |           |           |           |           |           |           |           |                 |   |
| Orders received  | 1,653,005 | 1,900,517 | 1,951,943 | 2,145,256 | 1,880,155 | 1,958,869 | 2,240,001 | 1,948,682 | 2,146,326 | 2,222,290 | 2,513,088       | 16,597,901                                |
| Orders received (Construction business)                          | 1,580,900 | 1,797,441 | 1,862,140 | 2,052,504 | 1,774,745 | 1,873,739 | 2,149,788 | 1,857,688 | 2,042,487 | 2,107,374 | 2,355,067       | 15,554,239                                |
| Net sales  | 1,612,756 | 1,773,981 | 1,777,834 | 1,872,721 | 1,900,655 | 2,039,685 | 2,073,043 | 1,766,893 | 1,922,884 | 1,983,888 | 2,325,162       | 15,356,732                                |
| Gross profit   | 112,059   | 131,707   | 193,052   | 224,933   | 234,303   | 254,023   | 255,547   | 225,784   | 154,339   | 216,569   | 219,602         | 1,450,379                                 |
| Gross profit margin (%)  | 6.9       | 7.4       | 10.9      | 12.0      | 12.3      | 12.5      | 12.3      | 12.8      | 8.0       | 10.9      | 9.4             | -   |
| Selling, general and administrative expenses                     | 80,067    | 83,318    | 86,671    | 91,191    | 96,502    | 98,542    | 102,675   | 102,622   | 113,288   | 122,769   | 140,220         | 926,097                                   |
| Operating income   | 31,991    | 48,388    | 106,380   | 133,742   | 137,800   | 155,480   | 152,871   | 123,161   | 41,051    | 93,800    | 79,381          | 524,282                                   |
| Operating margin (%)   | 2.0       | 2.7       | 6.0       | 7.1       | 7.3       | 7.6       | 7.4       | 7.0       | 2.1       | 4.7       | 3.4             | -   |
| Ordinary income  | 40,135    | 59,913    | 111,208   | 140,106   | 143,951   | 163,054   | 159,005   | 128,784   | 49,844    | 100,802   | 91,515          | 604,422                                   |
| Profit attributable to owners of parent <sup>1</sup>             | 21,627    | 28,695    | 63,437    | 94,501    | 92,662    | 113,155   | 113,093   | 98,780    | 39,127    | 77,671    | 75,059          | 495,737                                   |
| Capital expenditures   | 69,110    | 42,308    | 56,231    | 31,410    | 76,383    | 39,586    | 47,573    | 52,539    | 55,415    | 92,394    | 78,406          | 517,843                                   |
| Research and development expenses                                | 8,927     | 9,391     | 10,081    | 10,553    | 10,602    | 12,312    | 13,734    | 13,661    | 15,841    | 15,330    | 16,538          | 109,230                                   |
| Depreciation   | 12,103    | 14,392    | 14,476    | 14,981    | 14,659    | 17,672    | 19,880    | 20,038    | 20,691    | 23,941    | 27,117          | 179,102                                   |
| <b>Financial Position</b>  |           |           |           |           |           |           |           |           |           |           |                 |   |
| Total assets   | 1,818,886 | 1,996,193 | 1,951,907 | 2,015,996 | 2,148,861 | 2,214,512 | 2,230,297 | 2,272,628 | 2,422,085 | 2,609,929 | 3,017,047       | 19,926,342                                |
| Property, plant and equipment                                    | 415,089   | 408,848   | 441,604   | 459,597   | 526,270   | 544,558   | 572,190   | 609,256   | 623,306   | 692,545   | 735,914         | 4,860,409                                 |
| Investment securities  | 323,858   | 415,541   | 342,021   | 346,245   | 372,308   | 360,627   | 290,719   | 340,079   | 337,976   | 306,570   | 422,583         | 2,790,989                                 |
| [Sales result of investment securities]                          | [12,089]  | [4,541]   | [4,497]   | [4,495]   | [8,710]   | [5,454]   | [9,263]   | [7,702]   | [16,973]  | [24,612]  | [33,100]        | [218,613]                                 |
| Net assets   | 448,108   | 549,483   | 561,658   | 644,076   | 711,525   | 798,149   | 850,498   | 961,979   | 988,913   | 1,035,881 | 1,194,810       | 7,891,226                                 |
| Equity (net assets less non-controlling interests)               | 412,456   | 507,670   | 516,098   | 594,160   | 684,836   | 768,944   | 817,892   | 931,008   | 955,691   | 997,109   | 1,151,630       | 7,606,038                                 |
| Interest-bearing debt (except nonrecourse loans)                 | 351,592   | 327,802   | 266,465   | 200,334   | 184,724   | 183,061   | 172,928   | 196,357   | 197,376   | 261,222   | 249,756         | 1,649,538                                 |
| Nonrecourse loans  | 76,851    | 83,017    | 79,874    | 73,024    | 92,004    | 89,156    | 75,624    | 69,596    | 83,060    | 76,699    | 74,128          | 489,585                                   |
| Total amount of interest-bearing debt and nonrecourse loans      | 428,444   | 410,820   | 346,339   | 273,359   | 276,728   | 272,218   | 248,552   | 265,953   | 280,436   | 337,921   | 323,884         | 2,139,124                                 |
| <b>Cash Flows</b>  |           |           |           |           |           |           |           |           |           |           |                 |   |
| Net cash provided by (used in) operating activities <sup>2</sup> | 37,962    | 74,646    | 124,980   | 158,892   | 114,034   | 44,203    | 237,628   | 24,803    | 69,697    | 228,456   | 50,399          | 332,869                                   |
| Net cash provided by (used in) investing activities <sup>2</sup> | (47,328)  | (7,442)   | (48,029)  | (37,884)  | (71,289)  | (45,302)  | (47,318)  | (79,075)  | (49,833)  | (101,610) | (84,471)        | (557,896)                                 |
| Net cash provided by (used in) financing activities <sup>2</sup> | 27,587    | (34,523)  | (68,967)  | (89,165)  | (54,548)  | (24,823)  | (49,397)  | (8,483)   | (12,457)  | 22,118    | (51,922)        | (342,923)                                 |
| Cash and cash equivalents at end of period                       | 121,177   | 162,607   | 164,802   | 194,195   | 184,783   | 157,699   | 298,945   | 236,474   | 249,317   | 405,633   | 326,688         | 2,157,638                                 |

