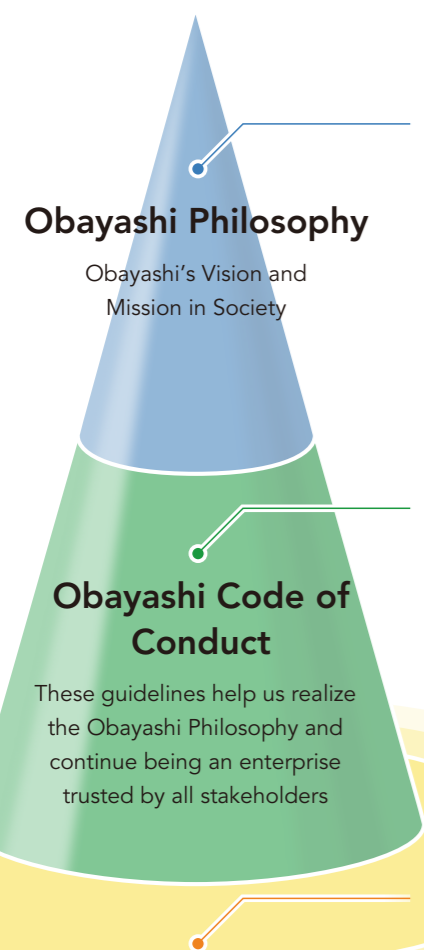




OUR VISION



Obayashi Basic Principles



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.

1. Fulfill our social mission

- (1) Provide high-quality buildings, infrastructure, and services
- (2) Foster an environmentally responsible society
- (3) Value every one of our associates
- (4) Build stronger mutual trust with suppliers
- (5) Build good relationships with communities

2. Ensure strict adherence to corporate ethics

- (1) Comply with laws and regulations and take a sensible course of action
- (2) Promote fair and free competition
- (3) Maintain appropriate relationships with stakeholders
- (4) Avoid all contact with antisocial forces
- (5) Ensure appropriate information disclosure and transparency of management

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.

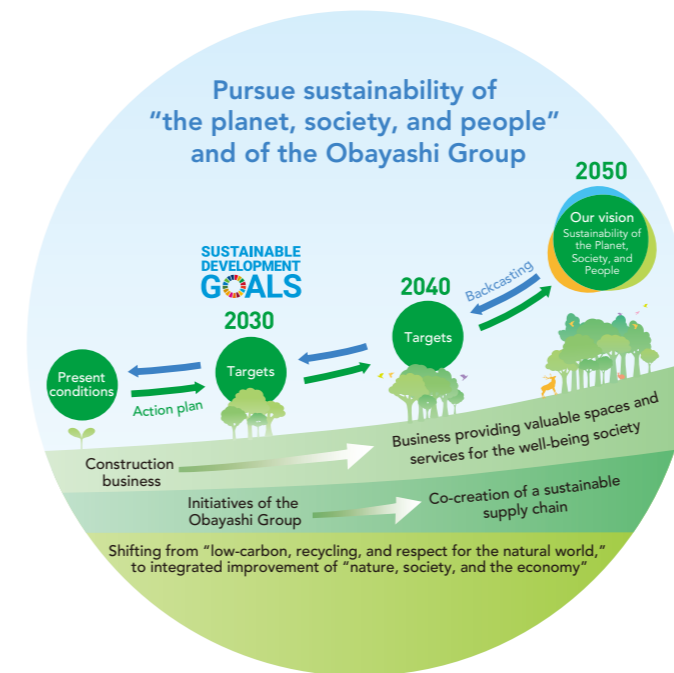
Obayashi Three Pledges

The spirit that has guided us since our founding

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 both 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, society, 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

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

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

OUR FUTURE

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

Roadmap and 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 issues through its business by responding these issues head on and conducting ESG management.

ESG Material Issues

The Group has identified six ESG material issues based on the Obayashi Basic Principles. As part of our strategy for achieving 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 Medium-Term Business Plan 2022 and linking our activities to the SDGs.

Obayashi Group Medium-Term Business Plan 2022

Obayashi Group Medium-Term Business Plan 2022, which was launched in FY2022, employs three fundamental strategies aimed at strengthening the business foundation and accelerating Company-wide transformation.

Obayashi Sustainability Vision 2050

Our Vision
Pursue sustainability of "the planet, society, and people"

Decarbonization | Provide valuable spaces and services | Co-creation of a sustainable supply chain

Social Issues and Business Opportunities

Carbon Neutrality

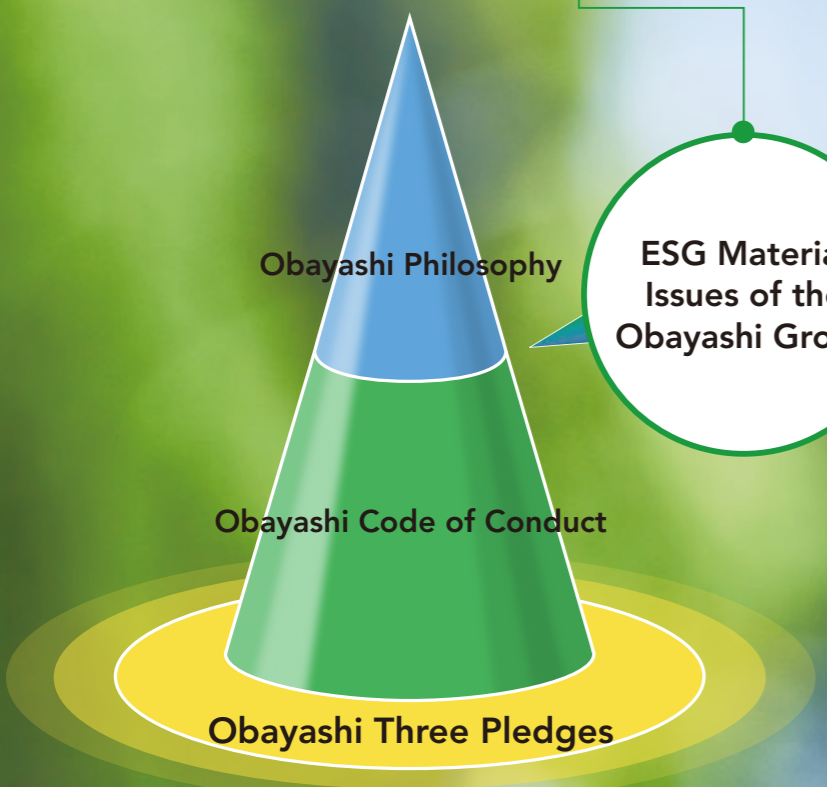
Well-Being

Contribution to achieving SDGs

Obayashi Group's Vision for 2050

"The Obayashi Group will continue to take on the challenge of ceaseless transformation driven by talent and innovation to keep providing a variety of solutions for the sustainability of places where we reside: spaces, cities, and the environment."

Realization of a sustainable society



ESG Material Issues of the Obayashi Group

Obayashi Group Medium-Term Business Plan 2022

ESG Material Issues P. 27

E	Establish an Environmentally Responsible Society
S	Enhance Quality Control and Technological Capabilities Ensure Occupational Health and Safety Develop and Retain Human Resources
G	Implement Rigorous Compliance Conduct Responsible Supply Chain Management

Obayashi Group Medium-Term Business Plan 2022 P. 35

Fundamental Strategies	<ol style="list-style-type: none"> Strengthen and Expand the Foundation of the Construction Business Innovate Technologies and Businesses Expand Business Portfolio for Sustainable Growth
Platform Development Strategy	<ol style="list-style-type: none"> HR Organization DX Technologies Supply Chain Finance and Capital Sustainability Management System
Business Strategy	Diversified global business portfolio centered on domestic construction Seeds to create new business opportunities

CONTENTS

- ▶ **Vision for the Future**
 - Our Vision 01
 - Our Future 03
 - Creating the Ideal Obayashi Group 06
 - Interview with the President 07
- ▶ **Value Creation**
 - Our History of Value Creation 11
 - Overview of Obayashi Group Operations 13
 - Global Network 15
 - Performance at a Glance 17
 - Value Creation Process 19
 - The Key Drivers of Value Creation 21
 - Carbon Neutrality and Well-Being Solutions That Leverage Our Comprehensive Competitiveness 23
 - Case Study: Carbon Neutrality and Well-Being Initiatives in Iwatani Corporation New Training Facility Project 25
 - Material Issues and KPIs 27
 - Discussion: Creating Value Together with the Supply Chain 31
- ▶ **Growth Strategy**
 - Obayashi Group Medium-Term Business Plan 2022 35
 - Financial Review 37
 - The Five Business Domains 41
 - Domestic Construction Business (Building Construction) 43
 - Domestic Construction Business (Civil Engineering) 44
 - Case Study: Expressway Renewal Initiative 45
 - Overseas Construction Business (Building Construction/ Civil Engineering) 46
 - Real Estate Development Business 47
 - Green Energy Business 48
 - New Business Initiatives 49
- ▶ **Framework Supporting Value Creation**
 - Environment 51
 - Human Resource Management 59
 - Feature: Aiming to Close Construction Sites Eight Days out of Every Four-Week Period 65
 - Human Rights 66
 - Supply Chain Management 67
 - Intellectual Property 69
 - Quality 72
 - Digital Transformation (DX) 73
- ▶ **Governance**
 - Independent Directors' Dialogue 75
 - Directors and Officers 79
 - Management Structure 82
 - Risk Management 90
 - Compliance 93
- ▶ **Data Section**
 - Consolidated Financial Summary 95
 - Group Network 97
 - Company Overview 98
 - Stock Status 99
 - External ESG Evaluations/ Investor Relations (IR) Activities 100

Front Cover

**Mosaic City 2050
A Futuristic Society Envisaged by Big Data**

Obayashi Corporation issues a quarterly PR magazine, *Obayashi Quarterly*, which introduces information related to construction cultures as well as related cultures. Mosaic City 2050 is a futuristic city that has been spatially and functionally optimized through the use of big data and was featured in the OBAYASHI IDEA section of *Big Data*, issue No. 55 of the *Obayashi Quarterly*.

https://www.obayashi.co.jp/en/special/mosaic_city_2050.html



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 FY2022 (April 1, 2022, to March 31, 2023) and some data for FY2023.

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 2023

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 our earnings forecasts include, without limitation, risks and uncertainties relating to economic conditions, market demand, currency exchange rates, and tax and other systems.

Creating the Ideal Obayashi Group

Our mission, which is to become a leading sustainability company, is at the heart of our corporate philosophy. It embodies the Obayashi Group's ultimate vision of being a company that offers safety, security, and comfort for our planet and all the people it sustains, and seeks to help create a sustainable society through its business that is intricately linked with people and the environment. It is a mission that we feel duty bound to fulfill for the benefit of society.

To define the ideal Obayashi Group of 2050 as we target the goal of achieving a sustainable society, we formulated Obayashi Sustainability Vision 2050. We are committed to pursuing both the sustainability of the planet, society, and people, and the sustainability of the Obayashi Group based on the three pledges that we have adhered to ever since our founding: quality, value, and efficiency. How do we do that? By using superior technologies and honest craftsmanship to create new value in every space and by striving to solve social issues.

Obayashi Corporate Report 2023 introduces the Obayashi Group's efforts to help bring about a sustainable society. We hope the report helps our stakeholders gain a better understanding of the Obayashi Group's value creation story and encourages further dialogue. We hope you will read the report and convey your candid opinions and requests to us.



Takeo Obayashi
Chairman of the Board

Kenji Hasuwa
Representative Director
President and CEO

Interview with the President

Using Our Passion for Making Things to Tackle Transformation

Kenji Hasuwa

Representative Director
President and CEO**Q** Looking back, how would you characterize FY2022 for the Obayashi Group?

I think you can see some bright signs emerging if you look back on how the social situation facing the Group has changed over the year. The COVID-19 threat that we had been living with since 2020 was finally brought under control. As a result, inbound tourism-related demand started trending upward in spring 2023 and the movement of people and goods is becoming more active. However, in addition to the disruption to global supply chains and the sharp rise in prices during the COVID-19 pandemic, we also had to deal with emergent geopolitical risks such as Russia's ongoing invasion of Ukraine and the rising tensions between the United States and China over Taiwan. Consequently, the price of construction materials rose even further as the sharp rise in energy costs gathered momentum. I feel that the business environment for the Obayashi Group in FY2022 was greatly impacted by this dramatic rise in construction costs.

Recent years have brought a surge in large-scale redevelopment projects in major urban areas, and we are fortunate to be involved in such projects. Usually, a substantial period of time is required to plan and prepare for large-scale construction, but there is a considerable interval between the time an order is received and the actual start of construction. In recent times, the unexpected rise in construction prices during that interval has resulted in a significant increase in costs. We have continued to diligently negotiate with clients to try to increase construction contract prices, but we have not been able to pass on enough of the increased costs, so we are having to deal with some construction projects that will struggle to generate a profit.

To respond to the dramatic rise in construction prices, we must continue consulting with clients and work to cut costs. However, I think we also have to create a stronger voice for the construction industry as a whole. We have used objective data on the fluctuations in construction prices to communicate not only with clients but also with business associations through the Japan Federation of Construction Contractors, holding discussions to convince them of the rationality and the need to pass on price increases. I am determined to continue working tenaciously to resolve this issue.

Meanwhile, we have made some progress on Obayashi Group Medium-Term Business Plan 2022, our medium-term plan [▶ P. 35](#), which started in FY2022, but we have yet to generate concrete results on certain measures. We positioned FY2022 as the year for spreading awareness of the medium-term plan internally. We conducted briefings for executives at each main office, branch office, and Group companies in Japan, and held live

meetings on the medium-term plan with mid-career and young employees. In my own words, I carefully explained our goals for the medium-term plan, and the relationship with the Obayashi Philosophy and vision. I think awareness of the plan's goals has now gradually permeated the Group and people are starting to feel personally involved and responsible for each individual effort to improve corporate value. I feel that aspect of enhancing employee engagement has been a success. In short, while difficult business conditions persisted, FY2022 proved to be a successful year for building platforms to enable the whole Group to work together to solve the urgent management issues of improving profitability and productivity.

Q Can you explain the financial progress of Medium-Term Business Plan 2022?

We reported consolidated net sales of ¥1,983.8 billion (up 3.2% year on year) in FY2022, so we did achieve the roughly ¥2 trillion level that the medium-term plan stipulates as commensurate with stable business continuity and our production capacity. Earnings per share (EPS) was ¥108.34 (up 98.6%), so we achieved our target of ¥100 or higher. However, we reported consolidated operating income of ¥93.8 billion, which, while up 128.5% from the previous year, came in below the ¥100 billion acceptable minimum, so, unfortunately, this fell somewhat short of stakeholder expectations. This result was mainly due to a deterioration in earnings in the domestic construction business in the wake of soaring construction prices and other factors. I am determined to prioritize the recovery and stable performance of the construction business. To that end, we will continue to tackle transformation from a solid management platform by progressing the fundamental strategies of the medium-term plan: strengthen and expand the foundation of the construction business; innovate technologies and businesses; and expand the business portfolio for sustainable growth.

Q How are efforts to achieve carbon neutrality progressing?

Japan's first commercial offshore wind farm project in the ports of Akita and Noshiro in Akita Prefecture started full commercial operations in January 2023. I participated in the ceremony to celebrate construction completion and thought the 20 large wind turbines towering above the port of Noshiro looked spectacular.

Our renewable energy business began with the launch of our solar power generation business at the Kumiya Distribution Center, which opened in 2012, when I headed the division promoting renewable energy

Interview with the President

generation. Over the ensuing decade, we have been involved in 28 solar power plants, two woody biomass power plants, and two onshore wind farms. It is extremely moving to see the addition of new offshore wind farms to our business portfolio.

We are also focusing on hydrogen as a promising future energy source. To ensure we will be able to utilize the technologies and management capabilities cultivated in the construction industry for a future hydrogen-fueled society, we are currently promoting hydrogen production- and supply-related demonstration projects with a view toward commercialization in Japan and overseas. We will continue to help create a carbon-neutral society and improve corporate value by actively developing energy-creation businesses. This will involve not only incorporating the power purchase agreement (PPA)* business and other services into solutions provided to customers, but also actively engaging in renewable energy generation. [▶ P. 23](#)

Trees in man-made forests planted in Japan after the Second World War are now fully grown and ready for harvesting. In that regard, we are now working to fully realize the great potential of wood in our projects. In 2022, we completed our next-generation training facility, Port Plus®, a fully wooden and fire-resistant high-rise structure in Yokohama City. I feel proud that Port Plus® has enabled us to demonstrate to the world our high level of technical expertise in large-scale mid- to high-rise wooden buildings. Having said that, most of the wooden buildings constructed in Japan are houses, so use of wood on a much larger scale presents various challenges for industries involved in the recycling of forest resources, the production of wooden materials, and the processing and distribution of wood. Currently, we are promoting and actively developing the Circular Timber Construction® recycling-oriented business model, which optimizes the use of forest resources. We have taken various steps to firmly establish this business model. We are promoting wooden structures and interiors such as Port Plus®. We are also using timber from forest thinning in Japan as fuel in biomass power plants and we brought the timber manufacturer and distributor Cypress Sunadaya Co., Ltd. under the Group umbrella. These efforts are all designed to strengthen the supply chain, which is a key medium- to long-term issue for the construction of wooden structures and interiors. Our ultimate aim is to help achieve carbon neutrality by promoting the circular use of forest resources, a goal to which we remain committed. [▶ P. 54](#)

* 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.

Q What progress are you making on initiatives relating to the other key social issue of improving well-being?

I think Port Plus® serves as a wonderful exhibition space for presenting our philosophy and technology, not only on carbon neutrality, but also regarding the pursuit of well-being. Our stakeholders have focused on the fact that Port Plus® is the tallest all-timber building in Japan (44 meters, 11 floors). However, we also incorporated wellness and diversity factors into the architectural plans. Indeed, the inclusion of various well-being elements has earned the building WELL Platinum certification, the highest Green Building Japan award. I want stakeholders to view the facility from a broader perspective that also encompasses comfort and diversity because this will help them understand our efforts to create and provide new value.

Employee well-being is of course dependent on successfully addressing one of our six material issues, namely ensuring occupational health and safety. However, as the officer in charge of health and safety management, I view the fact that we did not achieve our KPI of zero fatal accidents in FY2022 very seriously. In February 2023, we issued our Safety Management Emergency Declaration and directed everyone to prioritize safety management. To make FY2023 the year in which we achieve zero fatal accidents, I am visiting construction sites across Japan, where I repeatedly and painstakingly instruct and oversee employees and workers to instill safety as the most important value, one that must be constantly emphasized.

I also believe that ensuring that Obayashi is a rewarding place for employees to work is of the utmost importance. Addressing the revised Labor Standards Act is an urgent issue for the construction industry. The Group is also currently working tirelessly to reform work styles, but I believe that true job satisfaction can only be attained when employees share their company's vision and take on individual responsibilities and missions within an inclusive environment of facing challenges together. Job satisfaction also comes from exploring the enjoyment and interesting elements in our work and gaining a sense of accomplishment from a job well done. We aspire to become, and remain, a rewarding company for our employees. To that end, I want us to improve productivity through work style reforms and digital transformation (DX) of the construction industry and to promote health management in order to secure greater well-being for our employees and their families. [▶ P. 60](#)

Q What are your thoughts on the ideal future and the material issues to be addressed in order to achieve it?

The Obayashi Group aspires to become a leading sustainability company. I myself identify with the Obayashi Philosophy, which was established well before the terms ESG and SDGs became widely recognized in society at large. The long-term Obayashi Sustainability Vision 2050, established in 2019, calls for pursuit of the sustainability of the planet, society, and people, as well as the sustainability of the Obayashi Group itself, by 2050. Indeed, sustainability-related initiatives, such as reducing CO₂ emissions to zero and creating a society in which all people can live happily, cannot be realized in the short term. The year 2019 was also when the Obayashi Group identified six material issues to serve as a compass for any initiatives designed to help realize our sustainability vision. We included the strategies and measures required to resolve challenges and successfully address the six material issues in our medium-term plan.

The speed of social transformation is accelerating in this uncertain era of rapidly changing values, and the advancement of technology in light of these changes has also been remarkable. We are facing increasingly diverse demands from society as we expand our business domains, and our social mission is becoming more important. If we want to respond flexibly to the changes we are witnessing and achieve sustainable growth, we need to work more seriously than ever on our material issues, which serve as a compass for sustainability management, and to flexibly review those material issues if necessary. [▶ P. 27](#)

Q Finally, what would you like to say to stakeholders?

Our Company was founded in Osaka in 1892 as a civil engineering and building construction contractor. The one thing that has remained constant since then is our employees' passion for making things. What has changed is the way in which those things are built, be it the technology, the construction method, the materials, or the processes. Our continued growth has been driven by the efforts of our predecessors, who possessed that same passion for making things and worked diligently to develop our society. Our employees' passion for making things remains as strong today as it ever was, having been passed down through the generations as part of the corporate DNA carried by each individual. I, for one, am proud to be part of a Group that can boast this kind of DNA.

The Group has always tackled the challenges and rough waves of the era and overcome difficulties with technology and knowledge fueled by that passion for making things. Inspired by our brand vision, "MAKE BEYOND: Transcending the Art and Science of Making of Things," we will continue to be inspired by a strong desire for transformation as we aim to achieve sustainable growth and fulfill our social mission. I want to make sure this desire continues to fuel our passion for making things and creates a virtuous cycle that generates opportunities for new challenges.

Our people have been the driving force behind the Group's success from the very beginning. I am confident that we can achieve significant progress if each employee improves their capabilities, gives full play to those capabilities, and aligns their efforts toward the same goal. Armed with a passion for making things, the entire Obayashi Group is committed to working together to transform itself and seeks to bring about a sustainable society.

I hope we can continue to enjoy the loyal understanding and support of all our stakeholders.



Our History of Value Creation

<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. We have used this prowess, built up over many years and founded upon the spirit of the Obayashi Three Pledges, a spirit 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



1903 The 5th National Industrial Exposition Obayashi Tower

High-rise wooden building with a 45 m elevator tower.



1905 Port of Osaka

Dredged harbor, reclaimed land, and built a large pier and other port facilities. A large-scale construction project equivalent to 20 years' of the Osaka City annual budget at the time.



1914 Tokyo Central Station (currently Tokyo Station)

The Renaissance-style red brick station building became the symbol of Tokyo. It was the largest building with steel beams in Japan when it was constructed.

1926–1945

Modernization Policies and World War II



1933 Midosuji Subway Line (between Yodoyabashi and Kita-Kyutaramachi)

Built the current Midosuji Line, which was Osaka's first subway line. The difficulty of the construction project, which involved digging out vast stretches of soft ground and passing below rivers, is still talked about today.

1945–1970

From Postwar Recovery to Modernization and Development



1955 Hiroshima Peace Memorial Museum

A symbol of post-war reconstruction. This was the first post-war building to be designated as an important cultural property of Japan.



1970 The Japan World Exposition (Theme Pavilion)

Built for the first world exposition to be held in Asia. Construction of the Theme Pavilion marked a world-first in lifting such a large pre-assembled roof into position.

1970–1988

The Fast Lane to Globalization



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. This was the first time Obayashi used its earth pressure balanced shield method in that country.

1989–2010

Overcoming the Long Recession



1997 Tokyo Bay Aqua-Line

An undersea tunnel that stretches approximately 2.8 km, was constructed at a maximum depth of 28 m below water level, and boasts a maximum soil cover depth of 16 m.



2002 Marunouchi Building

Reconstructed Japan's iconic Marunouchi Building. The challenge was to reduce construction waste and create a zero-waste model site.

2011–2021

Expanding into New Business Areas and the Introduction of ESG Management



2012 TOKYO SKYTREE®

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



2012 Kumiyama Distribution Center

An logistics facility for leasing developed in-house. Solar power generation equipment was installed on the roof of the warehouse. Started selling power on July 1, 2012, as the Group's first solar power generation business.



2020 Senbon Dam Reinforcement Work

Completed in 1918, this dam was designated as a registered tangible cultural property of Japan. Used the bedrock PS anchor method for the first time in Japan for seismic reinforcement to maintain the dam's functions and preserve the dam as part of the nation's cultural heritage.

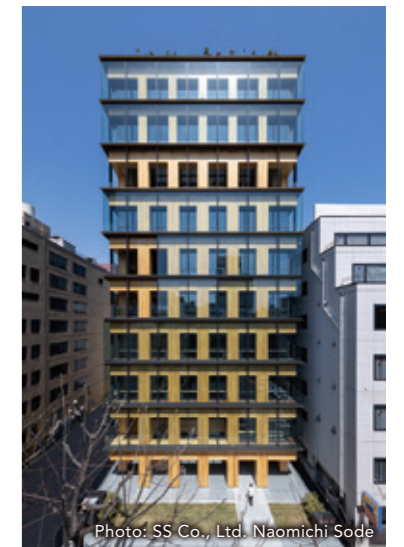
2022 and beyond

Toward Achieving Carbon Neutrality and Well-Being



February 2022 O-NES TOWER

First full-scale real estate development project for THAI OBAYASHI CORPORATION. Expected to obtain LEED and WELL Gold certification for ensuring the well-being of all workers and visitors and achieving excellent energy-saving performance.



March 2022 Port Plus®

Obayashi's own next-generation training facility. Standing at 44 m (11 floors) high, this is the tallest fire-resistant all-timber building in Japan.



March 2023 Sendai Umeda Dormitory

Employee dormitory with a hybrid wooden structure. Made from approximately 900 m³ of domestic wood, the building stores roughly 540 t of CO₂ over its lifecycle. Helps achieve carbon neutrality and improve employee well-being in terms of health and comfort.

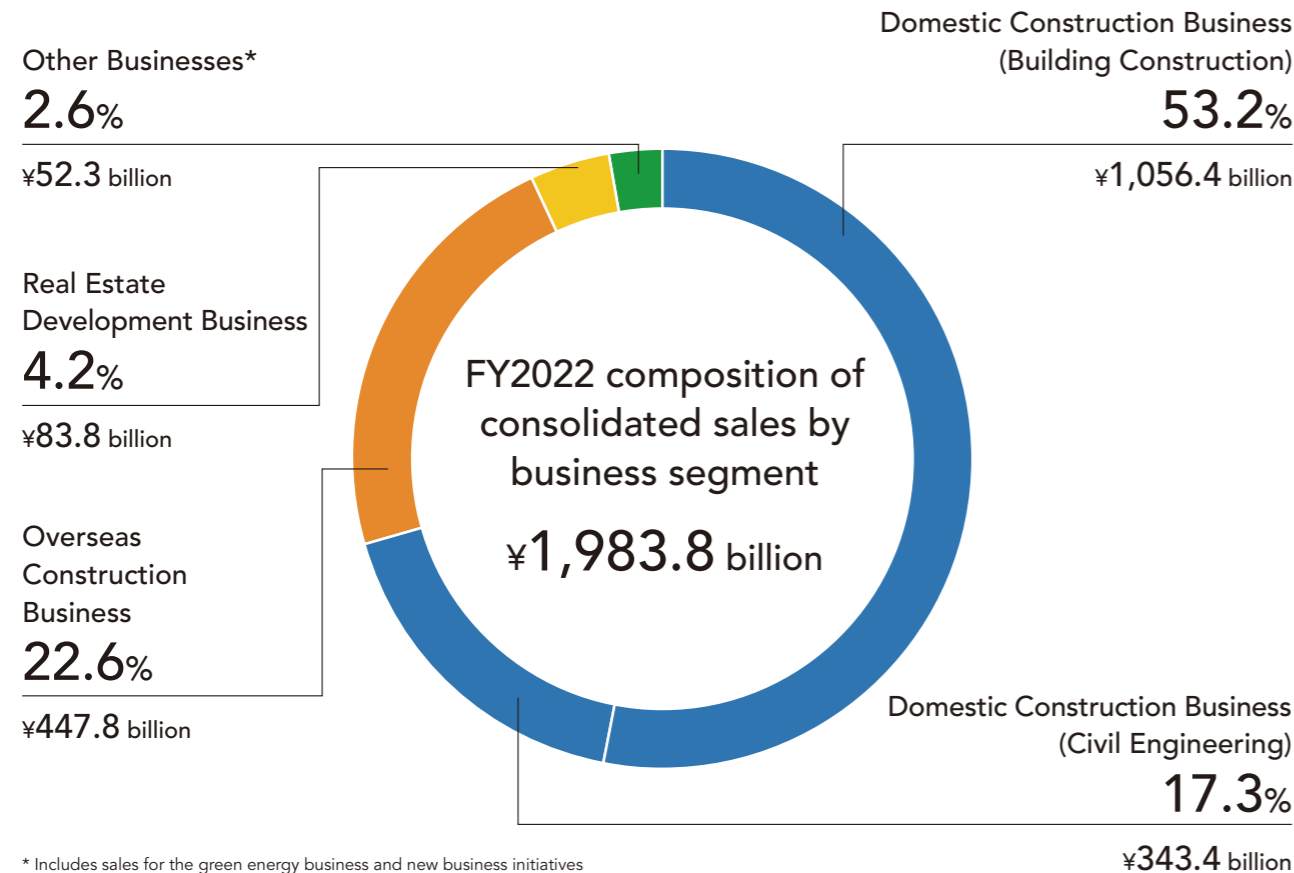


June 2023 Naigai Technos Corporation's Fujimino Main Factory

A large-scale factory for Group company Naigai Technos Corporation with a hybrid structure of wood and reinforced concrete covering total area of over 8,000 m².

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 Japanese 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.



* Includes sales for the green energy business and new business initiatives

Domestic Construction Business (Building Construction) [▶ P. 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.

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



Photo: Shinwa Co., Ltd.
Kubota Global Institute of Technology (Osaka Prefecture)

Domestic Construction Business (Civil Engineering) [▶ P. 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.

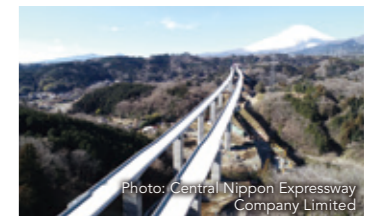


Photo: Central Nippon Expressway Company Limited
Shin-Tomei Expressway Nakajima Viaduct (Shizuoka Prefecture)

Overseas Construction Business [▶ P. 46](#)

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.



Nam Ngiep 1 Hydropower Project (Lao People's Democratic Republic)

Real Estate Development Business [▶ P. 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.



O-NES TOWER (Thailand)

Green Energy Business [▶ P. 48](#)

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



Kamikita-Ogawara Wind Power Station

New Business Initiatives [▶ P. 49](#)

New businesses focus on utilizing the Group's core technologies to help solve social challenges and expand into growth markets. We are also strengthening our public-private partnership (PPP) projects and concession initiatives. Beyond that, we are looking to commercialize the technological seeds, or undeveloped strengths, of the Group's four other business segments (domestic construction, overseas construction, real estate development, and green energy) by incorporating them into new business models.

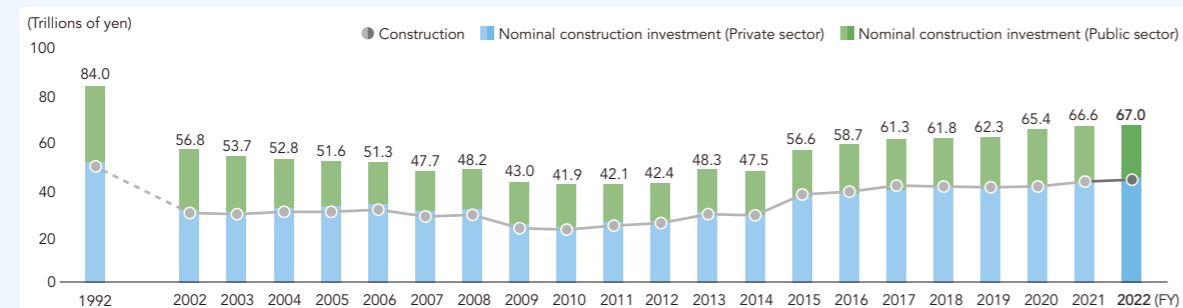


Nara Prefectural Convention Center

The Obayashi Group's Business Environment and Business Portfolio

Investment in domestic construction gradually declined from the peak of ¥84 trillion in FY1992, falling to roughly 50% of that peak in FY2010. Since then, investment has been on an upward trend due to reconstruction demand in the wake of the 2011 earthquake and the tsunami in northeastern Japan and a recovery in private capital expenditure. The Group seeks to ensure stable business management and sustainable growth by complementing the domestic construction business, which is prone to volatility resulting from economic conditions, with peripheral businesses that can be expected to generate stable earnings, such as the real estate development and green energy businesses.

Construction Investment



Source: Estimate of Construction Investment FY2022, Ministry of Land, Infrastructure, Transport and Tourism, Japan.

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.

- Branch
- Group company
- Office

JAPAN

Global Headquarters

Construction Business / Real Estate Business etc.
OBUYASHI CORPORATION
 Employees 9,134
 Net sales ¥1,387.0 billion

Civil Engineering Business
OBUYASHI ROAD CORPORATION
 Employees 1,125
 Net sales ¥98.4 billion

Building Construction Business
OAK SETSUBI CORPORATION
 Employees 246
 Net sales ¥22.4 billion

Building Construction Business
OBUYASHI FACILITIES CORPORATION
 Employees 857
 Net sales ¥30.1 billion

Building Construction Business
CYPRESS SUNADAYA CO., LTD
 Employees 176
 Net sales -*

* Became a consolidated subsidiary of Obayashi in February 2023

Building Construction Business
NAIGAI TECHNOS CORPORATION
 Employees 151
 Net sales ¥8.2 billion

Real Estate Business
OBUYASHI-SHINSEIWA REAL ESTATE CORPORATION
 Employees 157
 Net sales ¥56.1 billion

Green Energy Business
OBUYASHI CLEAN ENERGY CORPORATION
 Employees 32
 Net sales ¥15.2 billion

Other Businesses
OAK INFORMATION SYSTEM CORPORATION
 Employees 195
 Net sales ¥9.6 billion

North America

North American Regional Headquarters

U.S.A. Building Construction Business
WEBCOR, L.P.
 Employees 617
 Net sales ¥135.6 billion

U.S.A. Building Construction Business
JAMES E. ROBERTS-OBUYASHI CORPORATION
 Employees 57
 Net sales ¥26.2 billion

U.S.A. Civil Engineering Business
KRAEMER NORTH AMERICA, LLC
 Employees 184
 Net sales ¥49.6 billion

U.S.A. Building Construction Business
E.W. HOWELL CO., LLC
 Employees 161
 Net sales ¥34.2 billion

Canada Civil Engineering Business
KENAI DAN GROUP LTD.
 Employees 169
 Net sales ¥23.9 billion

U.S.A. Building Construction Business
GUAM OFFICE

ASIA

Asia-Pacific Regional Headquarters

Thailand Building Construction Business / Real Estate Business
THAI OBUYASHI CORPORATION LIMITED
 Employees 1,344
 Net sales ¥57.9 billion

Taiwan Building Construction Business
TAIWAN OBUYASHI CORPORATION
 Employees 124
 Net sales ¥12.6 billion

Singapore Building Construction Business
OBUYASHI SINGAPORE PRIVATE LIMITED
 Employees 324
 Net sales ¥47.3 billion

Vietnam Building Construction Business
OBUYASHI VIETNAM CORPORATION
 Employees 177
 Net sales ¥13.8 billion

Indonesia Building Construction Business
PT. JAYA OBUYASHI
 Employees 238
 Net sales ¥13.2 billion

Asia-Pacific Regional Headquarters
OBUYASHI SINGAPORE
PT. JAYA OBUYASHI

- U.A.E. MIDDLE EAST OFFICE
- Bangladesh BANGLADESH OFFICE
- Myanmar MYANMAR OFFICE
- Cambodia CAMBODIA OFFICE
- Malaysia MALAYSIA OFFICE
- Australia AUSTRALIA OFFICE
- New Zealand NEW ZEALAND OFFICE

Group Overview (As of March 31, 2023)

Overseas offices 16 countries and regions

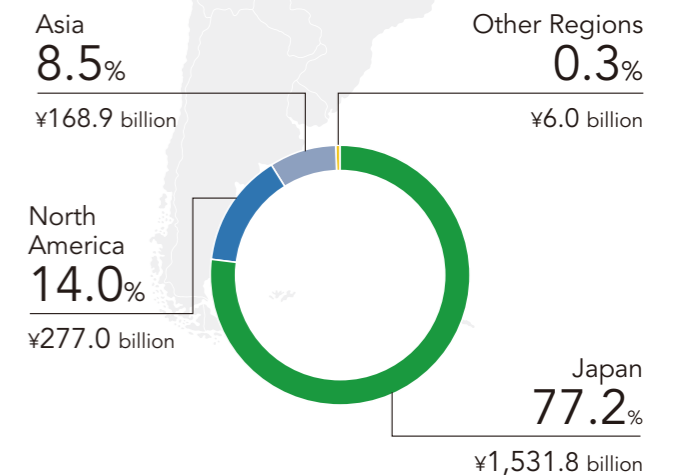
Employees (consolidated) 15,876

Group companies 136

Obayashi Corporation and subsidiaries 109

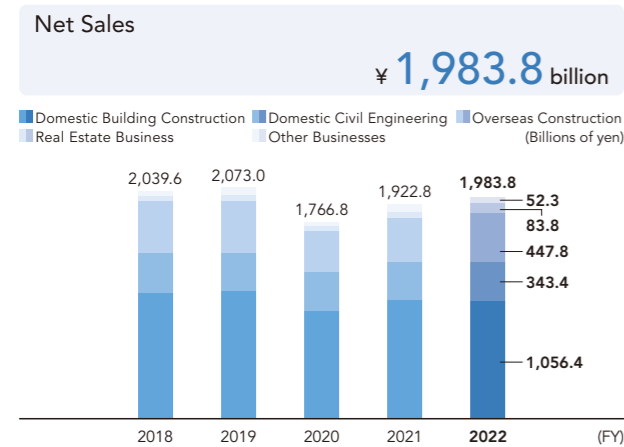
Affiliated companies 27

Net Sales by Region (FY2022 results)

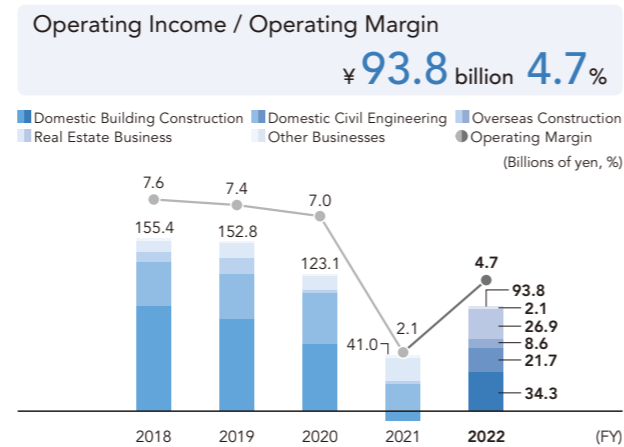


Performance at a Glance

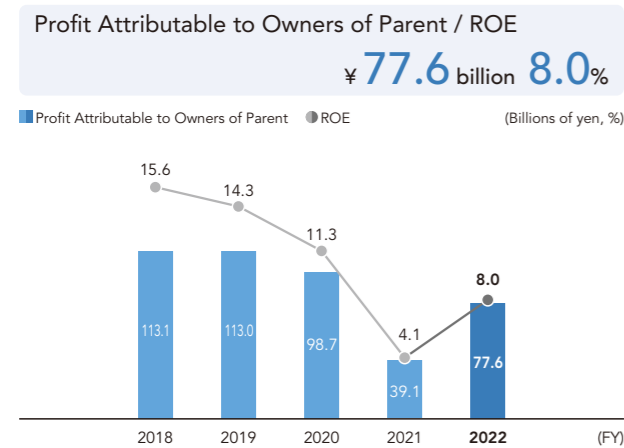
Consolidated Financial Highlights



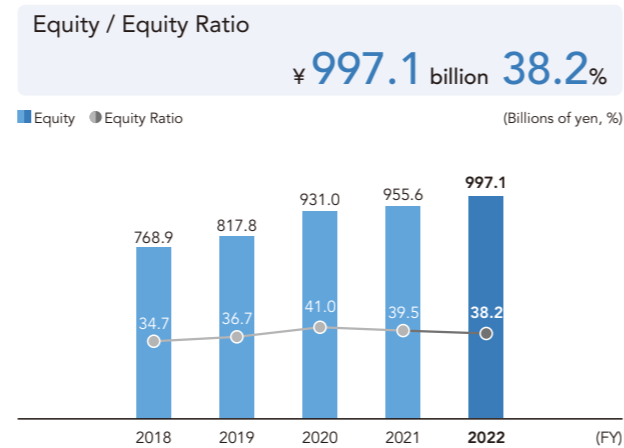
Net sales increased as we made steady progress on a full array of projects in hand in the non-consolidated domestic construction business. In addition, the weaker yen boosted sales of overseas subsidiaries in yen terms, and the sale of large-scale properties in the real estate business also boosted performance.



