

Obayashi Corporation

Presentation on Financial Results FY2023 (April 1, 2023 to March 31, 2024)

PRIME 1802



MAKE BEYOND
TRANSCENDING THE ART AND SCIENCE OF MAKING OF THINGS

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CEO Message



Recovery on performance

Addendum to
Medium-Term Business Plan 2022

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FY2023 Results

- Summary
- Balance Sheets
- Statements of Income
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Summary of FY2023 Results



Consolidated Equity

¥1,151.6 bln YoY +¥154.5 bln **+15.5%**

Valuation difference on available-for-sale securities increased YoY due to the significant increase in value of cross-shareholdings with the rise in stock prices

Consolidated Interest-bearing debt and nonrecourse loans

¥323.8 bln YoY (¥14.0 bln) **(4.2%)**

Remained the same level as the previous year, as the amount of invested capital stayed the same level excluding the impact of significant increase in available-for-sale securities due to higher stock prices

Return on invested capital (ROIC)

3.8 % YoY (1.1pt)

ROIC for the domestic construction business pushed down the ROIC for the entire Company

Return on equity (ROE)

7.0 % YoY (1.0pt)

Decreased to 7.0% due to lower profits in the domestic building construction business, despite the progress on sales of cross-shareholdings

Summary of FY2023 Results



Consolidated Net sales

¥2,325.1 bln

YoY

+¥341.2 bln

+17.2%

vs plan

+¥45.1 bln

+2.0%

- Steady progress in both building construction and civil engineering projects in hand
- Foreign exchange impacted on the overseas construction

Consolidated Operating income

¥79.3 bln

YoY

(¥14.4 bln)

(15.4%)

vs plan

+¥5.3 bln

+7.3

Increased profits in the domestic civil engineering and the overseas building construction covered the provision for losses on construction contracts in the domestic building construction and the overseas civil engineering

Profit attributable to owners of parent

¥75.0 bln

YoY

(¥2.6 bln)

(3.4%)

vs plan

+¥16.0 bln

+27.2%

The sale of cross-shareholdings resulted in a significant increase of over the 59.0 billion yen-plan

Consolidated Orders received

¥2,513.0 bln

YoY

+¥290.7 bln

+13.1%

vs plan

+¥378.0 bln

+17.7%

Boosted by strong demand mainly from the domestic manufacturing sector and approval of additional claim to meet the increase of construction price

Consolidated Balance Sheets



- **Increase in total assets:** An increase in construction-related assets due to higher construction volume, and an increase in available-for-sale securities due to higher stock prices.
- **Decrease in cash and deposits:** The expenditures in advance in line with the progress of construction projects and progress in investments.

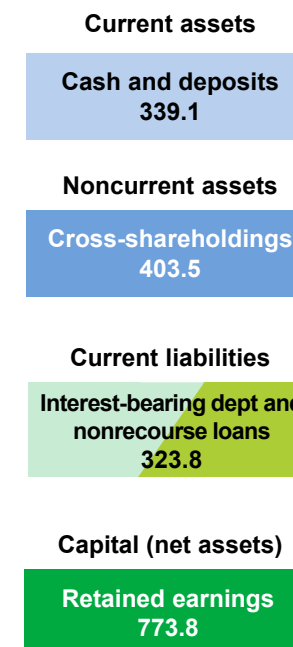
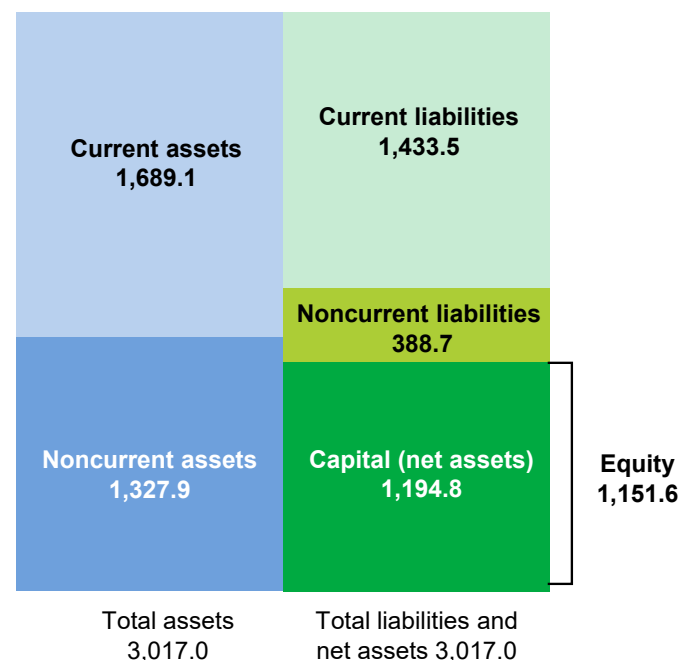
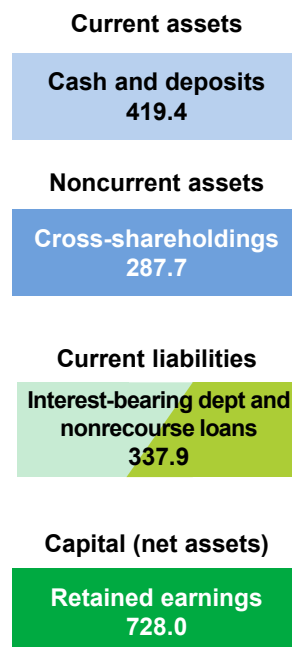
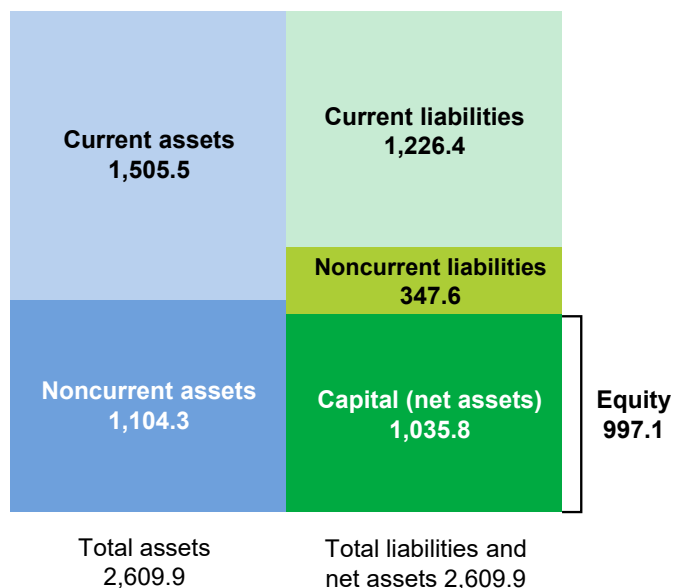
FY2022 Results