1. Since the year ended March 31, 2016, the line item "Net income" has been changed to "Profit attributable to owners of parent"

2. In the consolidated statements of cash flows, figures in parentheses represent a decrease in cash and cash equivalents

3. U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥151.41 to US\$1, the prevailing exchange rate on March 31, 2024.





## Financial Summary

| Fiscal years ended March 31   | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018   | FY2019   | FY2020   | FY2021   | FY2022   | Millions of yen | Thousands of U.S. dollars* |
|---|--------|--------|--------|--------|--------|----------|----------|----------|----------|----------|-----------------|----------------------------|
|   |        |        |        |        |        |          |          |          |          |          | FY2023          | FY2023                     |
| <b>Stock-Related Information</b>  |        |        |        |        |        |          |          |          |          |          |                 |                            |
| Profit attributable to owners of parent per share (EPS) (Yen or U.S. dollars) | 30.11  | 39.96  | 88.36  | 131.66 | 129.09 | 157.65   | 157.59   | 137.64   | 54.55    | 108.34   | 104.69          | 0.69                       |
| Net assets per share (BPS) (Yen or U.S. dollars)                              | 574.32 | 706.94 | 719.01 | 827.77 | 954.05 | 1,071.49 | 1,139.69 | 1,297.25 | 1,333.10 | 1,390.77 | 1,606.18        | 10.60                      |
| Price-earnings ratio (PER) (Times)  | 19.3   | 19.5   | 12.6   | 7.9    | 9.0    | 7.1      | 5.9      | 7.4      | 16.5     | 9.4      | 17.8            | -                          |
| Dividends per share (Yen or U.S. dollars)                                     | 8      | 10     | 18     | 28     | 28     | 32       | 32       | 32       | 32       | 42       | 75              | 0.49                       |
| Dividend payout ratio (%)   | 26.6   | 25.0   | 20.4   | 21.3   | 21.7   | 20.3     | 20.3     | 23.2     | 58.7     | 38.8     | 71.6            | -                          |
| Dividend on equity ratio (%)  | 1.4    | 1.6    | 2.5    | 3.6    | 3.1    | 3.2      | 2.9      | 2.6      | 2.4      | 3.1      | 5.0             | -                          |
| <b>Performance Indicators</b>   |        |        |        |        |        |          |          |          |          |          |                 |                            |
| Equity ratio (%)  | 22.7   | 25.4   | 26.4   | 29.5   | 32.2   | 34.7     | 36.7     | 41.0     | 39.5     | 38.2     | 38.2            | -                          |
| Return on equity (ROE)  | 5.4    | 6.2    | 12.4   | 17.0   | 14.5   | 15.6     | 14.3     | 11.3     | 4.1      | 8.0      | 7.0             | -                          |
| Return on invested capital (ROIC) (%)   | 2.4    | 3.4    | 7.6    | 10.2   | 10.0   | 10.5     | 9.8      | 7.4      | 2.3      | 4.9      | 3.8             | -                          |
| Debt-equity ratio (Times)   | 1.04   | 0.81   | 0.67   | 0.46   | 0.40   | 0.35     | 0.30     | 0.29     | 0.29     | 0.34     | 0.28            | -                          |
| <b>Non-Financial Data</b>   |        |        |        |        |        |          |          |          |          |          |                 |                            |
| Number of employees   | 12,856 | 13,432 | 13,688 | 14,094 | 14,359 | 14,739   | 14,993   | 15,267   | 15,470   | 15,876   | 16,986          | -                          |