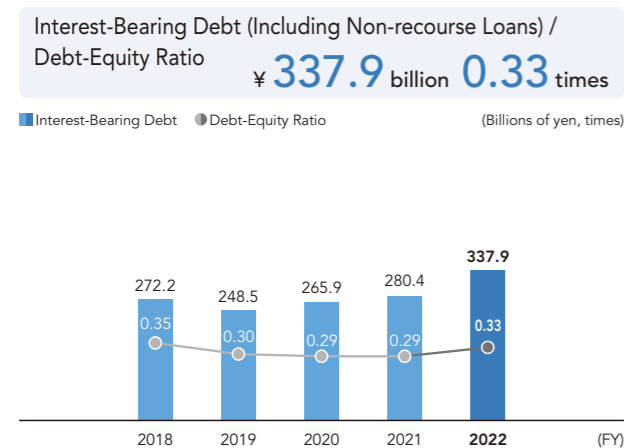
Operating income in the non-consolidated domestic construction business rebounded compared to the contracts year when the recording of provision for loss on construction contracts resulted in a sharp decline in gross profit on completed construction contracts. The sale of large-scale properties in the real estate business also boosted operating income.



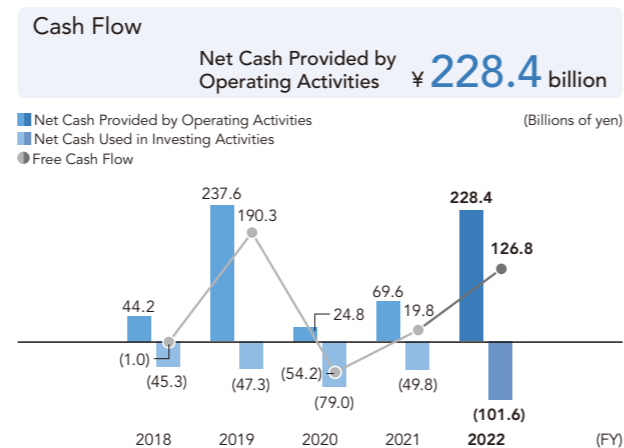
Profit attributable to owners of parent increased on the back of the rise in operating income and the recording of profit on the sale of shares relating to our policy to reduce cross-shareholdings. Return on equity (ROE) also rebounded from the previous fiscal year's decline caused by the significant contraction in profits, improving 3.9 percentage points to 8.0%.



Despite a fall in the valuation difference on available-for-sale securities caused by the sale of cross-shareholdings, equity increased primarily on the back of an increase in retained earnings. The equity ratio declined by 1.3 percentage points to 38.2% following an increase in interest-bearing debt.



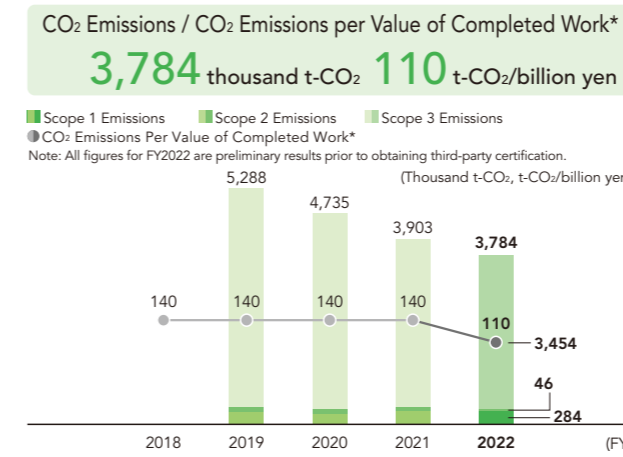
Interest-bearing debt increased amid concerns about potential interest rate rises. We took on debt early in light of the fact that large-scale construction work in the domestic construction business is expected to increase and peak in FY2023, which will necessitate a large amount of working capital.



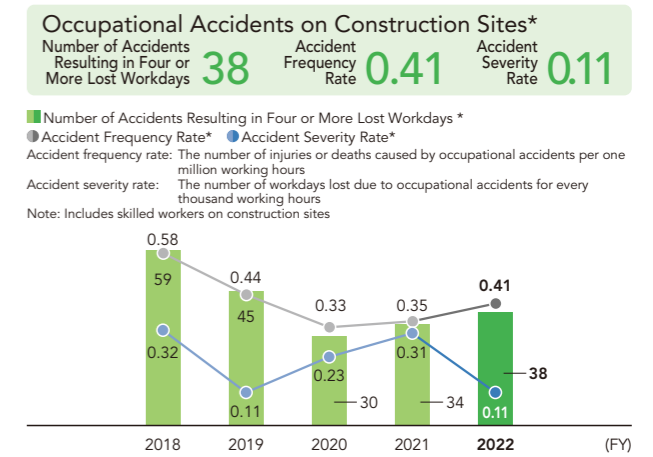
Net cash provided by operating activities increased significantly due to factors including progress on the collection of construction payments for large-scale projects in the domestic construction business. Net cash used in investing activities increased due to the acquisition of commercial real estate and other factors.

Non-Financial Highlights

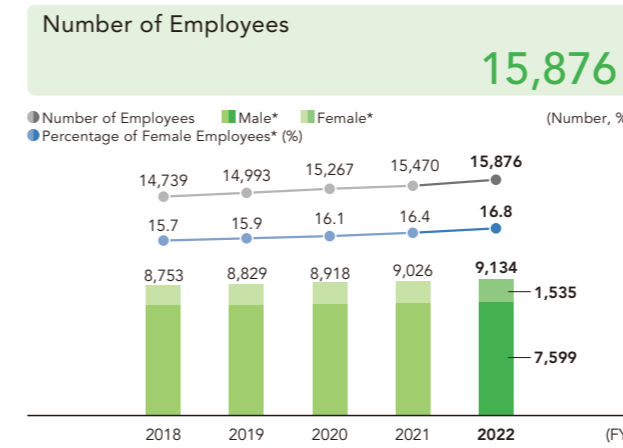
Data marked with an asterisk (*) is non-consolidated data. All others are consolidated data.



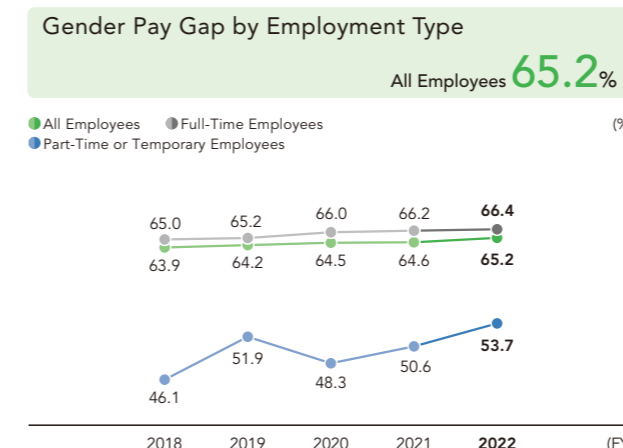
More environment-conscious power consumption, such as through the use of renewable energy and non-fossil certificates reduced Scope 2 CO₂ emissions. As a result, both CO₂ emissions and CO₂ emissions per value of completed work decreased.



In FY2022, the number of accidents resulting in four or more workdays lost increased by four year on year, and the accident frequency rate rose by 0.06 points. However, the accident severity rate improved due to a decrease of two in the number of fatal accidents.



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 20% for the second consecutive year, with the percentage of female employees reaching 16.8% (up 0.4 percentage points year on year) in FY2022.



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. However, 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.

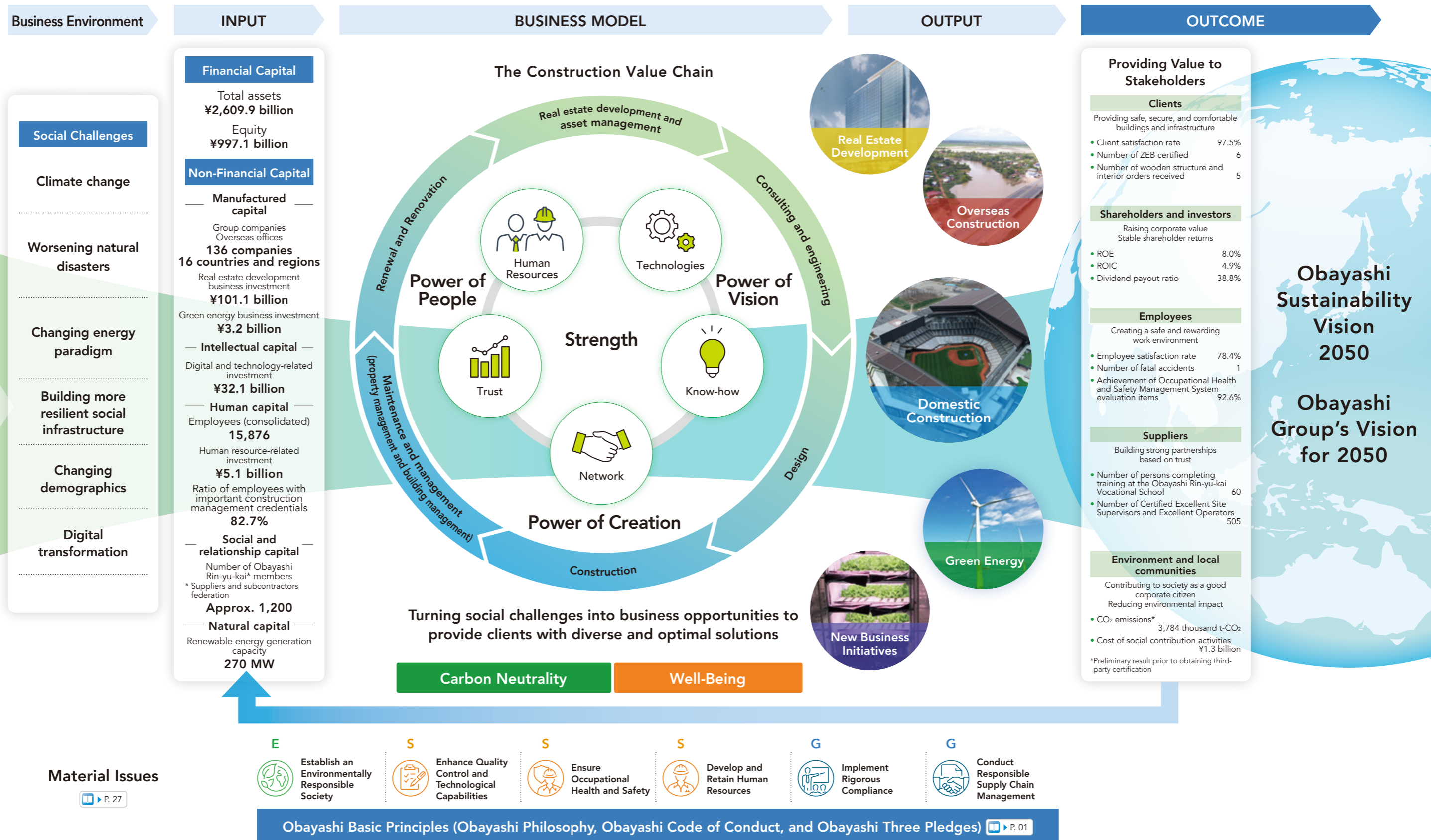
Human Resources-Related Data*

Item	FY2020	FY2021	FY2022	
Active Participation	Number of new graduate hires	302	304	313
	Male	244	241	247
	Female	58	63	66
	Percentage female	19.2%	20.7%	21.1%
Active Participation	Number of mid-career hires	57	76	102
	Male	50	65	87
	Female	7	11	15
Percentage female	12.3%	14.5%	14.7%	
Number of employees rehired after retirement	670	725	735	
Number of foreign national employees	In management positions	4	5	7
	Number of employees with disabilities	238	239	246
Turnover rate (%)	1.2	1.2	1.7	
Work-Life Balance	Number of employees taking childcare leave	56	51	62
	Number of employees taking nursing-care leave	18	29	34
	Number of employees taking spouse childbirth leave	197	201	214
	Number of employees taking child rearing leave	59	58	86
Annual paid vacation usage rate (%)	56.0	46.7	51.7	

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.

Numbers shown are FY2022 results or values as of March 31, 2023



Obayashi Sustainability Vision 2050

Obayashi Group's Vision for 2050

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.

	Overview	Amassed strengths	Further enhancements	Risks	
	<p>To obtain orders for construction projects, the marketing and development departments work together to present real estate information, propose business plans, and provide a variety of consulting services that meet client needs. The team participates in large-scale urban redevelopment projects from the initial stages as a project collaborator helping to plan and support the development of viable commercial projects that also incorporate the wishes of the local community.</p>		<ul style="list-style-type: none"> Expertise in real estate development business based on strong track record Broad network in various fields cultivated through the construction and real estate development businesses Technical prowess (including building construction and civil engineering technology) as a construction company 	<ul style="list-style-type: none"> Improve non-price competitiveness by strengthening development proposal capabilities Utilize network to acquire prime assets in potential growth areas Support the promotion of redevelopment projects and other large-scale development projects Plan and propose real estate development projects that help achieve carbon neutrality and well-being 	<ul style="list-style-type: none"> Changes in real estate market conditions Decline in investment appetite due to soaring prices and sluggish economic conditions in Japan
	<p>The team provides consulting services and solutions that leverage the Company's advanced technological prowess, expertise, and knowledge, and provides the technical support that marketing teams need to meet client needs. Solid engineering management ensures the provision of high value-added services throughout the construction process.</p>		<ul style="list-style-type: none"> Total management from project inception and planning to design and construction (production facilities, information and communications technology (ICT), renewable energy, environmental rehabilitation) Provide project, engineering, and construction management service for all project phases 	<ul style="list-style-type: none"> Enhance ability to make proposals that satisfy increasingly diverse client needs, such as for DX and smart systems Enter new fields, such as biotechnology-related facilities Address environmental and energy policies Create new business models through innovation and other means 	<ul style="list-style-type: none"> Occurrence of serious quality defects Impact on natural environments and ecosystems
	<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"> Value-added proposals fueled by a wealth of creativity and technical prowess Internal and external networks that support the creation of diverse and flexible proposals Amassed expertise in environmental contribution Internal collaborative systems that enhance problem-solving capabilities 	<ul style="list-style-type: none"> Expand human resources by cooperating with external design offices Use building information modeling (BIM)¹ for frontloading and to improve productivity Strengthen competitiveness in highly specialized fields Strengthen proposal capabilities for early contractor involvement (ECI)² and design-build (DB)³, as well as PPP and private finance initiatives (PFI) Expand training systems and enhance proposal capabilities 	<ul style="list-style-type: none"> Secure human resources to meet immediate workload Adjust budget estimates to reflect soaring construction material prices Measures to address abnormal weather patterns and environmental changes Potential quality problems caused by design defects
	<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 structures 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 process and quality management.</p>		<ul style="list-style-type: none"> Expertise and technological capabilities to complete difficult construction projects Robotics-driven automation and autonomous construction technologies ICT-driven safety and quality management Price competitiveness achieved through cooperation with suppliers and manufacturers Supply chains that ensure quality and stable supply 	<ul style="list-style-type: none"> Improve productivity by creating production systems and labor-saving methods that utilize IoT, AI, and robotics Pursue initiatives in new construction service areas, such as the construction of wooden structures and interiors, or smart roads Secure skilled workers, strengthen human resource development 	<ul style="list-style-type: none"> Potential serious safety- or quality-related incidents Soaring prices and supply constraints for construction materials Impact of timber procurement on ecosystems Shortage of construction site personnel due to the aging of skilled workers Human rights violations across the supply chain
	<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 equipment management, cleaning management, and security.</p>		<ul style="list-style-type: none"> Facilities operation that leverages Internet of Things (IoT), artificial intelligence (AI), and other innovation A wealth of PPP business experience Group cooperation enabling receipt of comprehensive contracts spanning construction work and building management 	<ul style="list-style-type: none"> Expand building management (BM) administration systems Acquire property/building management contracts through private funds under management 	<ul style="list-style-type: none"> Demand for operational management services suited to the characteristics of individual real estate properties and facilities Shortage of personnel in the BM business
	<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"> Ability to propose long-term repair plans based on lifecycle Technical proposals based on extensive track record in infrastructure renewal 	<ul style="list-style-type: none"> Respond to infrastructure renewal demand Expand capabilities and business operations through M&A and other means Develop new technologies, such as the Obayashi Bridge Renewal Integrated System (OBRIS)⁴, and apply those technologies at construction sites 	<ul style="list-style-type: none"> Occurrence of public suffering and nuisance to the third parties during renewal and renovation works Intensified competition in the renewal and renovation field

Business Opportunities

Carbon Neutrality

Expand the product lifecycle

- High quality
- Renewal and renovation
- Conversion
- etc.

CO₂ reduction

- Renewable energy
- ZEC⁴/ZEB
- CO₂-free hydrogen
- Micro grids
- etc.

CO₂ absorption

- Wooden buildings
- Development of agriculture, best use of forest resource
- Development of materials that absorb CO₂
- Urban greening
- etc.

CO₂ recycling

- Carbon regeneration system (algae and biofuel)
- Utilization of CO₂-free hydrogen

CO₂ capture

- CO₂ capture and storage (CCS)
- Development of materials that capture CO₂
- etc.

Well-Being

Safety

- Safety of buildings and infrastructure
- Safety of food and water
- Response to severe natural disasters
- Safety in the workplace

Security

- Secure logistics network
- Create a society with reliable security
- Facilities that can be managed steadily and efficiently

Comfort

- Comfortable working and living environments (convenience, environmental control, etc.)
- Efficient transportation network
- Living in harmony with nature and environmental rehabilitation

Health

- Comfortable work spaces
- Health of residents
- Enhanced medical systems
- Health of employees and suppliers

1. Using a computer to create a building information model that combines information on the three-dimensional shape and attributes of the building
 2. A method of concluding a construction contract by 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

3. A method in which a client orders both the design and construction work at the same time from a single contractor
 4. Net Zero Energy Construction: A unique Obayashi initiative, whereby the amount of primary energy used in a construction project is canceled out by the amount of primary energy produced through power generation initiatives at a domestic building construction or civil engineering project

Carbon Neutrality and Well-Being Solutions That Leverage Our Comprehensive Competitiveness

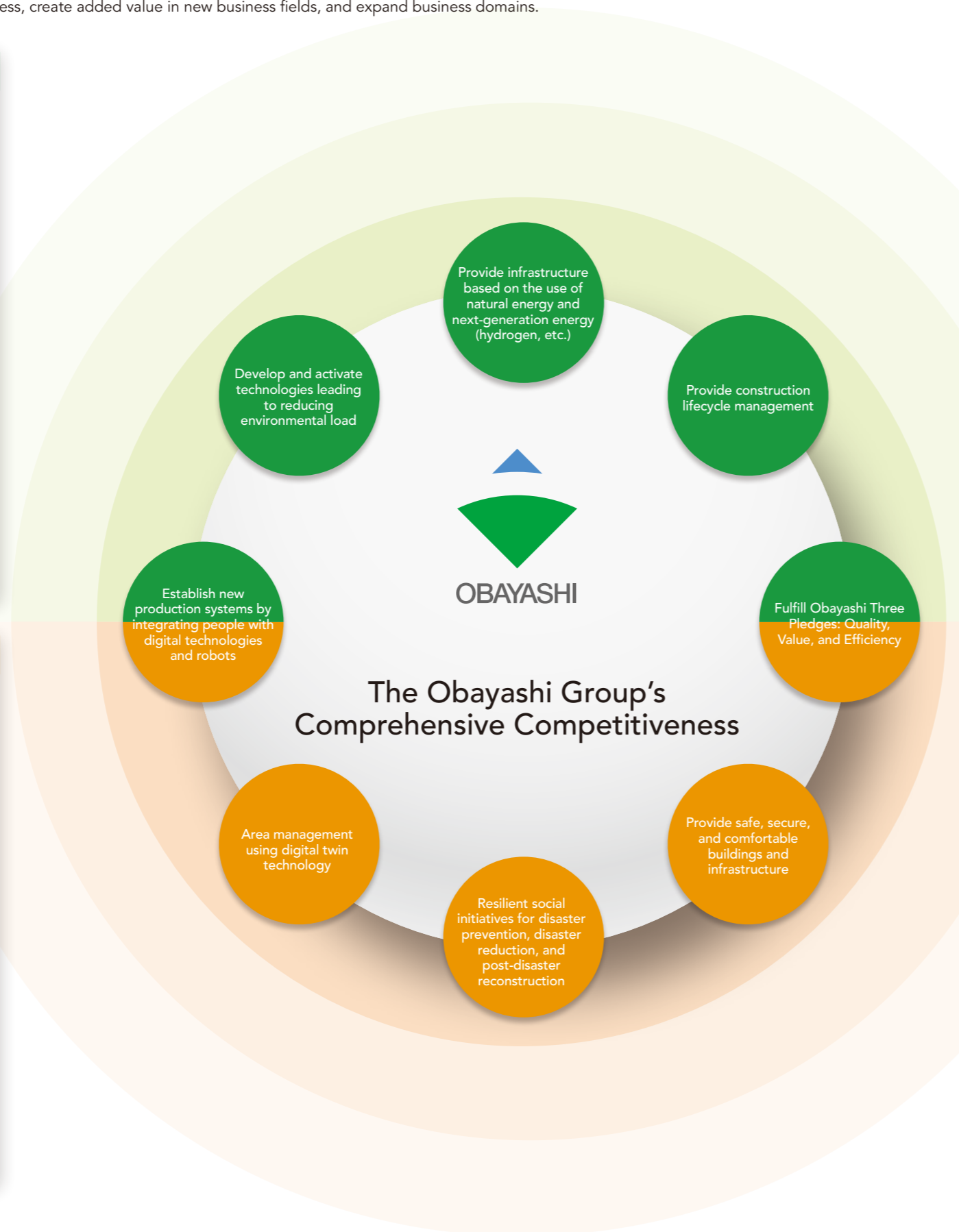
As part of Obayashi Group Medium-Term Business Plan 2022, we intend to create new value for customers by providing solutions that leverage our overall competitiveness, create added value in new business fields, and expand business domains.

Carbon Neutrality

- Expand the product lifecycle**
 - High quality
 - Conversion
 - Renewal and renovation
 - etc.
- CO₂ reduction**
 - Renewable energy
 - CO₂-free hydrogen
 - ZEC/ZEB
 - Micro grids
 - etc.
- CO₂ absorption**
 - Wooden buildings
 - Urban greening
 - Development of agriculture, best use of forest resource
 - Development of materials that absorb CO₂
 - etc.
- CO₂ recycling**
 - Carbon regeneration system (algae and biofuel)
 - Utilization of CO₂-free hydrogen
- CO₂ capture**
 - CO₂ capture and storage (CCS)
 - Development of materials that capture CO₂
 - etc.

Well-Being

- Safety**
 - Safety of buildings and infrastructure
 - Safety of food and water
 - Response to severe natural disasters
 - Safety at the workplace
- Security**
 - Secure logistics network
 - Create a society with reliable security
 - Facilities that can be managed steadily and efficiently
- Comfort**
 - Comfortable working and living environments (convenience, environmental control, etc.)
 - Efficient transportation network
 - Living in harmony with nature and environmental restoration
- Health**
 - Comfortable work spaces
 - Health of residents
 - Enhanced medical systems
 - Health of employees and suppliers




Solution

ZEB Initiatives

Net zero energy buildings (ZEB) are structures that offer a comfortable indoor environment while achieving net-zero energy consumption through two approaches: (1) conserving energy in a way that reduces energy consumption, and (2) creating energy by introducing renewable energy for independent power supply. There are four ZEB ratings that depend on the extent of reduction in energy consumption. Obayashi launched ZEB-related efforts ahead of other companies and the main Techno-Station building of the Obayashi Technology Research Institute has consistently achieved ZEB status since FY2014.

▶ P. 55




Main Building, Techno-Station at the Technology Research Institute

Promoting Wooden Structures and Interiors

Wooden structures, with major components such as columns, beams, floors, and walls made of wood, are attracting attention as structures that can help achieve carbon neutrality for two key reasons: their ability to fix atmospheric CO₂, and the fact that wooden materials result in lower CO₂ emissions during production compared to concrete or steel. Obayashi has developed technologies to overcome problems with seismic performance and fire resistance in the construction of high-rise wooden structures, and the Company has successfully built mid- to high-rise wooden structures.

▶ P. 54



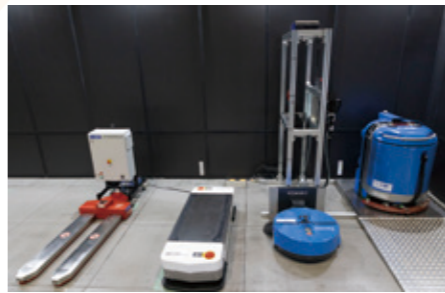
The new Atlassian Central building, the world's tallest hybrid timber building (Rendering of completed building)

Solution

Automated and Autonomous Technology Initiatives

The shortage of workers has become a serious problem in the construction industry. Obayashi is pressing ahead with construction DX in order to improve productivity. As part of this effort, we are working to save labor and improve efficiency on construction sites by such means as introducing autonomous materials transport, promoting the automatic and autonomous operation of construction machinery, and developing remote control technology. There is a similarly strong need for these automated and autonomous labor-saving technologies in other industries as well, so Obayashi established a new company, PLiBOT to broadly apply this technological knowledge and expertise, and to create solutions for society at large.

▶ P. 50




A variety of autonomous mobile robots provided by PLiBOT

Smart Building Initiatives

Obayashi is not focused purely on constructing buildings, but also on promoting the well-being of building users in terms of their comfort, health, convenience, and safety.

In 2018, the Company developed WellnessBOX®, a smart building management system that uses IoT and AI to provide the optimal environment for each individual user. In 2022, Obayashi took the system a step further to develop the WELCS place®* smart building platform through open innovation with multiple companies worldwide. The platform makes it possible to provide a wide variety of services for both building managers and users.

▶ P. 50



Oprizon

Oprizon, Ltd., established by Obayashi and Hitachi Solutions, Ltd. as a new joint venture company in the smart building arena

* A smart building platform developed through open innovation with multiple companies worldwide, enabling multiple data-integrated applications to be run from a single user interface

Case Study

Creating Value by Pursuing an Advanced Project to Achieve Society's Decarbonization

Carbon Neutrality and Well-Being Initiatives in Iwatani Corporation New Training Facility Project



(Rendering of completed building)

Project Overview

Project name	Iwatani Corporation New Training Facility
Construction period	February 13, 2023 to October 15, 2024
Structure	Steel frame + Wooden structure (hybrid wooden structure)
Utilized timber	362.8 m ³
Carbon captured	278.8 t-CO ₂

Design Concept

Iwatani Corporation began the sale of hydrogen in 1941 and has since pursued various initiatives in its hydrogen business. In designing a training center for Iwatani Corporation, Obayashi is aiming to create a facility that acts as both a beacon for the use of hydrogen in achieving society-wide decarbonization and a central facility to train the diverse personnel that will drive the hydrogen energy business forward.

Carbon Neutrality

First Temporary Wooden Site Office in Japan to Obtain ZEB Certification

With the help of Nishio Rent All Co., Ltd., Obayashi created a temporary wooden site office utilizing pre-fabricated wooden module units called kibaco. The building is Japan's first temporary wooden site office to obtain ZEB certification. This was achieved by adhering to high insulation and airtightness interior specifications, introducing highly efficient equipment to conserve energy, and installing solar panels to create energy. The office and solar panels will be used at another construction site once their job here is done.

Hydrogen fuel cells are being installed at the office to

supply electricity sourced from green hydrogen produced by Obayashi in the town of Kokonoe (Kusu District, Oita Prefecture) as well as hydrogen produced by Iwatani Corporation.



Hydrogen power generator



Visualization of power generation status

Construction process of temporary wooden site office



1. Constructing units



2. Lifting and installing units



3. Lifting and installing units (second floor)



4. Building exterior passageway units



5. Lifting and installing exterior passageway units



6. Lifting and installing roof units



Completed temporary wooden site office

Carbon Neutrality

Decarbonization Initiatives Pursued during Construction

Various measures were implemented on site to help decarbonize construction.

- Hydrocut®**
 Hydrocut®, handled by Iwatani Corporation, is a hydrogen-based premixed fusing gas that is a mixture of ethylene and hydrogen. It is a clean energy source, can be used in the same way as conventional acetylene, and reduces CO₂ emissions by up to 84% compared to acetylene gas. This gas will be used for on-site gas cutting work and other purposes.
- Gas-to-liquid (GTL) fuel**
 GTL fuel is being used to power the 200-ton crawler crane. GTL fuel is derived from natural gas, and with a low environmental impact, it is a cleaner alternative to diesel oil. It can reduce CO₂ emissions by 8.5% compared to diesel fuel while retaining properties equivalent to those of petroleum-derived products.
- Other measures**
 We are reducing the consumption of diesel and other fuel by using electric forklifts and ICT construction machinery.



A 200-ton crawler crane that runs on GTL fuel

Well-Being

Improving the Workplace Environment and Enhancing Productivity

The temporary wooden site office exudes the natural warmth of wood and enhances workplace comfort through its ability to control humidity, thus creating a relaxing atmosphere. It is expected to have a positive impact on health and productivity. The building's workplace environment also boasts various other features that promote well-being.

- Standing tables and balance balls**
 Standing tables are used for meetings to help promote health, invigorate conversation, and make the meeting process more efficient. The office is also equipped with balance balls and footrests to ease any pressure on the lower back and reduce fatigue caused by prolonged periods spent sitting at a desk.
- Free address and booths for intensive work**
 Free address, or flexible seating, in the office stimulates communication by enabling employees to work from the seat that best suits their mood and their work tasks for the day. Also available is a work booth that can be used for intensive work or online meetings.
- Smart wellness corner**
 The office has a smart wellness corner separate from the regular office space. The corner is a space for designers to work when they visit the office, or for employees working at the office seeking a change in their surroundings.



A meeting held at a standing table



Smart wellness corner

A Word from the On-Site Project Director

The initiatives pursued at the construction site form part of the carbon neutrality measures included in Medium-Term Business Plan 2022. They were inspired by a proposal to test and verify measures for promoting decarbonization of the construction process.

We are striving not only to achieve carbon neutrality goals, but also to enhance well-being, by creating comfortable working environments based on ideas from within Obayashi, as well as from Iwatani Corporation and our suppliers and subcontractors. It is hard to ascertain the effectiveness of these measures, but all workers at the construction site will take ownership of the challenge and strive to create the ideal future construction site. All parties are committed to working together to build Iwatani Corporation a training center befitting a society that advocates carbon neutrality and well-being.