(Billions of yen)



FY2023 Results

(Billions of yen)



Statements of Income

(Billions of yen)



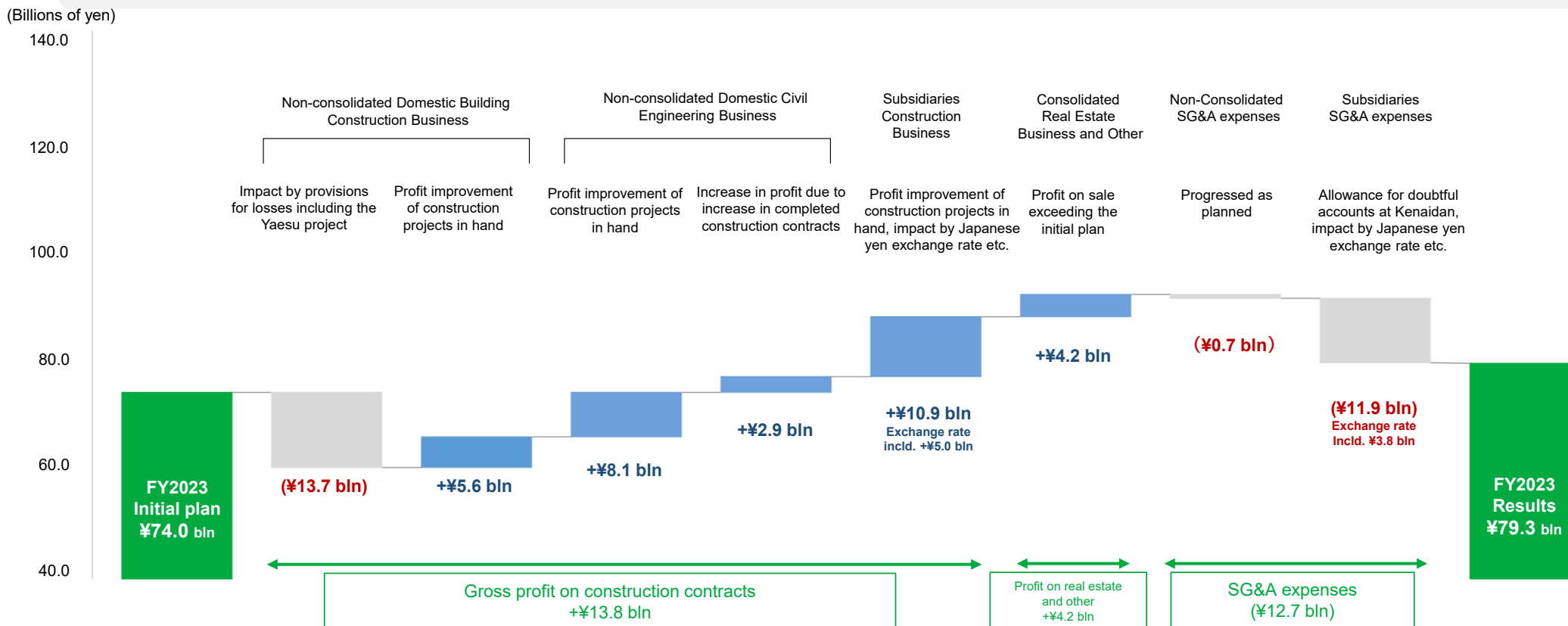
		Consolidated				
		FY2022 Results		FY2023 Results		Y o Y
Net sales of Completed construction contracts	Building	1,400.3	1,722.0		+321.6	
	Civil	447.3	484.7		+37.3	
	Total	1,847.6	2,206.7		+359.0	
Net sales of real estate business and other		136.2	118.3		(17.8)	
Net sales		1,983.8	2,325.1		+341.2	
Gross profit on completed construction contracts	Building	% -	-	% -	-	-
	Civil	-	-	-	-	-
	Total	9.6	177.8	8.6	188.8	+10.9
Gross profit on real estate business and other		28.4	38.6	26.0	30.7	(7.9)
Gross profit		10.9	216.5	9.4	219.6	+3.0
Selling, general and administrative expenses		6.2	122.7	6.0	140.2	+17.4
Operating income		4.7	93.8	3.4	79.3	(14.4)
Ordinary income		5.1	100.8	3.9	91.5	(9.2)
Profit attributable to owners of parent		3.9	77.6	3.2	75.0	(2.6)

		Non-consolidated				
		FY2022 Results		FY2023 Results		Y o Y
		1051.5	1,240.2		+188.6	
		296.5	315.6		+19.0	
		1,348.1	1,555.8		+207.7	
		38.9	26.3		(125)	
		1,387.0	1,582.1		+195.1	
		% 8.3	87.8	% 6.3	78.3	(9.4)
		15.3	45.3	15.4	48.5	+3.2
		9.9	133.1	8.2	126.9	(6.1)
		34.4	13.3	19.7	5.1	(8.1)
		10.6	146.4	8.3	132.1	(14.3)
		6.3	86.5	5.6	88.7	+2.2
		4.3	59.9	2.7	43.3	(16.6)
		5.1	71.1	3.5	55.4	(15.7)
		4.5	62.5	3.1	49.6	(12.9)

Change in Consolidated Operating Income



- FY2023 resulted in ¥79.3 billion exceeding the initial plan.
- Main positive impact is a significant improvement in profits from construction projects in hand at non-consolidated domestic civil engineering and in subsidiaries overseas building construction business, where negative impacts are such as the provisions for losses in non-consolidated domestic building construction including the Yaesu project and an increase in SG&A expenses due to allowance for doubtful accounts at an overseas civil engineering subsidiary.