## Non-Consolidated Domestic Construction Business Results

| Fiscal years ended March 31                                 | FY2013  | FY2014  | FY2015    | FY2016    | FY2017  | FY2018    | FY2019    | FY2020    | FY2021    | FY2022    | Millions of yen | Thousands of U.S. dollars* |
|---|---------|---------|-----------|-----------|---------|-----------|-----------|-----------|-----------|-----------|-----------------|----------------------------|
|   |         |         |           |           |         |           |           |           |           |           | FY2023          | FY2023                     |
| <b>Domestic Building Construction</b>                       |         |         |           |           |         |           |           |           |           |           |                 |                            |
| Orders received   | 849,943 | 948,858 | 1,052,559 | 1,048,108 | 982,374 | 1,038,739 | 1,193,456 | 1,162,163 | 1,186,503 | 1,093,102 | 1,194,826       | 7,891,330                  |
| Net sales of completed construction contracts               | 874,821 | 922,872 | 892,295   | 977,417   | 977,666 | 1,076,398 | 1,099,515 | 920,380   | 1,044,174 | 1,048,587 | 1,234,232       | 8,151,589                  |
| Gross profit on completed construction contracts            | 37,792  | 41,587  | 85,725    | 119,665   | 124,652 | 132,599   | 123,254   | 103,538   | 37,613    | 87,235    | 78,246          | 516,786                    |
| Gross profit margin on completed construction contracts (%) | 4.3     | 4.5     | 9.6       | 12.2      | 12.8    | 12.3      | 11.2      | 11.2      | 3.6       | 8.3       | 6.3             | -                          |
| <b>Domestic Civil Engineering</b>                           |         |         |           |           |         |           |           |           |           |           |                 |                            |
| Orders received   | 253,055 | 312,191 | 288,650   | 275,248   | 293,966 | 244,420   | 247,314   | 336,934   | 321,311   | 280,130   | 328,078         | 2,166,821                  |
| Net sales of completed construction contracts               | 245,938 | 235,866 | 268,110   | 259,157   | 254,891 | 269,380   | 262,169   | 262,685   | 265,747   | 266,237   | 286,591         | 1,892,818                  |
| Gross profit on completed construction contracts            | 19,163  | 24,425  | 39,849    | 46,579    | 45,799  | 48,813    | 50,050    | 56,758    | 39,484    | 41,794    | 45,263          | 298,948                    |
| Gross profit margin on completed construction contracts (%) | 7.8     | 10.4    | 14.9      | 18.0      | 18.0    | 18.1      | 19.1      | 21.6      | 14.9      | 15.7      | 15.8            | -                          |

\* U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥151.41 to US\$1, the prevailing exchange rate on March 31, 2024.



## Group Network

### Major Group Companies in Japan

| Name<br>(Major Business)  | Group<br>Equity<br>Interest | FY   | Financial Data (Millions of yen) |                     |  |            |
|---|-----------------------------|------|----------------------------------|---------------------|--|------------|
|   |                             |      | Net Sales                        | Operating<br>Income | Profit<br>Attributable<br>to Owners<br>of Parent | Net Assets |
| NAIGAI TECHNOS CORPORATION<br>Building construction, construction fitting, interior and exterior,<br>and manufacturing/sales of materials, etc.   | 100.0%                      | 2022 | 8,200                            | 189                 | 77   | 8,006      |
|   |                             | 2023 | 10,451                           | 487                 | 356  | 8,370      |
| OBAYASHI FACILITIES CORPORATION<br>Overall property and facilities management, building<br>construction, and contracted administrative operations   | 100.0%                      | 2022 | 30,180                           | 1,197               | 952  | 16,705     |
|   |                             | 2023 | 33,222                           | 1,048               | 758  | 17,208     |
| OAK SETSUBI CORPORATION<br>M&E design and construction such as air conditioning/<br>cleanrooms/sanitary fire extinguishers  | 100.0%                      | 2022 | 22,472                           | 1,718               | 1,181  | 7,246      |
|   |                             | 2023 | 22,827                           | 1,282               | 887  | 8,134      |
| CYPRESS SUNADAYA CO., LTD. <sup>1</sup><br>Production and sales of timber and wooden materials  | 46.1%                       | 2022 | -                                | -                   | -  | 2,695      |
|   |                             | 2023 | 11,875                           | 388                 | 112  | 2,218      |
| OBAYASHI ROAD CORPORATION<br>Civil engineering construction including road construction,<br>building construction, and manufacturing/sales of materials, etc.   | 100.0%                      | 2022 | 98,471                           | 2,233               | 1,536  | 59,873     |
|   |                             | 2023 | 102,677                          | 4,364               | 2,780  | 62,064     |
| OBAYASHI-SHINSEIWA REAL ESTATE<br>CORPORATION<br>Ownership/sale & purchase/lease/management/appraisal/<br>brokering of property, and non-life insurance agency business   | 100.0%                      | 2022 | 56,153                           | 15,156              | 10,359   | 85,827     |
|   |                             | 2023 | 49,667                           | 10,850              | 6,152  | 91,979     |
| OBAYASHI CLEAN ENERGY CORPORATION <sup>2</sup><br>Energy generation, electricity sales, operation, maintenance and<br>management of generation facilities with renewable energy, and<br>investigation and research into such energy | -                           | 2022 | 15,285                           | 1,943               | 1,011  | 11,840     |
|   |                             | 2023 | 17,077                           | 1,904               | 150  | 16,447     |
| OAK INFORMATION SYSTEM CORPORATION<br>Development and sales of computer software and sales and<br>lease of electronic equipment   | 100.0%                      | 2022 | 9,682                            | 338                 | 223  | 2,323      |
|   |                             | 2023 | 10,713                           | 302                 | 231  | 2,483      |
| OC FINANCE CORPORATION<br>Monetary lending, debt guarantee, ownership and management<br>of securities, and debt purchasing  | 100.0%                      | 2022 | 655                              | 558                 | 394  | 7,493      |
|   |                             | 2023 | 567                              | 458                 | 317  | 7,810      |
| 29 PFI subsidiaries<br>PFI-related services   | -                           | 2022 | 28,249                           | 617                 | 373  | 5,689      |
|   |                             | 2023 | 25,200                           | 935                 | 509  | 5,859      |