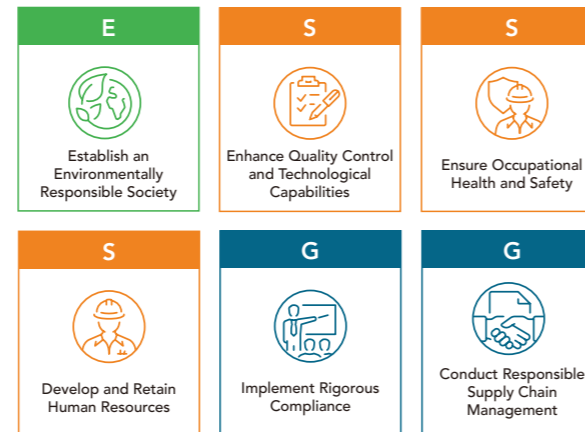
Yuji Watanabe
 Project Director of Iwatani Corporation Kobe Construction Project Office at Osaka Main Office

Material Issues and KPIs

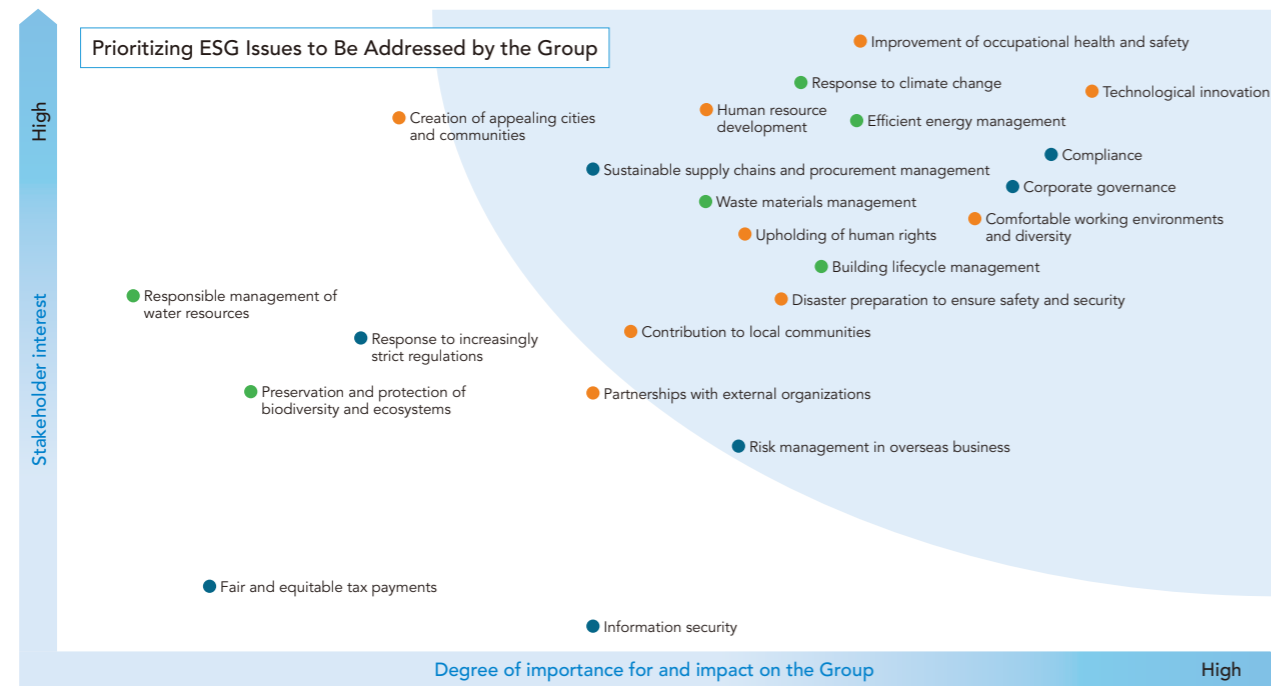
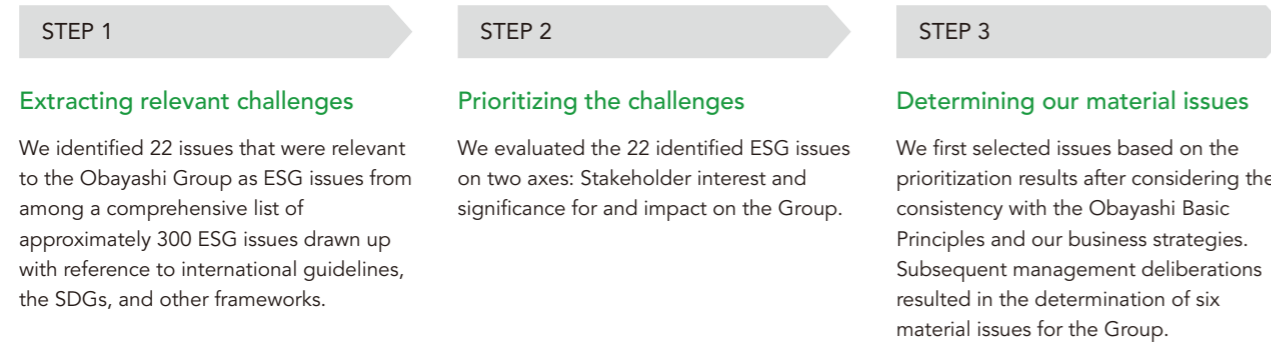
The Obayashi Group's ESG-Related Material Issues

In promoting ESG management, the Obayashi Group identified six material ESG 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

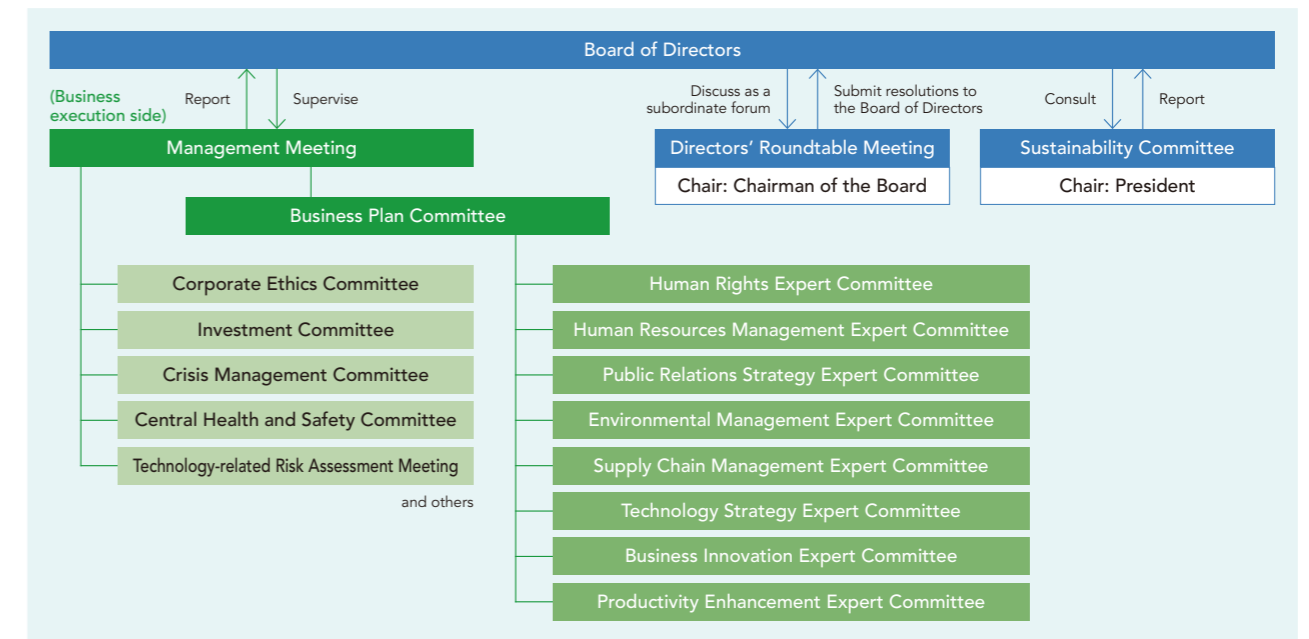


Sustainability Promotion

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



Key Information on Committees

Business Plan Committee	Formulates execution policies relating to sustainability issues and manages progress.
Human Rights Expert Committee	Resolves human rights issues and promotes human rights awareness based on the Obayashi Group Human Rights Policy.
Human Resources Management Expert Committee	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.
Public Relations Strategy Expert Committee	Formulates policies and strategies relating to internal and external corporate communication.
Environmental Management Expert Committee	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.
Supply Chain Management Expert Committee	Formulates policies and strategies relating to supply chain management inside and outside Japan, including partner companies, based on the Obayashi Group CSR Procurement Policy.
Technology Strategy Expert Committee	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.
Business Innovation Expert Committee	Formulates and promotes strategies relating to new businesses and business innovation that can help address and resolve social issues, and considers and screens investments.
Productivity Enhancement Expert Committee	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	Action Plan	Medium-Term Business Plan 2022 Measures by Business/Measures for Platform Development	Key Performance Indicator	FY2022		Targets for FY2023	Targets for FY2024	
				Targets	Results			
E Establish an Environmentally Responsible Society 	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 construction projects	100%	100%	100%	100%	
			Number of ZEB certified design and construction projects	-	6	5	5	
	Promote green energy business	Promote introduction of energy saving technologies to new and existing properties and introduction of renewable energy	Ratio of renewable energy usage in domestic for-lease properties owned by the Obayashi Group	100% of for-lease office buildings by FY2026	86%	100% of for-lease office buildings by FY2026		
				100% of for-lease properties by FY2030	85%	100% of for-lease properties by FY2030		
		Continue the stable operation of and maximize profit from power facilities in operation	Stable annual electricity generation from renewable energy business	683,700 MWh	540,279 MWh	734,800 MWh	781,400 MWh	
	Promote decarbonization	<ul style="list-style-type: none"> Reduce CO₂ emissions by introducing alternative fuel, etc. that can reduce diesel fuel use Reduce CO₂ emissions by adopting solar power and other types of power generated from renewable energy Utilize Clean-Crete¹ and other low-carbon materials Promote decarbonization/Work toward carbon neutrality in the construction process (CO₂ reduction) Facilitate the development and rollout of design and construction technologies for hybrid timber mid- and high-rise buildings 	CO ₂ emissions reduction rate (vs FY2019) (Scope 1 + Scope 2)	46.2% reduction by FY2030	(12.6%) ²	46.2% reduction by FY2030		
CO ₂ emissions reduction rate (vs FY2019) (Scope 3)			27.5% reduction by FY2030	(38.9%) ²	27.5% reduction by FY2030			
Contribute to realizing a recycling-oriented society	Use electronic manifest, promote zero emissions, and increase the recycling rate of construction waste	Ratio of mixed waste in construction waste	3.0% or less	4.3%	3.0% or less	3.0% or less		
S Enhance Quality Control and Technological Capabilities  Ensure Occupational Health and Safety  Develop and Retain Human Resources 	Pursue reliable quality	<ul style="list-style-type: none"> Eradicate serious quality defects Ensure thorough quality management awareness and promote the quality management system 	Number of serious quality defects	0	2 ³	0	0	
	Use technological capabilities to further enhance productivity	<ul style="list-style-type: none"> Make sure to set application-specific target productivity indicators and assign appropriate personnel Secure production capacity of suppliers and increase their productivity 	Productivity of a construction site worker or employee per day	¥102,000 or more	¥105,000	Equal to or more than the previous fiscal year	Equal to or more than the previous fiscal year	
	Maintain good construction management system	<ul style="list-style-type: none"> Expand the production support system Encourage employees to obtain qualifications 	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)	Maintain 80% or more	82.7%	Maintain 80% or more		
	Rigorously apply the Occupational Health and Safety Management System	<ul style="list-style-type: none"> 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 can ensure their own safety Ensure thorough safety management awareness and promote the Occupational Health and Safety Management System 	Number of fatal accidents	0	1	0	0	
	Promote work style reform	<ul style="list-style-type: none"> 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 (104 days a year) Promote the closing of construction sites eight days out of every four-week period 	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)	50% or more	46.6%	60% or more	100%	
	Promote diversity	Encourage eligible male employees to take childcare leave or other leave for childcare	Promote active engagement of all employees and offer opportunities to grow	Ratio of eligible male employees taking childcare leave or other leave for childcare	100% by FY2024	81.3%	100% by FY2024	
				Ratio of employment of people with disabilities	2.4% or more	2.35%	2.4% or more	2.5% or more
				Ratio of women in managerial positions (section manager level or above)	-	5.3%	6.4% by FY2024	
				Ratio of female engineers	12% by FY2024	10.4%	12% by FY2024	
				Employee satisfaction rate	-	78.4%	70% or more	70% or more
Promote health and productivity management		Ratio of employees requiring followup health checkup	-	38.6%	Less than 40%	Less than 40%		
G Implement Rigorous Compliance  Conduct Responsible Supply Chain Management 	Promote the Corporate Ethics Program	<ul style="list-style-type: none"> Make sure to comply with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and other laws and regulations Offer constant discussion-style training that uses specific case studies, including elimination of anti-social forces, eradication of accounting misconduct, and eradication of harassment 	Ratio of employees taking corporate ethics training	100%	100%	100%	100%	
	Practice rigorous information security management	Offer constant security education	Ratio of employees taking information security training	100%	100%	100%	100%	
		Further strengthen the protection of the most important data	Number of serious information security incidents (data leakage, loss, falsification)	0	0	0	0	
	Promote CSR procurement	Promote understanding on CSR procurement across group-wide supply chains	Ratio of procurement from companies responded to the CSR procurement questionnaire	70%	79%	70%	70%	
			Number of suppliers and subcontractors attending engagement events	100	145	Equal to or more than the previous fiscal year	Equal to or more than the previous fiscal year	
			Number of Certified Excellent Site Supervisors and Excellent Operators	481 or more	505	Equal to or more than the previous fiscal year	Equal to or more than the previous fiscal year	
	Train and support skilled workers	<ul style="list-style-type: none"> Train and support talented skilled workers by constantly expanding the Excellent Site Supervisor and Excellent Operator systems and reviewing the certification criteria Improve skills and support the training of skilled workers at the vocational training school, etc. 	Number of persons completing training at the Obayashi Rin-yu-kai Vocational Training School	51 or more	60	Equal to or more than the previous fiscal year	Equal to or more than the previous fiscal year	

1. A type of concrete which can reduce CO₂ 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 CO₂.
 2. Preliminary result before third-party verification
 3. Defects have been corrected

Discussion: Creating Value Together with the Supply Chain



Masanori Yamamoto
Chairman, Obayashi Rin-yu-kai Federation

Kenji Hasuwa
Representative Director
President and CEO
Obayashi Corporation

Masumi Shiraishi
Professor, Faculty of Policy
Studies, Kansai University

Obayashi Rin-yu-kai Federation: A Partner in Supporting and Nurturing the Obayashi Group's Supply Chain

In collaboration with its supply chain, the Obayashi Group has taken initiatives to address various issues in the construction industry to date. Obayashi Corporation president Kenji Hasuwa, Obayashi Rin-yu-kai Federation chairman Masanori Yamamoto, and professor of policy studies at Kansai University Masumi Shiraishi pick up the topic of supply chain management for the Obayashi Group and discuss the prospect of realizing the Group's vision.

Obayashi Rin-yu-kai's Past and Present, and its Relationship with the Obayashi Group

Shiraishi Mr. Yamamoto, could you first explain the origins of Obayashi Rin-yu-kai, its current organizational scale, the regions it covers, and its most recent initiatives?

Yamamoto Obayashi Rin-yu-kai was established in Osaka in 1906 as an organization of subcontractors that worked exclusively with Obayashi Corporation founder and president Yoshigoro Obayashi. It will celebrate its 120th anniversary in 2025. As an organization boasting supplier and subcontractor members from all over Japan, we have worked with Obayashi Corporation to improve technologies around safety and quality. We currently have active Rin-yu-kai branches in 11 areas across Japan and the number of

members has risen to approximately 1,200 companies. I believe we are able to operate solidly and efficiently on this scale in cooperation with Obayashi.

One of the initiatives we are jointly focusing on right now is the Obayashi Excellent Site Supervisor Certification Program that was introduced in FY2011. The program awards Excellent Site Supervisor certification to people who excel in supervising construction workers and provides an additional fixed allowance commensurate with this certification. In FY2011, the first year of the program, 75 people in five categories were certified as Excellent Site Supervisors. In FY2023, the number of eligible occupational categories was increased to 22 building construction categories and six civil engineering categories, and the number of Certified Excellent Site Supervisors and Excellent Crane Operators rose to 531. A total of 4,322 people have been certified to date.

Another major initiative is the Obayashi Rin-yu-kai Vocational Training School. We are all aware of the serious shortage of labor in the construction and civil engineering industries. To encourage the development of young technical staff at suppliers and subcontractors and to provide skills to future workers, in 2014 Rin-yu-kai opened a vocational training school together with Obayashi and is working hard to train new skilled workers. This year marks the school's 10th anniversary. The vocational school attracted the attention of Japan's Ministry of Land, Infrastructure, Transport and Tourism and other organizations as the first joint initiative in Japan between a general contractor and its suppliers and subcontractors to foster excellent skilled workers. In 2015, the school was certified as the first wide-area certified training program for a general contractor.

We no longer learn by shadowing experienced workers and watching their every move. Observing and learning from a master as we did in my day on the construction site doesn't work as a training method anymore. Instead, it is increasingly important in the emerging DX-driven society for on-site workers to learn how to work on construction sites—particularly sites that use construction DX—logically and systematically in classroom lectures and training sessions. Why? Because they need to learn that safe and secure construction and quality control are the most vital factors. You still hear the phrase "80% of the work is in the preparation" used in the construction industry on a daily basis. It is true that initial preparation is essential for visualizing the whole construction process and completed structure, and smoothly completing each process one by one. We work hard to ensure young people comprehend this fact in a way that suits today's construction sites, but it can be hard to convey this understanding and to facilitate the growth of young workers.

Shiraishi Mr. Hasuwa, how do you view Rin-yu-kai and its significance to the Obayashi Group?

Hasuwa The Obayashi Philosophy values all people involved in the Obayashi Group's business. In 2019, I led the formation of the long-term vision, Obayashi Sustainability Vision 2050 (OSV2050) with the help of external experts. One of the key goals of OSV2050 for 2040 to 2050 is the co-creation of a sustainable supply chain. Right now, the Obayashi Group and its entire supply chain are working hard to help create a sustainable society.

We engage a wide variety of suppliers and subcontractors in every construction project that we undertake. The suppliers and subcontractors engaged in the construction of buildings and in the construction of tunnels, bridges, and other infrastructure differ depending on the type of work involved and the area in which the project is carried out. Some 1,200 suppliers and subcontractors have grown and developed together with Obayashi as members of Rin-yu-kai. I don't exaggerate when I say that our business is built upon our ability to



ensure each supplier and subcontractor can fully demonstrate its strengths. They are indispensable to us and form the core of our supply chain.

As Mr. Yamamoto hinted, we are currently tackling reforms utilizing construction DX in order to achieve the OSV2050 goals. Not only are we reforming work styles and improving productivity, but we are also working with Rin-yu-kai as a partner that can grow and develop together with the Group. This involves ensuring health and safety and creating comfortable work environments that will help secure the next generation of workers, and generating a win-win situation for the Group and its entire supply chain.

Shiraishi Can you share any memories about your connection with each other?

Yamamoto My connection with Mr. Hasuwa dates back 30 years to when he was director of the Kintetsu Railway Gakuen-mae Station Construction Project. Although he was directing the project's civil engineering work, he was in charge of the building construction work as well, so I thought of him as someone with a broad perspective and a comprehensive view of Obayashi Corporation as a whole. He has also served as the head of the Technology Business Development Division, where he explored new fields and established a foothold for the current Green Energy Division and the Construction Robotics Division.

Hasuwa As Mr. Yamamoto says, we have known each other since I was a project director. We are old acquaintances, but we first started talking much more closely after he became chairman of Rin-yu-kai Federation. Since 2009, he has played a major role as chairman and has worked hard for many years to build relationships between Obayashi Corporation and member companies. I was delighted to see him receive

Discussion: Creating Value Together with the Supply Chain

Japan's Medal with Yellow Ribbon in 2011 and the Order of the Rising Sun, Gold and Silver Rays in fall 2022 in recognition of his achievements in the construction industry.

Enabling the Obayashi Group and Obayashi Rin-yu-kai to Address Contemporary Social Challenges Together

Shiraishi You face many social challenges, such as the intensification of typhoons, earthquakes, and other natural disasters, as well as issues in the construction industry, such as how to deal with the pending shortage of workers to support the industry and how to improve productivity to help solve that issue. What contribution do you think Rin-yu-kai can make here in terms of coordinating member suppliers and subcontractors?

Yamamoto Japan has always experienced many natural disasters, but in recent years, we have witnessed more frequent earthquakes, typhoons, torrential rains, and other events, and the added effects of climate change have resulted in increasingly severe damage. We have developed disaster management measures to help mount a swifter response in the event of disaster. Together with member companies, Rin-yu-kai offices in each area build and maintain systems for confirming the safety of member companies and offering support. In the event of an emergency, the offices work to ensure safety and protect infrastructure not only for ongoing projects but also for completed projects. With that in mind, Rin-yu-kai conducts earthquake drills twice a year together with Obayashi Corporation's regional bases to facilitate a smooth and appropriately targeted response.



Masumi Shiraishi
Completed a master's degree in Architectural Planning, Graduate School of Engineering, Kansai University in 1987. Worked at Seibu Department Stores, Ltd. and at NLI Research Institute as a senior researcher, and since April 2007 has been in the position of professor, Faculty of Policy Studies, Kansai University.

In terms of key management issues affecting the survival of suppliers and subcontractors, many people mention the lack of potential successors, the shortage of employees and skilled workers, and employee training. To address those issues, we set up the support center for the succession of business technical skills in spring 2023. The center's activities align with the specific elements of the Obayashi Group's supply chain strategy, focusing on fostering successors for suppliers and subcontractors, securing future managers, and enhancing and invigorating Rin-yu-kai. The support center will act as a help desk for suppliers and subcontractors seeking advice on recruitment, training, business succession, improving productivity through ICT and DX, and other specialized issues. The center also plans to provide various educational opportunities to help build broader connections among member companies across Japan.

Shiraishi I think it is essential to reform work styles and improve the working environment at construction sites in order to realize the well-being that the Obayashi Group is seeking to achieve. What does the Group expect Rin-yu-kai to do on these points and what collaborative projects would you like to pursue?

Hasuwa In 2020, the Obayashi Group created its brand vision, MAKE BEYOND: Transcending the art and science of making of things, and is now aggressively conducting public relations activities in the media to help raise brand visibility. This brand vision embodies a desire to build on our accumulated technologies and knowledge related to making things, and to further develop them to suit today's era. It has inspired us to respond to social demands for carbon neutrality and well-being founded upon safety and security, and to strengthen our efforts to build a sustainable society.

I believe that the successful making of things depends on the successful nurturing of people. This human resource development not only refers to Group employees, but also encompasses all the people involved in our supply chain, including Rin-yu-kai member companies. It doesn't only involve just making buildings and infrastructure together, but also creating solid human relationships that facilitate work, and improving productivity through work style reforms so that workers can make time for their families. I believe that this process is key to everyone's well-being.

An important factor in improving productivity at construction sites is construction DX. Right now, we are working with various start-ups and companies in different industries to develop technologies that use ICT to facilitate the autonomous and automated operation of construction machinery as well as related remote control technologies. The cooperation of Rin-yu-kai and our suppliers and subcontractors is essential for verifying and introducing these new technologies. In actual fact, we use our

construction sites nationwide as field trial locations and get a variety of suppliers and subcontractors to try the new technologies. The scope for applying those technologies is gradually expanding. We use the feedback from suppliers and subcontractors to further perfect the technologies, which we believe will generate improvements in productivity.

Meanwhile, on the subject of carbon neutrality, as you know, societies around the world are moving in the direction of carbon neutrality based on the Paris Agreement. The Obayashi Group formulated OSV2050 and set decarbonization as one of its goals for 2040 to 2050. We also set a new 2030 target for CO₂ emissions reduction, and obtained Science Based Targets (SBT)* certification in October 2022. Initiatives instigated across our supply chain are key to reducing CO₂ emissions at construction sites, so we would like to accelerate our cooperative efforts with Rin-yu-kai in this area.

* 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

Bringing about the Sustainable Society to Which the Obayashi Group Aspires

Shiraishi What do you hope readers will look forward to with regard to the sustainable society the Obayashi Group is striving to create? Mr. Yamamoto, perhaps you could first talk about what the Obayashi Group needs to do to ensure its position as indispensable to society. Then, Mr. Hasuwa, can you explain your thoughts and commitments regarding those expectations?

Yamamoto Ever since its founding in 1892, Obayashi Corporation has consistently implemented its corporate philosophy in a sustainable manner based on the Obayashi Three Pledges of quality, value, and efficiency. Rin-yu-kai and all our member companies constantly strive to improve our skills and our own capabilities, and to work hard together based on that Obayashi spirit and philosophy. Rin-yu-kai wants to play a role in ensuring Obayashi Corporation can continue to drive Japan's construction industry as a leading company.

Hasuwa The Obayashi Philosophy stipulates that the Group should aim to serve as a leading sustainability company. The phrase "sustainability company" embodies the commitment to provide safety, security, and comfort for the planet and all the people who live on it. Our business is intricately linked to people and the environment, so we have to continue to serve as a leading company that can contribute to the creation of a sustainable society. This is the Obayashi Group's ultimate aim, and its mission in society.

As I said earlier, nurturing successful people is a crucial



Masanori Yamamoto
Joined Yamamoto-gumi in April 1975 and has been representative director since July 1989. Served as a director and vice chairman at the Osaka Prefectural Federation of Construction Associations, and has been chairman since May 2020. Has been chairman of Rin-yu-kai Federation and Osaka Rin-yu-kai since 2009. In 2011, received the Medal with Yellow Ribbon in the Spring Medals of Honor, and in 2022, also received the Order of the Rising Sun, Gold and Silver Rays for the Autumn Conferment of Decorations by the Cabinet Office, Government of Japan.

part of making things. The Group's most important resource for ensuring sustainable business operations is its people. We value everyone involved in our business. We adhere to a corporate culture that embraces the diversity of its people and demands mutual respect. We will continue to develop resilient and comfortable infrastructure and communities with the aim of building a smart and prosperous society together with our employees, our suppliers, and all our stakeholders.

I hope Rin-yu-kai and all its member companies, who have walked side by side with us throughout our history, will continue to share our vision and our passion for making things. I want us to tackle challenges of all kinds together and take even greater steps forward by pursuing work that inspires deep motivation and job satisfaction. Let's all support a promising future for the construction industry as we strive to create a sustainable society. I am confident that the Obayashi Group and Rin-yu-kai will continue to carve out a successful future together.

Obayashi Group Medium-Term Business Plan 2022

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

In March 2022, the Obayashi Group formulated Medium-Term Business Plan 2022 and is now working to strengthen its business foundation and accelerate Company-wide transformation based on three strategic pillars. The business environment of the Company has changed significantly since Medium-Term Business Plan 2022 was formulated due to soaring prices of construction materials as well as the heightened geopolitical risks caused by the Russia-Ukraine situation. However, the Group intends to improve corporate value by building a business foundation that can generate stable profits, and by promoting business transformation to help secure medium- to long-term growth.

Measures for Strengthening the Foundation of Construction Business (Through FY2023)

In FY2022 and FY2023, we will prioritize the recovery and stabilization of earnings with consolidated operating income of ¥100.0 billion as the bottom line.¹

Measures for Accelerating Transformation (Through FY2026)

From FY2024, we will establish a path to medium- to long-term growth through Company-wide transformation. It is the phase to work toward future growth.

Fundamental Strategy 1: Strengthen and Expand the Foundation of the Construction Business
Enhance productivity and the ability to provide added value for customers by “re-engineering business processes of the domestic construction business,” “expanding the construction value chain” and “implementing innovative construction production systems”

- Strategize work portfolio creation
- BPR (business process re-engineering)²
- Increase competitiveness and profitability
- Maintain, strengthen, and expand supply chain
- Respond to the application of overtime cap regulation under the revised Labor Standards Act of Japan
- 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
Capture growth opportunities generated from social demand for carbon neutrality and well-being by creating new value with in-depth integration of innovative technologies and our business model

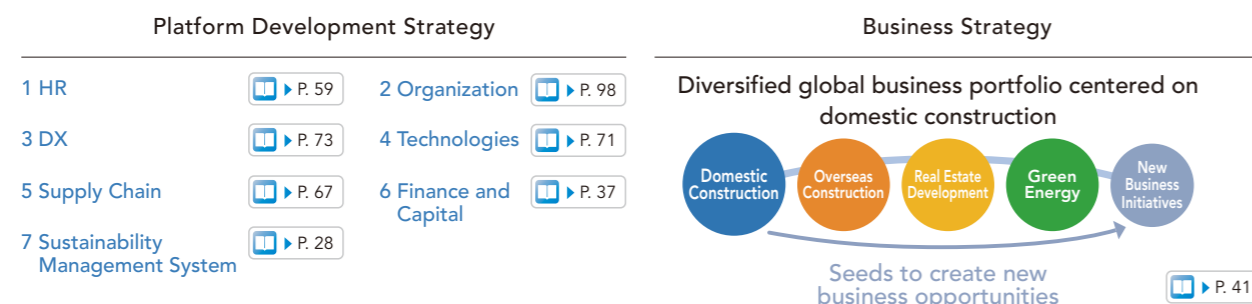
- Develop innovative construction production systems
- Generate new value for customers in new business domains
- Develop business models and technologies that will lead to resolving social issues, such as carbon neutrality and well-being

Fundamental Strategy 3: Expand Business Portfolio for Sustainable Growth
Continuously acquire new profit opportunities through open innovation and active investment, leveraging strengths in technologies and networks cultivated in a variety of global business fields centered on construction

- Adopt ROIC as a key performance indicator to make management decisions with a focus on capital efficiency
- Establish solid and resilient sources of growth that integrate the five business domains enhanced by continuous investment

Three Fundamental Strategies

1. Target based on prevailing conditions in March 2022, when Medium-Term Business Plan 2022 was formulated; current business estimates have been reduced to reflect subsequent changes in the business environment, including the sharp rise in construction prices
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



Background at the Time of Formulating Medium-Term Business Plan 2022

Changes in Society and Economy	Business Environment	Efforts Carried Over from Medium-Term Business Plan 2017
<ul style="list-style-type: none"> Changes in behavior and values due to the outbreak of COVID-19 Exposed weakness in global supply chains Rising prices due to a shortage of semiconductors and soaring oil prices Accelerating global efforts for decarbonization, such as carbon neutrality and hydrogen, and well-being initiatives Increasing economic and security risks 	<ul style="list-style-type: none"> Intensifying competition due to lack of expected significant expansion of the domestic construction market Solid demand anticipated in national resilience projects, redevelopment, renewal and renovation, smart cities, and green energy fields Rapidly increasing and diversifying customer needs for carbon neutrality Responding to the application of overtime cap regulation under the revised Labor Standards Act of Japan Lack of skilled workers in the construction industry due to factors such as the declining birthrate and aging society 	<ul style="list-style-type: none"> Strengthening of the business foundation of the domestic construction business <ul style="list-style-type: none"> Expansion of proposal and production capacity, enhancement of procurement capability Continuation of a corporate culture that prioritizes safety and quality Expansion and further localization of overseas construction business Environmental changes in the green energy business Transformation of business processes through digitization Use of data in the construction value chain such as BIM and civil information modeling (CIM), and implementation of next-generation technologies such as construction technologies and robotics

Responding to Soaring Construction Materials Prices and Other Changes in the Business Environment

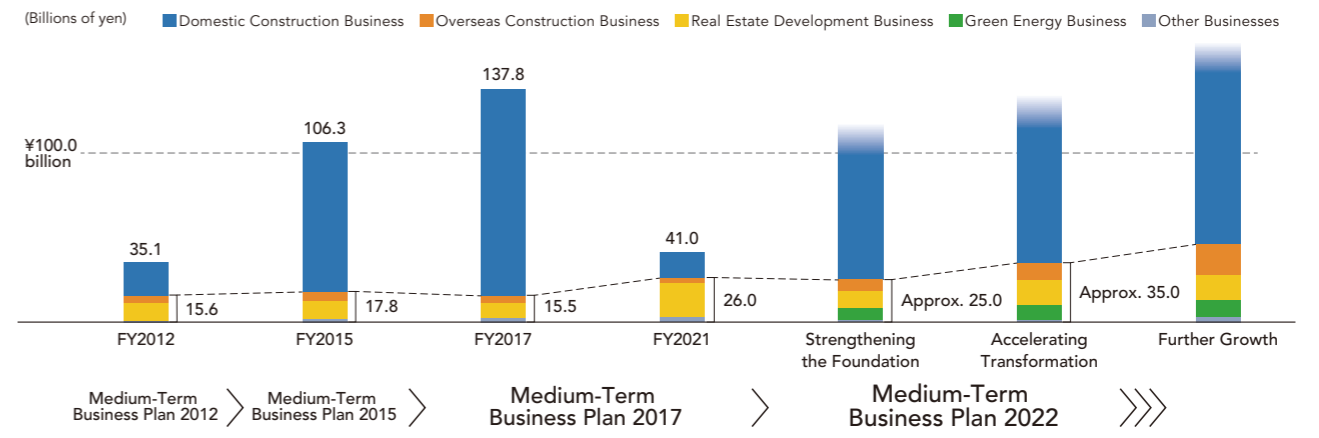
The Group is striving to improve profitability in the wake of soaring construction materials prices and other changes in its business environment by pursuing the following measures.

Changing Business Environment	The Obayashi Group's Initiatives
<p>Soaring construction materials prices (Negative factor)</p>	<ul style="list-style-type: none"> Secure orders that reflect the rapidly increasing prices of construction materials in estimates and contract conditions Strengthen procurement capabilities by promoting centralized procurement both in Japan and internationally for all branches to leverage economies of scale Ensure thorough profit and loss management of construction projects in hand <p>⇒As a result of these efforts, profit margins at the point of orders received after the sharp rise in materials prices were secured above a certain level</p>
<p>Moves to return production bases to Japan due to heightened geopolitical risks and other factors (Positive factor)</p>	<ul style="list-style-type: none"> Optimize the order portfolio to help improve the profitability of construction projects and create other benefits Promote measures to improve productivity and construction capacity using DX and ICT
<p>Increased demand for carbon-neutral structures and for wooden structures and interiors (Positive factor)</p>	<ul style="list-style-type: none"> Strengthen solution framework for responding to increased demand for carbon-neutral structures and wooden structures and interiors, including the establishment and enhancement of specialized departments

⊕ : Positive factors ⊖ : Negative factors

In addition to improving profitability by strengthening the foundation of the domestic construction business, we aim to develop a solid and resilient corporate structure earning over 30% of operating income in diversified profit sources other than the domestic construction businesses.

Consolidated Operating Income



Financial Review



Toshimi Sato
Director
Executive Vice President

FY2022 Review and Outlook for FY2023 Business Environment

In March 2022, the Obayashi Group formulated Medium-Term Business Plan 2022. The plan declared the Group's intention to secure stable earnings, and set securing a minimum of ¥100 billion in consolidated operating income as one of the performance targets for the five years from FY2022 to FY2026. In FY2022, the first year of the plan, consolidated operating income fell short of that target at ¥93.8 billion. However, we did achieve our targets for earnings per share (EPS), equity ratio, and return on invested capital (ROIC), which was newly adopted as a management indicator for Medium-Term Business Plan 2022.

The environment facing the Japanese economy has changed dramatically since the current medium-term plan was drawn up. In fact, we have seen raw materials and energy prices soar due to the Russia-Ukraine situation and other factors, as well as disruption in global supply chains, and rising import prices caused by the rapid depreciation of the Japanese yen. We are also witnessing unprecedented price increases on a wide range of materials in the construction market. The projects for the Obayashi Group that have been most affected by these developments are those in the domestic construction business for which we obtained priority negotiation rights in bids conducted up to FY2021, and this is one of the reasons why the Group's FY2022 performance came in lower than originally anticipated. Results of the domestic construction business are expected to be even more severely impacted in FY2023 than in FY2022 for several reasons. The prices of raw materials for construction are expected to remain high. Significant progress is being made on the construction of several large-scale properties for which we recorded provisions for loss on construction contracts, but those projects are not contributing to profits. Finally, labor costs for skilled workers are expected to increase and, at this point in time, there is little prospect of an improvement in profits from civil engineering construction projects in hand either. We are, however, currently taking steps in the domestic construction business such as reviewing contract terms to address material price rises, so we expect earnings will improve

toward the latter half of the current medium-term plan.

Domestic construction demand is holding steady and 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 specific critical products. We also expect capital expenditure for electric vehicle (EV)-related facilities and for data centers to rise as decarbonization and digitalization efforts pick up speed. In non-manufacturing sectors, we expect to see continued demand for large-scale urban redevelopment projects and the building of distribution facilities. In the civil engineering field, we foresee continued long-term demand for expressways and other infrastructure development, including repairs and 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, construction investment has been recovering in Asia as economies start to recover from the COVID-19 pandemic, while uncertainty surrounding construction investment in the office market and other non-manufacturing sectors persists in North America due in part to monetary policies and the performance slowdown of GAFAM,* and other factors.

* The acronym for Google, Amazon, Facebook (currently Meta), Apple, and Microsoft, which are major technology companies in the U.S.A.

Medium-Term Business Plan 2022: Performance Indicators and Targets

	FY2022 Results	Medium-Term Business Plan 2022
Performance Indicators		
Consolidated net sales	¥1,983.8 billion	Around ¥2 trillion
Consolidated operating income	¥93.8 billion	¥100 billion or more
Profit attributable to owners of parent per share (EPS)	¥108.34	¥100 or more
Stability Indicators		
Equity ratio	38.2%	Around 40%
Efficiency Indicators		
Return on invested capital (ROIC)	4.9%	5% or more in the medium term
Reference: Return on equity (ROE)	8.0%	8% or more in the medium term

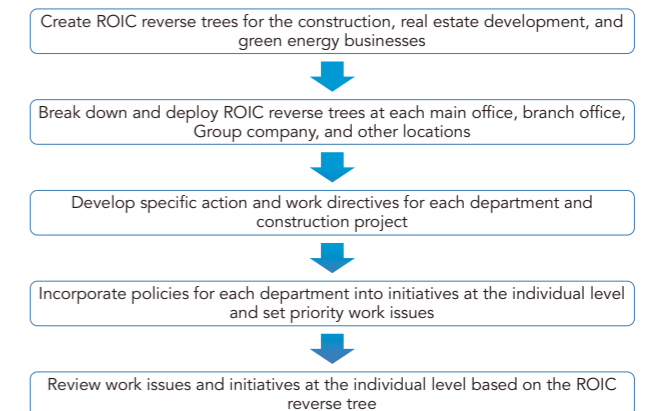
Pursuing ROIC Management

We need to address performance in various parameters in order to ensure sustainable development for the Group. Naturally, we must seek to improve the value we offer customers and to improve profitability while maintaining a firm commitment to safety and quality. However, we also need to improve capital efficiency by enhancing our management resources and conducting optimal investment in order to secure a level of earnings that exceeds the cost of capital. With that in mind, we adopted return on invested capital (ROIC) as one of performance indicators in Medium-Term Business Plan 2022, and set a minimum ROIC target of 5% or more over the medium term based on the cost of capital for the Group. In the previous plan (Medium-Term Business Plan 2017), we used return on equity (ROE) as a performance indicator. However, we decided to review the performance indicators because we wanted to evaluate the efficiency not only of equity but also of overall invested capital. We also wanted to further optimize working capital and improve the effectiveness of our investments, and at the same time ensure solid investment in intangible assets, such as human resources, digital systems, and technology, which we believe will strengthen our competitiveness in the future.

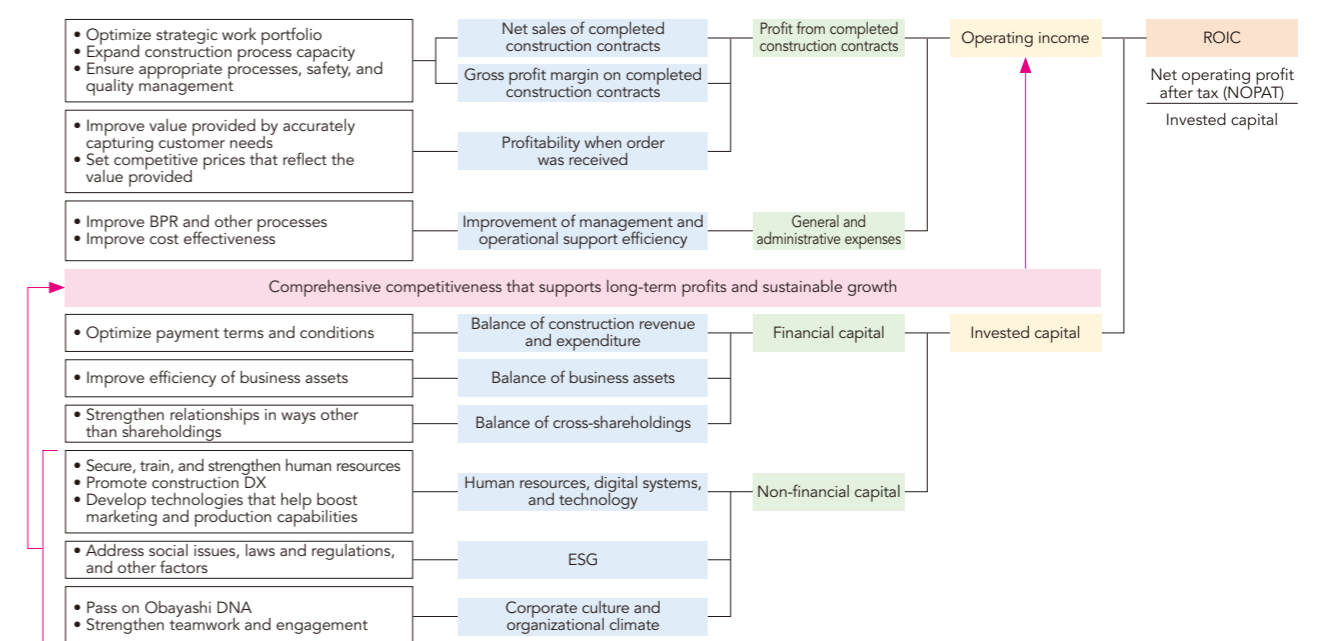
To improve ROIC for the entire Group, we must maximize and efficiently utilize management resources and improve individual ROIC in each of the Group's businesses from domestic construction, our core business, to the overseas construction business in North America and Asia, real estate development business, and green energy business. Given the different risks for each business and varying expected yields in each market, we intend to make clear the weighted average cost of capital (WACC) level for, and evaluate the significance of, each business. The Obayashi Group will strive to increase its corporate value by strengthening its business portfolio based on the WACC and the target ROIC level for each core business.