Orders Received



(Billions of yen)

			Consolidated			Non-consolidated		
			FY2022 Results	FY2023 Results	Y o Y	FY2022 Results	FY2023 Results	Y o Y
Construction business	Building	Domestic	1,124.2	1,236.9	+112.7	1,093.1	1,194.8	+101.7
		Overseas	488.5	520.3	+31.7	18.9	3.7	(15.1)
		Total	1,612.8	1,757.3	+144.4	1,112.0	1,198.5	+86.5
	Civil	Domestic	360.7	423.1	+62.4	280.1	328.0	+47.9
		Overseas	133.8	174.5	+40.7	62.8	48.5	(143)
		Total	494.5	597.7	+103.1	342.9	376.6	+33.6
	Total	Domestic	1,484.9	1,660.1	+175.1	1,373.2	1,522.9	+149.6
		Overseas	622.4	694.9	+72.5	81.7	52.2	(294)
		Total	2,107.3	2,355.0	+247.6	1,454.9	1,575.1	(120.2)
Real estate business and other			114.9	158.0	+43.1	38.9	26.3	(12.5)
Total			2,222.2	2,513.0	+290.7	1,493.8	1,601.5	+107.6



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FY2024 Forecasts

- **Summary**
- **Statements of Income (Forecasts)**
- **Operating Income (Forecasts)**
- **Orders Received (Forecasts)**

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2 FY2024 Forecasts

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Summary of FY2024 Forecasts



Consolidated Equity

¥1,147.0 bln YoY (¥4.6 bln) (0.4%)

Unconfirmed factors such as decrease in shareholders' equity due to additional returns and changes in valuation difference on available-for-sale securities due to changes in stock price and others, are not taken into account *

Consolidated Interest-bearing debt and nonrecourse loans

¥400.0 bln YoY +¥76.1 bln +23.5%

Increase significantly due to advanced payments to suppliers and subcontractors to be covered by procurement according to the progress of the construction projects and investments in the real estate business and other

Return on invested capital (ROIC)

4.2 % YoY +0.4pt

ROIC for the domestic construction business is to improve due to the improvement of profitability at the time of receiving orders, etc., and which will boost the ROIC for the entire Company

Return on equity (ROE)

7.6 % YoY +0.6pt

- ROE is expected to improve along with profit improvement
- Continue to ensure management with capital efficiency in mind

(*) Equity at the end of FY2023, plus or minus the forecasted net income, year-end and interim dividends, and the adjustment to valuation difference on available-for-sale securities resulting from the sale of cross-shareholdings included in the earnings forecast.

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2 FY2024 Forecasts

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Summary of FY2024 Forecasts



**Consolidated
Net sales**

¥2,510.0 bln

YoY

+¥184.8 bln

+7.9%

Significant increase of over 100.0 billion yen due to the consolidation of MWH, acquired in the last fiscal year

**Consolidated
Operating income**

¥93.0 bln

YoY

+¥13.6 bln

+17.2%

Included significant profit recovery due to the impact of losses in the previous year in domestic building construction, increase in net sales of completed construction contracts, and improvement in profitability of construction projects, etc.

**Profit attributable
to owners of
parent**

¥87.0 bln

YoY

+¥11.9 bln

+15.9%

Improved operating income and steady sale of cross-shareholdings executed as planned

**Consolidated
Orders received**

¥2,520.0 bln

YoY

+¥6.9 bln

+0.3%

Keep the high level as the same as the previous year foreseeing the continued strong demand for domestic building construction

Statements of Income (Forecasts)

(Billions of yen)



		Consolidated				
		FY2023 Results		FY2024 Forecasts		Y o Y
Net sales of completed construction contracts	Building	1,722.0		1,770.0		+47.9
	Civil	484.7		605.0		+120.2
	Total	2,206.7		2,375.0		+168.2
Net sales of real estate business and other		118.3		135.0		+16.6
Net sales		2,325.1		2,510.0		+184.8
		%		%		
Gross profit on completed construction contracts	Building	-	-	-	-	-
	Civil	-	-	-	-	-
	Total	8.6	188.8	8.8	210.0	+21.1
Gross profit on real estate business and other		26.0	30.7	21.5	29.0	(1.7)
Gross profit		9.4	219.6	9.5	239.0	+19.3
Selling, general and administrative expenses		6.0	140.2	5.8	146.0	+5.7
Operating income		3.4	79.3	3.7	93.0	+13.6
Ordinary income		3.9	91.5	3.9	98.0	+6.4
Profit attributable to owners of parent		3.2	75.0	3.5	87.0	+11.9

		Non-consolidated				
		FY2023 Results		FY2024 Forecasts		Y o Y
		1,240.2		1,265.0		+24.7
		315.6		320.0		+4.3
		1,555.8		1,585.0		+29.1
		26.3		25.0		(1.3)
		1,582.1		1,610.0		+27.8
		%		%		
		6.3	78.3	7.9	100.5	+22.1
		15.4	48.5	13.9	44.5	(4.0)
		8.2	126.9	9.1	145.0	+18.0
		19.7	5.1	14.0	3.5	(1.6)
		8.3	132.1	9.2	148.5	+16.3
		5.6	88.7	5.9	95.0	+6.2
		2.7	43.3	3.3	53.5	+10.1
		3.5	55.4	3.9	63.5	+8.0
		3.1	49.6	4.2	68.0	+18.3