1. Became a consolidated subsidiary of Obayashi in February 2023

2. Includes its own subsidiary in the renewable energy business

### Major Overseas Group Companies

| Name<br>(Major Business)   | Group<br>Equity<br>Interest | FY   | Financial Data (Millions of yen) |                     |  |            |
|--|-----------------------------|------|----------------------------------|---------------------|--|------------|
|  |                             |      | Net Sales                        | Operating<br>Income | Profit<br>Attributable<br>to Owners<br>of Parent | Net Assets |
| E.W. HOWELL CO., LLC <sup>3</sup><br>Building construction and civil engineering   | 92.0%                       | 2022 | 34,237                           | 371                 | 272  | 3,309      |
|  |                             | 2023 | 56,200                           | 134                 | 174  | 3,632      |
| WEBCOR, L.P. <sup>3</sup><br>Building construction and civil engineering   | 100.0%                      | 2022 | 135,620                          | (1,592)             | (1,519)  | 15,077     |
|  |                             | 2023 | 182,741                          | 2,465               | 2,340  | 16,771     |
| JAMES E. ROBERTS-OBAYASHI<br>CORPORATION <sup>3</sup><br>Building construction and civil engineering   | 51.0%                       | 2022 | 26,211                           | 1,024               | 377  | 4,092      |
|  |                             | 2023 | 46,564                           | 2,148               | 831  | 5,721      |
| KRAEMER NORTH AMERICA, LLC <sup>3</sup><br>Civil engineering and building construction   | 70.0%                       | 2022 | 49,608                           | 2,462               | 1,543  | 4,584      |
|  |                             | 2023 | 56,496                           | 2,697               | 2,014  | 6,024      |
| MWH MANAGEMENT INC. <sup>3,4</sup><br>Civil engineering and building construction  | 90.4%                       | 2022 | -                                | -                   | -  | -          |
|  |                             | 2023 | -                                | -                   | -  | 24,309     |
| KENAIDAN GROUP LTD. <sup>5</sup><br>Civil engineering and building construction  | 60.0%                       | 2022 | 23,987                           | 608                 | 313  | 2,757      |
|  |                             | 2023 | 29,845                           | (6,399)             | (3,340)  | 309        |
| THAI OBAYASHI CORPORATION LIMITED<br>Building construction, civil engineering, sales of materials, etc.,<br>and ownership/sale & purchase/lease/management/brokering of<br>property                                    | 50.0%                       | 2022 | 57,908                           | 3,031               | 1,245  | 58,654     |
|  |                             | 2023 | 61,886                           | 3,232               | 1,392  | 66,012     |
| PT. JAYA OBAYASHI<br>Building construction and civil engineering   | 85.0%                       | 2022 | 13,281                           | 585                 | 258  | 2,408      |
|  |                             | 2023 | 15,448                           | 683                 | 282  | 2,870      |
| TAIWAN OBAYASHI CORPORATION<br>Building construction, civil engineering construction, and sales<br>of materials, etc.  | 100.0%                      | 2022 | 12,638                           | (196)               | (184)  | 1,526      |
|  |                             | 2023 | 15,784                           | 327                 | 351  | 3,135      |
| OBAYASHI SINGAPORE PRIVATE LIMITED<br>Building construction and civil engineering  | 100.0%                      | 2022 | 47,387                           | 2,497               | 2,297  | 12,781     |
|  |                             | 2023 | 55,662                           | 4,907               | 4,852  | 18,858     |
| OBAYASHI VIETNAM CORPORATION<br>Building construction and civil engineering  | 100.0%                      | 2022 | 13,858                           | 424                 | 502  | 7,171      |
|  |                             | 2023 | 18,316                           | (250)               | 89   | 7,570      |
| OBAYASHI PROPERTIES UK LIMITED<br>Acquisition/ownership/disposal/lease management of real<br>estate, real estate development business, and acquisition/<br>ownership/disposal of real estate trust beneficial interest | 100.0%                      | 2022 | 3,479                            | 2,677               | 1,265  | 46,048     |
|  |                             | 2023 | 4,926                            | 3,947               | 1,984  | 62,831     |

