

Investor Presentation

**2nd Quarter : Presentation on Financial Results
(April 1 to September 30, 2021)**

November 9, 2021

OBAYASHI CORPORATION

Revision of Financial Forecasts for Fiscal Year Ending March 31, 2022

Forecasts for Fiscal Year Ending March 31, 2022

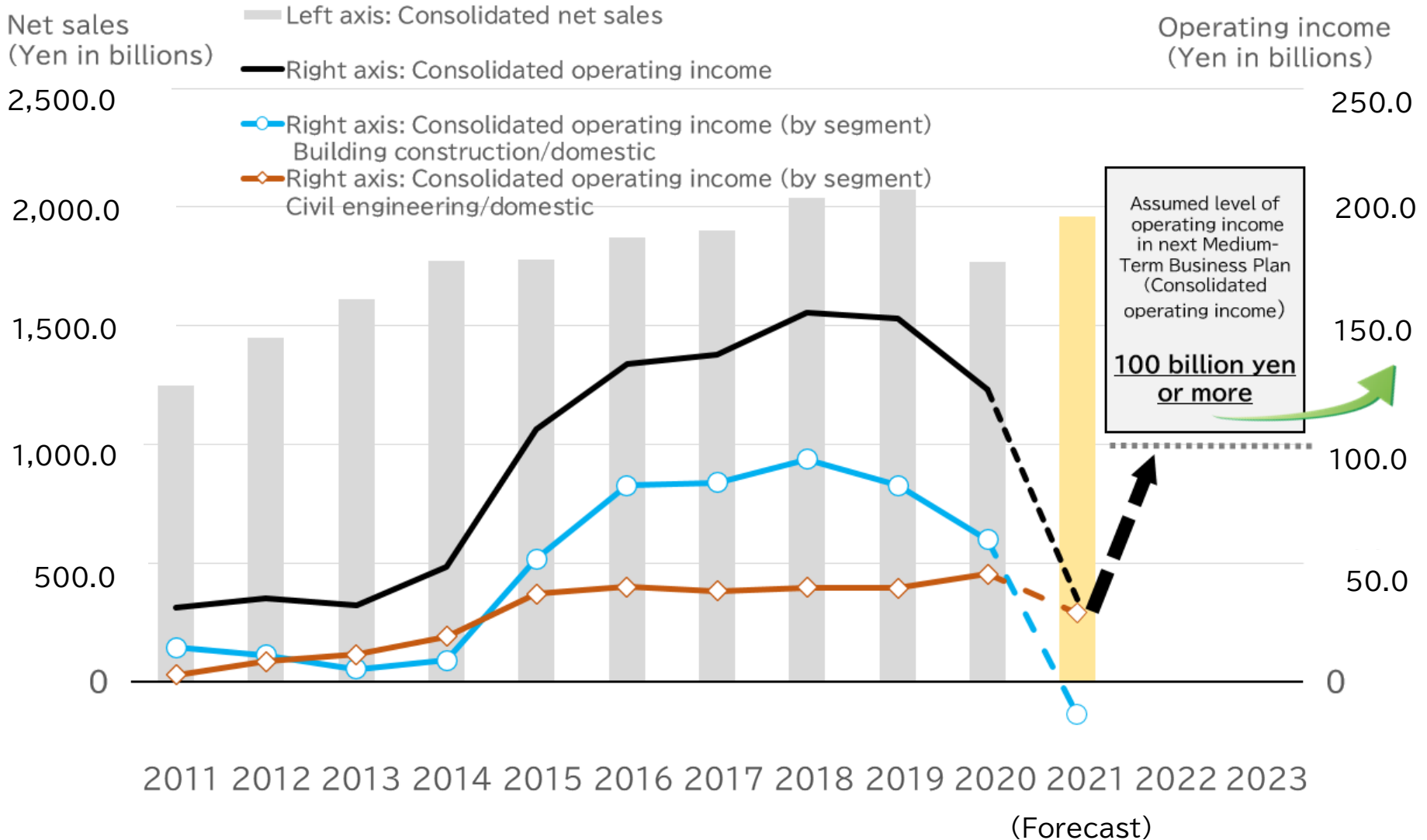
- Consolidated Statements of Income

(Yen in billions)