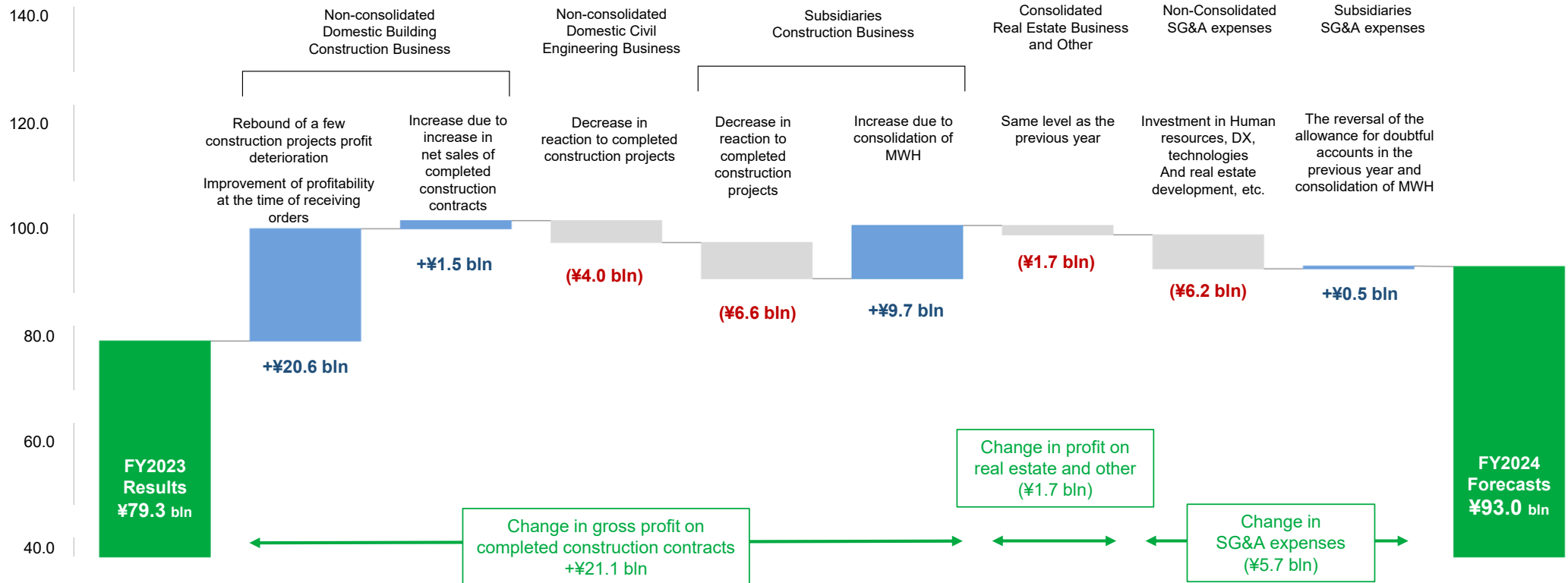
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Change in Operating Income (Forecasts)



- While non-consolidated SG&A expenses are expected to increase due to progress in investment for growth, profits are expected to recover significantly due to the impact of losses in domestic building construction in the previous year and the consolidation of MWH, acquired in the previous fiscal year, as a consolidated subsidiary.

(Billions of yen)



Orders Received (Forecasts)



(Unit: Billions of yen)

			Consolidated			Non-consolidated		
			FY2023 Results	FY2024 Forecasts	Y o Y	FY2023 Results	FY2024 Forecasts	Y o Y
Construction business	Building	Domestic	1,236.9	1,355.0	+118.0	1,194.8	1,300.0	+105.1
		Overseas	520.3	340.0	(180.3)	37	10.0	+6.2
		Total	1,757.3	1,695.0	(62.3)	1,198.5	1,310.0	+111.4
	Civil	Domestic	423.1	380.0	(43.1)	328.0	295.0	(33.0)
		Overseas	174.5	325.0	+150.4	48.5	45.0	(3.5)
		Total	597.7	705.0	+107.2	376.6	340.0	(36.6)
	Total	Domestic	1,660.1	1,735.0	+74.8	1,522.9	1,595.0	+72.0
		Overseas	694.9	665.0	(29.9)	52.2	55.0	+2.7
		Total	2,355.0	2,400.0	+44.9	1,575.1	1,650.0	+74.8
Real estate business and other			158.0	120.0	(38.0)	26.3	25.0	(1.3)
Total			2,513.0	2,520.0	+6.9	1,601.5	1,675.0	+73.4



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Overview of Each Businesses

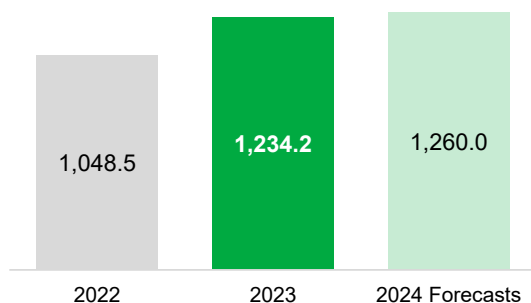
- Domestic Building Construction Business
- Domestic Civil Engineering Business
- Overseas Construction Business
- Real Estate Business and Other
- YoY Comparison

Domestic Building Construction Business (Non-consolidated)