We use the ROIC reverse tree to help people within the Company understand and pursue ROIC management and work to improve productivity through operational reforms. Instilling ROIC management in the construction business, for example, doesn't just involve the pursuit of measures to improve profits on completed construction projects and reduce general and administrative expenses in order to generate higher operating income, but also involves considering the need to optimize financial capital and invest in non-financial capital. In FY2022, we launched ROIC reverse trees for the construction, real estate development, and green energy businesses that are tailored to the specific business characteristics of each main office, branch office, and domestic and overseas Group companies. We then took into account specific actions in each department and construction project as well as any issues and initiatives at the individual level and reviewed the status of implementation at the end of the fiscal year. We will continue to promote investment in important management resources such as human resources and technology, which support the sustainable growth of the Group. We will also continue to use the ROIC reverse tree to promote operational reforms that will help improve ROIC.

Deployment of ROIC Reverse Tree Method



Example ROIC Reverse Tree for the Construction Business



Financial Review

Investment Progress under Medium-Term Business Plan 2022

Regarding cash allocations in Medium-Term Business Plan 2022, we use cash inflows from business income based on performance targets, the sale of cross-shareholdings, and other items as our source of funds.

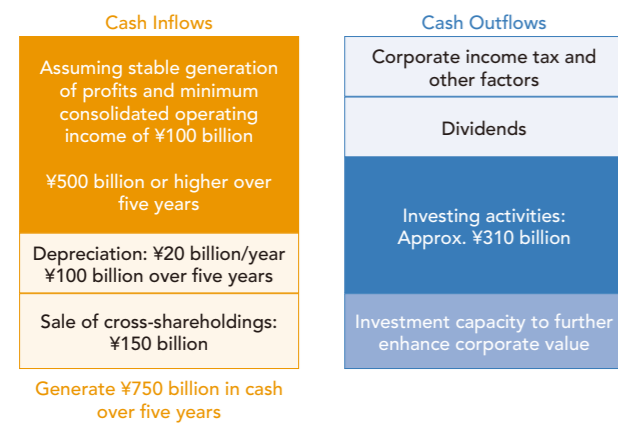
We plan our cash outflows after thoroughly considering the balance between the following three elements:

1. The scale of equity capital required to ensure corporate stability in an uncertain era
2. The amount of growth investment required to maintain a company's competitive advantage and further enhance its corporate value
3. Stable shareholder returns over the medium to long term

We plan to invest a total of ¥600 billion to improve corporate value over the five years of Medium-Term Business Plan 2022, and we invested ¥166.7 billion toward that end in FY2022, the first year of the plan. With regard to human resource-related investment, we formulated the Obayashi Group Human Resource Management Policy in December 2022, and we

are now working to expand our training systems, develop personnel systems that facilitate diverse work styles, secure and train human resources, and improve employee engagement. Regarding investment in digital systems, technology, construction machinery and business facilities, and other relevant areas, we are implementing investments designed to improve productivity in anticipation 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 distribution 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 the efficiency and profitability of our investments. On the M&A front, we formed a capital alliance with timber manufacturer and distributor Cypress Sunadaya Co., Ltd. This alliance is designed to help strengthen supply chains in the construction market for non-residential wooden structures and timber interiors, an issue that the Group needs to address in promoting the Circular Timber Construction® recycling-oriented business model.

The Medium-Term Business Plan 2022 Cash Allocation



* The above cash allocation plan dates from the formulation of Medium-Term Business Plan 2022. The current estimates for cash inflows have decreased following subsequent changes in the business environment (sharp rise in construction prices and other factors).

Breakdown of Cash Flows from Investing Activities

Item	Investment plan (Billions of yen)
Human resource-related investment	25
Digital-related investment	70
Technology-related investment	80
Construction machinery and business facilities	50
Real estate development business	300
Green energy business	50
M&A and other areas	25
Investment plan	600
Deduction of amount not included in cash flows from investing activities	(150)
Recovery from the sale of assets in real estate development business	(140)
Investing activities	310

Investment Plan for Medium-Term Business Plan 2022 (FY2022 to FY2026)

	FY2022		Medium-Term Plan 2022 (FY2022-FY2026)
	Plan	Actual	
Intangible asset investment for platform development			
Human resource-related investment	5	5.1	25
Digital-related investment	14	16.0	70
Technology-related investment	16	16.1	80
Ongoing tangible asset investment with a focus on strengthening the foundation of the construction business			
Construction machinery and business facilities	10	14.8	50
Growth investment toward expanding business portfolio			
Real estate development business ¹	100	101.1	300
Green energy business	10	3.2	50
M&A and other areas ²	5	10.3	25
Total investment	160	166.7	600

1. Excluding ¥140 billion recovered as a result of sales of assets (net ¥160 billion when combined with recovered amount)
2. Including open innovation investment

Breakdown of ¥600 Billion Investment from ESG Perspective

Breakdown from ESG perspective (Billions of yen)					Other business investments
E: Environment	S: Human capital	S: Productivity	S: New areas		
	25				
		70			
20		50	10		
	5	45			
100					200
50					
170	30	165	35		200

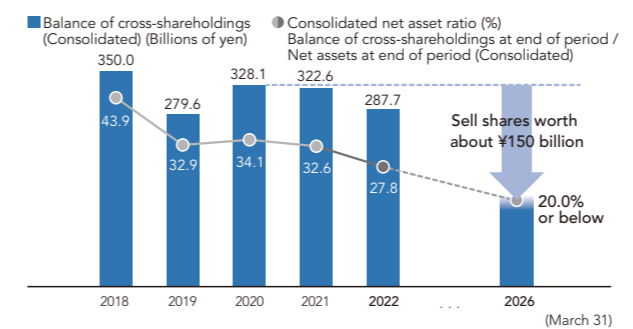
Reducing Cross-Shareholdings

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

We instigated a further review of the significance and efficiency of cross-shareholding investments as part of Medium-Term Business Plan 2022. We committed to selling a total of around ¥150 billion in cross-shareholdings, starting in FY2021, to reduce cross-shareholdings to 20% or less of consolidated net assets as soon as possible before the end of March 2027. We sold a cumulative ¥41.5 billion in cross-shareholdings on a consolidated and market price basis over FY2021 and FY2022, which represents 27.7% of the targeted sales amount. As of the end of March 2023, the value of cross-shareholdings totaled ¥287.7 billion, or 27.8% of consolidated net assets. If we include cross-shareholdings that we have already agreed to sell, cumulative sales of cross-shareholdings would be ¥56.3 billion, or 37.5% of targeted sales.

Achieving the targeted cross-shareholding sales requires the understanding of the business partners that we hold shares in, so we will continue to participate in careful dialogue to carry out those sales.

Changes in Balance of Cross-Shareholdings and Consolidated Net Asset Ratio



Changes in Sale of Cross-Shareholdings

	FY2018	FY2019	FY2020	FY2021	FY2022
Amount sold (Billions of yen)	5.4	9.2	7.7	16.9	24.6

Cumulative Amount Sold from FY2021 (Progress Rate vis-à-vis the Target of ¥150 Billion)

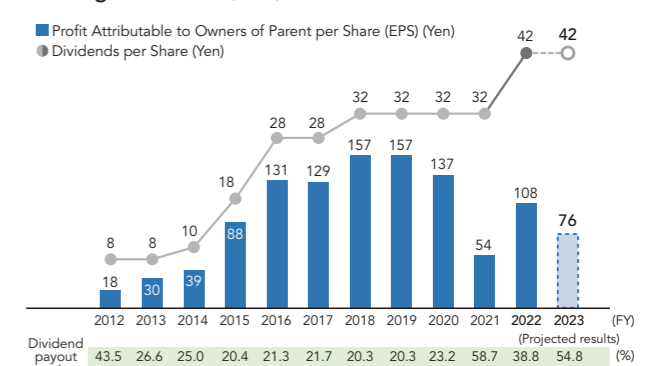
Cumulative amount sold	¥41.5 billion (27.7%)
Cumulative amount sold + Agreed sale amount	¥56.3 billion (37.5%)

Shareholder Returns

We stipulated a dividend policy in Medium-Term Business Plan 2022 that involved achieving a dividend on equity (DOE) ratio of approximately 3%. Maintaining stable long-term dividends is a top priority. With that priority in mind, we stipulated the policy to provide stable shareholder returns over the medium to long term by using profits accumulated primarily during Medium-Term Business Plan 2017 to enhance equity capital. That policy also considers the business plan and the growth investment strategy for increasing corporate value for the five-year term of Medium-Term Business Plan 2022. Based on that policy, we increased the annual dividend for FY2022 by ¥10 year on year to ¥42 per share. The Company is committed to strengthening its earnings base through growth investments and efforts to increase corporate value over the medium-to long-term, while also providing shareholders with stable dividends based on DOE to appropriately reflect equity levels.

However, given the significant changes in the business environment envisaged in the current medium-term plan, we believe it is necessary to restate the Group's growth strategy and planned steps for improving corporate value. As part of that effort, we will explore the best capital policy, which would include the consideration of various options, such as dividend increases and share buy-backs, taking into account market requests relating to the price-to-book ratio (PBR) of our shares.

Earnings Per Share (EPS) and Dividend Per Share



Improving Corporate Value

Through Medium-Term Business Plan 2022, the Obayashi Group will contribute to creating a sustainable society according to its vision for 2050 and the Obayashi Philosophy. To that end, the Obayashi Group strives to strengthen its business foundation and accelerate Company-wide transformation based on three fundamental strategies: (1) strengthen and expand the foundation of the construction business, (2) innovate technologies and businesses, and (3) expand the business portfolio for sustainable growth. The entire Group is getting behind the effort to view the dramatic changes in our business environment as a growth opportunity, as we seek to respond flexibly and decisively to change, work tirelessly to strengthen our management foundation, and strive to increase corporate value through continuous growth.

The Five Business Domains

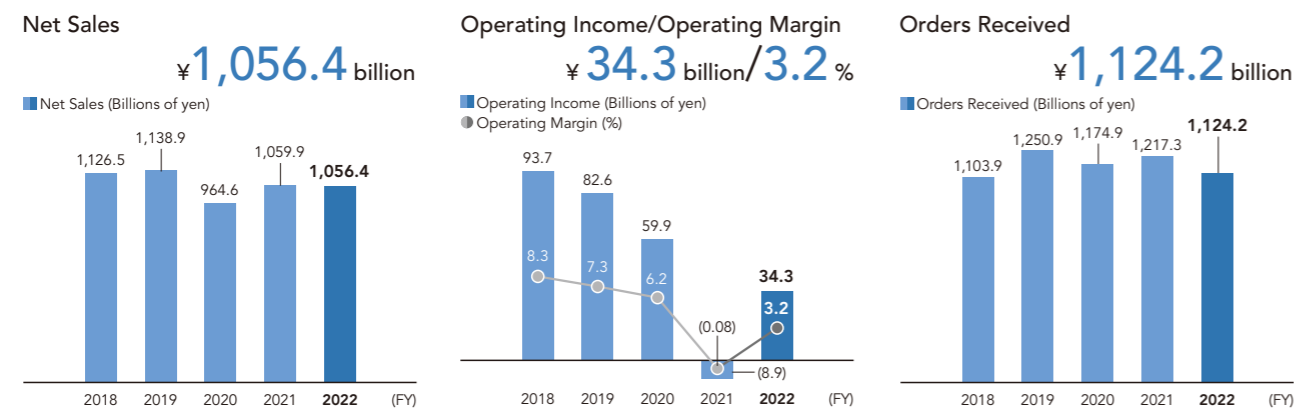
As part of Obayashi Group Medium-Term Business Plan 2022, we have been building a portfolio of diverse businesses globally centered on its five business domains: the core domestic construction business, as well as the overseas construction business, real estate development business, green energy business,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

Consolidated Financial Highlights

Domestic Construction Business (Building Construction)

Net sales exceeded ¥1 trillion on a non-consolidated basis for the second consecutive fiscal year due to steady progress in numerous ongoing construction projects. Despite the sharp rise in construction costs, operating income increased in FY2022 compared to the previous year when gross profit on completed construction contracts declined significantly due to the recording of provisions for loss on construction contracts. The segment received an estimated ¥1 trillion in orders on a non-consolidated

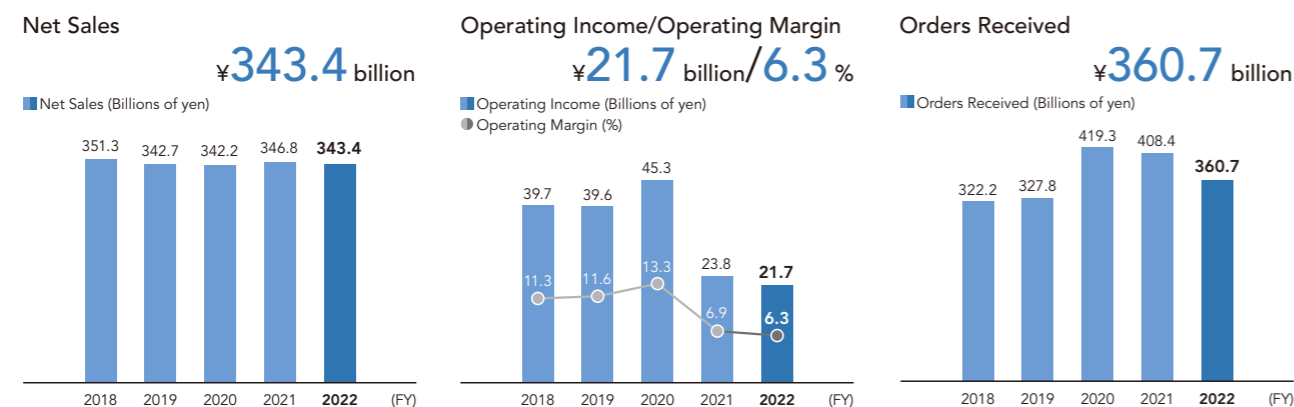
basis due to our design and construction capacity and our amassed carryover orders after having acquired construction projects worth over ¥1.1 trillion in the previous three fiscal years. However, actual orders received exceeded that estimate due to an increase in contract fees associated with rising costs, additional or change requests on construction contracts in hand, and the recording of orders for projects whose order dates had been unconfirmed.



Domestic Construction Business (Civil Engineering)

This segment reported net sales (non-consolidated basis) on a similar level to that of the previous few years due to steady progress in numerous construction contracts in hand. Profit increased significantly due to Obayashi's acquisition of higher-than-expected additional contract fees on multiple projects, efforts to reduce construction costs, and other factors. However, operating income declined overall, primarily due to soaring costs

related to the sale of composite materials at Obayashi Road Corporation. Orders received (non-consolidated basis) decreased year on year in FY2022 as we accepted orders based on our construction capacity and carryover orders following the acquisition of projects worth over ¥300 billion in the previous two fiscal years.



Overseas Construction Business

Building Construction

Sales and profits increased year on year in FY2022. While sales from North American subsidiaries did not increase as expected following a delay in the signing of contracts due to issues on the client side, Thai Obayashi and Obayashi Vietnam reported steady progress on construction. When translated into yen, the results were also boosted by the depreciation in the Japanese yen.

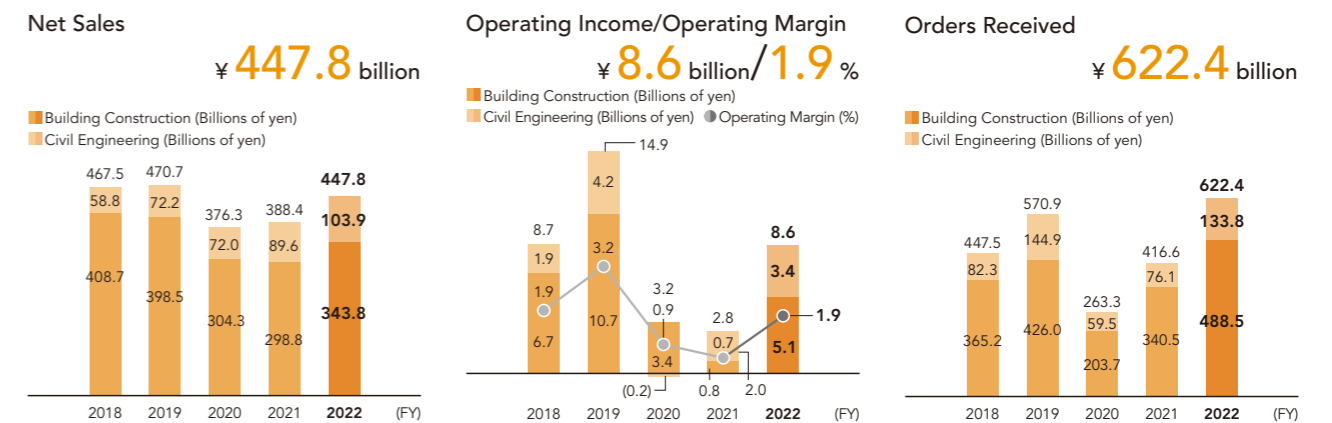
Orders received rose due to Obayashi's acquisition of a

large-scale contract in Australia and the boost from the weaker yen in order amounts at subsidiaries.

Civil Engineering

While non-consolidated net sales decreased year on year, revenue and profits both increased overall on the back of steady progress on extensive construction projects at subsidiaries in North America and Asia, as well as the boost from the weaker yen.

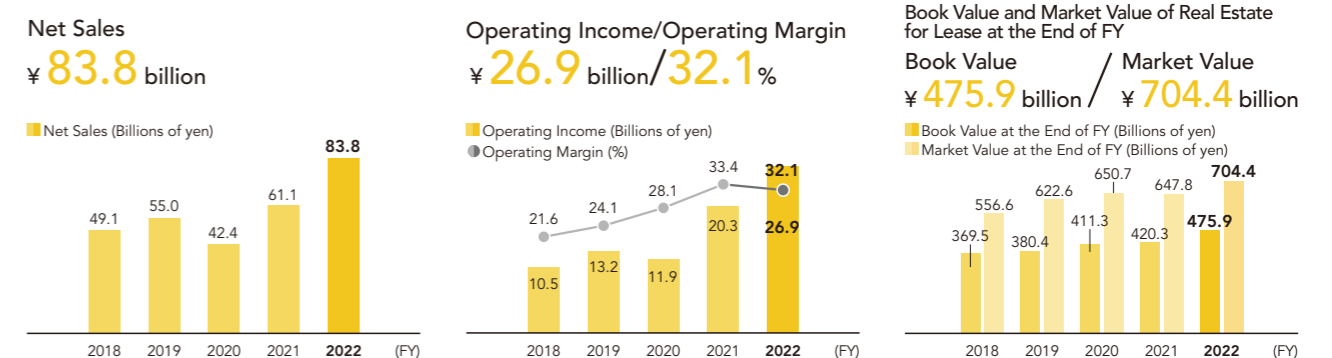
Orders received increased after Obayashi secured an order for a large-scale project in Singapore.



Real Estate Development Business

Revenue and profits increased on a non-consolidated basis on the back of various factors including the transfer of equity interest in a large-scale property undertaken for the purpose of boosting construction orders, the sale of properties to private funds to optimize Obayashi-Shinseiwa Real Estate's asset portfolio, and fresh rental income from 20 Gracechurch Street in

London, to which Obayashi Properties UK acquired rights. Despite the above-mentioned sale of properties, both the book value and market value of real estate for lease increased due to continued investment in projects under development (Yokohama Symphostage, Grand Green Osaka, and others) and distribution facilities.



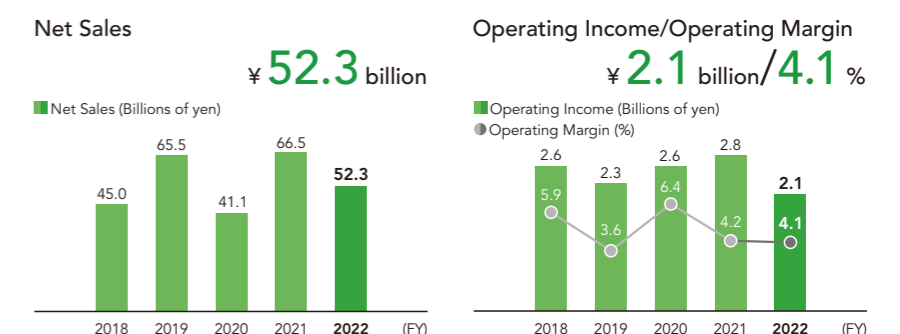
Other Businesses (Including Green Energy Business, New Business Initiatives, and others)

Green Energy Business

Revenue increased following the launch of commercial operations for the Obayashi Kamisu Biomass Power Plant and the Kamikita-Ogawara Wind Power Station. Operating income also improved year on year.

New Business Initiatives

In the PPP business, both revenue and profits decreased year on year due in part to the decline in recorded sales resulting from progress on facility development.



The Five Business Domains

Domestic Construction Business (Building Construction)



ES CON FIELD HOKKAIDO

		Strengths
Opportunities	<ul style="list-style-type: none"> Solid demand in areas such as redevelopment, renewal and renovation, smart cities, and green energy Rapidly increasing and diversifying customer needs relating to social issues, such as carbon neutrality and well-being 	<ul style="list-style-type: none"> Ability to make high value-added proposals that demonstrate comprehensive prowess through cooperation among marketing, 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 construction of innovative production systems, such as the development and application of next-generation technologies and systems and the utilization of DX
Risks	<ul style="list-style-type: none"> Intensifying competition due to lack of expected significant expansion of the domestic construction market Unprecedented price rises on a wide range of construction materials, and supply chain disruption 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 	

Business Strategies and Measures under Medium-Term Business Plan 2022

The domestic construction business aims to consistently generate ¥1 trillion or more in completed construction contracts each year, taking its design and construction capacity into account. The marketing, design, procurement, and production divisions all work together to increase price competitiveness and ensure thorough risk management, while also seeking to balance the order portfolio and secure stable earnings.

We are working to secure skilled workers by improving working environments and on-site operations in cooperation with our supply chain, developing multiskilled and semi-multiskilled workers, supporting the capability improvement and training of skilled workers through the Obayashi Rin-yu-kai Vocational Training School,* and promoting work style reforms.

We are pressing ahead with efforts to expand production capacity by developing production systems that utilize next-generation technologies, including IoT, AI, and robotics,

pursuing DX, and promoting BPR and other business reforms.

With regard to safety, quality, and the environment, we are working to eradicate major disasters, defects, accidents, and other incidents by thoroughly raising the management awareness of each engineer and skilled worker and strengthening ICT-driven systems.

On the marketing front, we are strengthening initiatives toward growth areas, such as data centers, semiconductor and pharmaceutical plants, and the construction of wooden structures and interiors. We are also promoting initiatives utilizing external networks to strengthen the construction value chain and expand construction services domains in order to address social issues, such as the pursuit of carbon neutrality and well-being.

* A wide-area organization conducting vocational training under a program of Japan's Ministry of Health, Labour and Welfare.

Domestic Construction Business (Civil Engineering)



Kawakami Dam

		Strengths
Opportunities	<ul style="list-style-type: none"> Achievement of progress mostly as planned in large-scale civil engineering projects, such as infrastructure development, against the backdrop of the Japanese government's policy to build national resilience Improvement of profitability in future growth areas, such as renewal projects and renewable energy 	<ul style="list-style-type: none"> Established industry presence in future growth areas, such as infrastructure renewal and renewable energy 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 Highly agile organization structure that integrates technological development, marketing, and production support
Risks	<ul style="list-style-type: none"> 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 	

Business Strategies and Measures under Medium-Term Business Plan 2022

All business activities are driven by safety, quality, and the environment, and we are pursuing even deeper and more thorough management of these factors by promoting occupational health and safety, quality management systems, and frameworks to minimize environmental impact. To comply with the cap on overtime hours in the revised Labor Standards Act that will be applied from FY2024, the segment is promoting the use of existing and new ICT tools to help streamline and standardize operations and offer engineers and skilled workers at construction sites at least eight days off every four weeks. We aim to improve productivity by promoting measures to reduce the number of workers required and reduce labor costs through the development of automation and autonomization technologies.

To help achieve stable construction orders going forward, the domestic civil engineering business is strengthening its capacity to adapt to ECI, DB, and various other contract models. We are also working to increase our competitiveness in the future growth fields of infrastructure renewal and renewable energy. In addition, we are seeking to differentiate ourselves by strengthening our advantages in competing for contracts and creating added value by developing technologies that meet customer needs.

With regard to decarbonization, which is attracting great interest from society in general, we will respond to customer needs by actively promoting the use of our Clean-Crete® low-carbon concrete and strengthening our understanding of market trends.

Expressway Renewal Initiative

Expressways are an important part of our social infrastructure that have been in service for several decades and therefore require large-scale renewal and repair work due to aging.

To help address this social issue, the Obayashi Group established a project team for large-scale infrastructure renewal in October 2018. Various divisions work closely together to implement a cycle of technology development, order receipt, on-site support, gathering of information on technology development needs, and, once again, technology development and improvement.

This has enabled us to present technical proposals that satisfy customer and construction site needs, resulting in a higher rate of orders received and in generating profits.

The Group expanded this framework to create the Large-scale Upgrade Project Promotion Department in April 2023 and is strengthening its initiatives to meet the needs of the expanding market going forward. We are also proactively forming joint ventures with subcontractors and local construction companies to promote technology transfer, with the aim of better responding to the rapid expansion in the market, the customers of which include national and local government authorities.



Deck slab replacement using DAYFREE®: Tomei Tamagawa Bridge

Size of the Renewal Contracts Market

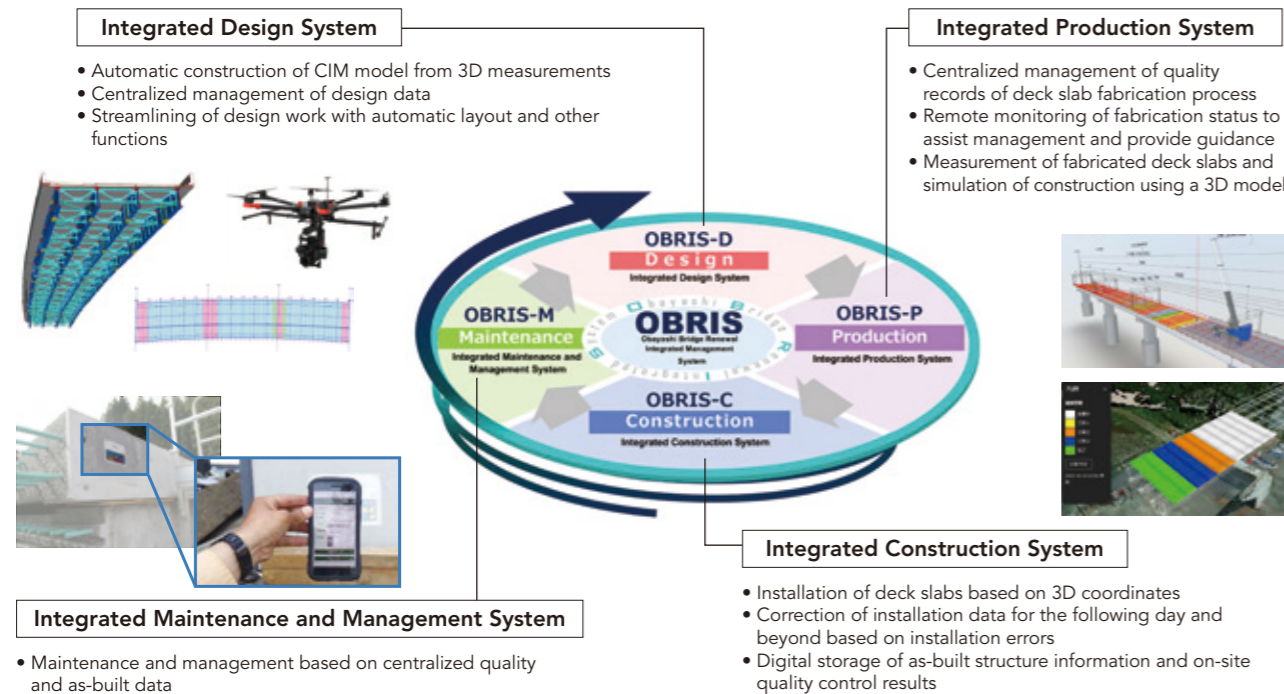
- Japan's three NEXCO companies
2016–2030 (Phase 1): ¥5 trillion
- Metropolitan Expressway 2016–2030: ¥930 billion
- Hanshin Expressway 2017–2031: ¥570 billion

DAYFREE® https://www.obayashi.co.jp/en/news/detail/news20200617_2_en.html

OBRIS®: Obayashi Bridge Renewal Integrated Management System

The Obayashi Group divides technological development for bridge renewal into three categories: materials and structures; machinery, equipment, and construction methods; and ICT and systems to enable it to respond to various needs, including greater structural durability, reduced social impact due to traffic restrictions, more efficient construction, and lower renewal costs. OBRIS® is a cloud-based integrated management system that streamlines operations through centralized management and

utilization of a range of data, from the measurement of existing structural shapes and the design of new structures, to pre-cast component fabrication, on-site construction, and maintenance and management. OBRIS® not only helps improve productivity, but also prevents defects and ensures a high level of quality by automating work in each phase to reduce labor, introducing construction simulations using a digital twin, and in other ways.



OBRIS® https://www.obayashi.co.jp/en/news/detail/news20221111_1_en.html

Overseas Construction Business (Building Construction/Civil Engineering)



Queen Sirikit National Convention Center (Thailand)



National Road No.5 (Cambodia)

■ Building Construction ● Civil Engineering ○ Both

Opportunities

- Business areas outside of construction, such as carbon neutrality, hydrogen, and other green energy businesses
- Changing markets in the wake of changing economies and corporate activities (globalization and DX)
- ECI projects involving preconstruction services in North America
- Multiple award construction contract project related to the U.S. military base in Guam
- Subway construction and other urban transportation infrastructure in Asia

Risks

- An increasingly uncertain global economy in light of rising prices caused by soaring energy prices and other factors, and tighter monetary policy
- Exposure of weakness in global supply chains as illustrated by semiconductor shortages
- Concerns about the economic security of Taiwan and other countries where we do business
- Risk of unavoidable events in a construction contract
- Securing of human resources to promote overseas business

Strengths

- Diverse global human resources nurtured through consistent training that includes our overseas trainee system, and our Group training sessions for locally hired staff
- Competitive advantage by utilizing the complementary technology, knowledge, and human resources of the Group, including from overseas subsidiaries (promoting Group-wide collaboration)
- Strong business foundation in our existing overseas markets
- Ability to gather information on global companies utilizing the Obayashi Group network and to respond quickly to potential orders
- Extensive construction portfolio in each country in which we operate
- Utilization of domestic technology divisions and development of overseas application of proprietary technologies
- The contribution of locally hired staff who have been with Obayashi Corporation for a long time and are actively working in a third country

Business Strategies and Measures under Medium-Term Business Plan 2022 (Building Construction)

The overseas construction business will work to strengthen the foundation of its construction business in our existing markets of North America, Asia, and Oceania, driven mainly by Group companies that boast a deep-rooted presence in each country and region. We intend to seize further growth opportunities in the global market. In North America, we are seeking to achieve consistent growth by diversifying our construction portfolio and

reforming our profit structure, and also expanding business through M&A. In Southeast Asia, we will strengthen the business foundation of each subsidiary by promoting construction DX and building a collaborative cross-border framework centered around each of our regional headquarters. We will also focus on the main target markets and implement entry strategies for each area, including M&A in fields other than the construction business.

Business Strategies and Measures under Medium-Term Business Plan 2022 (Civil Engineering)

The overseas civil engineering business is working to expand operations in North America and Asia. It aims to secure stable construction orders and improve sales and profits in these areas by encouraging independent and localized operations by the respective regional headquarters. It will also seize further growth opportunities by expanding the business foundations of overseas Group companies in new business areas.

build a bidding strategy proposal framework led by the regional headquarters and strengthen its organizational marketing capabilities through utilization of locally hired staff. In North America, we will continue to adapt to ECI and other contract types and seek to strengthen cooperation across the Group through the exchange of human resources and technologies with overseas Group companies.

In Asia, the overseas civil engineering business intends to

The Five Business Domains

Real Estate Development Business



Yokohama Symphostage (Rendering of completed building)

Opportunities

- Social demands surrounding carbon neutrality, well-being, and other sustainability-related issues
- Emergence of new growth areas that meet customer needs, such as distribution facilities and rental housing

Risks

- Changes in the real estate market caused by post-COVID changes in lifestyles and other factors and reviews of monetary policy
- Rising vacancy rates and falling rents for offices in central Tokyo and Osaka caused by a glut in office space

Strengths

- Reshuffling of our portfolio by making new investments in the amount of ¥300 billion with net investment of ¥160 billion after property sales worth ¥140 billion over five years
- Management of private funds by leveraging the Obayashi Group's real estate management and operational expertise
- Investment in overseas real estate, mainly in the United Kingdom (London) and Thailand (Bangkok) to globally diversify our leasing business portfolio and strengthen our earnings base

Business Strategies and Measures under Medium-Term Business Plan 2022

The real estate development business aims to promote further growth by leveraging customer relationships as well as its ability to judge construction risks cultivated through the construction business, and to create synergies with the construction business by, for instance, introducing our latest construction technologies to improve the value of real estate.

In addition to properties in Japan's urban centers, we will continue to develop and manage high-quality rental properties overseas, primarily in the United Kingdom and Thailand, 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 real estate development business is looking to flexibly secure capital gains by selling development properties to a private fund established by the Company (REIT – real estate investment trust). We are also aiming to secure

stable earning by expanding our non-asset business, which involves the operation and management of real estate owned by the Obayashi Group.

We will proactively introduce energy-saving technologies cultivated in the construction business into newly developed properties, promote the acquisition of ZEB Ready, CASBEE, and other environmental certifications, and switch to electric power generated from 100% 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.

Green Energy Business



Photo: Akita Offshore Wind Corporation

Offshore wind farm at Noshiro Port

Opportunities

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

Risks

- Increased development and operating costs due to rising prices and growing demand for renewable energy
- Power generation failures and equipment problems caused by abnormal weather conditions such as typhoons, heavy rains, and thunderstorms
- Ability to secure necessary personnel

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

Business Strategies and Measures under Medium-Term Business Plan 2022

The social drive to realize carbon neutrality is accelerating and customer needs are becoming more diverse than ever before. In addition to expanding our portfolio in the renewable energy power generation business, the green energy business is also accumulating the expertise and knowledge to enable it to respond to various needs, while also 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 ports of Akita and Noshiro in Akita Prefecture, projects in which Obayashi Corporation is participating. This marked the new 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 supply chain for green hydrogen. In New Zealand, the green energy business will develop hydrogen production and supply facilities in locations including the suburbs of the nation's largest city of Auckland, and will prospect for customers in mobility and other sectors and encourage social adoption together with local companies.

Investment funds of ¥50 billion have been earmarked through FY2026 in Medium-Term Business Plan 2022 to help achieve these kinds of initiatives, because we believe that will help to steadily monetize the provision of green energy and help bring about a sustainable society.

The Five Business Domains New Business Initiatives

The Obayashi Group's New Business Initiatives

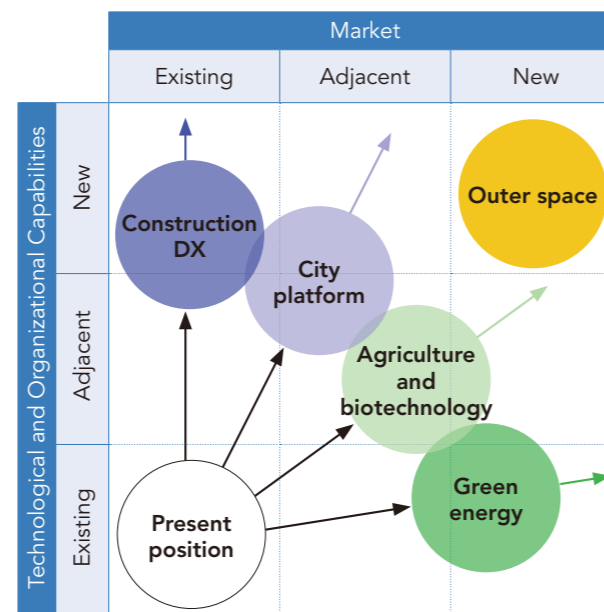
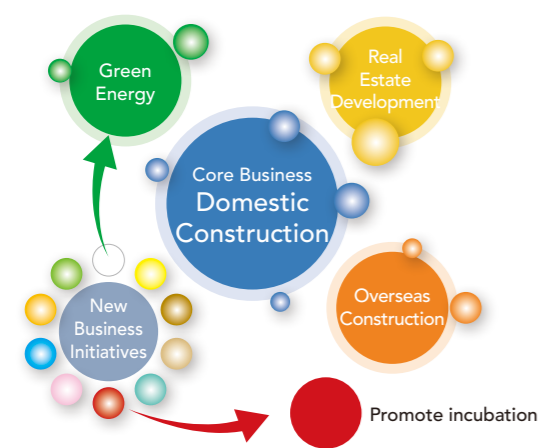
The Obayashi Group seeks to build a business portfolio with solid foundations and create an organization that enjoys consistent growth by boldly exploring new business initiatives beyond its core domestic construction business and its overseas construction, real estate development, and green energy businesses.