3. Consolidated subsidiary of Obayashi USA, LLC

4. Became a consolidated subsidiary of Obayashi in December 2023

5. Consolidated subsidiary of Obayashi Canada Holdings Ltd.

# Social Contribution

<https://www.obayashi.co.jp/en/sustainability/communities.html>

Obayashi's corporate philosophy embodies its commitment to contributing to the realization of a sustainable society, and we have formulated the Obayashi Social Responsibility Policy as one of the specific measures designed to help achieve that aim. The policy focuses on four identified priority areas that will help bring about a sustainable society and that correlate closely with our business. As a good corporate citizen, we pursue social contribution activities in an effort to help solve social issues. These priority areas are closely related to the "sustainability of the planet, society, and people" ideal for 2050 enshrined in Obayashi Sustainability Vision 2050, our long-term vision, and the Group is striving to realize this vision through social contribution activities.

|                     |  |  |
|---------------------|--|--|
| Four Priority Areas | <ul style="list-style-type: none"> <li>• Global Environmental Responsibility</li> <li>• Good Citizenship in Local Communities</li> </ul> | <ul style="list-style-type: none"> <li>• Disaster Readiness and Post-Disaster Reconstruction</li> <li>• Inspiration for the Next Generation</li> </ul> |
|---------------------|--|--|

## Environmental Restoration in Iitate Village

As part of its efforts to restore areas damaged by the earthquake and the tsunami in northeastern Japan, we are involved in Japan's first ever construction of an embankment made from recycled radioactive contaminated soil in the Nagadoro district of Iitate Village, Soma District, Fukushima Prefecture.



In October 2023, 11 Obayashi volunteers participated in the second in Iitate Village, an event that was held for the first time last year annual tree-planting festival to help revive the beautiful scenery in the village, which used to be called the Village of Flowers. When the previous event was held, residents were not permitted to return to live in the area, but since the evacuation order was lifted in May 2023, the area has embarked on a steady path to recovery.

Restoring social infrastructure after a disaster as swiftly as possible is a key mission for construction companies. We will continue to do our utmost to ensure the smoothest possible recovery for disaster-stricken areas.

## Nurturing Future Generations

### • Construction Site Tours

Each year, we take part in construction site tours hosted by the Japan Federation of Construction Contractors designed for elementary and junior high school students and their guardians. The aim of the tours is to give participants an idea of the construction industry. In November 2023, Obayashi arranged a tour at a site in Hiroshima to show how the construction industry was embracing DX.

### • Science and Engineering Event for Women

This event is co-hosted by Japan's Cabinet Office; the Ministry of Education, Culture, Sports, Science and Technology; and the Japan Business Federation. The initiative is designed to encourage junior high and high school girls interested in science and engineering fields to choose, or take on the challenge of a career in science or engineering. It provides them with a picture of their future selves working in those fields.



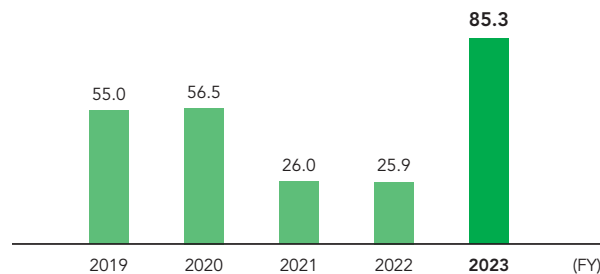
In August 2023, Obayashi arranged an event titled "Experience Cutting-Edge Technology at the Construction Frontier" at the Obayashi Technology Research Institute, with female researchers introducing daily research at Main building, Techno-station.

We remain committed to creating opportunities for children to see people in the construction industry in action in the hope that they will aspire to a career in the industry.

## Matching Gift Program

In FY2014, we introduced the Matching Gift Program and made a commitment to match any voluntary donations made by employees. In accordance with the Obayashi Social Responsibility Policy, donations are made to chosen organizations involved in the fields of support for disaster-stricken areas, the global environment, and social contribution activities. So far, including urgent donations such as donations to disaster-stricken areas, ¥431 million has been donated to a total of 54 organizations.

### Amount of Donation (Millions of yen)



### Main Donation Recipients

- Support for disaster stricken areas: Central Community Chest of Japan, Peace Winds Japan, UNHCR, etc.
- Global environment: National Land Afforestation Promotion Organization's Green Fund, etc.
- Social contribution activities: Japan Guide Dog Association, Second Harvest Japan, Ashinaga, JOICFP, etc.

## CLOSE-UP

### Supporting Victims of the 2024 Noto Peninsula Earthquake

Obayashi donated a total of ¥60 million to Ishikawa, Niigata, and Toyama prefectures through its Matching Gift Program to support people affected by the 2024 Noto Peninsula Earthquake. It is our sincerest wish that the affected areas recover as soon as possible.