	Results April 1, 2020 - March 31, 2021 A	Fiscal Year Ending March 31, 2022		Y o Y Comparison B-A	Forecasts announced on August 5, 2021 C	Change B-C
		Results April 1, 2021- September 30, 2021	Forecasts April 1, 2021 -March 31, 2022 B			
Net Sales	1,766.8	899.1	1,960.0	193.1	1,910.0	50.0
Non-consolidated	1,230.4	650.7	1,405.0	174.5	1,365.0	40.0
Gross Profit	225.7	73.1	148.5	(77.2)	207.0	(58.5)
Selling, General and Administrative Expenses	102.6	53.8	114.0	11.3	112.0	2.0
Operating Income (Operating Income Margin)	123.1 7.0%	19.2 2.1%	34.5 1.8%	(88.6)	95.0 5.0%	(60.5)
Non-consolidated	93.4 7.6%	4.4 0.7%	4.0 0.3%	(89.4)	65.0 4.8%	(61.0)
Ordinary Income	128.7	23.1	40.0	(88.7)	98.5	(58.5)
Profit attributable to owners of parent	98.7	18.8	35.0	(63.7)	71.5	(36.5)

Forecasts for Fiscal Year Ending March 31, 2022

- Consolidated Results



Reasons for revisions

◎ Situations below arose in several large projects in domestic building construction business

- 1) Prior to the COVID-19 pandemic, Obayashi Corporation (hereinafter referred to as the “Company”) offered a strategic bid price for a large project expecting to achieve economies of scale through the winning of its peripheral construction projects along with significant cost reductions through value engineering (VE) proposals during the long pre-construction period. However, the VE proposals were not approved as the Company expected, so the expected amount of cost reduction was not achieved, and the price of steel frames and other materials rose due to changes in the market environment
- 2) In a design-build contract project, the initial design drawn at the time of bidding had to be revised during the phase of developing the design drawings, which increased the construction costs

Expected loss does not take into account additional profits in future procurement or additional work on the projects.

Measures to be taken

Every effort will be made to improve profitability of construction projects by reducing construction costs, etc. Following measures have been taken to prevent similar losses:

[Measure 1: More stringent project screening]

- Stricter screening criteria for expected cost improvement before bidding
- Build system for more objective and rigorous checking of profit recovery plan and risk factors such as rising material prices

[Measure 2: Strengthen quality and risk management system of design division]

- Transition to system for centralized management of all branch projects, reassigning all architects and design engineers from each branch office to design division of head office
- Flexible personnel assignments and review by special design teams for large or difficult projects to improve design quality and eliminate risks

Return of Executive Compensation

In consideration of a significant downward revision to the business performance forecast, directors and executive officers will voluntarily return a portion of their monthly compensation as follows:

Directors and some executive officers to return
portion of monthly compensation for 3-month period
(3 months starting from December 2021)

1)	Representative Director, President	50% of the monthly compensation
2)	Other Representative Directors	30% of the monthly compensation
3)	Directors (excluding outside directors)	20% of the monthly compensation
4)	Executive officers responsible for the execution of projects in which losses occurred	10% to 40% of monthly compensation

Year-end dividend

[Basic policy on dividends]

- Maintain stable dividend payment over the long term and keep the standard dividend payout ratio in the range of 20-30% as well as return profits to shareholders according to business performance while considering an increase in internal reserves to improve our financial position and develop technologies for the future and to invest in fixed assets



- Year-end dividend to be maintained at 16 yen per share (32 yen per share including interim dividend)

Next Medium-Term Business Plan

- In order to respond to changing business environment during and after COVID-19 pandemic, the Company is planning to announce new Medium-Term Business Plan in March of next year, with fiscal 2022 as the first year, and the Company is currently developing the new plan
- Will place highest priority on recovering and stabilizing performance, aiming to secure consolidated operating income of 100 billion yen or more in FY2022 and FY2023
- Period starting in FY2024 will be stage in which we aim for further growth to ensure medium- to long-term growth of our group

Reduction of cross-shareholdings

- Under next Medium-Term Business Plan will prioritize recovering and stabilizing performance while boldly investing in fields contributing to steady growth, continuing to work on getting back on growth trajectory
- Toward that end, will further reduce cross-shareholdings, reviewing their significance from standpoint of medium- to long-term economic rationale and capital efficiency
- Specifically, plan is to establish goal of selling off around 150 billion yen accounting for 20% of consolidated net assets or below by end of March 2027, which is final year of next Medium-Term Business Plan

Reference: Sell-offs from FY2011 to FY2020 (consolidated market value basis)

Unit: Yen in billions

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Sell-offs	14.4	9.1	12.1	4.5	4.5	4.5	8.7	5.4	9.3	7.7	80.2

**Financial Results for the Six Months
Ended September 30, 2021
and
Forecasts for Fiscal Year
Ending March 31, 2022**

Financial Results for the Six Months Ended September 30, 2021 - Statements of Income