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 selected based on two criteria: whether the business enables the

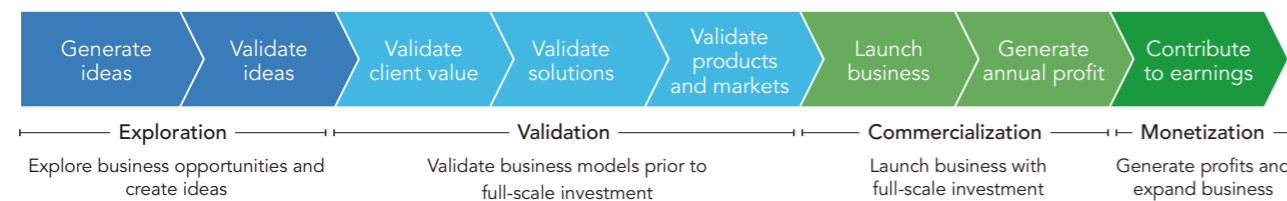
Group to demonstrate the power of its people, vision, and creation, and whether the market offers sufficient scale, business opportunities, and future growth potential.

The five focus areas are construction DX, city platforms (including smart-city related projects), agriculture and biotechnology, green energy, and space. Obayashi aims to develop new businesses that help resolve social challenges by using innovation to deliver new value along with consistent business models in these focus areas to markets and clients.

Diversified Global Business Portfolio Centered on Domestic Construction



New Business Development and Innovation



We believe our most important missions in developing new businesses are to contribute to the achievement of such societal goals as carbon neutrality and well-being, as well as to the creation of a sustainable society. To deliver on our missions, innovation is an essential factor that enables us to provide markets and clients with new value and consistent business models.

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, the division has formed 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 exploration of clients' issues and the validation of solutions.

Two projects were successfully commercialized in FY2022 using this process, resulting in the birth of new Group companies PLiBOT Co., Ltd. and Oprizon, Ltd.

New Group Companies Carve a New Future

PLiBOT Seeking a Collaborative Future for Humans and Robots <https://www.plibot.co.jp/en/>



Services offered by PLiBOT Co., Ltd. are characterized by partnerships with various autonomous mobile robot (AMR) manufacturers in transportation, cleaning, security, and other fields, as well as the proposal of a variety of solutions backed by an integrated platform linked to clients' building facilities.

The market for logistics and transportation solutions is growing rapidly and the scale of the market is expanding. For companies looking to introduce AMR, the isolated business development and limited cooperative capability of individual robot manufacturers is proving a major challenge.

PLiBOT excels at creating links with a wide variety of building facilities in which the Obayashi Group is involved. The company's strength lies in its ability to provide optimal solutions for each client by linking AMRs together, irrespective of manufacturer or brand.

A Word from PLiBOT Co., Ltd.

The PLiBOT name embodies our desire to provide diverse and flexible solutions (pliability) by forming an ecosystem with innovative robotics technologies (robotics).

As of the end of March 2023, the number of PLiBOT partner companies had risen to 15, primarily in Japan and Europe. Going forward, we will strive to further increase the number of PLiBOT-linked companies and greatly boost PLiBOT growth in order to help resolve various social challenges and meet wide-ranging client requests.



Masaaki Sato
Representative Director
PLiBOT Co., Ltd.

Oprizon Introducing Exciting Daily Experiences through Building Environments

<https://oprizon.com/en>



"Managed Build Environment Service" (M-BES)



The demand for smart buildings with advanced digital systems is increasing as work styles continue to diversify and interest in the SDGs continues to grow.

Water, electricity, and gas are the three conventional infrastructure services that buildings require. Oprizon provides services considered as the fourth category of infrastructure, such as network communication platforms and various applications for the full utilization of smart buildings, through the smart building platform WELCS Place®. Oprizon offers a new one-stop service that integrates construction, facilities, digital equipment, and systems, and helps create a society with a high degree of well-being.

A Word from Oprizon, Ltd.

We pursue two business strategies: the Open Strategy of collaborating with innovative services worldwide, and the Horizontal Integration Strategy of satisfying various client requests by horizontally integrating different service lines. Oprizon was established by two players in different industries, namely the Obayashi Group and Hitachi Solutions. As such, we are able to leverage the strengths of each company to transcend industrial boundaries and lead the smart building market into the future.



Hiroto Sato
Representative Director
CEO
Oprizon, Ltd.

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. Obayashi seeks to help achieve the sustainability of the planet, society, and people as stipulated in Obayashi Sustainability Vision 2050 through its business activities.

Environmental Management

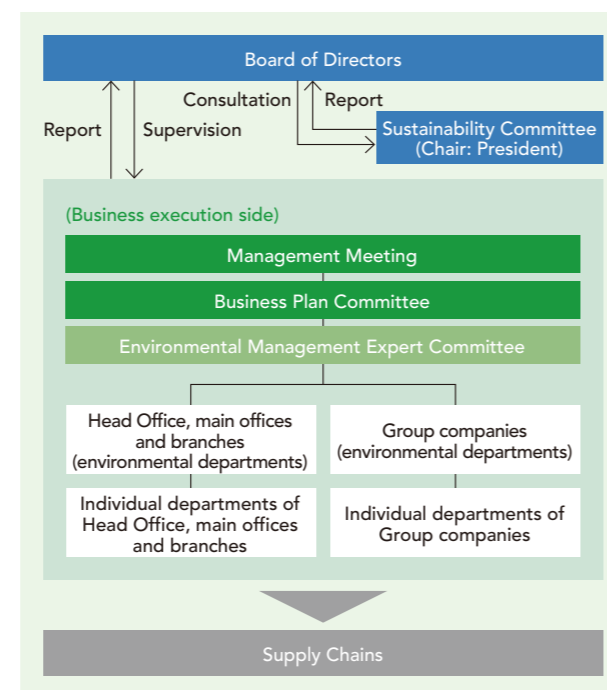
Promotion Framework

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 Obayashi 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.

* Obayashi Corporation acquired ISO 14001 certification for all organizations 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"> Comprised of individual directors 	<ul style="list-style-type: none"> Meets about 15 times a year Supervises climate-related risks and opportunities
Sustainability Committee	<ul style="list-style-type: none"> Chair: President Members: Independent directors, etc. Secretariat: Corporate Strategy Division 	<ul style="list-style-type: none"> Meets twice or more a year Examines policies on how to address sustainability issues, including climate change, makes their recommendations to the Board accordingly and assesses the status of execution of these matters
Management Meeting	<ul style="list-style-type: none"> Chair: President Members: Executive officers, including heads of divisions Secretariat: Corporate Strategy Division 	<ul style="list-style-type: none"> Meets about 30 times a year Reports, discusses, instructs, and resolves important matters regarding sustainability issues, including climate change
Business Plan Committee	<ul style="list-style-type: none"> Chair: Executive officer responsible for business planning Members: Heads of divisions, etc. Secretariat: Corporate Strategy Division 	<ul style="list-style-type: none"> Meets about 12 times a year Formulates policies related to sustainability issues (including climate change), and manages progress of their implementation
Environmental Management Expert Committee	<ul style="list-style-type: none"> Placed under Business Plan Committee Chair: Executive officer responsible for the environment Members: Environmental supervisors for individual departments of Head Office Secretariat: Environmental Management Division 	<ul style="list-style-type: none"> Meets twice or more a year 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.
Environmental departments	<ul style="list-style-type: none"> Head Office, main offices and branches (environmental departments) Group companies (environmental departments) 	<ul style="list-style-type: none"> 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

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.

Governance

The Sustainability Committee, which is chaired by the president and composed of independent directors and other members, identifies climate-related issues, examines policies for addressing identified climate-related issues, submits reports to the Board of Directors, 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 and qualitatively verified the degree of 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.

* Building Construction Business, Civil Engineering Business, Real Estate Development Business, and New Business Initiatives

Important risks and opportunities	Overview	4°C scenario	2°C scenario	Overview of activities
Transition	Risk: Introduction of carbon taxes <ul style="list-style-type: none"> Taxes could be levied on CO₂ emitted by construction and other business activities, causing cost increases Price of construction materials, the production of which consumes much energy, could rise, causing procurement cost increases 	Minor	Major	<ul style="list-style-type: none"> Promote energy conservation at construction stage (less fuel consumption, less electric power usage) Promote zero emissions, increase construction waste recycling rate, use recycled and low-carbon materials Establish mid- to high-rise wooden building design and construction technologies and build supply chains Work with supply chains to decarbonize construction machinery
	Opportunity: Increasing need for energy conservation/renewable energy technology <ul style="list-style-type: none"> Our energy saving technology and ZEB designed to meet society's needs are increasingly superior Renewable energy continues to replace conventional forms of energy There is growing demand for offices with green building certification 	Medium	Major	<ul style="list-style-type: none"> Promote development and practical application of ZEB technology that provides comfort and is business-feasible Strengthen marketing of value-enhancing and energy-conserving renovation services for existing facilities Promote the renewable energy business Supply office buildings that have high added value and outstanding environmental performance
Physical	Risk: Higher summer temperatures <ul style="list-style-type: none"> Risks to construction site worker health, including heat stroke risk, are rising Poorer work conditions at construction sites could make worker shortage worse 	Major	Major	<ul style="list-style-type: none"> Further increase productivity and construction safety using labor-saving technology and ICT Develop innovative technologies to improve working conditions at construction sites
	Risk: More severe natural disasters (typhoons, heavy rains, flooding, etc.) <ul style="list-style-type: none"> Increasing 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. Value of real estate we own in areas with high flood risk could decline 	Medium	Medium	<ul style="list-style-type: none"> Strengthen ability to make BCP response during disaster by building strong networks with suppliers Promote redevelopment projects to enhance environmental, disaster prevention, and business continuity performance
	Opportunity: National resilience initiatives <ul style="list-style-type: none"> There is rising demand for infrastructure construction, maintenance, and repair to prevent and mitigate disasters and build national resilience 	Major	Major	<ul style="list-style-type: none"> Promote development and practical application of technologies to prevent and mitigate disasters and build national resilience Strengthen marketing of infrastructure construction, maintenance, and repair Promote one-stop business including everything from surveys and inspections using ICT to evaluations, diagnoses, repair, and reinforcement

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 CO₂ emissions from its business activities and supply chain.

CO₂ 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%

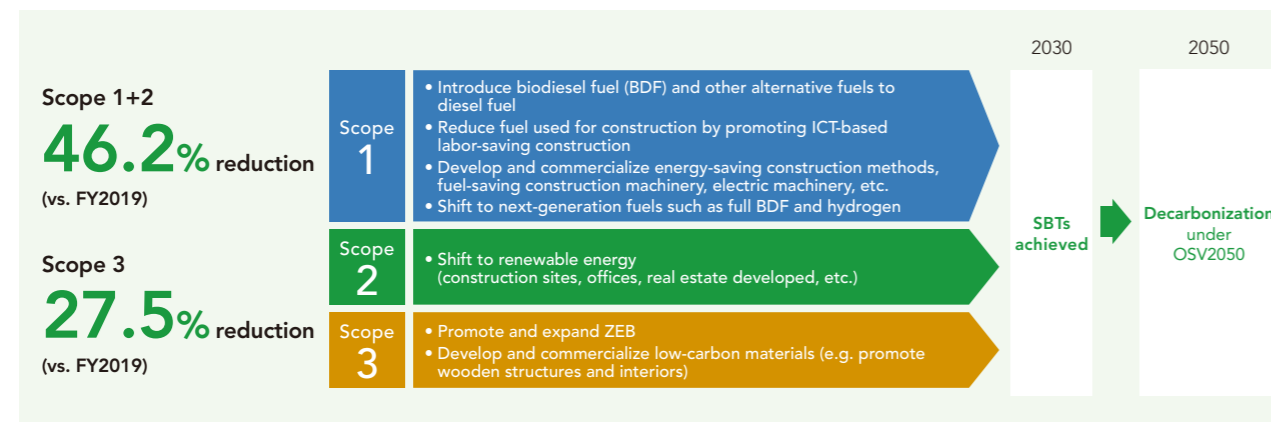
Environment

Promoting Decarbonization

In order to achieve the decarbonization goal that is stipulated in Obayashi Sustainability Vision 2050 (OSV2050), 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 on the recognition that they are science-based targets aligned with the Paris Agreement.

Greenhouse Gas Reduction Targets for FY2030



Introducing Diesel Fuel Alternatives and Other Initiatives Scope 1

Most of the CO₂ emitted through our business activities is generated from the combustion of the diesel oil we use to fuel construction machinery at construction sites and for other purposes. The Obayashi Group is actively promoting the use of diesel fuel alternatives derived from natural gas to reduce CO₂ emissions, and plans to start using 100% biodiesel fuel in FY2023.

The Group is also working to reduce the use of diesel fuel by expanding labor-saving construction that utilizes ICT and promoting the introduction of hybrid construction machinery.

Obayashi Road Corporation, a member of the Obayashi Group, is conducting demonstration experiments using hydrogen fuel to help reduce greenhouse gas emissions from mixing burners during the manufacturing of asphalt mix used to pave roads. We have established a stable combustion control method for hydrogen alone or with a combination of hydrogen and city gas, and we have successfully produced asphalt mixes in burners using 100% hydrogen as fuel.

FY2022 results of implementing diesel fuel alternatives and other initiatives: 128 construction sites

- Construction sites using diesel fuel alternatives: 59
- Construction sites implementing energy-savings: 69

Switching In-House Electricity to Renewable Energy Scope 2

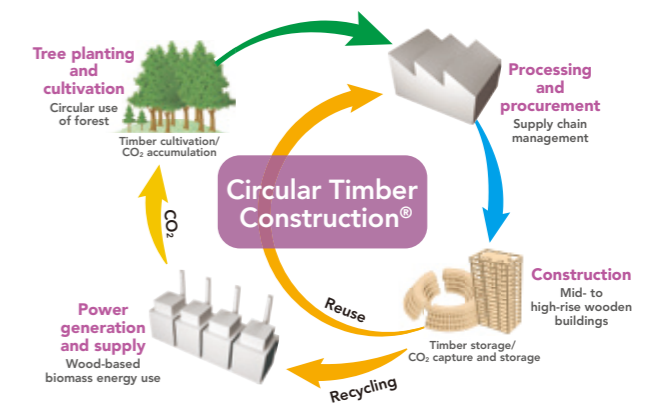
We are gradually switching the power we use in construction sites, offices, and company-owned facilities to renewable energy. In terms of construction sites, we are starting by promoting the introduction of renewable energy at new construction sites, and 54 sites use renewable energy as of the end of March 2023. In

terms of offices and Company-owned facilities, we have introduced renewable energy at the Shinagawa Head Office, the Osaka Main Office, Company-owned dormitories and recreation centers in the Tokyo metropolitan area, and some Company-owned dormitories in Osaka.

Circular Timber Construction®: A Recycling-Oriented Business Model for Forestry Resources Scope 3

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 ensure a complete and sustainable cycle for domestic timber, from material production to sawmilling, usage, and forestation. This cycle encompasses operations upstream (tree planting and cultivation), midstream (processing and procurement), and downstream (construction, power generation, reuse and recycling).



■ Developing Technologies for Cultivating Saplings Using Artificial Light (Upstream: Tree planting and cultivation)

Ensuring a stable supply of timber has always been the goal of upstream tree planting and cultivation operations. One issue that arises is that, because young trees have conventionally been cultivated in open fields, they are more susceptible to the weather and require as long as two years before they can be shipped.

Against that backdrop, Obayashi has developed a technology employing artificial light to stably cultivate and nurture larch and other saplings that can be used as structural components for mid- to high-rise wooden structures. It is possible to conduct stable and efficient production from sowing to the shipment stage, irrespective of the environment or season, by appropriately controlling the indoor environment according to the growth stage of the saplings.



Saplings cultivated in growing shelves

■ Capital Alliance with Cypress Sunadaya Co., Ltd. (Midstream: Processing and Procurement)

Obayashi entered into a capital alliance with Cypress Sunadaya, the leading manufacturer of Japanese cypress timber products, which boasts advanced processing technology, large-scale production capacity, and price competitiveness. Cypress Sunadaya owns facilities that are capable of manufacturing Japan's largest cross-laminated timber (CLT)* boards, a new engineered wood that is attracting considerable attention. Cypress Sunadaya supplied CLT for Obayashi's PortPlus® building and Sendai Umeda dormitory and also supplies many other companies. This capital alliance will enable Obayashi to work with Cypress Sunadaya in developing new products and expanding its distribution network. The Group aims to strengthen the supply chain for wooden structures by ensuring a reliable supply of quality timber products at competitive prices.



A CLT board manufacturing facility, one of the largest in Japan

* A thick wooden panel produced by gluing together layers of boards, where each layer is oriented perpendicular to adjacent layers

Environment

Biomass Power Generation (Downstream: Construction, Power Generation, Reuse and Recycling)

The Obayashi Group is also working on ways to use wood as energy. It now operates the Otsuki Biomass Power Plant, which utilizes domestically sourced woody biomass,* and the Obayashi Kamisu Biomass Power Plant that uses mainly imported wood pellets with sustainability certification. We are also working on

reusing and recycling wood as construction materials to ensure the sustainable recycling of forests.

* Biomass is a renewable organic natural resource derived from living organisms (except fossil fuels) and woody biomass is derived from wood. Such materials include what is left over in forest land, such as branches and leaves pruned during tree trimming and log production; tree bark and sawdust generated at lumber mills; wood from demolished housing; and branches from pruned roadside trees.

Promoting Mid- to High-Rise Wooden Structures (Downstream: Construction, Power Generation, Reuse and Recycling)

Construction on nonowa Kunitachi SOUTH, JR East Group's first wooden commercial building, began in March 2023. The building was selected by Japan's Ministry of Land, Infrastructure, Transport and Tourism as a wooden structure that helps convey and broaden understanding of leading technologies used to construct wooden structures under the Fiscal Year 2022 Sustainable Building Leadership Project (Wooden Leadership Type). Introducing our technologies for mid- to high-rise wooden structures will facilitate the fixation of CO₂ through the active use of wood for structural and other components, and help revitalize local economies, including the forestry and timber industries, by using local timber in the Tama district.



nonowa Kunitachi SOUTH (Rendering of completed building)

FY2022 wooden structure and interior construction orders: 5

- In-house designs: 3
- Third-party designs: 2

Promote environmentally friendly businesses

ZEB Initiatives Scope 3

The Kubota Global Institute of Technology building was completed in July 2022. Obayashi was responsible for designing and constructing this R&D base for Kubota Corporation in Sakai City, Osaka. The Design and Research Building is the heart of the facility. Here, Obayashi constructed eaves, which blend in with the design while providing shade, and reduced heat load on the building exterior with stronger insulation. Various efforts have been made to utilize unused energy sources, such as geothermal heat and waste heat recovered from production processes as well as implementing building design to catch

natural light from the skylights and natural ventilation from prevailing winds. We created a net zero-energy building (ZEB) by combining these energy-saving technologies with energy-creating solar power generation facilities.

The office-use portion of the Design and Research Building obtained ZEB certification and the building as a whole obtained Nearly ZEB certification for reducing energy consumption by 109% and 76% respectively compared to the standard value.



Design and Research Building, Kubota Global Institute of Technology

FY2022: Number of ZEB certification (design and construction projects): 6

- Nearly ZEB: 1 (ZEB certification for office-use portion)
- ZEB Ready: 4
- ZEB Oriented: 1

A Word from the Head of Marketing Division

Carbon neutrality initiatives are vital to maintaining and further developing current social and economic activities, and decarbonization is an urgent issue that must be addressed.

As part of its quest to help bring about a sustainable society, the Obayashi Group has been developing and commercializing low-carbon materials. We are actively developing energy-saving technologies to reduce carbon emissions during the operation of a building, and are creating net zero-energy buildings and other buildings that boast high environmental performance. We obtained science based targets certification in 2022 and are currently accelerating efforts to achieve our targets for reducing greenhouse gas emissions.

We place particular emphasis on the use of wood as a low-carbon material, and are actively promoting the construction of wooden structures and interiors to help establish a recycling-oriented society. Our track record in this area includes the construction of our own Port Plus® training facility and the Sendai Umeda dormitory, through which we have demonstrated new technologies and construction methods. Furthermore, we have been able to deepen our knowledge and expertise of energy creation technologies through our green energy business. Combining the Group's reliable technologies and wealth of knowledge and expertise in providing comprehensive solutions that meet diverse needs will enable us to continue to support clients' progress toward carbon neutrality.



Atsushi Sasagawa
Representative Director
Executive Vice President
Head of Marketing Division and
Head of Tokyo Main Office

Introducing Electricity from Renewable Sources into Our Real Estate Holdings Scope 2

Obayashi's real estate development business seeks to introduce electricity from renewable sources into rental properties owned by the Company. The aim is to introduce electricity from renewable sources into all rental office buildings by FY2026 and

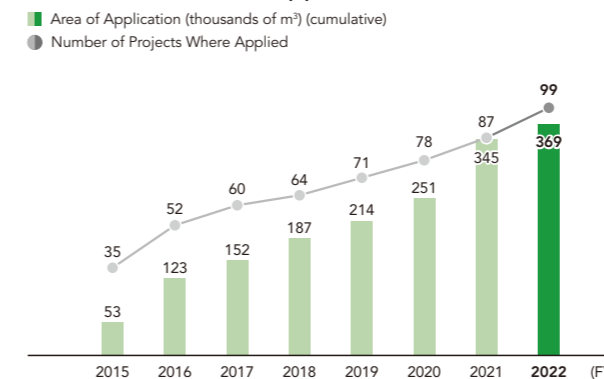
into all rental properties by FY2030. As of the end of FY2022, we had introduced it into 86% of rental offices and 85% of all rental properties, and we are making steady progress toward achieving targets.

Developing and Utilizing Low-Carbon Materials Scope 3

Clean-Crete® is a low-carbon concrete developed in house that enables us to reduce CO₂ emissions during production by up to 80% by replacing a portion of the cement with industrial by-products, such as granulated blast furnace slag, that result in lower CO₂ emissions. Approximately 370,000 m³ of Clean-Crete® has been cast since the product was first developed in 2010. Having developed the basic technology, we then went on to develop Clean-Crete N®, which reduces CO₂ emissions by up to 120% by mixing calcium carbonate-based powders that absorb

and fix CO₂. Clean-Crete N® was first used in March 2023 to build cast-in-place reinforced concrete (RC) walls. The Clean-Crete N® concrete blend that we used reduced CO₂ emissions by 106% compared to regular concrete, which enabled us to reduce CO₂ emissions by roughly 3.8 t through the construction project. This first application confirmed that Clean-Crete N® could be manufactured and applied in the same way as regular concrete and achieve a good finish. Going forward, we plan to roll out factory precast RC components made of Clean-Crete N®.

Actual Clean-Crete® Application



Casting concrete using a concrete pump

Environment

Promoting Green Energy Business

Launching Japan's First Large-Scale Commercial Offshore Wind Power Generation Project

In January 2023, the Akita Offshore Wind Corporation, a consortium led by Marubeni Corporation and of which Obayashi is a member, started full-scale operation of the Offshore Wind Farm Project at Akita and Noshiro Ports in Akita Prefecture, boasting total power generation capacity of approximately 140 MW.



Offshore wind farm at Noshiro Port

In addition to the initial Kumiya Solar Power Station launched in July 2012, Obayashi's renewable energy business has operated 28 solar power plants, two onshore wind farms, two woody biomass plants, and can now add offshore wind farms to the list. Going forward, we will continue the stable operation of existing power stations and expand our renewable energy business.

On-Site PPA

As part of the first phase of our power purchase agreement (PPA) business to sell electricity from renewable sources directly to electricity consumers, in March 2023 we began commercially operating an on-site PPA using solar power generation for Group company Naigai Technos Corporation's Main Factory newly established main factory in Fujimino, Saitama Prefecture.



Naigai Technos Corporation's Main Factory

PPA is advantageous for the electricity consumer because it promotes decarbonization, secures a stable, long-term supply of electricity, improves power resilience in the event of a power outage, and requires no initial outlay.

We intend to use the knowledge and expertise we gain through this project as a PPA operator to propose solutions to clients that satisfy their decarbonization needs.

Hydrogen Business

As we look towards achieving carbon neutrality by 2050, expectations surrounding hydrogen as a next-generation energy source are growing because no CO₂ is emitted during use.

We are making efforts to build a supply chain to facilitate the use of hydrogen both domestic and overseas. In New Zealand, we have been selling green hydrogen manufactured using geothermal energy since December 2021 in collaboration with Tuaropaki Trust. We also jointly invested in AFCryo Global Limited, the holding company of Fabrum Solutions Limited. Fabrum Solutions develops hydrogen-related equipment in New Zealand and possesses cryogenic separation technology, which leverages the different boiling points for hydrogen and oxygen to separate and recover the two elements from water. We intend to further expand our hydrogen business by harnessing synergy benefits generated by the advanced technological capabilities and extensive sales network of Fabrum Solutions and Obayashi's strong track record and experience.

Meanwhile, in July 2021, Obayashi began manufacturing and supplying green hydrogen manufactured using geothermal power in the town of Kokonoe, Kusu District, Oita Prefecture. In January 2023, we supplied the fuel to hydrogen mixed combustion burners being used in demonstration experiments by Obayashi Road Corporation at its asphalt plant in Saga Prefecture. Furthermore, since April 2022 we have been conducting test deliveries with high transportation efficiency of green hydrogen derived from existing renewable energy sources to multiple sites in the town of Namie, Futaba District, Fukushima Prefecture. The deliveries are part of a project commissioned by Japan's Ministry of the Environment to spread the appeal of hydrogen and stimulate demand through actual use.

The Obayashi Group will continue to work together to promote further decarbonization initiatives.

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.

Conserving Ecosystems through Biotope Development and Maintenance

Yamanashi Prefecture's central final disposal site for residential waste (Kainokuni Ecopark) was constructed by an Obayashi joint venture company.¹ When the facility was under construction in 2018, we created two biotopes² with the aim of preserving living organisms and the natural environment. The biotopes helped conserve a variety of fireflies, dragonflies, frogs, and other species that were confirmed to be living in the vicinity of the project site, and biotope maintenance and biota surveys were conducted over a four-year period from 2019 to 2022. When constructing the biotope, we made the most of the project site's topography and surrounding vegetation and arranged ponds, small streams, wetlands, and grassland to provide diverse habitats for organisms. The survey results confirmed the presence of the targeted organisms for conservation each year. They also confirmed that the creation and regular maintenance of the two biotopes, with their different environmental conditions, helped maintain and improve biodiversity in the vicinity of the project site. We will continue to strive to preserve biological and natural environments that are affected by construction projects.



Upstream biotope



Genji firefly Schlegel's green tree frog Veronica undulata

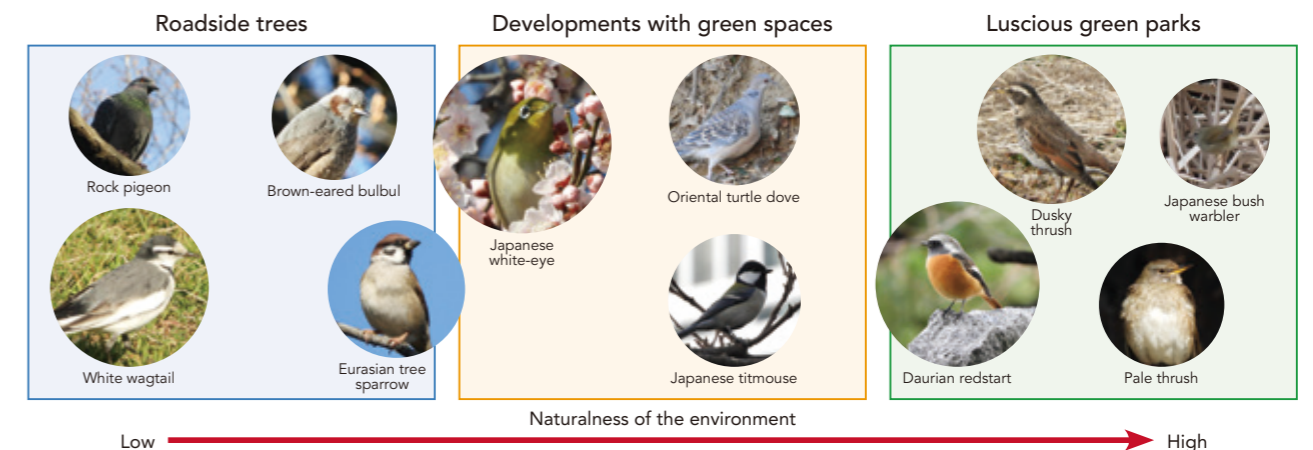
1. Obayashi/Kubota Environmental Engineering/Yuzawa Kogyo/Naito Construction Joint Venture Company
2. Biotope is a term coined from the Greek words bios (life) and topos (place), and refers to a space where organisms (animals and plants) live.

Creating Biodiversity in Cities

In recent years, urban redevelopment projects have tended to include the development of green spaces. Obayashi conducted surveys of birds in various green spaces and city streets, including the Akasaka Intercity AIR and Shinagawa Intercity properties that we constructed, to verify whether the development of green spaces is improving urban biodiversity. The survey showed that birds, such as the Japanese white-eye and Japanese titmouse, appeared much more frequently in urban areas with developed green spaces than in urban areas with only roadside trees. This suggests that this type of greening

is improving urban biodiversity to a certain extent.

Obayashi has developed a model for assessing the habitats of organisms, which it uses as a tool for creating preferred environments for birds and for supporting urban greening. It also developed the Ikimono-NAVI[®] environmental assessment system for contributing to urban biodiversity. Going forward, Obayashi will continue to utilize these technologies, knowledge, and expertise to propose ways in which clients can help create urban biodiversity.



Birds that have been confirmed as characteristically appearing at each survey site

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 issue.

Our HR 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 to improve employee engagement and well-being. 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.

Reaching One’s Full Potential While Staying Safe and Healthy

The Obayashi Group believes that, in order for each employee 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.

FY2022 Results • Number of fatal accidents: **1*** • Ratio of reported findings in employee health check: **38.6%**

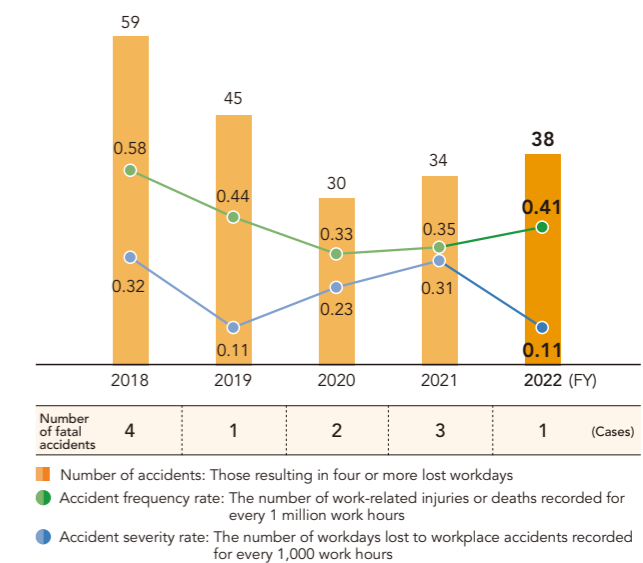
(Including skilled workers on construction sites)

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 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 FY2023, the Company set the goal of eliminating fatal and serious accidents, and is 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 cases of accidents as examples) for all employees working on construction sites, we provide hazard simulation training for 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 potential risks and issues and facilitates the implementation of more effective safety measures.

Occupational Accidents on Construction Sites

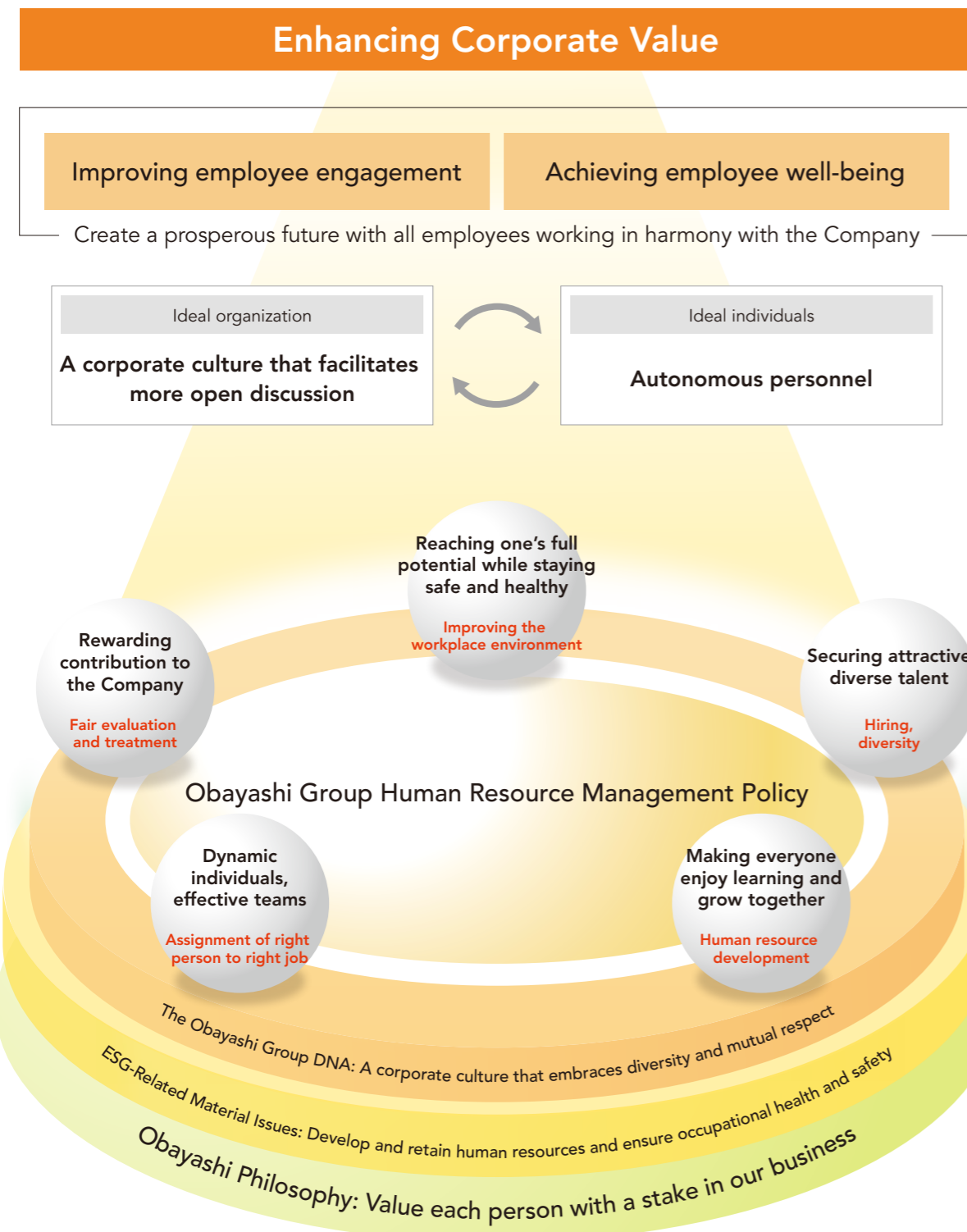
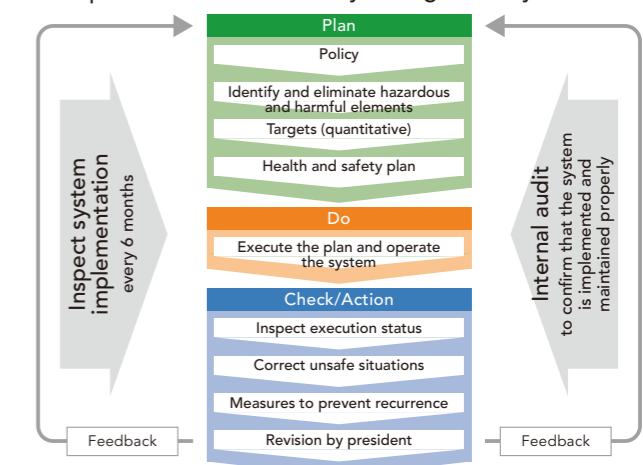
(Including skilled workers on construction sites)



Occupational Health and Safety Management System

The Central Health and Safety Committee, chaired by the president, meets at least twice a year to discuss fundamental issues relating to health and safety, such as how to prevent occupational accidents and health problems, and maintain and promote wellness. We also operate the Occupational Health and Safety Management System, which promotes the systemic management of safety-related issues in order to help realize our Health and Safety Principles. We set policies and targets and implement a PDCA cycle, and we are always working to improve the system. We have also established a system for the smooth conveyance of information between the main offices and branches and construction sites in the event of an emergency, such as a disaster at a construction site.