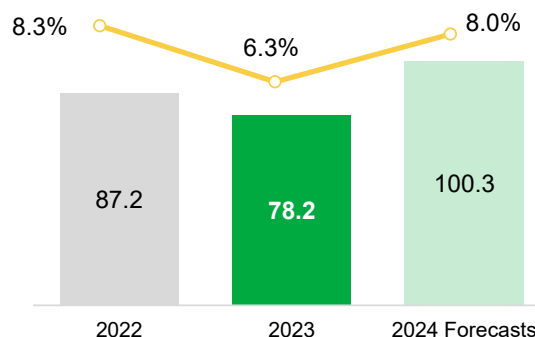


(Billions of yen)

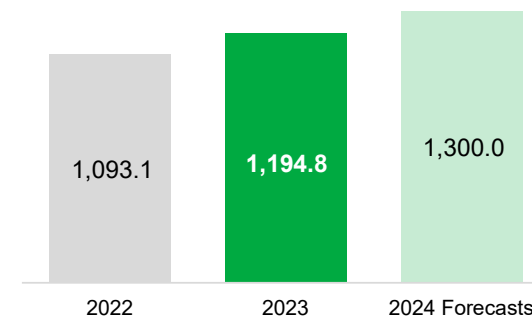
Net sales of completed construction contracts



Gross profit on completed construction/ratio



Orders received



FY2023 Results

- The net sales of completed construction contracts significantly increased by ¥185.6 billion from the previous fiscal year, mainly due to steady progress in the construction of large-scale projects in hand.
- Gross profit on completed construction contracts declined by ¥8.9 billion due to the impact of the accident at Yaesu and other factors.

FY2024 Forecasts

- Continue to place the top priority on securing profitability at the time of receiving orders, considering the net sales of completed construction contracts to be similar level to that of the current fiscal year, and orders received to continue to show strong demand particularly from the manufacturing sector
- Gross profit on completed construction contracts is expected to increase by ¥ 22.0 billion due to impact of the loss of the accident at Yaesu and the replacement with more profitable projects.

Main projects

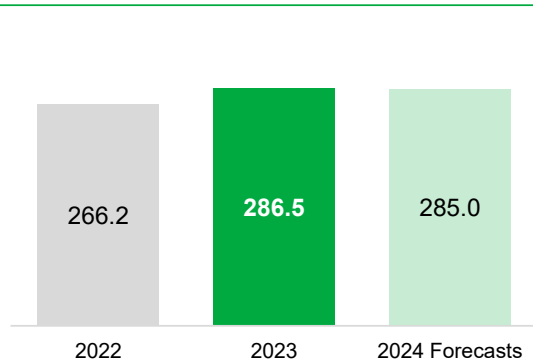
	Client	Project name
Orders received	Mitsui Fudosan Residential Co., Ltd.	Sasazuka Station South Exit East District Development Project
Completed	Japan Post Real Estate Co., Ltd.	GOTANDA JP BUILDING Construction Project
Project in process	East Japan Railway Company	TAKANAWA GATEWAY CITY THE LINKPILLAR 1 NORTH/SOUTH THE LINKPILLAR 2

Domestic Civil Engineering Business (Non-consolidated)

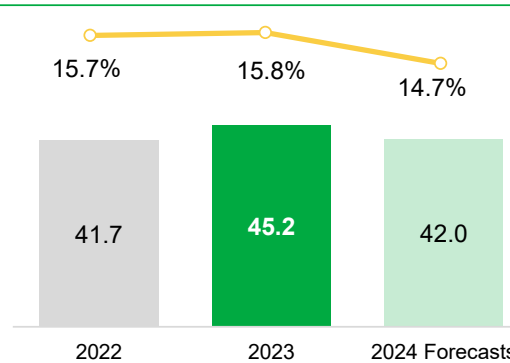


(Billions of yen)

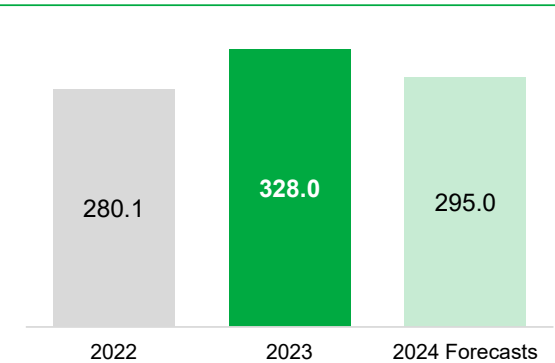
Net sales of completed construction contracts



Gross profit on completed construction/ratio



Orders received



FY2023 Results

- Net sales completed construction contracts increased from the previous fiscal year due to steady progress in construction projects in hand.
- Gross profit on completed construction contracts increased from the previous year and significantly from the initial plan for this fiscal year (¥35.5 billion), due to cost reductions and additional claim approval.

FY2024 Forecasts

- Net sales completed construction contracts is expected to remain at the same level as the current fiscal year due to continued steady progress in construction projects in hand.
- Gross profit on completed construction contracts is targeted at ¥42.0 billion, which is to be raised through cost reductions and additional claim approval.

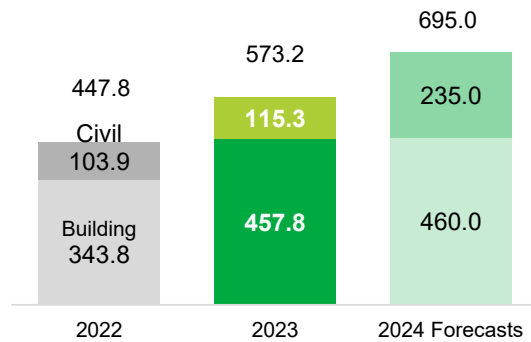
	Client	Project name
Main projects	Orders received	West Nippon Expressway Company Limited Maizuru-Wakasa Expressway Mikunidake Tunnel Construction Project
	Completed	Dohoku Furyoku LLC Kawanishi Wind Farm Construction Project
	Project in process	East Nippon Expressway Company Limited Yokohama Ring Expressway South Line Kuden Interchange Construction Project