(Yen in billions)

		Consolidated					Non-consolidated				
		Results		Results		Y o Y Comparison	Results		Results		Y o Y Comparison
		April 1, 2020 - September 30, 2020		April 1, 2021 - September 30, 2021			April 1, 2020 - September 30, 2020		April 1, 2021 - September 30, 2021		
A		B		B-A	C		D		D-C		
Net Sales of Completed Construction Contracts	Building	620.6		654.5		33.8	437.9		502.6		64.6
	Civil	188.1		195.7		7.5	129.5		137.2		7.7
	Total	808.7		850.2		41.4	567.4		639.9		72.4
Net Sales of Real Estate Business and Other		43.8		48.8		5.0	10.3		10.7		0.4
Net Sales		852.6		899.1		46.4	577.8		650.7		72.8
Gross Profit on Completed Construction Contracts	Building	-	-	-	-	-	46.6	10.7%	26.2	5.2%	(20.3)
	Civil	-	-	-	-	-	25.7	19.9%	14.1	10.3%	(11.6)
		92.5	11.4%	60.7	7.1%	(31.8)	72.4	12.8%	40.3	6.3%	(32.0)
Gross Profit of Real Estate Business and Other		11.1	25.3%	12.4	25.4%	1.3	2.6	25.2%	2.2	21.2%	(0.3)
Gross Profit		103.6	12.2%	73.1	8.1%	(30.5)	75.0	13.0%	42.6	6.6%	(32.3)
Selling, General and Administrative Expenses		48.8	5.8%	53.8	6.0%	5.0	34.0	5.9%	38.2	5.9%	4.2
Operating Income		54.8	6.4%	19.2	2.1%	(35.5)	41.0	7.1%	4.4	0.7%	(36.5)
Ordinary Income		57.1	6.7%	23.1	2.6%	(33.9)	47.4	8.2%	10.0	1.5%	(37.4)
Profit attributable to owners of parent		47.1	5.5%	18.8	2.1%	(28.2)	39.6	6.9%	10.6	1.6%	(28.9)

Forecasts for Fiscal Year Ending March 31, 2022

- Statements of Income

(Yen in billions)

		Consolidated					Non-consolidated				
		Forecasts announced on August 5, 2021		Forecasts April 1, 2021 - March 31, 2022		Change	Forecasts announced on August 5, 2021		Forecasts April 1, 2021 - March 31, 2022		Change
		A		B		B-A	C		D		D-C
Net Sales of Completed Construction Contracts	Building	1,340.0		1,395.0		55.0	1,035.0		1,070.0		35.0
	Civil	440.0		445.0		5.0	305.0		312.0		7.0
	Total	1,780.0		1,840.0		60.0	1,340.0		1,382.0		42.0
Net Sales of Real Estate Business and Other		130.0		120.0		(10.0)	25.0		23.0		(2.0)
Net Sales		1,910.0		1,960.0		50.0	1,365.0		1,405.0		40.0
Gross Profit on Completed Construction Contracts	Building	-	-	-	-	-	92.5	8.9%	34.0	3.2%	(58.5)
	Civil	-	-	-	-	-	46.5	15.2%	46.0	14.7%	(0.5)
		183.0	10.3%	123.0	6.7%	(60.0)	139.0	10.4%	80.0	5.8%	(59.0)
Gross Profit of Real Estate Business and Other		24.0	18.5%	25.5	21.3%	1.5	6.0	24.0%	5.0	21.7%	(1.0)
Gross Profit		207.0	10.8%	148.5	7.6%	(58.5)	145.0	10.6%	85.0	6.0%	(60.0)
Selling, General and Administrative Expenses		112.0	5.8%	114.0	5.8%	2.0	80.0	5.8%	81.0	5.7%	1.0
Operating Income		95.0	5.0%	34.5	1.8%	(60.5)	65.0	4.8%	4.0	0.3%	(61.0)
Ordinary Income		98.5	5.2%	40.0	2.0%	(58.5)	72.5	5.3%	12.0	0.9%	(60.5)
Profit attributable to owners of parent		71.5	3.7%	35.0	1.8%	(36.5)	55.0	4.0%	16.0	1.1%	(39.0)

Forecasts for Fiscal Year Ending March 31, 2022 - Orders Received

(Non-consolidated Orders Received)

(Yen in billions)