#### • Donations

|  |                    |
|--|--------------------|
| From Obayashi Corporation officers and employees | ¥30 million        |
| From Obayashi Corporation                        | ¥30 million        |
| <b>Total</b>                                     | <b>¥60 million</b> |

#### • Main Support Provided through Obayashi's Core Business

- Restoring infrastructure and undertaking other work in disaster-stricken areas, etc. (clearing expressways and national highways, using heavy machinery to rescue victims)
- Conducting field survey on damage to buildings, factories, and other facilities, and restoring such facilities to enable the resumption of operations



Preliminary survey of road opening work near the Mitsui Interchange on the Noto Satoyama Kaido





# Company Overview

## Corporate Information

|                                  |  |
|----------------------------------|--|
| Company Name                     | OBAYASHI CORPORATION   |
| Founded                          | January 1892   |
| Established                      | December 1936  |
| Representative                   | Kenji Hasuwa<br>Representative Director<br>President and CEO   |
| Head Office                      | 2-15-2, Konan, Minato-ku, Tokyo, Japan   |
| Capital                          | ¥57,752 million  |
| Employees                        | 9,253 (As of March 31, 2024)   |
| Construction Business Permission | Government Permit (Toku/Han-1) 3000  |
| Real Estate Business License     | Government License (15) 791  |
| Business Activities              | Construction work in and outside Japan, regional development, urban development, and other construction-related businesses, including contracted engineering, management, consulting services, real estate development, etc. |

## Business Offices

### Major Offices

Head Office: 2-15-2, Konan, Minato-ku, Tokyo, Japan  
 Sapporo Branch, Tohoku Branch (Sendai), Kanto Branch (Saitama), Tokyo Main Office, Yokohama Branch, Hokuriku Branch (Niigata), Nagoya Branch, Kyoto Branch, Osaka Main Office, Kobe Branch, Hiroshima Branch, Shikoku Branch (Takamatsu), Kyushu Branch (Fukuoka), Asia-Pacific Regional Headquarters (Singapore), North American Regional Headquarters (San Francisco)

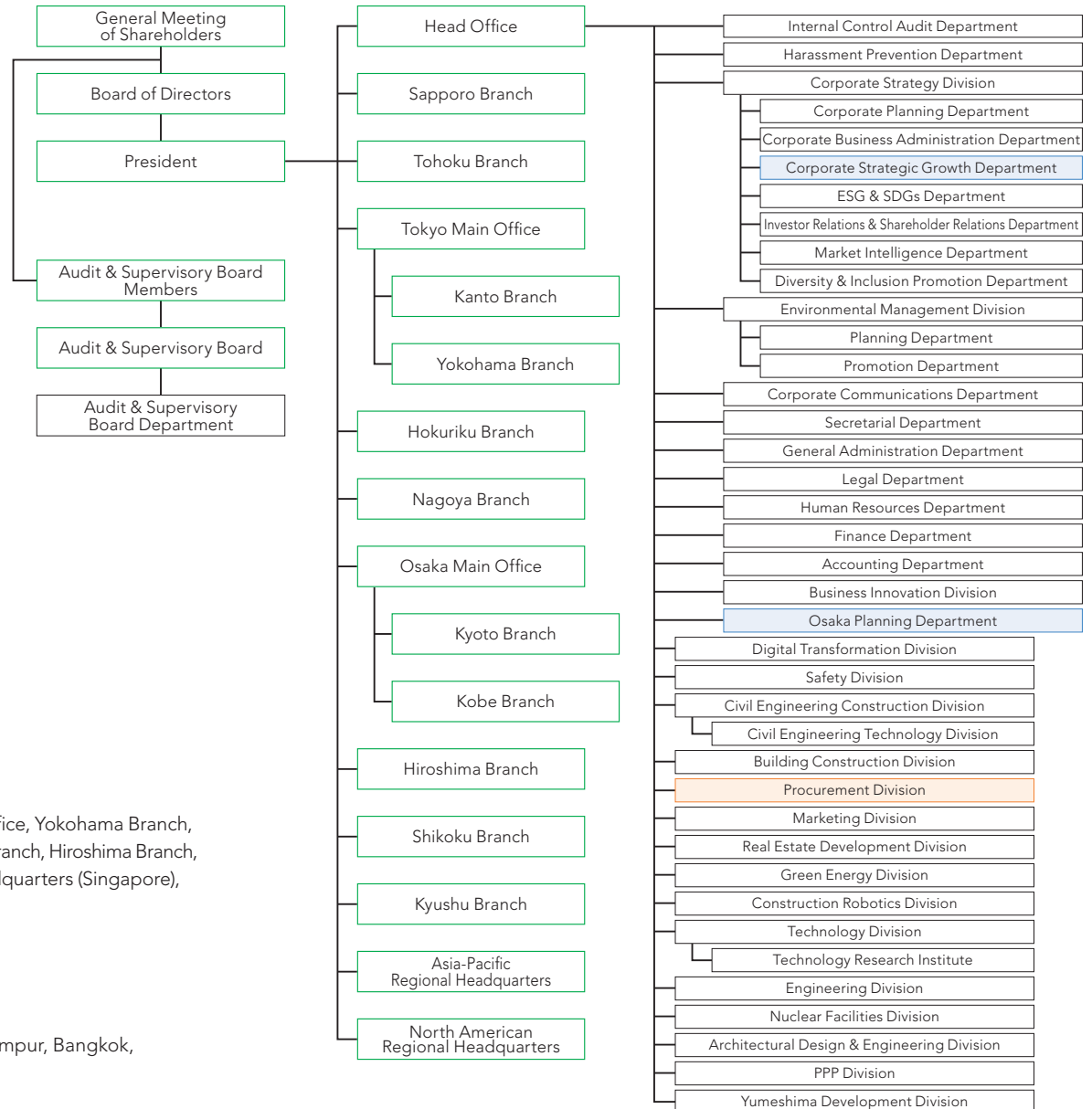
### Research Institute

Technical Research Institute (Kiyose, Tokyo)