Overseas Construction Business (Consolidated)

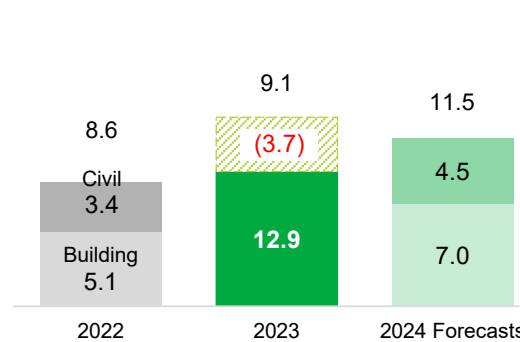


(Billions of yen)

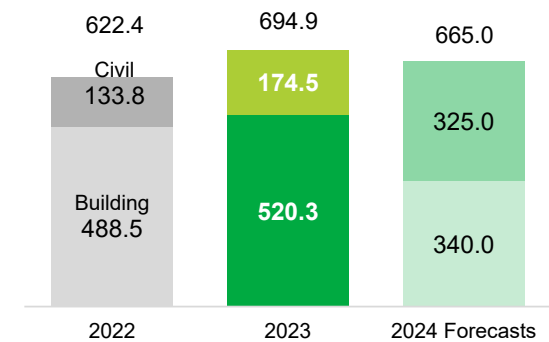
Net sales of completed construction contracts



Gross profit on completed construction/ratio



Orders received



FY2023 Results

- Net sales completed construction contracts increased by ¥125.3 billion YoY due to the impact of foreign exchange rates and the progress of large projects in hand, mainly at subsidiaries in North America
- Operating income was flat YoY due to progress on large projects, acquisition of design changes, and the return of reserves for disputed projects, while an allowance for doubtful accounts was recorded at a North American subsidiary.

FY2024 Forecasts

- In addition to steady progress in construction projects in-hand in both North America and Asia, the consolidation of MWH acquired last fiscal year, and is expected to result in an increase in both net sales and gross profits YoY

Main projects

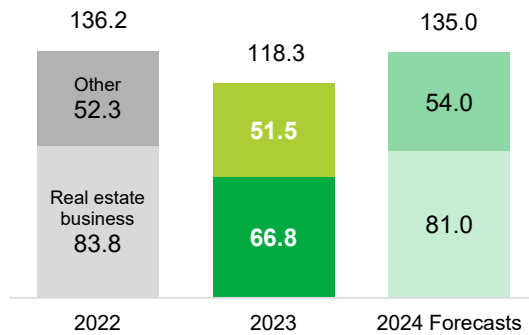
	Client	Project name
Orders received	University of California, San Francisco	UCSF Health Helen Diller Hospital (U.S.A.)
Completed	FARGLORY DOME CO., LTD.	Taipei Dome New Construction (Taiwan)
Project in process	Land Transport Authority (LTA)	Contract CR202 Design and Construction of Bored Tunnel between Fairways Drive and Sin Ming Walk and Associated Works (Singapore)

Real Estate Business and Other (Consolidated)

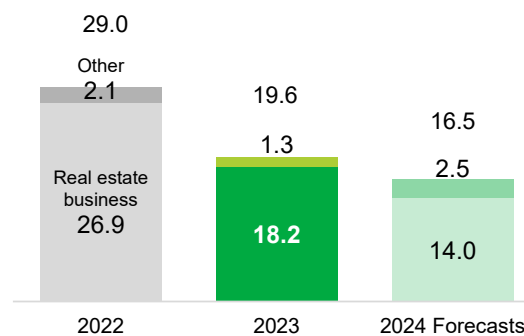


(Billions of yen)

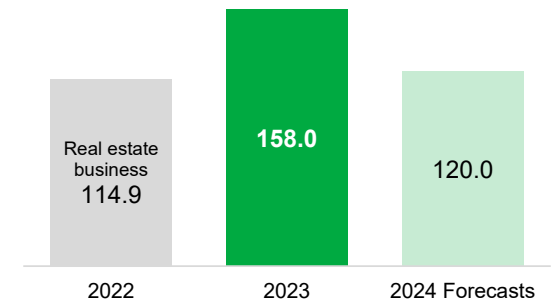
Net sales



Operating income



Orders received



FY2023 Results

- In the real estate business, both net sales and operating income declined due to impact of the sale of a large properties YoY
- Orders received increased due to successful bid on Private Finance Initiative (PFI) project in Osaka (¥47.7 bln)

FY2024 Forecasts

- Operating income of real estate business is expected to decrease due to the lower occupancy rate for leasing properties and the sale of properties to private funds in the previous year.
- Continue to review our portfolio flexibly by making new investments and the sale of properties to private funds, etc., in FY2024.

Main projects

Obayashi Properties UK 60 Gracechurch Street Project

Umekita 2nd Project Development GRAND GREEN OSAKA

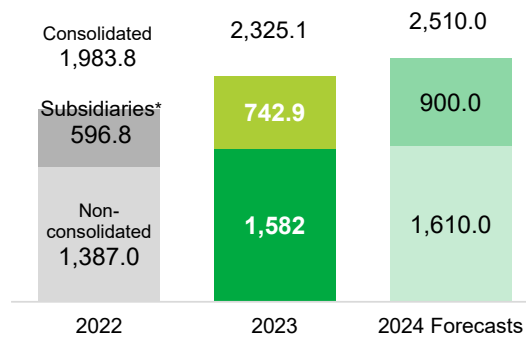
Minato Mirai 21 Central District 53 Block Development Project YOKOHAMA SYMPHOSTAGE

Consolidated vs Non-consolidated



(Billions of yen)