			Results	Results		Y o Y Comparison	Results	Forecasts	Y o Y Comparison
			April 1, 2020 -September 30,2020	April 1, 2021 -September 30,2021	Progress %				
			A	B	B/D	B-A	C	D	D-C
Construction Business	Building Construction	Domestic	301.8	474.9	45.2%	173.0	1,162.1	1,050.0	(112.1)
		Overseas	1.6	0.8	16.1%	(0.8)	1.9	5.0	3.0
		Total	303.5	475.7	45.1%	172.2	1,164.0	1,055.0	(109.0)
	Civil Engineering	Domestic	125.0	171.0	61.1%	46.0	336.9	280.0	(56.9)
		Overseas	0.7	1.1	2.5%	0.3	8.1	45.0	36.8
		Total	125.7	172.1	53.0%	46.4	345.0	325.0	(20.0)
	Construction Total	Domestic	426.8	646.0	48.6%	219.1	1,499.0	1,330.0	(169.0)
		Overseas	2.4	1.9	3.8%	(0.5)	10.0	50.0	39.9
		Total	429.3	647.9	47.0%	218.6	1,509.1	1,380.0	(129.1)
	Real Estate Business and Other			10.3	10.7	43.1%	0.4	20.8	25.0
Total			439.6	658.7	46.9%	219.0	1,529.9	1,405.0	(124.9)

(Consolidated Orders Received)

Building Construction	467.2	644.3	44.7%	177.0	1,378.7	1,440.0	61.2
Civil Engineering	174.3	247.2	54.4%	72.8	478.9	455.0	(23.9)
Real Estate Business and Other	42.9	38.4	40.5%	(4.4)	90.9	95.0	4.0
Total	684.5	930.0	46.7%	245.5	1,948.6	1,990.0	41.3

Forecasts for Fiscal Year Ending March 31, 2022

- Main Management Indicator Targets

	Results April 1, 2018 - March 31, 2019	Results April 1, 2019 - March 31, 2020	Results April 1, 2020 - March 31, 2021	Results April 1, 2021 - September 30, 2021
Net Sales	2,039.6 billion yen	2,073.0 billion yen	1,766.8 billion yen	899.1 billion yen
Operating Income	155.4 billion yen	152.8 billion yen	123.1 billion yen	19.2 billion yen
Profit attributable to owners of parent	113.1 billion yen	113.0 billion yen	98.7 billion yen	18.8 billion yen
Profit attributable to owners of parent per share (EPS)	157.65 yen	157.59 yen	137.64 yen	26.32 yen
Return on Equity (ROE)	15.6%	14.3%	11.3%	2.0%

Medium-Term Business Plan 2017 Targets for March 31, 2022 Consolidated Income Statement
Around 2 trillion yen
Around 150 billion yen
Around 100 billion yen
Around 150 yen
Over 10%

	Results March 31, 2019	Results March 31, 2020	Results March 31, 2021	Results September 30, 2021
Equity	768.9 billion yen	817.8 billion yen	931.0 billion yen	950.2 billion yen
Retained Earnings	498.1 billion yen	587.0 billion yen	661.5 billion yen	671.6 billion yen
Equity Ratio	34.7%	36.7%	41.0%	41.3%
Net Interest-bearing Debt	103.5 billion yen	(66.4) billion yen	7.4 billion yen	35.5 billion yen
Interest-bearing Debt	272.2 billion yen	248.5 billion yen	265.9 billion yen	280.6 billion yen
Cash and Deposits	168.6 billion yen	315.0 billion yen	258.5 billion yen	245.0 billion yen

Medium-Term Business Plan 2017 Targets for March 31, 2022 Consolidated Balance Sheet
900 billion yen
700 billion yen
40%
0 yen
250 billion yen
250 billion yen

Disclaimer

This investor presentation, an English translation of the presentation made at the investor telephone meeting on November 9, 2021 as a digest of Obayashi Corporation's "OBAYASHI CORPORATION announces its revised financial forecasts for FY2021" and "2nd Quarter Financial Results (April 1 to September 30, 2021)" ("Kessan Tanshin" and "Kessan Setsumei Shiryo") disclosed at the Tokyo Stock Exchange on November 8, 2021, is presented solely for the convenience of non-Japanese speaking users. If there is any discrepancy between Japanese "OBAYASHI CORPORATION announces its revised financial forecasts for FY2021", "Kessan Tanshin" or "Kessan Setsumei Shiryo" and this presentation, Japanese "OBAYASHI CORPORATION announces its revised financial forecasts for FY2021", "Kessan Tanshin" or "Kessan Setsumei Shiryo" will prevail. This investor presentation is not to solicit any individuals or entities to buy or sell stocks of Obayashi Corporation. This investor presentation contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The unit used for numerical representations is billion yen unless otherwise specified.