Occupational Health and Safety Management System



Human Resource Management

Promoting Health and Productivity Management

The Obayashi Group regards health and productivity management as an important element of its HR 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.

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.

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 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.

Reducing Working Hours

To help correct the issue of long working hours, Obayashi has established an inter-departmental organization called the Work Style Reform Project Team and is working to reduce total working hours. The 100% achievement of the cap on overtime work hours included in the revised Labor Standards Act (application from FY2024) was set as a KPI in FY2021, and initiatives are currently underway to help achieve that target in FY2023, one year before the revised regulations come into force in the construction industry. We implement e-learning for all employees that deals with attendance management, and are seeking to improve operational efficiency through the use of ICT. As a result, we attained 86.9% of all standards in FY2022, compared to 78.9% in FY2021.

We are also working to ensure employees on construction sites are offered eight days off every four weeks. [P. 65](#)

Annual KPI Achievement Rate for Overtime Work Hours (FY2022 Results)

General Rule	Special Measure	Achievement rate (%) (construction sites)	FY2021 comparison results (pt) (construction sites)
No more than 45 hours/month No more than 360 hours/year	Yearly limit No more than 720 hours/year	94.6 (91.0)	+3.3 (+4.5)
	Multiple-month average limit No more than 80 hours on average over 2-6 months*	92.2 (88.2)	+4.4 (+4.9)
	Single-month limit Less than 100 hours/month*	96.6 (95.4)	+3.4 (+4.3)
Special measure limit Special measure (more than 45 hours/month) up to 6 times/year		89.5 (83.0)	+7.4 (+9.8)
Achievement of all criteria		86.9 (79.5)	+8.0 (+10.0)

* Includes work on legally mandated days off

Securing Attractive Diverse Talent

We believe that each and every employee supports the Company and so 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.

FY2022 Results	Ratio of women in managerial positions (Section manager level or above)/Female engineers:	Ratio of eligible male employee taking childcare leave or other leave for the purpose of childcare:
	5.3% / 10.4%	81.3%

Promoting Diversity and Inclusion

In April 2021, Obayashi established the Diversity & Inclusion Promotion Department to ensure the well-being of employees and to help foster a corporate culture that embraces diverse thinking. This was part of the Company's aim to build an organizational foundation that positively promotes change and the active participation of diverse human resources. The department is tasked with raising awareness among all

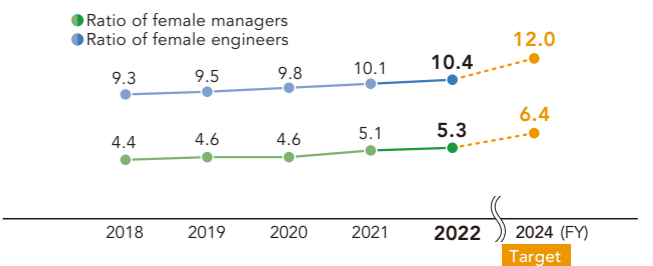
employees by distributing messages from the president promoting diversity and inclusion, conducting various training programs focused on such themes as unconscious bias, and implementing office reforms to accommodate diverse employees, such as installing all-gender restrooms and breast milk expression spaces, and others.

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. The Company aims to increase the percentage of female managers to 6.4% and the percentage of female employees in engineering fields 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 L-boshi certification from the Japanese Minister of Health, Labour and Welfare, which is based on the above-mentioned Act.

Percentage of Female Managers and Engineers (%)



Securing Specialized Human Resources

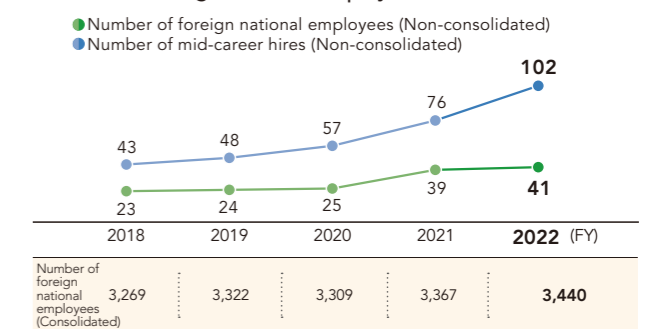
Obayashi appoints personnel to positions based on ability, irrespective of whether they are foreign nationals, mid-career hires, senior workers, or other personnel types. The number of foreign nationals and mid-career hires is increasing every year across the Group, and locally hired national staff play 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.

In this and other ways, the Company actively promotes measures to enhance employee engagement.

Number of Foreign National Employees and Mid-Career Hires



Achieving a Good Work-Life Balance

Obayashi strives to encourage a good work-life balance by improving its workplace culture and reforming systems so motivated employees know they can continue to work with no detriment to their career even during different life stages, such as when they have childcare or nursing care commitments.

With regard to childcare support, we strive to create comfortable workplaces that enable employees to balance work and private commitments regardless of gender by, for instance, ensuring 100% of eligible male employees take childcare leave or other leave for childcare by FY2024. Employees looking to utilize these systems or return to work are fully supported. The Company is also attempting to raise awareness of management personnel and to change their mindset. In Japan, an Iku-Boss is a

manager who encourages his or her team to pursue a healthy work-life balance and sets a good example. Our president and the heads of each division have themselves implemented the Obayashi Iku-Boss Declaration, and we conducted Iku-Boss training for approximately 590 managers in FY2022.

Employees can also utilize various nursing care support systems, such as nursing-care leave and shortened working hours to help their family care responsibilities with more peace of mind. We also hold seminars on dementia, nursing care, and other themes to help deepen understanding not only for the employees in question, but among all employees in the workplace.

Human Resource Management

Making Everyone Enjoy Learning and Grow Together

The Obayashi Group has positioned human resource development as one of its most important measures because we believe that human resources are a key management resource. The Group fosters 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.

<p>FY2022 Results</p>	<ul style="list-style-type: none"> • Training expenditure per employee: ¥44,000 	<ul style="list-style-type: none"> • Ratio of employees with important construction management credentials: 82.7%
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Human Resource Development

The Obayashi Group offers level-specific training according to age and job responsibilities and also provides 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 from FY2023.

Initiatives to help employees develop skills independently have been underway since FY2022. These initiatives include the holding of various workshops on improving productivity by 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 on global human development for young employees

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 were also introduced in FY2022.

Number of Employees with Key Qualifications (As of March 31, 2023, non-consolidated)	
Professional engineer	1,159
Registered first-class architect	2,179
Registered first-class construction management engineer (building construction)	2,926
Registered first-class construction management engineer (civil engineering)	1,746

Rewarding Contribution to the Company

The Obayashi Group rewards employees who contribute to the Group's business performance and medium- to long-term growth in a timely and appropriate manner, and strives to maintain and increase the motivation of employees. 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 and reward 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 FY2022	
<ul style="list-style-type: none"> • President's special commendation: Honoring COVID-19 measures team • Work Style Reform Award: 16 construction sites 	<ul style="list-style-type: none"> • Safety and Quality Distinguished Service Award: 25 people

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.

<p>FY2022 Results</p>	<ul style="list-style-type: none"> • Employee satisfaction rate: 78.4%
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Assignment of Right Person to Right Job

To further advance our human resource management, we introduced a talent management system in March 2023 that is designed to encourage employees to systematically build their careers and develop their skills, as well as to optimize the allocation of those human resources.

The system enables us to gain a good understanding of the

skills acquired through work experience by visualizing each employee's detailed work experience and qualifications, and enables us to assign the right person to the right job. Employees can also use the system to get an overview of their own experience and skills, enabling them to draw up career plans for discussion in personnel interviews and other settings.

Helping Instill Our Vision and Goals

We share our vision and goals with all employees and provide opportunities for dialogue with management to ensure each employee can concentrate on their work with a clear awareness of the Group's goals. The president and other members of the senior management team visited all our branches when our brand vision and Medium-Term Business Plan 2022 were created to explain the details and engage in dialogue. In November 2022, we held Medium-Term Business Plan 2022 live meetings attended by the president and mid-career and young employees to deepen support for the plan and the ideal future structure and aims of the Group. The meetings were also streamed webinar-style, and attracted a total of over 500 employees. Employees shared their opinions on the philosophies and policies they could

get behind, the significance of the Group and its social role, their reasons for working, their dreams for the future, and other topics.



The Medium-Term Business Plan 2022 Live Meeting

A Word from a Live Meeting Participant

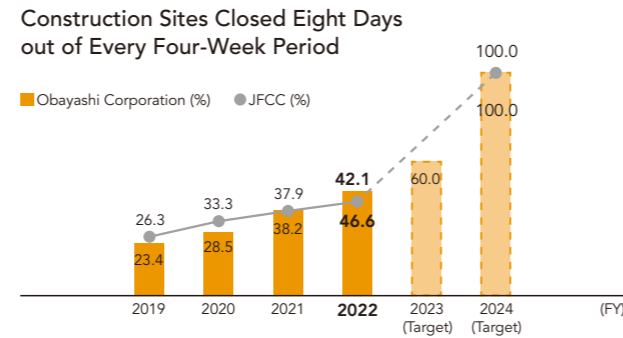
The ideals and future vision for myself and the Group are things that I rarely have time to think about in my daily work. The live meeting proved a valuable opportunity to hear the views of our president directly and to exchange opinions and think together with colleagues of my age group. I was able to not only understand the background and reasons that led to formulation of the 2022 medium-term plan, but also to form a clear perspective on what I can do at present and how I can go on contributing to reaching our future goals. The live meeting triggered a change in my actions. In my work on internal communications, I now constantly ask myself whether my articles prompt or encourage change in employees' awareness and enable them to rediscover the appeal of the construction business as well as their fulfillment in being part of it.



Rina Inamura
Corporate Communications Department

Feature: Aiming to Close Construction Sites 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). However, in FY2022, the achievement rate was below 50% for the Company's building construction and civil engineering sites in Japan. Obayashi is now promoting various initiatives to help achieve this ambitious goal.



Standardizing Operations and Sharing Best Practices

While each construction site is faced with different conditions and requires different measures to suit the site, Obayashi is working to standardize operations by developing standard construction management guidelines. We are also applying construction site best practices accumulated across the Company to other construction sites. In addition, to reduce travel time we have started holding online morning meetings that personnel can attend without leaving their work areas and setting up satellite offices within construction sites, while also introducing measures such as streamlining administration through paperless operations.



Periodic online articles covering best practices in construction site work style reform for Company-wide application through our intranet

Getting Clients on Board

To close construction sites for eight days out of every four-week period, it is necessary to set appropriate construction periods. Obayashi explains this to the client 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 FY2022, the proportion of orders received with that stipulation rose to 34%* in the domestic building construction business.

* Proportion of construction work with a contract fee of at least ¥100 million, or a construction period of at least four months

Utilizing ICT Tools

Obayashi is promoting the use of ICT tools. Not only does the Company decide in advance which ICT tools will be introduced at which site, but it also seeks to promote the use of ICT tools by

assigning digital concierges to construction sites and providing ongoing skill-building training.

eYACHO® App for Construction Sites

Obayashi was one of the first in the industry to introduce tablet computers, develop various apps, and promote their on-site use. eYACHO® is an app that was jointly developed with MetaMoJi Corporation to digitize the field book used at construction sites. Using the app, construction site personnel can create daily logs and instruction manuals, record on-site inspections and patrols, manage quality records, and create machinery and scaffolding inspection checklists. They can also share information with other employees as well as our suppliers and subcontractors in a timely manner. In these

ways, the app helps reduce the amount of time spent in the office on administrative tasks.



Real-time sharing of information with other employees and with suppliers and subcontractors by entering progress updates and corrective instruction into eYACHO® at construction site

Human Rights

<https://www.obayashi.co.jp/en/sustainability/employee/humanrights.html#section1>

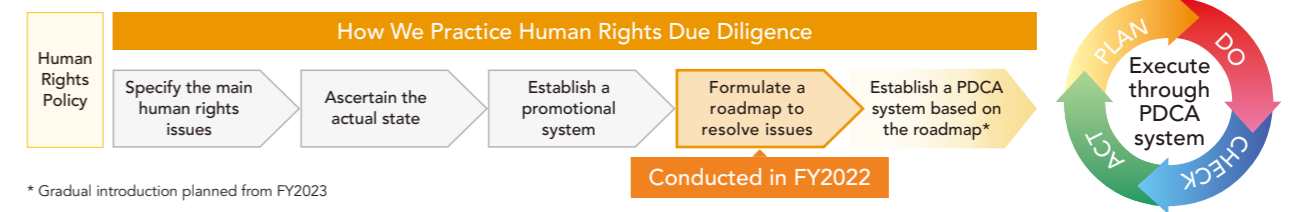
The Obayashi Philosophy is founded upon a commitment to value each person with a stake in our business, and we are therefore striving to be a company that values every one of its associates. Not only do we comply with the laws and regulations of each market in which we operate, but we also formulated 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 Building Construction Division) on the executive side. The committees also strive to resolve human rights issues across our supply chains, and to promote human rights awareness.

In FY2019, we identified significant human rights issues for our main businesses. To ensure we fully understand the current

situation regarding these issues, we enlisted the help of external experts to conduct interviews with each of our businesses and responsible departments in FY2020 and with our main Group companies in Japan in FY2021. In FY2022, we conducted a survey of our overseas Group companies, organized concrete action plans based on the survey responses on current conditions collected to date, and formulated a roadmap for human rights due diligence. Going forward, we intend to promote initiatives for upholding human rights based on the roadmap.



* Gradual introduction planned from FY2023

Establishing Human Rights Help Desks

We have 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.

Number of consultations and reports in FY2022: **223***

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

Human Rights Awareness Activities

The Obayashi Group has established the Human Rights Expert Committee chaired by the officer in charge of human resources. We strive to prevent human rights violations, identify and resolve any human rights issues, and pursue initiatives to raise awareness of human rights. Each year, we provide education on basic human rights knowledge in new hire training and job level-specific training. In FY2022, we also conducted e-learning for all Group employees on issues relating specifically to foreign technical intern trainees (95.6% 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 to eliminate incidents of harassment.



Themed e-learning video regarding foreign technical intern trainees

Supply Chain Management

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, the Group has 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.

The Obayashi Group CSR Procurement Policy

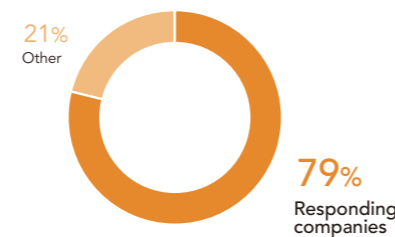
The Obayashi Group formulated the Obayashi Group CSR Procurement Policy to help create a sustainable society as called for in the Obayashi Basic Principles. Within the overall policy, the Basic Policy on CSR Procurement Initiatives covers items that Group employees need to comply with when pursuing CSR procurement. Meanwhile, the CSR Procurement Guidelines

define 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.

CSR Procurement Questionnaires

Obayashi conducts questionnaires 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 FY2022, the survey covered approximately 1,450 companies, including members of the Obayashi Rin-yu-kai and companies that conduct regular business with the Group (response rate: 89.0%). We intend to share opinions and promote CSR procurement initiatives based on the survey results.

Proportion of Procurement from Survey Respondents in Total Procurement in Japan



Traceability Survey

In response to the growing social concern surrounding human rights violations, environmental destruction, and other issues in supply chains, we started conducting traceability* surveys in FY2021 on wood products and solar panel components that are procured overseas and are thought to carry a high degree of human rights risk.

The survey broadly confirmed the traceability of products in both areas and no risk of human rights violations or

environmental destruction was detected at the time.

We will conduct regular surveys to maintain a clear understanding of the latest situation and also encourage deeper understanding of the CSR Procurement Guidelines among suppliers and subcontractors.

* A means of clarifying the production processes (raw materials procurement, production, consumption, disposal) and distribution channels for a particular product

Survey on the Reception of Foreign Technical Intern Trainees

Potential human rights violations against foreign technical intern trainees have been pinpointed as a social concern, so Obayashi conducted a questionnaire on how foreign technical intern trainees are being accepted at relevant suppliers and subcontractors. Interviews and discussions were conducted with five suppliers and subcontractors based on the survey results.

The survey did not reveal any obvious human rights violations, but it did highlight some areas for improvement. We will continue to conduct surveys and consult on potential improvements.



Interviewing suppliers and subcontractors

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

Engaging with Suppliers and Subcontractors

Every year, 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 on a five-level scale 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.

Obayashi seeks to raise awareness of CSR procurement

among its suppliers and subcontractors through effective engagement, and to build beneficial partnerships.



A meeting with Obayashi Rin-yu-kai members

Securing Talented Workers

Obayashi Rin-yu-kai is made up of suppliers and subcontractors across Japan and boasts approximately 1,200 member companies engaging in various types of construction work and businesses. In 2014, Obayashi Corporation and Obayashi Rin-yu-kai launched the Obayashi Rin-yu-kai Vocational Training School. The school aims to train skilled workers of Obayashi Rin-yu-kai member companies and transfer skills to the next generation of workers. As of March 31, 2023, a total of 428 people had completed the program and were actively engaged on construction sites. 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. Going forward, the school will enhance its training programs so that workers can acquire a more diverse range of skills. The school will also strive to contribute to securing more workers.

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



A slinging training session using VR technology

Establishing the Business and Skills Transfer Support Center

The business continuity of specialized construction companies has become a challenge for the industry, due to the aging of skilled workers and the lack of successors to take over the management of such companies. Obayashi Rin-yu-kai member companies, which are important Obayashi stakeholders, face similar problems, so, in April 2023, Obayashi opened the Business and Skills Transfer Support Center to help solve these management issues and provide the necessary support.

The center has set up a consultation desk for individual companies to discuss business succession (M&A, internal successor training), talent recruitment, human resource development and retention, the use of IT, and other issues, and receive individualized support from specialist consultants. Obayashi will also provide educational opportunities by holding

training sessions for management and employees and streaming e-learning programs.



Group discussion at a training session for prospective business successors

Intellectual Property

https://www.obayashi.co.jp/en/sustainability/intellectual_property.html

In order to innovate technologies and businesses, which is one of the basic strategies of Medium-Term Business Plan 2022, the Obayashi Group is seeking to create, utilize, and protect its expertise and other intellectual property as well as its patents and other industrial property rights.

The Group also pursues initiatives centered around intellectual property to help address its aims of carbon neutrality and well-being, and achieve Obayashi Sustainability Vision 2050. Intellectual property strategies are now an important part of the Group's management strategy. The new Obayashi Group Intellectual Property Policy was formulated in April 2023 to convey this fact to internal and external stakeholders.

Obayashi Group Intellectual Property Policy

The Obayashi Group strives to "exercise honest craftsmanship with superior technologies and create new value in every space," as stated in its corporate philosophy.

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.

To the that end, we need to have an appropriate intellectual property strategy to organically link technological development strategies with business strategies. We have therefore established the Intellectual Property Policy to provide guidelines for developing intellectual property activities in an integrated manner, with the aim of achieving a sustained increase in the Obayashi Group's corporate value.

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—growth that is achieved by creating value through the acquisition and utilization of intellectual property.

We promote these intellectual property activities in a bid to achieve a sustained increase in our corporate value.

Structure on Intellectual Property Strategy

In the past, the Group's intellectual property strategy and management was carried out by multiple departments within the Technology Division. When formulating the Intellectual Property Policy, Obayashi also reorganized the department responsible for intellectual property in the Technology Division and established the Intellectual Property Strategy Department. The purpose was to build a system for creating intellectual property considering internal and external technological needs in line with the Intellectual Property Policy and to promote an Intellectual Property (IP) landscape.* The department works together with business divisions to promote initiatives, from the formulation of technology strategies and technology development to the acquisition, utilization, and protection of IP rights.

Obayashi also established the Technology Strategy Expert Committee, which is chaired by the head of the Technology

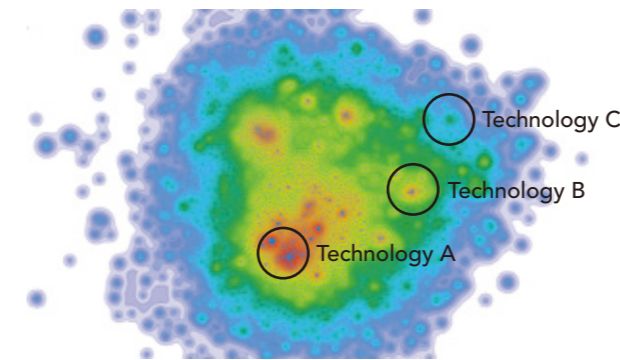
Division and under the jurisdiction of the Business Plan Committee commissioned by the president. The Technology Strategy Expert Committee considers and formulates policies and strategies across all departments on the acquisition of intellectual property with an eye on the future business environment, as well as the active use of existing intellectual property. In FY2022, the expert committee examined strategies for important themes, such as carbon neutrality.

* 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)

Example of Analysis Assessment

The Obayashi Group is using intellectual property analysis tools and other means to visualize its intellectual property and coordinate management, intellectual property, and business strategies, as it seeks to further improve the value of its intellectual property and identify areas requiring additional reinforcement.

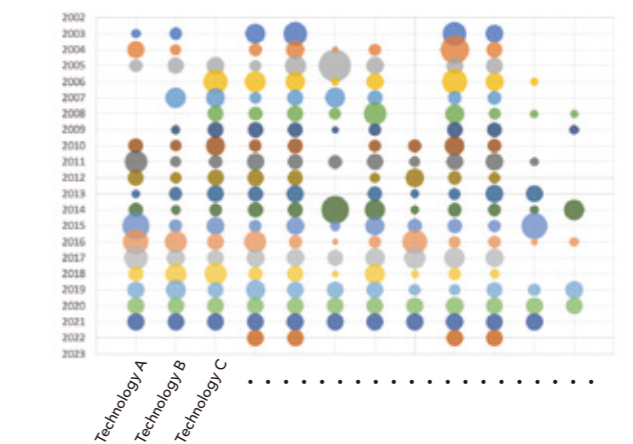
Example of Analysis of General Contractor Patents¹



Tools for analyzing trends in industrial property rights filings are used to identify such aspects as differences in the focus areas of the Obayashi Group and other companies, and that knowledge is applied to the formulation of technology development strategies.

1. Created using VALUENEX Radar provided by VALUENEX Japan Inc.

Example of Value Assessment of Obayashi Group Patents²



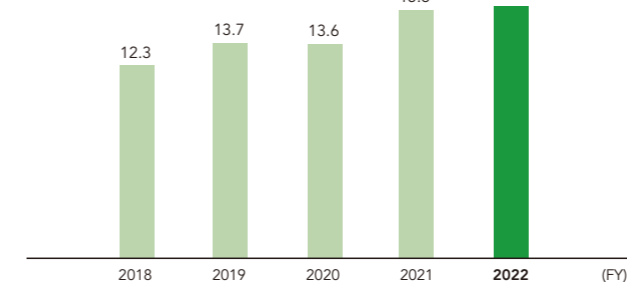
Change in the value of industrial property rights over time in the relevant technology field is determined so that industrial property rights can be used effectively.

2. Created using data from the LexisNexis® PatentSight® patent analysis tool

Investing in Intellectual Property Creation and Education

Under Medium-Term Business Plan 2022, the Obayashi Group intends to invest ¥80 billion (an average of ¥16 billion each fiscal year) in technology-related areas over the five years from FY2022. Bearing in mind our carbon neutrality and well-being goals, we are seeking to advance research and development for the future and improve corporate value.

Research and Development Expense (Consolidated)*



* Figures up to FY2021 are research and development expense included in "Selling, general and administrative expenses" as stated in the consolidated statements of income. From FY2022, figures are expenses for technology-related investment in Medium-Term Business Plan 2022

The Obayashi Group engages in educational activities to help instill the importance of intellectual property across all Group companies. In FY2022, a total of 540 people participated in e-learning on intellectual property rights, which was made available to all employees in Japan. The training has helped improve understanding of the importance of intellectual property

and how to use it, not only among staff in technology departments, but also among employees engaging in marketing and other operations.

The Group also held Management of Technology (MOT) study sessions for next-generation leaders in departments responsible for R&D, new businesses, and other areas, and 57 people attended in FY2022. We view technical prowess and the fruits of R&D as key management resources, and nurture leaders with a strategic perspective.

We have held a total of 13 IP landscape briefings for researchers and others at the Technology Research Institute and technology-related departments to help deepen internal understanding of IP landscapes. We also hold study sessions and other such events at the Technology Research Institute when necessary, primarily to help raise awareness of intellectual property-related matters.

These educational activities are designed to help promote technological development in accordance with our management and business strategies.

Actual Education Results (FY2022)

- E-learning on intellectual property rights: 540 attendees
- Study session on MOT: 57 attendees
- Briefings on IP landscape: 13 attendees

Technologies in Focus

3dpod™ Japan's First 3D-Printed Building, Certified by Minister of Land, Infrastructure, Transport and Tourism

The 3dpod™ is the first 3D-printed building made from cement-based materials in Japan to obtain certification from the Minister of Land, Infrastructure, Transport and Tourism under the Building Standards Act. A 3D printer was used to create all the aboveground structural components, such as the walls and floors.

Obayashi is developing structural design that uses a special mortar for 3D printers¹ that does not require rebars or steel beams and SLIM-crete^{®2}, ultra-high strength fiber-reinforced concrete. In May 2022, the Company started constructing a 3D-printed demonstration building in accordance with building stipulations under the Building Standards Act aiming for the practical application of 3D printers in the construction field. The 3dpod™ was completed in March 2023.

Obayashi will continue to research 3D printer construction and develop technologies that are capable of carving a new future for construction.

1. Denka Printer® mortar developed by Denka Company Limited that does not lose its shape even immediately after pouring; allows parts to be made without formwork
2. A mortar material that hardens at room temperature and achieves a high degree of compressive, tensile, and flexural strength; can be used as building structure without reinforcement



3dpod™, 3D-printer demonstration building
https://www.obayashi.co.jp/en/news/detail/news20230425_1_en.html

Digital Twin App: Enabling Anyone to Easily Use 3D Models

Digital twin technology uses IoT and other technologies to acquire real-world information and recreate the same environment in cyberspace. Obayashi has applied the data linkage platform¹ approach to build a data integration mechanism,² and developed a digital twin app to improve the operability and usability of 3D models.

The app uses the Unity³ game engine to easily run, display, and operate 3D models without a high-performance personal computer. Information linkage with the cloud allows for real-time checks of construction sites from anywhere, and any issues discovered during on-site patrols and related corrective instructions can be shared with and confirmed by relevant parties by attaching notes (annotations) on the digital twin.

While the use of BIM and CIM is progressing in the design phase, their use in the construction phase is still limited. In particular, managing a construction site where a digital twin is being built requires the use of high-performance PCs capable of handling 3D models and the acquisition of advanced skills in software operation. In addition, integrating static data such as BIM/CIM, topography, and point clouds with dynamic data on people, construction vehicles, and other aspects requires advanced technology. As a result, the reality is that this is only being done on a trial basis at some construction sites.

Obayashi will continue to employ this app at construction

sites and improve the app to establish an industry-standard environment that allows anyone anywhere to instantly create digital twins of construction sites. Going forward, the Company will also encourage the use of the app at other general contractors and specialized construction companies to promote DX in the construction industry and help to improve productivity and reform work styles.

1. A construction management system (developed by Obayashi and the School of Engineering at the University of Tokyo), for which the proof-of-concept stage has been completed. The system is aimed at improving construction management efficiency through the shared use of various data handled during construction management.
2. Jointly developed with TIS Inc.
3. Provided by Unity Technologies Japan Co., Ltd.



A screen on the digital twin app
https://www.obayashi.co.jp/en/news/detail/news20230412_2_en.html

Quality

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

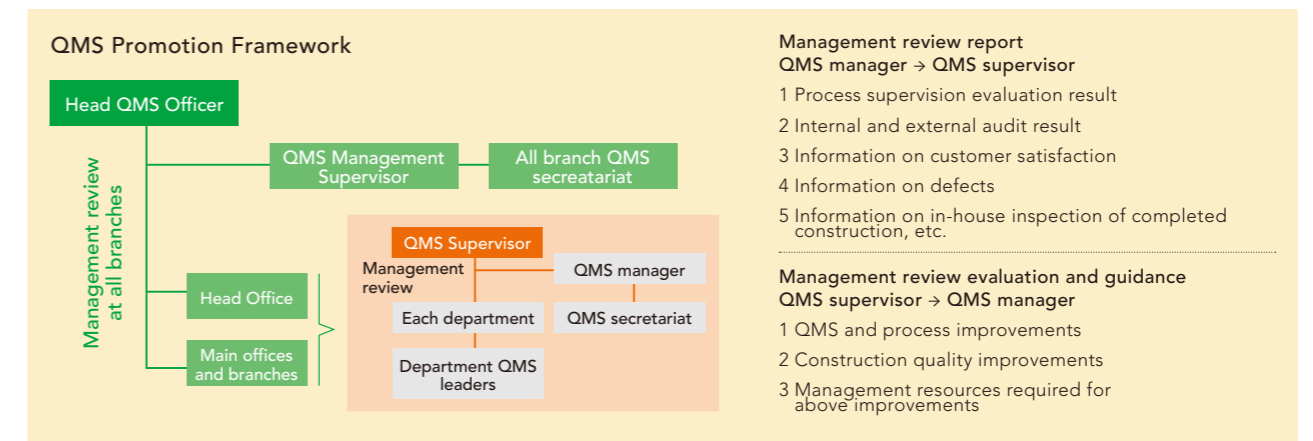
Quality is the foundation that supports the Obayashi Group's business. The Obayashi Quality Policy is based on our commitment to continuously improve business practices, and consequently customer satisfaction. It centers on providing buildings that customers can feel safe, satisfied, and proud to use. 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 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.

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.



Ensuring Quality and Raising Awareness

Quality Week is observed across the whole Group once a year to raise awareness of quality and encourage quality control activities. We conduct quality control activities appropriate for the content of each of our business operations, including quality patrols, study sessions, and follow-up measures on quality planning documents at our construction sites, and quality control training and lectures by department managers for our office-based staff.

We also 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 and steel frames, 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.



A quality patrol



Interactive mock-up training



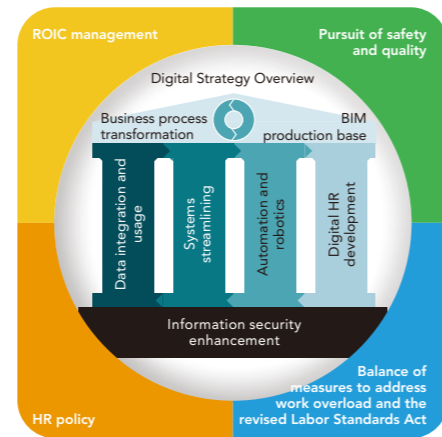
DX: The Bridge Linking Today with Our Future Ideal Structure

Four Priority Digitalization Challenges

The Obayashi Group's digital strategy has three main components: (1) Production DX,¹ supported by (2) backoffice DX,² along with the enhancement of information security that forms a comprehensive base for all activities related to the above.

The Group is working on four key issues based on this digital strategy: (1) the pursuit of safety and quality, (2) the balance of measures to address work overload and Japan's revised Labor Standards Act, (3) our HR policy, and (4) the promotion of ROIC management.

1. The sweeping transformation of business processes through BPR and the enhancement of the information infrastructure of the construction business through a complete shift to the BIM production base
2. Data integration and usage, systems streamlining, automation and robotics, and digital HR development



Expanding BizXBase™ Digital Business Platform

As part of its BPR activities, Obayashi has developed the BizXBase™¹ business platform, which uses digital technology to fundamentally review business processes, unfettered by conventional construction business customs and accepted norms. BizXBase™ is a digital business platform that centrally manages a variety of business information (from before order receipt to the after-sales service stage), and is being increasingly used in our building construction and civil engineering businesses at all main offices and branches. The system is currently being built out for our Real Estate Development Business as well.

We are also pressing ahead with business transformation based on the construction bill of materials (BOM)², a new format for listing building information as structured data items. The use of construction BOM enables us to centrally manage all building information from design to cost calculation and price quotation, construction, and maintenance in a coherent and consistent manner.

1. Former Integrated Product Management [PM] System
2. A components list (chart), made by extracting information on components such as pillars, beams, walls, fixtures, and windows from the BIM model

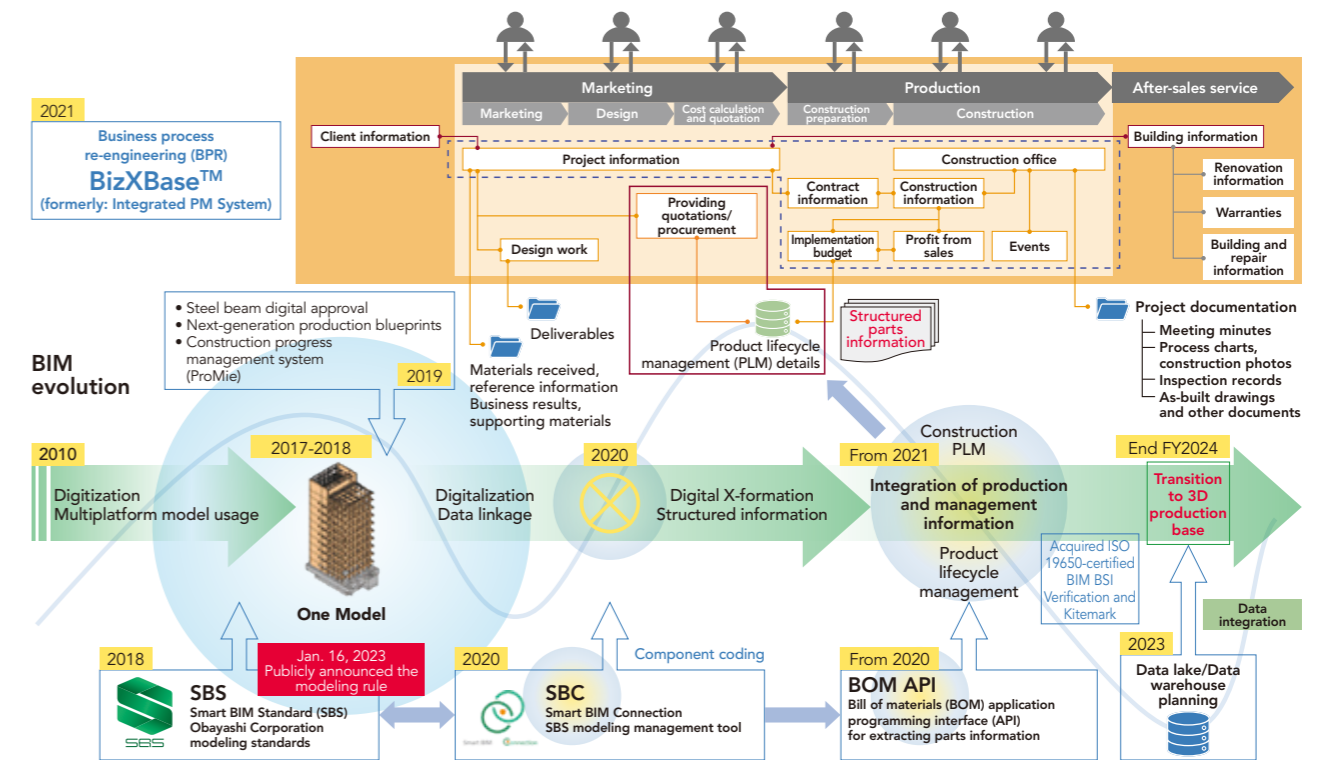
Using BIM/CIM to Improve Productivity in the Construction Industry

In the field of BIM and CIM, SBS,* which had been established in 2018 as the standard rule for the integrated use of data from design through construction, was publicly disclosed in January 2023. By working to standardize BIM models through the announcement of SBS, we are promoting the consistent use of BIM across companies to help improve the productivity of construction processes.

Obayashi uses high-quality BIM. In addition to acquiring British Standards Institute (BSI) verification on BIM Design and

Construction based on ISO 19650 in August 2021, the Company also acquired the more stringent BSI Kitemark for BIM Design and Construction in June 2022. Obayashi is a certified training provider for buildingSMART Professional Certification, which is an international standard for measuring BIM skills, and supports the promotion of BIM in the construction industry.

* Obayashi's Smart BIM Standard (SBS) modeling rules



Expanding Data Lakes and Warehouses to Further Promote Data-Driven Management

The building of platforms for data integration and usage (data lakes and data warehouses) is an essential part of data-driven management. Obayashi not only strives to improve the performance of the data virtualization platform that it introduced and has been using well ahead of its competitors, but is also expanding the environment for storing documents, photos, and other unstructured data in data lakes that facilitate high-speed searches and utilization of that data.

The Company is also working toward the day when all projects can be managed horizontally and when the aforementioned BIM data can be stored in data lakes and data warehouses. Building this infrastructure will help improve on-site quality, cost, delivery, safety, and environmental factors, such as the visualization and analysis of productivity indicators and the evaluation of fair procurement prices.

Promoting DX of Managerial Departments, Training and Utilizing Digital Talent

To promote DX in managerial departments, Obayashi is actively moving core systems onto the cloud and formulating a grand design for next-generation core systems, while streamlining systems by reducing legacy systems and taking other steps to lower operating costs. The Company has introduced a talent management system to help utilize human capital.

We are also focusing on recruiting and developing digital talent, and we have already introduced a scheme for recruiting specialized human resources. We also promote various forms of

training and encourage employees to consider acquiring the three qualifications based on the Di-Lite framework (under the Global Digital Literacy Council) including the IT Passport Exam, as well as the above-mentioned buildingSMART Professional Certification for the purpose of helping employees improve their BIM literacy. Training on BIM for workers newly assigned to construction sites and on information security measures is also offered to members of our supply chain.