Net sales

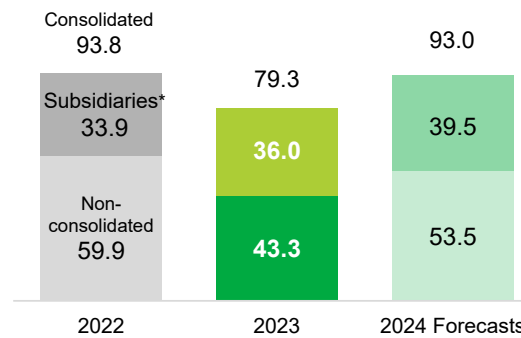


* Includes consolidated adjustments

Consolidated/non-consolidated ratio

2022	1.43
2023	1.47
2024 Forecasts	1.56

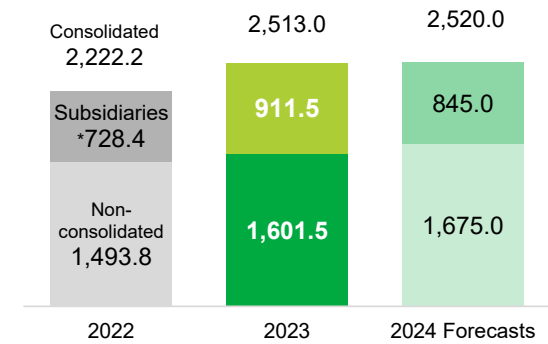
Operating income



* Includes consolidated adjustments

2022	1.56
2023	1.83
2024 Forecasts	1.74

Orders received



* Includes consolidated adjustments

2022	1.49
2023	1.57
2024 Forecasts	1.50

FY2023 Results

- Non-consolidated operating income decreased due to the impact of loss of gains on the sale of real estate YoY and the Yaesu accident, etc., despite higher net sales due to steady progress on domestic construction projects
- Gross profit at subsidiaries, etc. was on a similar level to YoY due to progress in large-scale projects, the acquisition of design changes, and the return of reserves for disputed projects, while a North American subsidiary recorded an allowance for doubtful accounts.

FY2024 Forecasts

- Non-consolidated net sales and operating income are expected to increase due to steady progress of construction projects in hand in the domestic building construction, as well as improvement in gross profit due to a impact of a provision of loss on construction contracts and improvement in profitability at the time of receiving orders
- Subsidiaries are to increase both net sales and operating income YoY due to the consolidation of MWH, acquired in the previous fiscal year.

4

Reduction of Cross-Shareholdings / Changes in Shareholder Returns

- Reduction of Cross-Shareholdings
- Changes in Shareholder Returns

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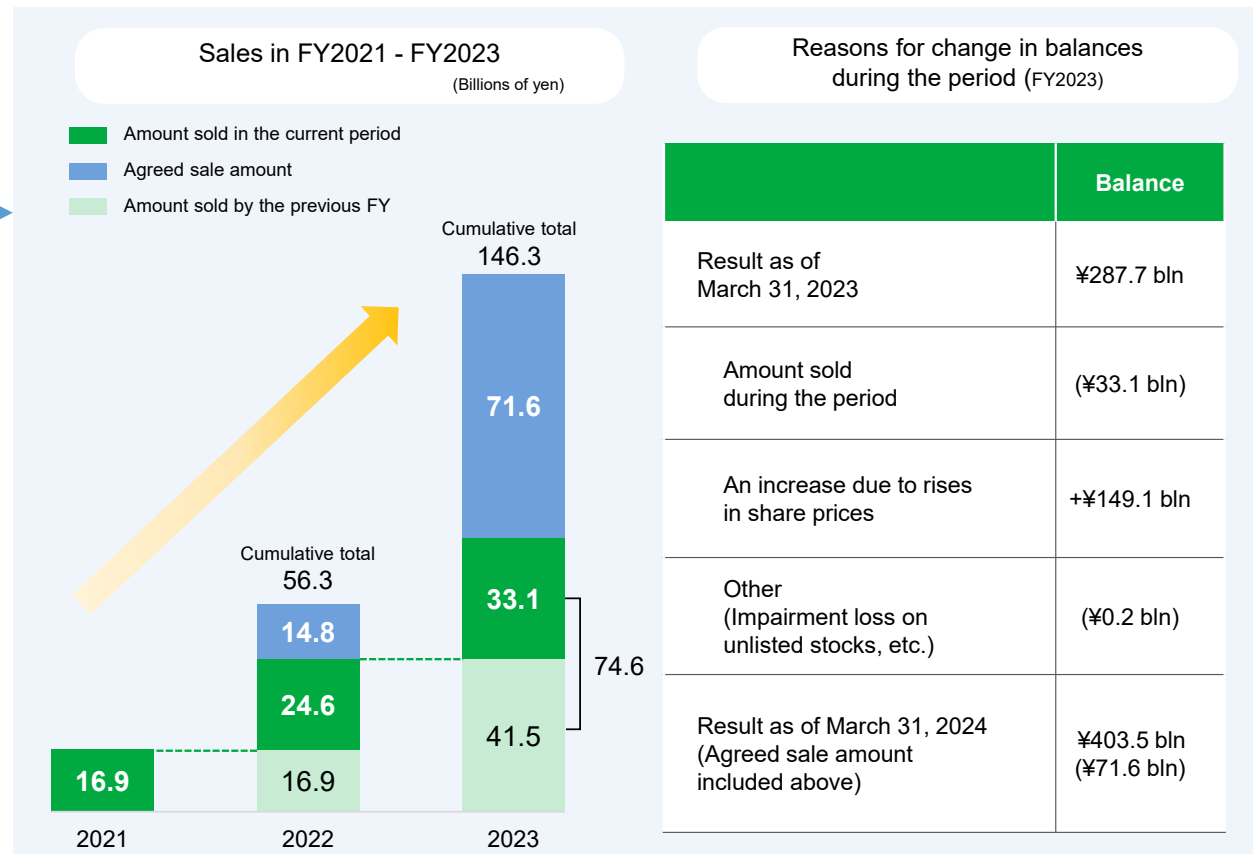
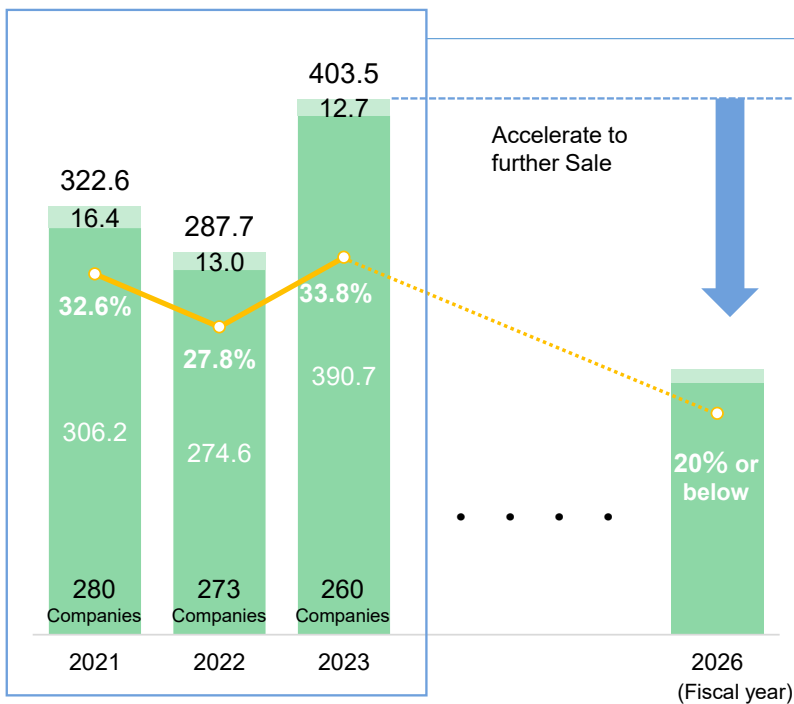
Reduction of Cross-Shareholdings/
Changes in Shareholder Returns