### Overseas Offices

London, Auckland, Sydney, Guam, Taipei, Jakarta, Hanoi, Phnom Penh, Kuala Lumpur, Bangkok, Yangon, Dhaka, Dubai

## Organization Chart



Established/Reorganized on October 1, 2023

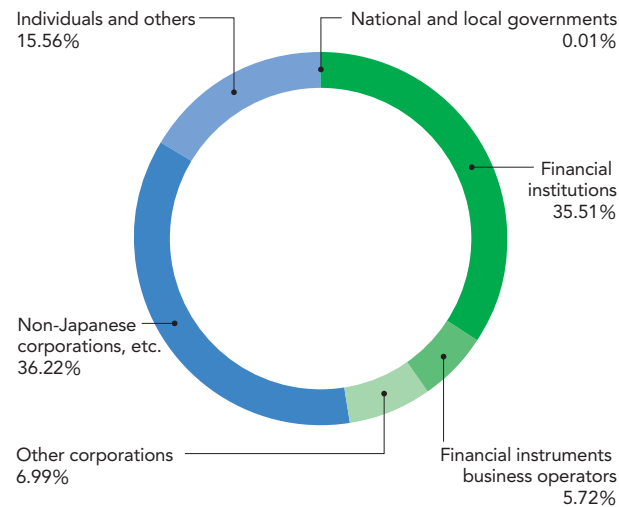
Established/Reorganized on April 1, 2024

# Stock Status

## Stock Information (As of March 31, 2024)

|   |   |
|---|---|
| Stock Listings                                | Tokyo (Prime) and Fukuoka   |
| Category                                      | Construction  |
| Stock Code                                    | 1802  |
| Minimum Number of Stocks Allowed Per Trade    | 100   |
| Fiscal Year                                   | From April 1 to March 31  |
| Payment of Dividends                          | March 31 (Year-end), September 30 (Interim)   |
| Total Number of Shares Issued and Outstanding | 721,509,646 shares (No change from the end of the previous fiscal year)                     |
| Number of Shareholders:                       | 62,716  |
| Transfer Agent:                               | Mitsubishi UFJ Trust and Banking Corporation<br>1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan |
| Ordinary General Meeting of Shareholders:     | June  |

## Percentage of Shares Owned by Owner\* (As of March 31, 2024)



\*Percentage of shares owned by owner is calculated after deducting treasury stock (3,569,088 shares)

## Major Shareholders (As of March 31, 2024)

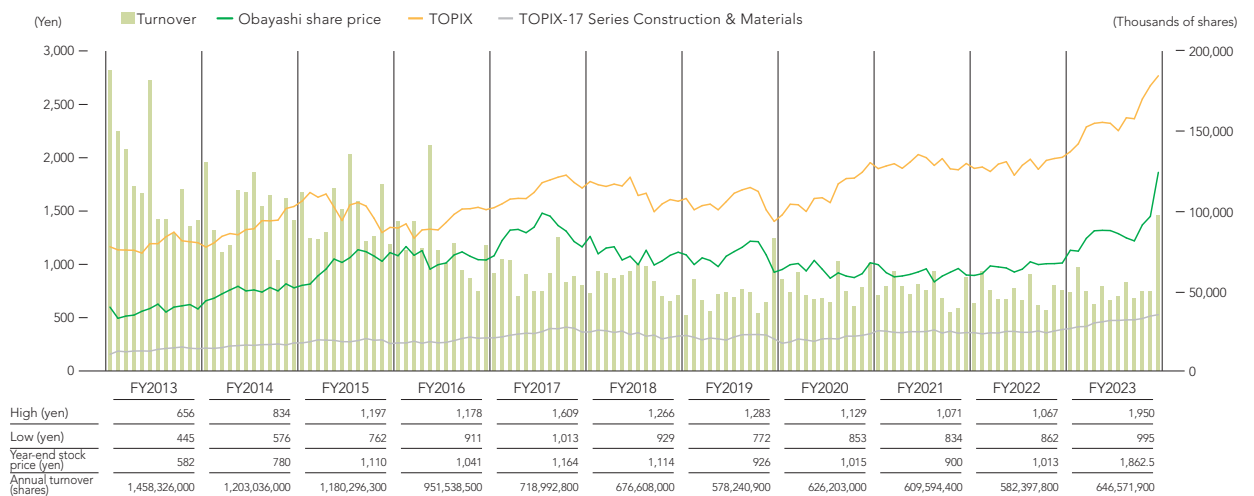
| Name   | Shareholdings           |                         |
|--|-------------------------|-------------------------|
|  | Shares Held (Thousands) | Shareholding Ratio (%)* |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 124,302                 | 17.31                   |
| Custody Bank of Japan, Ltd. (Trust Account)          | 78,511                  | 10.94                   |
| Nippon Life Insurance Company                        | 20,905                  | 2.91                    |
| STATE STREET BANK AND TRUST COMPANY 505001           | 20,109                  | 2.80                    |
| Takeo Obayashi                                       | 16,944                  | 2.36                    |
| STATE STREET BANK WEST CLIENT – TREATY 505234        | 15,169                  | 2.11                    |
| Obayashi Group Employee Shareholding Association     | 13,226                  | 1.84                    |
| JPMorgan Securities Japan Co., Ltd.                  | 11,620                  | 1.62                    |
| JPMORGANCHASEBANK 385781                             | 9,241                   | 1.29                    |
| Sumitomo Realty & Development Co., Ltd.              | 9,159                   | 1.28                    |