A Word from the Head of Digital Transformation Division

Strengthening the business foundation and accelerating Company-wide transformation through DX is the guideline of the Group's initiatives to utilize digital technology. The Digital Transformation Division regularly evaluates the progress of each measure within that theme, and is committed to promoting ROIC management and improving productivity in the Group and the construction industry as a whole.

Eiichiro Okano
Managing Executive Officer
Head of Digital Transformation Division



TOPIC Named among DX Stocks 2023

In May 2023, Obayashi was named as one of the DX Stocks 2023, which are selected jointly by Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. The Company was highly praised for its efforts not only in strengthening existing businesses, but in presenting a clear DX strategy with a view to pursuing new businesses and transforming business models, as well as for putting a system in place to promote that process. It was also noted that for these reasons, the Company can be expected to achieve results through steady pursuit of its strategy.



Independent Directors' Dialogue



Expectations and Challenges in the Strategic Pursuit of Carbon Neutrality and Well-Being

Q How do you view the basic strategies laid out in Obayashi Group Medium-Term Business Plan 2022? And what is your opinion of the Group's sustainability-related initiatives, the strengths required to achieve those initiatives, and the challenges ahead?

Izumiya First, I believe that the Obayashi Group needs to make it clearer that construction is at the core of its business. As a company, it is important to increase the profitability and sustainability of the Group's core business. Another vital element is portfolio management. In other words, deciding in which areas to invest limited capital. I believe businesses should consider venture capital as a way to hedge the risk of investing in an uncertain future. On the other hand, I feel that the Group is making steady progress on its sustainability-related initiatives. Social demands are intensifying, however, and the Obayashi Group has to clearly indicate the path it intends to follow to achieve specific numerical targets in a way that links the Group's efforts to resolve social challenges and ensure the sustainability of its business. In such an environment, the Group needs to aspire to improving corporate value

through the comprehensive pursuit of financial value and non-financial value.

Kobayashi Obayashi Corporation has focused on ensuring full internal awareness of the 2022 medium-term plan through briefings conducted at main offices and branches nationwide and other means. The aim was to encourage each and every employee to consider the plan's goals as their own. I am looking forward to seeing operational reforms emerge spontaneously from the frontlines in FY2023 as a result of such efforts. It is also vital to expand production capacity in order to strengthen the Company's business foundation, and I believe the technology-focused Obayashi Corporation will be able to secure a competitive advantage by pursuing DX as an engine for technological advancement. At the same time, there is an urgent need to develop and strengthen the human resources required to fuel that engine. I really hope the Company will be able to achieve its performance indicator targets by pursuing these initiatives. Meanwhile, the Obayashi Group's approach to sustainability issues remains consistent, smooth, and clear. For instance, its LOOP50* concept is more than just a theoretical concept; it is fueling concrete initiatives at each step of the circular use cycle. Forests can lose their ability to retain water if maintained poorly by people, and that can cause major



disasters. However, Japan now faces the serious problem of a decline in its forestry industry—which traditionally carries out such maintenance—due to falling demand for domestic timber and a shortage of workers. To address these issues, Obayashi Corporation is promoting wooden structure and interior projects that use large amounts of forest resources and invigorate the forestry industry. Indeed, Port Plus®, Japan's first fully wooden, fire-resistant high-rise structure is attracting considerable attention. I also admire the Company's consistency in all its efforts, be it strengthening the supply chain in order to promote the circular use of forest resources or exploring the potential for using wood from thinning and wood scraps as energy resources in biomass power generation.

* Obayashi Corporation's future concept of a city in the highlands and mountainous areas that uses and recycles the rich forest resources in the most effective ways, as well as provide both sustainability and an attractive lifestyle

Orii I also feel that the 2022 medium-term plan was carefully conveyed and instilled throughout the Company. For that reason, I view very seriously the fact that consolidated operating income fell below the minimum level stated in the medium-term plan in FY2022, and is expected to do the same in FY2023. It is true that at times, Obayashi has been directly impacted by soaring prices in the wake of unstable social conditions and rising personnel costs, but my understanding is that strengthening the business foundation and accelerating Company-wide transformation is exactly what the Company needs to do to overcome this situation. But I hope the Obayashi Group will not try to strengthen its business foundation first and then tackle transformation. Instead, it should accelerate the implementation of change unfettered by convention, based on a strong awareness that change itself actually strengthens business foundations.

The pursuit of sustainability lies at the core of the Obayashi Philosophy as well as the Obayashi Group's vision and medium-term plan, and the Group is proud to play its part in the building of social infrastructure. In addition to the low-carbon concrete that it pioneered, the Group has been leveraging its advanced technological capabilities for various projects, such as the creation of wooden structures and interiors, WELCS Place®, and the production of green hydrogen. The ability to marry principles and technology is one of the Obayashi Group's major strengths, and I would like to see the whole Group

striving to achieve growth by positioning carbon neutrality and well-being as the sources of value creation and inter-business synergies in each segment.

Obayashi Corporation is also working to promote the active participation of women by appointing three women to senior leadership positions for the first time this spring. When I interact with female employees at the Obayashi Group, I always feel reassured by their ambition and their determination to drive change, and I hope they will demonstrate that power even more effectively going forward. I would also like to see D&I efforts further strengthened under the direction of the Diversity & Inclusion Promotion Department, which was established in 2021. I believe that the active participation of diverse personnel serves as a major driving force for corporate transformation.

Kato The Obayashi Group has built a very strong business foundation in the construction business, but technological advancement and innovation never cease. Optimizing the Obayashi Group's overall business portfolio is extremely important for sustainable growth. However, optimizing the order portfolio in the core construction business is also essential for the Group's sustainable growth. It is important to separate construction projects into various categories according to the scale of the work, the degree of difficulty, and any particular characteristics relating to the client or other aspects of the project, and to consistently pursue the optimal solution. However, these factors can alter depending on the external environment, so I would like to discuss them more deeply.

Creating spaces that promote well-being is one of the Obayashi Group's most important missions, so the most desirable outcome would be to use as much carbon-free energy in these spaces as possible. The Obayashi Group's ability to recognize these challenges as important management issues is a strength in itself. The Group is building a pioneering track record in the construction of mid- to high-rise wooden structures, the renewable energy business, and other fields, and I expect its corporate value to increase as it pursues these initiatives.

Kuroda FY2022 was a difficult year for the Obayashi Group on the profitability front in light of sharp rises in the price of raw materials and other products. Equally tough profitability-related challenges continue in FY2023, but



Independent Directors' Dialogue

I feel that this environment has propelled the Group to further strengthen the foundation of its construction business. Specifically, the Group has pursued initiatives to ensure the profitability of each individual project and reduce costs across the entire Group. I hope that these determined efforts will continue, even when inflation subsidies. Meanwhile, in the green energy business, hydrogen production and sale in New Zealand is progressing. Although the scale of the business is still small, it can be expected to both expand the Group's business portfolio and help protect the global environment.

I was selected as a member of the Sustainability Committee, which was newly established in FY2022. In addition to the already identified priority areas of decarbonization, safety and security, the Committee also recognized biodiversity, human rights, and other issues as being key. This enabled me to confirm the comprehensive nature of the Group's sustainability-related initiatives. We also reviewed the KPIs and target values for each issue and recommended the adoption of more effective indicators, which were duly implemented. In today's era, all companies are advocating sustainability initiatives as a matter of course, so the Obayashi Group needs to bear in mind the fact that stakeholders will start questioning the effectiveness of those measures more earnestly going forward.

Q How do you assess Obayashi Corporation's current efforts to ensure the board's effectiveness?

Izumiya The mission of the Board of Directors is to achieve sustainable business growth and improve medium- to long-term corporate value as entrusted by shareholders. On the governance front, governance involves the defensive guarantee of transparency and fairness and the offensive pursuit of aggressive and bold action. Achieving results through the pursuit of both defensive and offensive governance will increase the effectiveness of the Board of Directors. To achieve these aims requires extensive discussion. In fact, you could say that this act of extensively discussing issues is what the monitoring and supervisory functions of the Board of Directors are all about.

Kobayashi With respect to composition of the board, the majority of the independent directors are women, but I believe diversity is ensured not only in terms of gender, but also in terms of the variety of expertise and experience represented. Furthermore, discussions at advisory bodies to the board, such as the Recommendation Committee and the Remuneration Committee, are extremely active. Following major revisions to the remuneration system in FY2021, in FY2022 the committees clarified the criteria for the appointment and dismissal of the president and the selection of successor candidates. Directors are given multiple training opportunities. I find the annual training that I receive together with executive officers on compliance with Japan's Antimonopoly Act to be

particularly detailed and extremely thorough, and I feel that I am still able to grow through my work.

Orii If we look at the board's effectiveness evaluation over time, I think that the PDCA cycle of identifying issues, forming countermeasures, and confirming their implementation and effectiveness in the next fiscal year's evaluation is working well. I also feel that everyone who is actually involved in the Board of Directors is invested in making this system function better as time goes on. However, expectations and the responsibility to demonstrate the functioning of the board are growing all the time. I would like to utilize the newly established Directors' Roundtable Meeting and other venues to facilitate in-depth discussions of vital themes in Board of Directors' meetings. With that aim in mind, I would like to increase contact points with construction sites and with employees.

Kato I feel that the Board of Directors is always working to increase its effectiveness. Discussion on essential challenges toward improving corporate value and achieving sustainable growth for the Obayashi Group is now being pursued in a much more open and in-depth way than ever before. The Directors' Roundtable Meeting has only been in existence for a few months, so I hope that it will become a key venue going forward. The most important thing is that each director maintains his or her own unique perspective and discusses any issue in a sincere and determined manner. I will always discuss what is best from the perspective of the Obayashi Group's stakeholders.



Kuroda I have served as an independent director at a number of companies, and I feel that Obayashi Corporation explains things carefully in advance so that more time can be spent on discussions rather than explanations at board meetings. In that respect, the operation of the board is well balanced. I also think the establishment of the Directors' Roundtable Meeting is a unique way of enabling us to fully discuss themes relating to the improvement of medium- to long-term corporate value. The roundtable nature of the gathering enables us to have free and open discussions. However, measures for improving medium- to long-term corporate value should

also be discussed in Board of Directors' meetings, so this point should be considered when setting the agenda for future board meetings.

Q How do you view the expectations and challenges that the Obayashi Group is facing?

Kobayashi I think one of the issues at Obayashi Corporation is that there are very few women in management positions in core business operations. The proportion of female managers is one of the highest in the industry and there are a number of senior female leaders, but I think there is still some way to go. I have spoken to many female employees, and I feel that the female employees at Obayashi Corporation are not only extremely talented, but are also very passionate about their work. I was impressed to see so many women with strong communication skills, which is considered a vital attribute for a future leader regardless of gender. When it comes to empowering women, it is important not only to help support the balance between work and family life, but also to provide systemic career support tailored to each individual and to increase the number of female leaders appointed internally because I expect that will help revitalize the Company as a whole in the long run.

Orii I participated in OBAYASHI VISION SHOWCASE 2022* held in the fall. I witnessed numerous technological developments designed to support social infrastructure and human and environmental health as well as the extraordinary enthusiasm displayed by all employees involved in the development. This heightened my expectation that the implementation of these advanced initiatives would drive sustainability. If the whole Group unites behind its aspirations and avidly commits both thought and action to creating value that contributes to societal sustainability, then the Obayashi Group will naturally grow toward realization of its long-term vision and enhance its own sustainability.

* An event held to commemorate the 130th anniversary of the founding of Obayashi Corporation. It showcased Obayashi Group technologies and initiatives in various fields spanning construction and peripheral areas to realms further afield into the future, both in the event venue and online.



Kuroda I also participated in OBAYASHI VISION SHOWCASE and felt the strong client interest in wooden structures. I expect this interest will enable Obayashi to build new architectural standards through co-creation with clients, contribute to resolving environmental issues, and establish a competitive advantage at the same time.

Kato I expect great things to come from the Group's dedication to increasing social value, their efforts to improve technical capabilities, and their attentive approach to the treatment and training of people. However, I do get the impression that they tend to align themselves with their peers and that something is lacking in their desire to beat competitors, in their determination to pass on even a little of the increase in costs to the client, and in their commitment to profits and the Company share price. Everyone needs to remain acutely aware of what needs to be changed and what needs to stay the same, and to debate those issues.

Izumiya Obayashi Corporation's technical prowess and commitment as a contracting company are clear strengths that never disappoint a client's expectations. TOKYO SKYTREE® and ES CON FIELD HOKKAIDO exemplify that. However, with competition intensifying, it would be unwise to ignore the fact that the Company's profitability has declined significantly due to issues such as construction capacity, cost increases, and the insufficient commitment to increasing market share. Obayashi Corporation might need to review its management KPIs to enhance the sustainability of its own business.

Furthermore, the value that the Obayashi Group's core construction business provides lies in the creation of environment-conscious, enriching spaces. That value is created by technology, so the Group must be strong in technology. That's why the Company is expected to improve its technological capabilities by investing in human resources, intellectual property, DX, and other areas, and to establish corporate value creation processes that improve future orders and profitability. There are many challenges that need to be addressed, but I am confident that the Obayashi Group has the power to overcome any difficulties and achieve success.

Directors and Officers

(As of July 1, 2023)

Directors



Takeo Obayashi
Chairman of the Board

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
Apr. 2023 Representative Director
Apr. 2023 Chairman of the Board (incumbent)



Kenji Hasuwa
Representative Director
President and CEO

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)
Apr. 2023 President and CEO (incumbent)



Atsushi Sasagawa
Representative Director

Apr. 1980 Joined the Company
Apr. 2015 Executive Officer
Apr. 2015 Head of Yokohama Branch Office
Mar. 2018 Managing Executive Officer
Mar. 2018 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)
Jul. 2020 Head of Tokyo Main Office (incumbent)
Jun. 2021 Director
Apr. 2023 Representative Director (incumbent)



Hiroyuki Kato
Independent Director¹

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 Director¹

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. (incumbent)
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 (incumbent)
Jun. 2022 Independent Director of the Company (incumbent)
Aug. 2022 Outside Director of Oracle Corporation Japan (incumbent)

Significant concurrent positions:
Managing Director/Founder of People Focus Consulting Co., Ltd.
Outside Director of Seven Bank, Ltd.
Independent Director of Terumo Corporation
Outside Director of Oracle Corporation Japan

1. An Outside Director as per Article 2, Section 15 of Japanese Companies Act



Akinobu Nohira
Representative Director

Apr. 1980 Joined the Company
Oct. 2010 Senior General Manager of Nagoya Branch Office
Apr. 2016 Executive Officer
Apr. 2019 Managing Executive Officer
Apr. 2020 Senior General Manager of Civil Engineering Construction Division
Apr. 2020 Senior Managing Executive Officer
Apr. 2022 Head of Civil Engineering Construction Division
Apr. 2022 Executive Vice President (incumbent)
Jun. 2022 Director
Apr. 2023 Representative Director (incumbent)
Apr. 2023 Head of Safety Division (incumbent)



Toshihiko Murata
Director

Apr. 1977 Joined the Company
Apr. 2012 Executive Officer
Apr. 2012 Senior General Manager-in-Charge of Building Construction Division at Osaka Main Office
Apr. 2015 Managing Executive Officer
Apr. 2015 Senior General Manager of Building Construction Division at Osaka Main Office
Apr. 2017 Head of Building Construction Division
Mar. 2018 Senior Managing Executive Officer
Jun. 2018 Director (incumbent)
Apr. 2019 Head of Tokyo Main Office
Apr. 2021 Executive Vice President (incumbent)
Apr. 2021 Head of Osaka Main Office (incumbent)



Toshimi Sato
Director

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 (incumbent)
Apr. 2019 Managing Executive Officer
Apr. 2022 Senior Managing Executive Officer
Apr. 2023 Executive Vice President (incumbent)



Naoki Izumiya
Independent Director¹

Apr. 1972 Joined ASAHI BREWERIES, LTD.
Mar. 2000 Corporate Officer of ASAHI BREWERIES, LTD.
Mar. 2003 Director of ASAHI BREWERIES, LTD.
Mar. 2004 Managing Director of ASAHI BREWERIES, LTD.
Mar. 2006 Managing Director, Managing Corporate Officer of ASAHI BREWERIES, LTD.
Mar. 2009 Senior Managing Director, Senior Managing Corporate Officer of ASAHI BREWERIES, LTD.
Apr. 2010 President and Representative Director of ASAHI BREWERIES, LTD.
Jul. 2011 President and Representative Director, COO of Asahi Group Holdings, Ltd.
Mar. 2014 President and Representative Director, CEO of Asahi Group Holdings, Ltd.
Mar. 2016 Chairman and Representative Director, CEO of Asahi Group Holdings, Ltd.
Mar. 2018 Chairman and Representative Director of Asahi Group Holdings, Ltd.
Jun. 2018 Independent Director of the Company (incumbent)
Mar. 2019 Chairman of the Board of Asahi Group Holdings, Ltd.
Mar. 2021 Special Advisor of Asahi Group Holdings, Ltd. (incumbent)

Significant concurrent positions:
Outside Director of New Otani Co., Ltd.
External Board Director of Recruit Holdings Co., Ltd.



Yoko Kobayashi
Independent Director¹

Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation (the predecessor of NTT)
Jun. 2008 Member of the Board of Directors of NTT Communications Corporation
Jun. 2010 President and CEO of NTT Com CHEO CORPORATION
Jun. 2014 Audit & Supervisory Board Member of NTT Communications Corporation
Jun. 2018 Outside Director, Audit and Supervisory Committee Member of Mitsubishi UFJ Trust and Banking Corporation (incumbent)
Sep. 2018 General Auditor of Japan Aerospace Exploration Agency (incumbent)
Jun. 2020 Independent Director of the Company (incumbent)

Significant concurrent positions:
Outside Director, Audit and Supervisory Committee Member of Mitsubishi UFJ Trust and Banking Corporation
General Auditor of Japan Aerospace Exploration Agency



Masako Orii
Independent Director¹

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 Corporation 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.

Members of the Audit & Supervisory Board



Masahiro Saito
Standing Audit & Supervisory Board Member

Apr. 1981 Joined the Company
Apr. 2014 Senior General Manager of Building Construction Division at Tokyo Main Office (responsible for marketing)
Apr. 2016 Executive Officer
Apr. 2016 Senior General Manager of Real Estate Development Division
Mar. 2018 Representative Director and President of OBAYASHI-SHINSEIWA REAL ESTATE CORPORATION
Apr. 2020 Advisor at the Company
Jun. 2020 Standing Audit & Supervisory Board Member (incumbent)



Isao Watanabe
Standing Audit & Supervisory Board Member

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 at the Company
Jun. 2022 Standing Audit & Supervisory Board Member (incumbent)



Yoshihiro Yamaguchi
Outside Audit & Supervisory Board Member²

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 Director General of Business Development Department at 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 & Supervisory Board Member²

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
Jun. 2021 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 & Supervisory Board Member²

Apr. 1977 Joined the Ministry of International Trade and Industry
Jan. 2000 Director of Economic Cooperation Division, Economic Cooperation Department at Trade Policy Bureau at Ministry of International Trade and Industry
Jan. 2001 Director of Trade Finance and Economic Cooperation Division, Trade and Economic Cooperation Bureau at Ministry of Economy, Trade and Industry
Jul. 2002 Director of Personnel Division, Minister's Secretariat at Ministry of Economy, Trade and Industry
Aug. 2004 Deputy Director-General for Trade and Economic Cooperation Bureau at Ministry of Economy, Trade and Industry
Sep. 2005 Counselor at Cabinet Secretariat (assistant to Assistant Chief Cabinet Secretary)
Jul. 2008 Director-General for Regional Economic and Industrial Policy at 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 at ALSOK
Jun. 2016 President of the Association for Overseas Technical Cooperation and Sustainable Partnerships (incumbent)
Jun. 2023 Outside Audit & Supervisory Board Member of the Company (incumbent)

Significant concurrent position:
President of the Association for Overseas Technical Cooperation and Sustainable Partnerships

2. An Outside Company Auditor as per Article 2, Section 16 of Japanese Companies Act

Directors and Officers

Executive Officers

President and CEO

Kenji Hasuwa

Executive Vice Presidents

Toshihiko Murata	Head of Osaka Main Office Head of Yumeshima Development Division
Atsushi Sasagawa	Responsible for overall building construction Head of Marketing Division Head of Tokyo Main Office
Akinobu Nohira	Responsible for overall civil engineering construction Head of Safety Division
Toshimi Sato	Responsible for overall administration

Senior Managing Executive Officers

Naoki Kajita	Head of Technology Division
Seiji Nagai	Head of Building Construction Division at Osaka Main Office, Senior General Manager of Marketing Division, and Senior General Manager of Yumeshima Development 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
Hironobu Kawakami	Head of Kobe Branch Office
Yoshihito Sasaki	Head of Civil Engineering Construction Division
Akihiro Higashide	Head of Civil Engineering Construction Division at Tokyo Main Office, Senior General Manager of Marketing Division, and General Manager of Renewable Energy Marketing & Development Department of Civil Engineering Construction 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)
Eiichiro Okano	Head of Digital Transformation Division
Kenichi Ando	Head of Green Energy Division, and Responsible for PPP Division
Hiroimitsu Kato	Head of North American Regional Headquarters
Futoshi Takahashi	Head of Real Estate Development Division
Yasuo Morita	Head of Building Construction Division, and Responsible for Environmental Management Division
Motoi Yano	Head of Building Construction Division at Tokyo Main Office, and Senior General Manager of Marketing 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

Executive Officers

Hideo Katsumata	Kyoji Ikeda	Kimihiko Sato	Yutaka Taneda
Kojiro Nitta	Yoshikatsu Imazuka	Shigeru Edatsune	Hitoshi Shibuya
Atsushi Takeuchi	Shinobu Yamanaka	Koji Kohirata	Osamu Yoshizaki
Hajime Onojima	Ryuji Kitaoka	Hiroshi Kondo	Kazutoshi Mitsui
Ryuichi Yanagawa	Tetsuo Ueda	Shigeru Kojima	Kazuhisa Sugiyama
Toshio Suzuki	Takayuki Tomioka	Koji Furuse	Ikuo Okuwaki
Takayuki Akiyama	Tsuyoshi Ito	Akio Inoue	Takuji Imagawa
Yasuyuki Onishi	Kenji Okamura	Naoyuki Suzuki	Hidefumi Takenaka
Jun Nakamura	Shinji Nishikawa	Katsunori Hanato	Masato Yanou

Management Structure

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

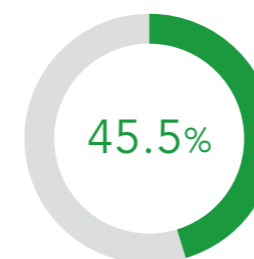
Obayashi believes that transparency and sound management, along with a strong corporate governance framework, are critical to maintaining society's trust. By enhancing corporate governance, we are also able to achieve sustainable growth and greater corporate value over the medium-to long-term. One specific 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

		FY2004	FY2005	FY2007	FY2013	FY2015	FY2018	FY2020	FY2021	FY2022
Members of the Board	Number of Directors	Up to 50 → Up to 15								
	Term	2 years → 1 year								
	Independent directors				0 → 1	1 → 2	2 → 3	3 → 5		
Separation of supervision and business execution		Introduction of the executive officer system								
Outside Audit & Supervisory Board members		2 → 3 persons								
Officers' remuneration						Introduction of performance-linked stock remuneration system		Revision of system in general		
Committees, etc.	Recommendation Committee and Remuneration Committee	Newly established					Reconfigured so that independent directors make up a majority of members and an independent director chairs each committee			
	Sustainability Committee									
	Directors' Roundtable Meeting									

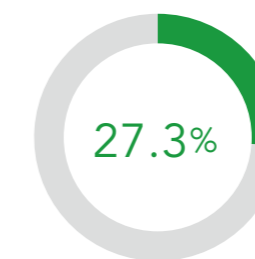
Ratio of independent directors on Board of Directors

5/11 members



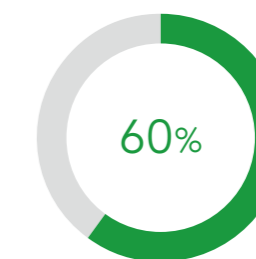
Ratio of female directors on Board of Directors

3/11 members



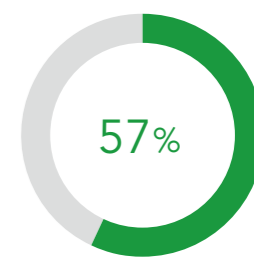
Ratio of independent directors on the Recommendation Committee

3/5 members



Ratio of independent directors on the Remuneration Committee

4/7 members



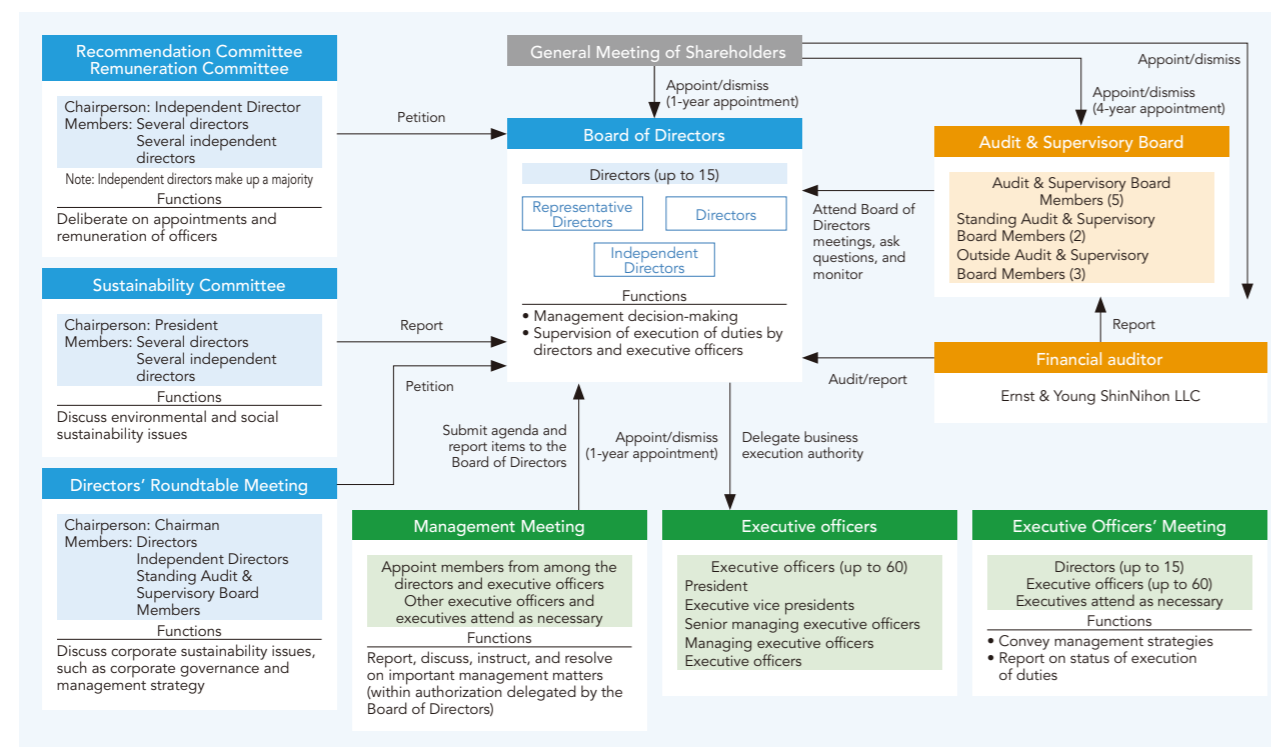
Management Structure

Corporate Governance Framework

Obayashi has a General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, financial auditor, and other statutory bodies. Additionally, we have established systems for making management decisions and conducting appropriate audits. We practice precise and swift decision-making through our executive officer system and Management Meeting. The latter is composed of members appointed from among the directors and executive officers.

The Company has appointed five independent directors and three outside Audit & Supervisory Board members, none of whom has any conflicts of interest with general shareholders. The independent directors offer advice to improve management efficiency and supervise overall business management from a standpoint that is independent of the Company. Outside Audit & Supervisory Board members conduct third-party checks independent of management. Both have a role to play in ensuring effective corporate governance.

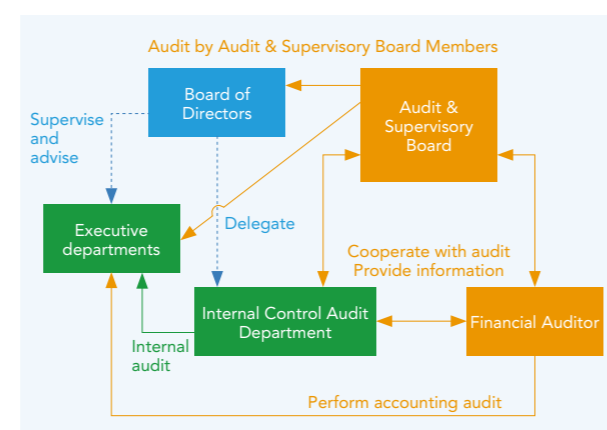
Management Structure (As of July 1, 2023)



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 further 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



Recommendation Committee and Remuneration Committee

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 selection of directors and submits the results of its deliberations 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, their insight, and their 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 six times in FY2022.

Key agenda items in FY2022

- Review of criteria for appointing and dismissing the president, and of succession plan
- Evaluation of the president's reappointment based on the above criteria (discussion conducted without the president in attendance)
- Evaluation of candidate training for president
- Recommendation of FY2023 candidates for director and Audit & Supervisory Board member

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 of its deliberations 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, debates 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 twice in FY2022.

Key agenda items in FY2022

- Performance-linked remuneration based on FY2021 corporate results and individual performance
- FY2022 performance indicators for individual officers
- FY2023 basic remuneration for officers
- FY2023 performance-linked remuneration system for officers

Sustainability Committee and Directors' Roundtable Meeting

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 13 members: the chairman, five 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 body that sits under 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 items examined in FY2022

- Sustainability Committee**
 - Determination of the material issues for the Obayashi Group
 - Review of achievement of KPIs for each material issue in the first half of FY2022
 - Monitoring of efforts to reduce greenhouse gas emissions
- Directors' Roundtable Meeting**
 - Business portfolio strategy

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

Director Expertise and Experience (Skill Matrix) and Committee Participation and Attendance

Name	Tenure	Expertise and experience related to business areas			Expertise and experience related to management administration and executive supervision									Committee participation and attendance ¹				Reasons for appointment and expected role
		Building construction	Civil engineering construction	New business	ICT/Digital	Business development	Public relations	Finance and accounting	Legal affairs Compliance Risk management	Global knowledge	ESG Sustainability	Corporate management	Recommendation Committee	Remuneration Committee	Sustainability Committee	Directors' Roundtable Meeting ²		
Takeo Obayashi	40 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. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Kenji Hasuwa	8 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. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Atsushi Sasagawa	2 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 the Yokohama Branch Office and head of the Building Construction Division at the Osaka Main Office. He is currently responsible for overall building construction as executive vice president, and is serving as head of the Marketing Division and the Tokyo Main Office. He also assumed the director position in 2021 and has participated in the Company's management as representative director since April 2023. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Akinobu Nohira	1 year		●			●											○	Since joining the Company, Mr. Nohira has engaged in the civil engineering construction business. Ever since assuming the executive officer position in 2016, he has held positions of head of Civil Engineering Construction Division, and others. He is currently responsible for overall civil engineering construction business as executive vice president, and is serving as head of Safety Division. He also assumed the director position in 2022 and has participated in the Company's management as representative director since April 2023. (Status of attendance at Board of Directors meetings in FY2022: 13/13 Attendance rate: 100%)
Toshihiko Murata	5 years	●				●											○	Since joining the Company, Mr. Murata has engaged in building construction business. Ever since assuming the executive officer position in 2012, he has held the positions of head of Building Construction Division, head of Tokyo Main Office, and others. He is currently serving as executive vice president, and head of the Osaka Main Office, among others. He also has participated in the Company's management as director since 2018. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Toshimi Sato	5 years			●	●		●	●	●	●	●	●			○	○	○	Since the joining of 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, and others. He is currently serving as executive vice president, responsible for overall administration. He also has participated in the Company's management as director since 2018. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Naoki Izumiya Independent Director ³	5 years			●			●							◎	○		○	Mr. Izumiya has considerable experience, excellent capabilities, knowledge, and character gained through many years of involvement in the management of the Asahi Group. Obayashi has appointed him in the expectation that he can provide advice and suggestions important for the decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with corporate management experience, such as serving as CEO, and based on his abundant knowledge of business strategy formulation, and others. He is 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, chairperson of the Recommendation Committee, and a member of the Remuneration Committee. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Yoko Kobayashi Independent Director ³	3 years			●	●	●	●	●	●	●	●	●		○	◎		○	Ms. Kobayashi has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of the NTT Group. Obayashi has appointed her in the expectation that she can provide advice and suggestions important for the decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with experience in managing a company building a social infrastructure, and based on her abundant knowledge about entry into new businesses and ICT strategies, 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, chairperson of the Remuneration Committee, and a member of the Recommendation Committee. (Status of attendance at Board of Directors meetings in FY2022: 14/15 Attendance rate: 93%)
Masako Orii Independent Director ³	3 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 the decision-making regarding Obayashi'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 the abundant knowledge about ESG management, and others. She is 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, Recommendation Committee, and Sustainability Committee. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Hiroyuki Kato Independent Director ³	2 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 the decision-making regarding Obayashi'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 the energy field, 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 and Remuneration Committee. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Yukiko Kuroda Independent Director ³	1 year			●						●	●	●			○	○	○	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 the decision-making regarding Obayashi'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, Remuneration Committee, and Sustainability Committee. (Status of attendance at Board of Directors meetings in FY2022: 13/13 Attendance rate: 100%)

1. For each committee, ◎ Indicates the chair and ○ Indicates members
 2. Comprised of 13 members including two standing Audit & Supervisory Board members
 3. An Outside Director as per Article 2, Section 15 of Japanese Companies Act

Note: The above categories of expertise and experience required of the Board of Directors have been set based on the following two perspectives:

- Expertise and experience related to business areas (from Building construction through New business)
 - Expertise and experience related to management administration and executive supervision (from ICT/digital through Corporate management)
- For independent directors, particular emphasis is placed on expertise and experience related to management administration and decision-making pertaining to business expansion and withdrawal (New business and Corporate management).

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 outside 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

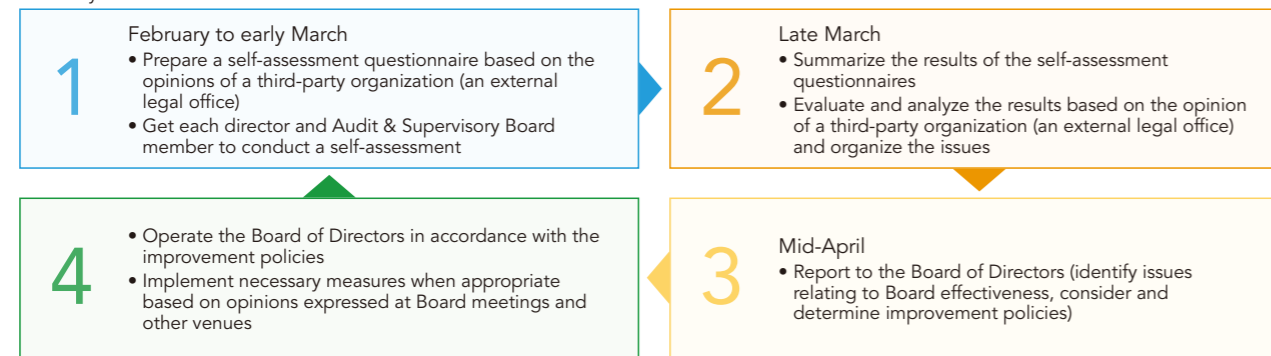
Evaluating the Effectiveness of the Board of Directors

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 evaluates 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.

PDCA Cycle



FY2022 Results

In FY2022, 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

Identified issues	Measures taken and improvement policies
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)	Introduced remuneration KPIs linked to the management indicators included in Medium-Term Business Plan 2022 and increased the proportion of performance-linked remuneration to create better incentives for improving business performance and increasing corporate value (FY2021)
Not enough time for thorough discussion due to the increased number of business execution matters to be discussed as business scale expanded (FY2020, FY2021, FY2022)	<ul style="list-style-type: none"> Revised the number of Board meetings from 14 to 15 times a year (FY2021) Revised the standards for the referral of items for discussion to the Board of Directors (FY2022) Expanded time for discussing management strategies and other issues by establishing the Directors' Roundtable Meeting (FY2022)
Need to improve the transparency and objectivity of succession plans for the chief executive officer and other positions (FY2021)	Reviewed the operating procedures for the appointment and dismissal of the president and successor planning (FY2022)
Need to strengthen board supervision of intangible assets, such as human capital and intellectual property (FY2022)	Discussion planned on this issue going forward in the Board of Directors and Directors' Roundtable Meeting
Need to improve board effectiveness in addressing environmental and social sustainability issues (FY2022)	Sustainability Committee expected to identify environmental and social sustainability issues (risks and business opportunities) and to deliberate on how best to respond, followed by Board of Directors discussion based on the results of those deliberations

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 ²
Proportion of remuneration ¹ (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	Consolidated operating income, total shareholder return (TSR), ESG indicators (Reduction in CO ₂ emissions, number of fatal accidents and serious injuries, employee satisfaction rate)

Total Remuneration for Directors and Audit & Supervisory Board Members (FY2022)

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)	724 (61)	509 (61)	80 (—)	135 (—)	14 (6)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	98 (34)	98 (34)	— (—)	— (—)	8 (5)

Note: The above includes two directors (including one independent director) and three Audit & Supervisory Board members (including two outside Audit & Supervisory Board members) who stepped down at the conclusion of the 118th Ordinary General Meeting of Shareholders held on June 23, 2022.