Reduction of Cross-Shareholdings



- While steadily selling off, the balance of cross-shareholdings at the end of March 2024 increased YoY due to the recent rise in the stock market.
- Continue to strive for further reduction, with the goal of reaching to 20% or less of consolidated net assets by the end of March 2027.

- Balance of listed stocks (consolidated/ Billions of yen)
- Balance of unlisted stocks (consolidated/ Billions of yen)
- Consolidated net assets ratio (%)
- Cross-shareholdings at end of period / Net assets at end of period (consolidated)



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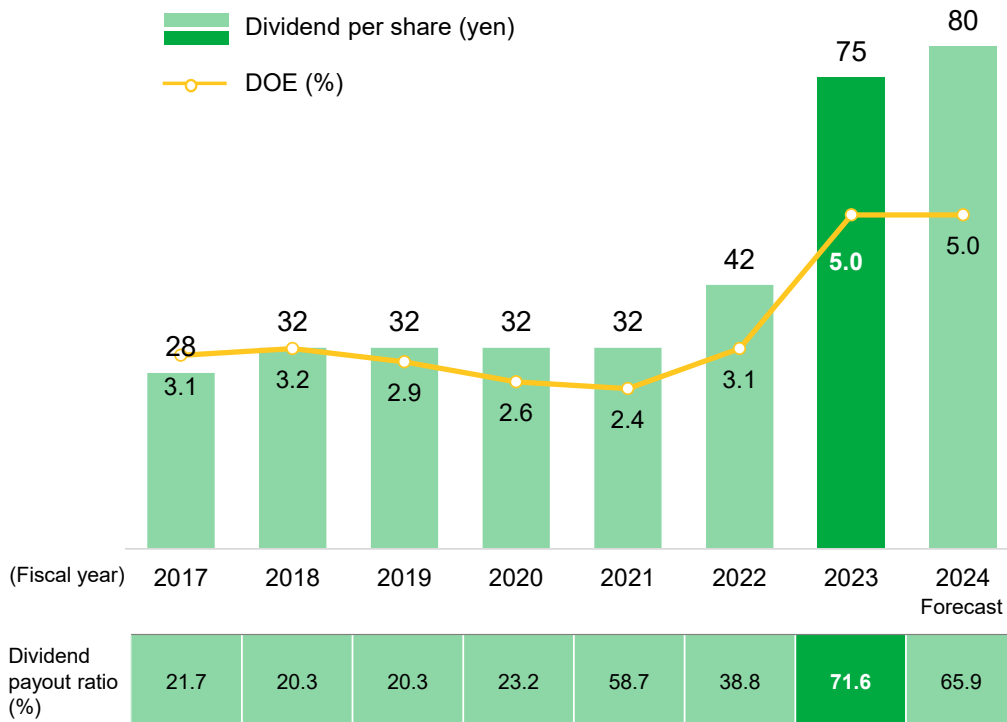
4

Reduction of Cross-Shareholdings/
Changes in Shareholder Returns

Changes in Shareholder Returns



- Raise the dividend on equity ratio (DOE) from around 3% to around 5%, with the top priority on maintaining stable dividends over the long term
- In addition to annual dividends, strategic shareholder returns such as special dividends and acquisition of own shares according to necessary equity and profit status



* DOE for FY 2017-2021 is for reference only.

Top priority to maintain
stable long-term
dividend

DOE around 5%
Raised from around 3%

Review DOE target in line with
medium- to long-term improvement of
the profit level



Execute flexible
shareholder returns
according to necessary
equity and profit status

**Strategic Shareholder
Returns**

Use various ways such as
special dividends and acquisition
of own shares