\*Shareholding ratios exclude treasury stock (3,569,088 shares)

## Total Shareholder Return (TSR)

|                           | 2020.3 | 2021.3 | 2022.3 | 2023.3 | 2024.3 |
|---------------------------|--------|--------|--------|--------|--------|
| TSR (%)                   | 86.0   | 96.9   | 89.4   | 103.3  | 186.3  |
| Index: Dividend TOPIX (%) | 90.5   | 128.6  | 131.2  | 138.8  | 196.2  |

## Trend in Stock Price and Turnover



# External ESG Evaluations and Others/ Editorial Note

## External ESG Evaluations

<https://www.obayashi.co.jp/en/sustainability/evaluation.html>



## Participation in External Initiatives

- TCFD Consortium
- TNFD Forum
- GX League
- Japan Climate Initiative (JCI)
- Japan Climate Leaders' Partnership (JCLP)
- Science Based Targets Initiative
- 30by30 Alliance for Biodiversity
- Human Capital Management Consortium
- UN Global Compact
- Japan Business Federation
- Japan Federation of Construction Contractors
- Japan Construction Occupational Safety and Health Association



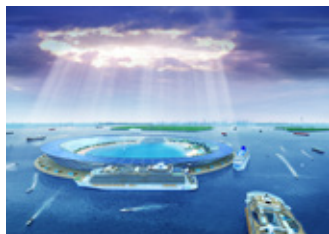
In support of

### WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

The Obayashi Group is a participant in the UN Global Compact, a global framework for realizing a sustainable international community, and also a signatory to the Women's Empowerment Principles (WEPs).

## Front Cover



### Smart Water City Tokyo: A Conceptual Vision

Obayashi Corporation issues a quarterly PR magazine, *Obayashi Quarterly*, which introduces information related to construction cultures as well as related cultures.

Smart Water City Tokyo is a futuristic city featured in the OBAYASHI IDEA section of *Reviving an Aquapolis*, issue No. 56 of *Obayashi Quarterly*. The design centers on the concept of restoring the beautiful waterscape of Tokyo, once labeled the "Venice of the East," and the effective utilization and management of water resources.

[https://www.obayashi.co.jp/en/special/smart\\_water\\_city\\_tokyo.html](https://www.obayashi.co.jp/en/special/smart_water_city_tokyo.html)

## Editorial Note

First, let me thank you for reading *Obayashi Corporate Report 2024*, our integrated report.

This integrated report is based on the Obayashi Basic Principles and conveys the policies and strategies designed to pursue sustainability of the planet, society, and people, and of the Obayashi Group as stipulated in Obayashi Sustainability Vision 2050. It also includes information regarding the progress achieved on Obayashi Group Medium-Term Business Plan 2022, "Strengthening the Business Foundation and Accelerating Company-wide Transformation," as well as details of the addendum announced in May 2024.

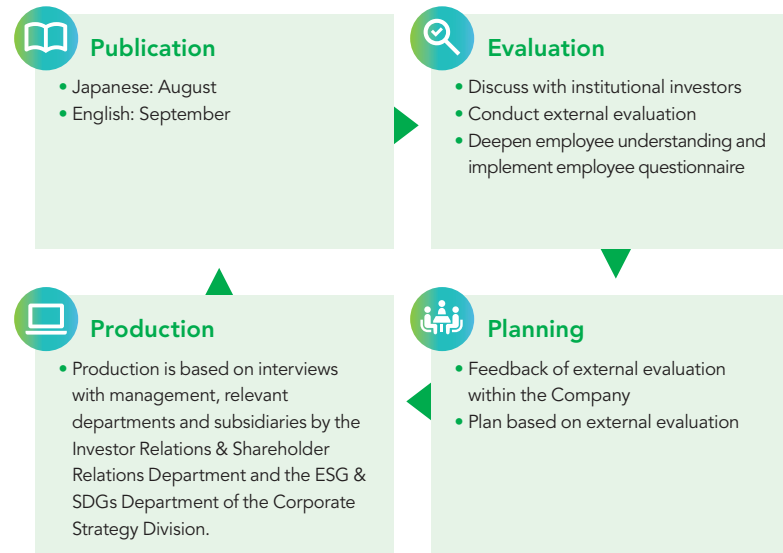
We use the report to promote active dialogue with shareholders and investors and strive, wherever possible, to reflect any opinions or requests communicated through that dialogue in the subsequent year's report.

We are committed to expanding the report's content to help our shareholders, investors, and all other stakeholders deepen their understanding of Obayashi Group's efforts to create value. We look forward to receiving your frank opinions and requests.



**Takayuki Tomioka**  
Executive Officer  
General Manager of Corporate Strategy Division

## Process of Making the Corporate Report







## **OBAYASHI CORPORATION**

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