Remuneration for Financial Auditor (FY2022)

Category	Remuneration for audit certification services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Obayashi Corporation	113	38
Consolidated subsidiaries	85	—
Total	199	38

Management Structure

Stakeholder Engagement

Obayashi's business activities are conducted based on a variety of different relationships with stakeholders. To continue operating as an enterprise that enjoys the trust of its

stakeholders, we seek to incorporate the opinions and requests that we receive from them into our corporate management in order to fulfill the expectations and demands of society at large.

Specific Communication Tools for Each Type of Stakeholder

For stakeholders	Main methods of engagement
Clients <ul style="list-style-type: none"> Provision of quality buildings, infrastructure, and services that satisfy our clients through consistent quality control based on a quality management system Development of cutting-edge technologies and provision of solutions to help meet the various needs of our clients Provision of comprehensive support in the event of a disaster, from the compilation of business continuity plans (BCPs) to recovery construction 	<ul style="list-style-type: none"> Marketing activities Regular building inspections Client satisfaction surveys Website communication Publication of the Obayashi Corporate Report Management of information in accordance with the Customer Information Guidelines
Shareholders and investors <ul style="list-style-type: none"> Building of an effective corporate governance system Payment of shareholder returns that reflect business performance, giving top priority to maintaining stable dividends over the long term Timely and fair disclosure of information relating to our business Creation of opportunities for honest and close communication with our stakeholders 	<ul style="list-style-type: none"> Ordinary General Meeting of Shareholders Publication of the Obayashi Corporate Report and disclosure of the Corporate Governance Report (Japanese only) Financial results briefings for institutional investors and analysts Individual meetings with institutional investors and analysts Meetings with international institutional investors at investor conferences Overseas investor relations activities Construction site tours for institutional investors and analysts
Employees <ul style="list-style-type: none"> 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 Offering of skills development opportunities through various training programs and other means Creation of comfortable work environments that protect the health and safety of our employees and establishment of frameworks to support their physical and mental health 	<ul style="list-style-type: none"> Labor-management consultation Intranet Corporate Ethics Consultation and Reporting System Hotlines for employees seeking advice on mental health, nursing care, and other issues Various training programs Occupational Health and Safety Management System
Suppliers <ul style="list-style-type: none"> Adherence to fair transactions and strengthening of the bonds of trust as a partner that seeks to grow and develop with its suppliers Respect for the human rights of workers and the creation of comfortable working environments that protect their health and safety 	<ul style="list-style-type: none"> Procurement activities Training materials on the CSR Procurement Guidelines Questionnaires on the CSR Procurement Guidelines Cooperation with Obayashi Rin-yu-kai
Local communities <ul style="list-style-type: none"> Proactive participation by individual employees in social contribution activities with the aim of bringing about a sustainable society 	<ul style="list-style-type: none"> Tours of facilities and construction sites Environmental education Obayashi Foundation Scholarship Program Fair and equitable tax payment Matching Gift Program Support for disaster-stricken areas

Status of Participation in External Initiatives

- | | |
|--|--|
| <ul style="list-style-type: none"> TCFD Consortium TNFD Forum Japan Climate Initiative (JCI) Japan Climate Leaders' Partnership (JCLP) Science Based Targets initiative 30by30 Alliance for Biodiversity | <ul style="list-style-type: none"> Human Capital Management Consortium UN Global Compact Japan Business Federation Japan Federation of Construction Contractors Japan Construction Occupational Safety and Health Association |
|--|--|



The Obayashi Group is a participant in the UN Global Compact, a global framework for realizing a sustainable international community

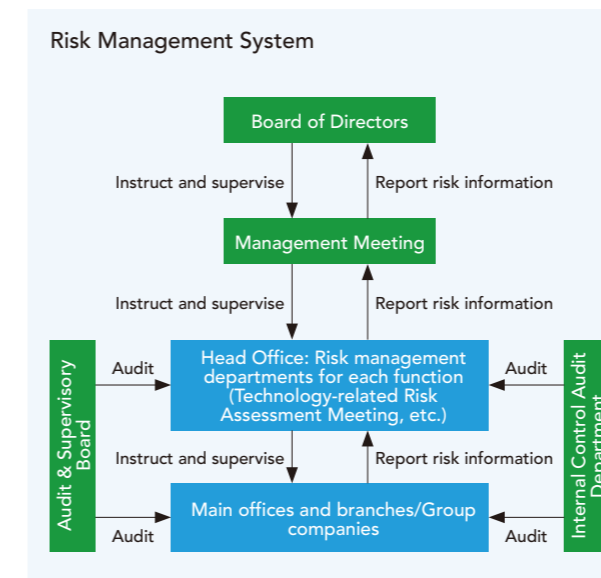
Risk Management

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

Risk Management System

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.



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 revised to become the Obayashi Group Information Security Policy 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). It adds measures to deal with new information technologies and devices that did not exist when the policy was first established.

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 teams (CSIRT), training, auditing, and safety management measures. The new policy sets concrete standard measures with which Obayashi Group companies must

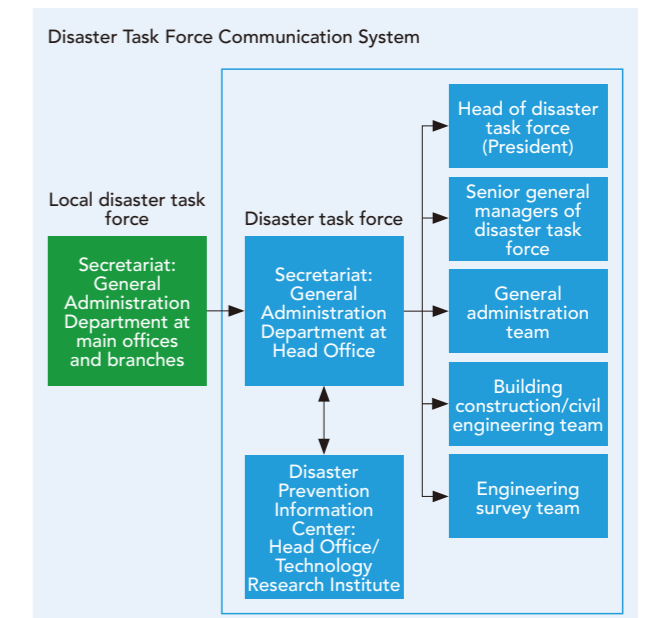
comply. We will work to raise the level of information security throughout the Group by implementing these practices.

Business Continuity Plan

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. For example, in the event of an earthquake-related disaster, our computerized disaster response system automatically sends a request for information to all relevant parties to confirm the safety of employees as well as the extent of damage at construction sites, Company facilities, Group companies, suppliers, and subcontractors. Those parties then report back on the situation. These practices make it easier to swiftly grasp the extent of any damage and implement measures to restore infrastructure at the earliest possible opportunity.

To ensure that the Company is prepared to set up a disaster task force and carry out recovery activities on an organizational basis in the event of a large-scale disaster, it conducts drills based on a variety of damage scenarios with the participation of all employees of the Group, suppliers and subcontractors, and other relevant parties.

Based on the assumption that a major inland earthquake might occur in the Tokyo Metropolitan area, in FY2022 we conducted initial response training for the purpose of establishing a disaster task force in main offices and branches outside Tokyo. We also practiced contacting clients through new communication methods.



Risk Management

Responding to Business and Other Risks

	Risks	Domestic Construction	Overseas Construction	Real Estate Development	Green Energy	New Business Initiatives	Response
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"> Encourage each business department, the Legal Department, and other internal organizations to continually monitor trends in the establishment, amendment, and abolition of legal regulations Appropriately reflect the accompanying costs in estimated costs and revenue and expenditure forecasts
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"> Formulate human resource plans that anticipate market trends Strengthen marketing and procurement capabilities Improve productivity and expand construction capabilities through technological development Diversify revenue sources by expanding business domains Build a solid financial position
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"> Establish a strict quality management system Operate a thorough safety management system through the Safety Division Use insurance to hedge risk
Client/supplier credit risk	Difficulty collecting funds or delay in business due to uncertain credit of a client, supplier, subcontractor, or other business partner	○	○	○	○	○	<ul style="list-style-type: none"> Conduct thorough credit checks before and during transactions Receive payment and pay subcontractors for construction work in proportion to the amount of work completed in the construction business
Changes in construction material prices and labor unit prices	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"> Maintain a level of orders that accurately reflect the construction capacity of the Group, including suppliers and subcontractors Ensure early purchase of materials Calculate estimated costs by determining accurate costs that include future predictions Build a stable supply chain Develop labor-saving automation technologies and machinery
Fluctuation of asset prices	The recognition of valuation or impairment losses and others caused by a significant decline in the market value of real estate holdings, investment securities, and other assets			○			<ul style="list-style-type: none"> Formulate investment plans considering the balance with the financial base Conduct stricter advance screening by the Investment Committee and other bodies Regularly check the operation, business conditions, and market price of any entity acquired through investment
Long-term business risks	A deterioration in earnings, loss and others due to costs incurred, or other issue resulting from a significant change in the business environment or a serious accident at a PPP project or a renewable energy project, which tend to have long time spans				○	○	<ul style="list-style-type: none"> Formulate investment plans considering the balance with the financial base Conduct stricter advance screening by the Investment Committee and other bodies Appropriately share risks with business partners and subcontractors Use insurance to hedge risk Monitor the operational status of projects
Risks in overseas businesses	A significant change in the business environment, such as political instability due to terrorism, conflict and others, fluctuation in economic conditions, sudden fluctuations in exchange rates, or changes in legal systems in countries where we do business		○	○			<ul style="list-style-type: none"> Operate business in countries and regions with stable political climates Grasp conditions and respond in a timely manner at the North American and Asia-Pacific Regional Headquarters Receive payment for contracted work and pay subcontractors in the local currency Use forward exchange contracts to hedge risk
Leakage of confidential information	Loss of social trust or payment of 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"> Establish an information management system based on the Rules on Protection of Personal Information and the Information Security Policy Update security infrastructure based on the zero-trust concept Consistently implement training, awareness-building, and other human resource management measures
Risks relating to large-scale natural disasters and infectious diseases	Damage to ongoing construction projects and functional paralysis at the head 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 contagious infectious disease	○	○	○	○	○	<ul style="list-style-type: none"> Formulate a BCP for each type of risk Offer consistent education and training Ensure a solid financial base that enables the Group to continue business even when business activities are significantly impacted
Climate change risks	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"> Promote initiatives designed to reduce environmental impact as the Group strives to achieve the decarbonization target proclaimed in Obayashi Sustainability Vision 2050 Support the recommendations of the TCFD and implement measures based on scenario analysis

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 Code of Conduct also stipulates guidelines for ensuring strict adherence to corporate ethics, and the Company's senior management lead by example when promoting those corporate ethics.

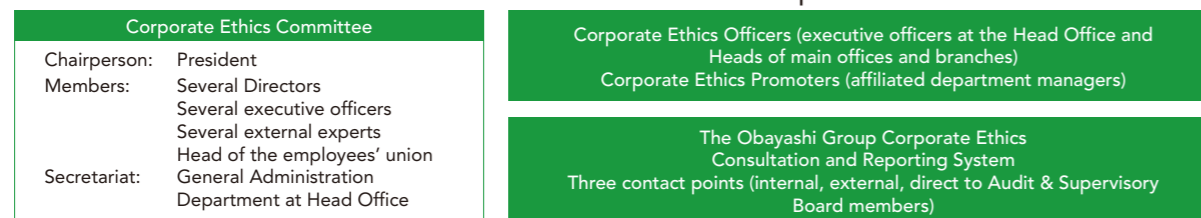
Promoting Our Corporate Ethics Program

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.

– Policies and Standards for the Establishment of Corporate Ethics –

Articles of Incorporation	Obayashi Basic Principles
<p>Article 3 (Compliance and Sensible Course of Action)</p> <p>In the Corporation each employee and board member shall observe laws and regulations, and maintain high ethical standards in their business activity. Particularly in regard to contracts for construction works, they should not take any action that would harm the equity and fairness of the tender, such as actions that violate the Penal Code and the Antimonopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade).</p>	<p>(Ensure Strict Adherence to Corporate Ethics)</p> <p>1 Comply with laws and regulations and take a sensible course of action 2 Promote fair and free competition 3 Maintain appropriate relationships with stakeholders 4 Avoid all contact with antisocial forces 5 Ensure appropriate information disclosure and transparency of management</p>

– Structure to Ensure Strict Adherence to Corporate Ethics –



– Introducing, Implementing, Verifying, and Improving Specific Measures to Establish Corporate Ethics –



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

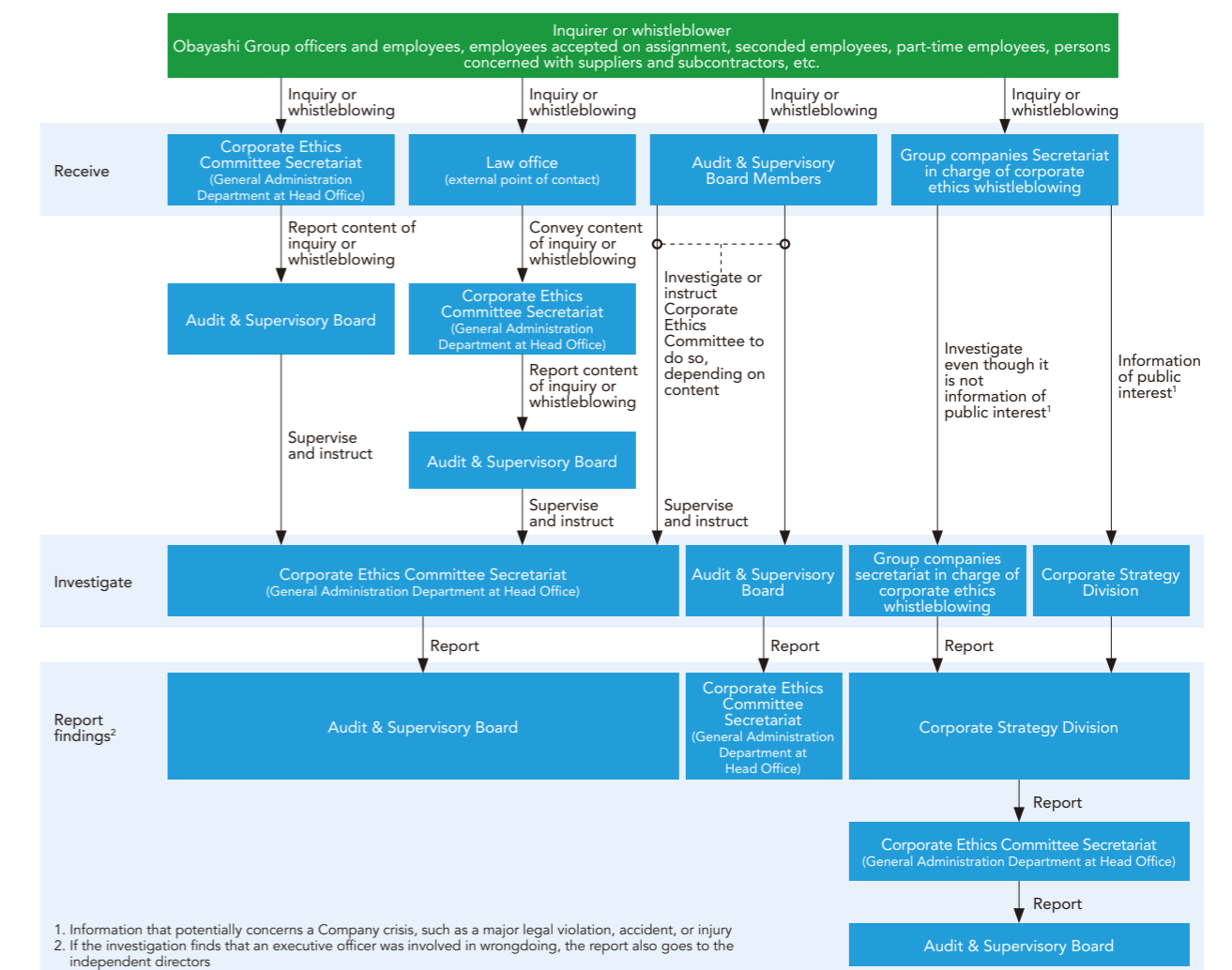
occur in an employee's immediate environment relating to thorough compliance with Japan's Antimonopoly Act and other laws and regulations, the elimination of antisocial forces, the eradication of fraudulent accounting, and other issues. Going forward, we will continue to conduct corporate ethics training 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.

Flow of Reporting through Each Contact Point



Consolidated Financial Summary

Fiscal years ended March 31	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Millions of yen	Thousands of U.S. dollars ³
											FY2022	FY2022
Orders received	1,449,567	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	16,642,629
Orders received (Construction business)	1,372,658	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	15,782,033
Net sales	1,448,305	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	14,857,246
Gross profit	114,687	112,059	131,707	193,052	224,933	234,303	254,023	255,547	225,784	154,339	216,569	1,621,881
Gross profit margin (%)	7.9	6.9	7.4	10.9	12.0	12.3	12.5	12.3	12.8	8.0	10.9	-
Selling, general and administrative expenses	79,534	80,067	83,318	86,671	91,191	96,502	98,542	102,675	102,622	113,288	122,769	919,413
Operating income	35,153	31,991	48,388	106,380	133,742	137,800	155,480	152,871	123,161	41,051	93,800	702,467
Operating margin (%)	2.4	2.0	2.7	6.0	7.1	7.3	7.6	7.4	7.0	2.1	4.7	-
Ordinary income	44,690	40,135	59,913	111,208	140,106	143,951	163,054	159,005	128,784	49,844	100,802	754,905
Profit attributable to owners of parent ¹	13,195	21,627	28,695	63,437	94,501	92,662	113,155	113,093	98,780	39,127	77,671	581,674
Profit attributable to owners of parent per share (EPS) (Yen or U.S. dollars)	18.37	30.11	39.96	88.36	131.66	129.09	157.65	157.59	137.64	54.55	108.34	0.81
Net assets	414,650	448,108	549,483	561,658	644,076	711,525	798,149	850,498	961,979	988,913	1,035,881	7,757,668
Equity (net assets less non-controlling interests)	384,730	412,456	507,670	516,098	594,160	684,836	768,944	817,892	931,008	955,691	997,109	7,467,306
Retained earnings	161,666	178,665	199,296	255,750	334,957	404,840	498,195	587,012	661,512	677,559	728,087	5,452,610
[Ratio of retained earnings to equity]	[42.0%]	[43.3%]	[39.3%]	[49.6%]	[56.4%]	[59.1%]	[64.8%]	[71.8%]	[71.1%]	[70.9%]	[73.0%]	-
Total assets	1,656,289	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	19,545,640
Property, plant and equipment	376,489	415,089	408,848	441,604	459,597	526,270	544,558	572,190	609,256	623,306	692,545	5,186,441
Investment securities	317,386	323,858	415,541	342,021	346,245	372,308	360,627	290,719	340,079	337,976	306,570	2,295,895
[Sales result of investment securities]	[9,066]	[12,089]	[4,541]	[4,497]	[4,495]	[8,710]	[5,454]	[9,263]	[7,702]	[16,973]	[24,612]	184,319
Net assets per share (BPS) (Yen or U.S. dollars)	535.67	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	10.41
Equity ratio (%)	23.2	22.7	25.4	26.4	29.5	32.2	34.7	36.7	41.0	39.5	38.2	-
Return on equity (ROE) (%)	3.6	5.4	6.2	12.4	17.0	14.5	15.6	14.3	11.3	4.1	8.0	-
Return on invested capital (ROIC) (%)	2.8	2.4	3.4	7.6	10.2	10.0	10.5	9.8	7.4	2.3	4.9	-
Price-earnings ratio (PER) (Times)	24.5	19.3	19.5	12.6	7.9	9.0	7.1	5.9	7.4	16.5	9.4	-
Dividends per share (Yen or U.S. dollars)	8	8	10	18	28	28	32	32	32	32	42	0.31
Dividend payout ratio (%)	43.5	26.6	25.0	20.4	21.3	21.7	20.3	20.3	23.2	58.7	38.8	-
Dividend on equity ratio (DOE) (%)	1.6	1.4	1.6	2.5	3.6	3.1	3.2	2.9	2.6	2.4	3.1	-
Net cash provided by (used in) operating activities ²	31,496	37,962	74,646	124,980	158,892	114,034	44,203	237,628	24,803	69,697	228,456	1,710,899
Net cash provided by (used in) investing activities ²	(29,151)	(47,328)	(7,442)	(48,029)	(37,884)	(71,289)	(45,302)	(47,318)	(79,075)	(49,833)	(101,610)	(760,957)
Net cash provided by (used in) financing activities ²	(28,977)	27,587	(34,523)	(68,967)	(89,165)	(54,548)	(24,823)	(49,397)	(8,483)	(12,457)	22,118	165,647
Cash and cash equivalents at end of period	99,690	121,177	162,607	164,802	194,195	184,783	157,699	298,945	236,474	249,317	405,633	3,037,769
Number of employees	12,838	12,856	13,432	13,688	14,094	14,359	14,739	14,993	15,267	15,470	15,876	-
[Average number of temporary personnel not included in the above]	[3,031]	[3,139]	[3,658]	[4,066]	[4,431]	[4,393]	[4,093]	[3,886]	[3,791]	[3,497]	[3,381]	-
Interest-bearing debt (except nonrecourse loans)	306,323	351,592	327,802	266,465	200,334	184,724	183,061	172,928	196,357	197,376	261,222	1,956,280
Nonrecourse loans	81,845	76,851	83,017	79,874	73,024	92,004	89,156	75,624	69,596	83,060	76,699	574,396
Total amount of interest-bearing debt and nonrecourse loans	388,168	428,444	410,820	346,339	273,359	276,728	272,218	248,552	265,953	280,436	337,921	2,530,677
Debt-equity ratio (Times)	1.01	1.04	0.81	0.67	0.46	0.40	0.35	0.30	0.29	0.29	0.33	-
Capital expenditure	35,084	69,110	42,308	56,231	31,410	76,383	39,586	47,573	52,539	55,415	92,394	691,936
Research and development expense	8,742	8,927	9,391	10,081	10,553	10,602	12,312	13,734	13,661	15,841	15,330	114,809
Depreciation	10,916	12,103	14,392	14,476	14,981	14,659	17,672	19,880	20,038	20,691	23,941	179,293

1. Since FY2015, 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 ¥133.53 to US\$1, the prevailing exchange rate on March 31, 2023

Group Network

Major Group Companies in Japan

Name (Major Business)	Group Equity Interest	FY	Financial data (Millions of yen)			
			Net Sales	Operating Income	Profit Attributable to Owners of Parent	Net Assets
NAIGAI TECHNOS CORPORATION (Building construction, construction fitting, interior and exterior, and manufacturing/ sales of materials, etc.)	100.0%	2021	7,629	436	249	7,924
		2022	8,200	189	77	8,006
OBAYASHI FACILITIES CORPORATION (Overall property and facilities management, building construction, and contracted administrative operations)	100.0%	2021	31,020	2,364	1,552	16,156
		2022	30,180	1,197	952	16,705
OAK SETSUBI CORPORATION (M&E design and construction such as air conditioning/ cleanrooms/ sanitary fire extinguishers)	100.0%	2021	30,969	1,833	1,211	6,065
		2022	22,472	1,718	1,181	7,246
CYPRESS SUNADAYA CO., LTD. ¹ (Production and sales of timber and wooden materials)	46.1%	2021	-	-	-	-
		2022	-	-	-	2,695
OBAYASHI ROAD CORPORATION (Civil engineering construction including road construction, building construction, and manufacturing/ sales of materials, etc.)	100.0%	2021	106,708	4,825	3,337	59,458
		2022	98,471	2,233	1,536	59,873
OBAYASHI-SHINSEIWA REAL ESTATE CORPORATION (Ownership/ sale & purchase / lease/ management/ appraisal/ brokering of property, and non-life insurance agency business)	100.0%	2021	50,805	16,190	10,830	75,466
		2022	56,153	15,156	10,359	85,827
OBAYASHI CLEAN ENERGY CORPORATION ² (Energy generation, electricity sales, operation, maintenance and management of generation facilities with renewable energy, and investigation and research into such energy)	-	2021	11,075	983	900	9,858
		2022	15,285	1,943	1,011	11,840
OAK INFORMATION SYSTEM CORPORATION (Development and sales of computer software and sales and lease of electronic equipment)	100.0%	2021	7,744	193	128	2,147
		2022	9,682	338	223	2,323
OC FINANCE CORPORATION (Monetary lending, debt guarantee, ownership and management of securities, and debt purchasing)	100.0%	2021	627	527	374	7,098
		2022	655	558	394	7,493
30 PFI subsidiaries (PFI-related services)	-	2021	46,996	1,254	712	6,187
		2022	28,249	617	373	5,689

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 (Major Business)	Group Equity Interest	FY	Financial data (Millions of yen)			
			Net Sales	Operating Income	Profit Attributable to Owners of Parent	Net Assets
E.W. HOWELL CO., LLC ³ (Building construction and civil engineering)	92.0%	2021	32,065	86	73	2,699
		2022	34,237	371	272	3,309
WBCOR, L.P. ³ (Building construction and civil engineering)	100.0%	2021	117,815	70	54	14,720
		2022	135,620	(1,592)	(1,519)	15,077
JAMES E. ROBERTS-OBAYASHI CORPORATION ³ (Building construction and civil engineering)	51.0%	2021	28,021	1,115	410	2,905
		2022	26,211	1,024	377	4,092
KRAEMER NORTH AMERICA, LLC ³ (Civil engineering and building construction)	63.0%	2021	40,088	2,055	1,172	4,961
		2022	49,608	2,462	1,543	4,584
KENAIDAN GROUP LTD. ⁴ (Civil engineering and building construction)	60.0%	2021	14,254	675	347	2,320
		2022	23,987	608	313	2,757
THAI OBAYASHI CORPORATION LIMITED (Building construction, civil engineering, sales of materials, etc., and ownership/sale & purchase/lease/management/brokering of property)	50.0%	2021	35,215	1,463	627	50,909
		2022	57,908	3,031	1,245	58,654
PT. JAYA OBAYASHI (Building construction and civil engineering)	85.0%	2021	12,918	391	103	2,034
		2022	13,281	585	258	2,408
TAIWAN OBAYASHI CORPORATION (Building construction, civil engineering construction, and sales of materials, etc.)	100.0%	2021	9,685	(1,832)	(1,830)	1,511
		2022	12,638	(196)	(184)	1,526
OBAYASHI SINGAPORE PRIVATE LIMITED (Building construction and civil engineering)	100.0%	2021	50,654	1,643	1,444	9,027
		2022	47,387	2,497	2,297	12,781
OBAYASHI VIETNAM CORPORATION (Building construction and civil engineering)	100.0%	2021	6,081	(241)	(102)	5,995
		2022	13,858	424	502	7,171
OBAYASHI PROPERTIES UK LIMITED (Acquisition/ownership/disposal/lease management of real estate, real estate development business, and acquisition/ ownership/disposal of real estate trust beneficial interest)	100.0%	2021	2,258	1,580	801	52,544
		2022	3,479	2,677	1,265	46,048

3. Consolidated subsidiary of Obayashi USA, LLC
 4. Consolidated subsidiary of Obayashi Canada Holdings Ltd.

Company Overview

Corporate Information

Company Name	OBAYASHI CORPORATION
Founded	January 1892
Established	December 1936
Representative	Kenji Hasuwa Representative Director President and CEO
Head Office	2-15-2, Konan, Minato-ku, Tokyo, Japan
Capital	¥57,752 million
Employees	9,134 (as of March 31, 2023)
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)

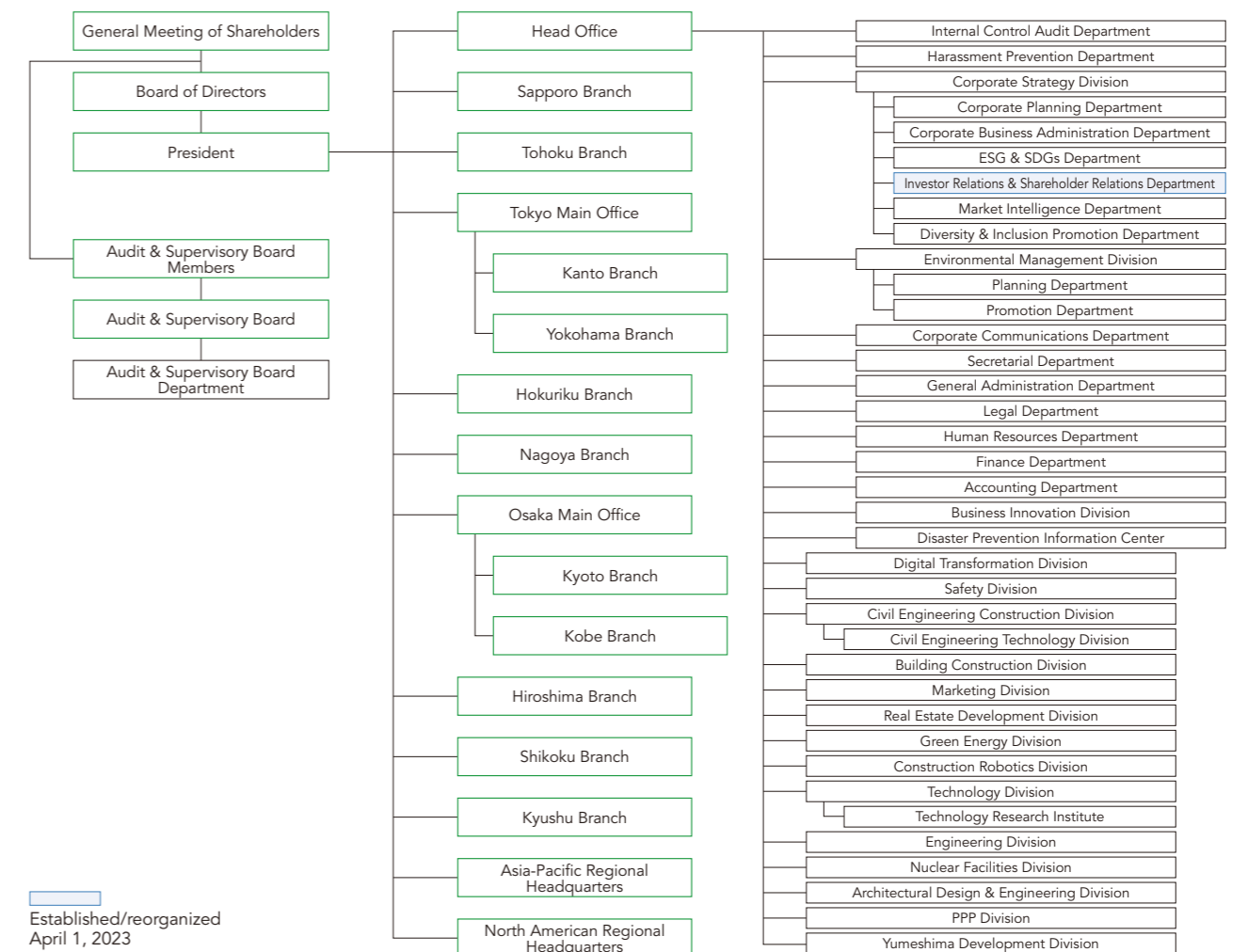
Research Institute

Technical Research Institute (Kiyose, Tokyo)

Overseas Offices

London, Auckland, Sydney, Guam, Taipei, Jakarta, Hanoi, Phnom Penh, Kuala Lumpur, Bangkok, Yangon, Dhaka, Dubai

Organization Chart



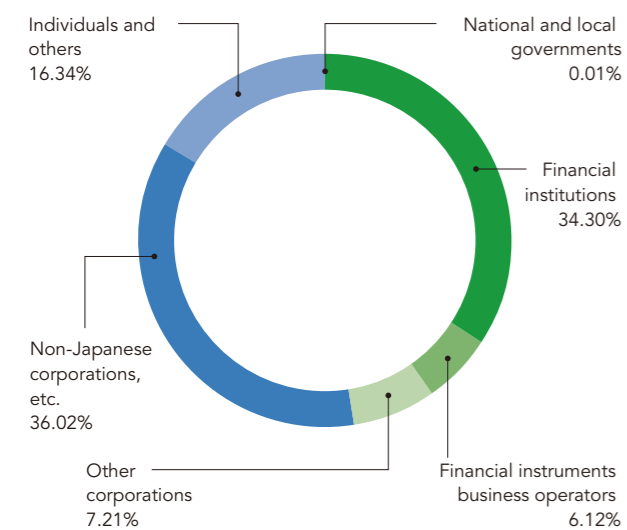
Established/reorganized April 1, 2023

Stock Status

Stock Information (As of March 31, 2023)

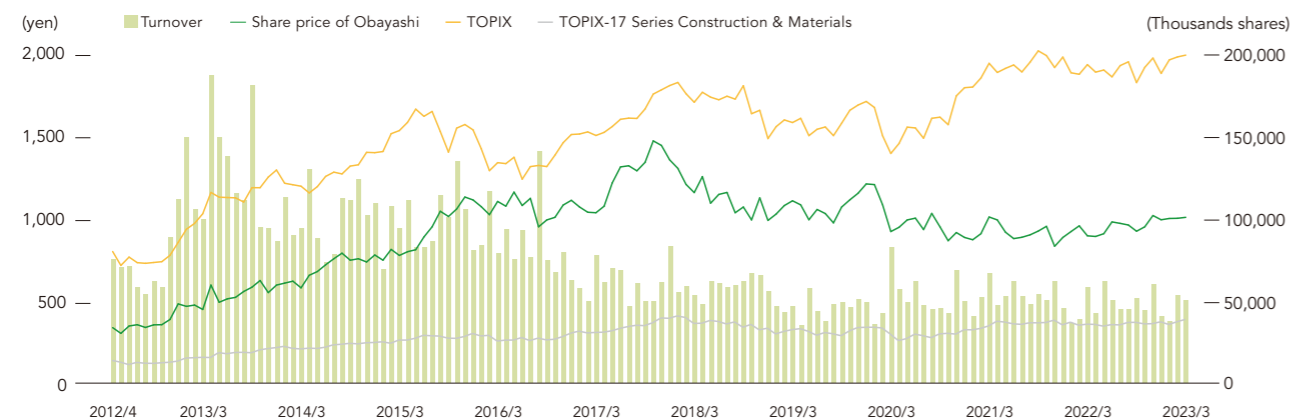
Number of Shares Authorized:	1,224,335,000 shares (No change from the end of the previous fiscal year)
Total Number of Shares Issued and Outstanding:	721,509,646 shares (No change from the end of the previous fiscal year)
Number of Shareholders:	65,329
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan
Ordinary General Meeting of Shareholders:	June
Stock Listings:	Tokyo and Fukuoka

Percentage of Shares Owned by Owner* (As of March 31, 2023)



* Percentage of shares owned by owner is calculated after deducting treasury stock (3,468,499 shares).

Trend in Stock Price and Turnover



Major Shareholders (As of March 31, 2023)

Name	Shareholdings	
	Shares Held (Thousands)	Shareholding Ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	118,073	16.44
Custody Bank of Japan, Ltd. (Trust Account)	72,139	10.05
STATE STREET BANK AND TRUST COMPANY 505001	21,026	2.93
Nippon Life Insurance Company	20,905	2.91
Takeo Obayashi	16,944	2.36
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	14,283	1.99
Obayashi Group Employee Shareholding Association	13,375	1.86
STATE STREET BANK WEST CLIENT – TREATY 505234	12,642	1.76
JP Morgan Securities Japan Co., Ltd.	11,716	1.63
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	10,614	1.48

* Shareholding ratios exclude treasury stock (3,468,499 shares)

Total Shareholder Return (TSR)

	2019.3	2020.3	2021.3	2022.3	2023.3
TSR (%)	98.5	85.1	95.4	88.3	101.6

External ESG Evaluations/ Investor Relations (IR) Activities

External ESG Evaluations

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

Main IR Activities

The Obayashi Group engages with analysts, institutional investors, and other stakeholders through the activities described below. All opinions and other feedback received through these activities are relayed back to senior management and relevant departments.

Activities	FY2020	FY2021	FY2022
Financial Results Briefings	4	4	4
Response to IR inquiries, provision of interviews	84 (Total number of people: 142) Domestic: 99 Overseas: 43	106 (Total number of people: 182) Domestic: 121 Overseas: 61	121 (Total number of people: 193) Domestic: 104 Overseas: 89
Conferences hosted by securities companies	3 (Total number of people: 17)	3 (Total number of people: 15)	1 (Number of people: 5)
Medium-Term Business Plan briefing	-	1 (Number of participants: 70)	-
Overseas IR	1	1	1
Business briefings/ tours of construction sites and facilities	2 Real Estate Development Business Briefing Initiatives to Spark Innovation	1 Digital Transformation Initiatives	3 Port Plus® tour Obayashi Technology Research Institute tour PLiBOT tour
Topic briefings	-	-	2 Low-Carbon Concrete Expressway Renewal Technologies

A Word from the General Manager of Corporate Strategy Division

First, let me thank you for reading Obayashi Corporate Report 2023, our integrated report. On April 1, 2023, Obayashi's IR activities were transferred to the Corporate Strategy Division, which is tasked with planning and promoting measures relating to the management of the Group, and a new Investor Relations & Shareholder Relations Department was set up in order to flexibly conduct IR activities that more closely align with the Company's management strategies. Going forward, we will continue to engage in active dialogue with shareholders and investors, disclose information in a timely and appropriate manner, and conduct IR activities that further enhance our corporate value.



Takayuki Tomioka
Executive Officer
General Manager of
Corporate Strategy Division