

Investor Presentation



**Financial Results for FY2016
and
Forecasts for FY2017**

May 11, 2017

OBAYASHI CORPORATION

Disclaimer

This investor presentation, an English translation of the presentation made at the investor meeting at Obayashi Corporation (Tokyo, Japan) on May 11, 2017 as a digest of Obayashi Corporation's "Summary of the Financial Results for FY2016 ended March 2017" ("Kessan Tanshin" and "Kessan Setsumei Shiryo") disclosed at the Tokyo Stock Exchange on May 10, 2017, is presented solely for the convenience of non-Japanese speaking users. If there is any discrepancy between Japanese "Kessan Tanshin" or "Kessan Setsumei Shiryo" and this presentation, Japanese "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 is 100 million yen or Japanese "oku-yen" unless otherwise specified.

Financial Results for FY2016 and Forecasts for FY2017



OBAYASHI

<Consolidated> Overview of statements income – Result FY2016 –

Refer to the upper table of the Summary information page 1 of “Appendix to the Financial Statements”

<Consolidated Business Results>

Net Sales	1,872.7 billion yen	(Variance to FY2015. + 5.3%)
Operating Income	133.7 billion yen	(Variance to FY2015. + 25.7%)
Ordinary Income	140.1 billion yen	(Variance to FY2015. + 26.0%)
Profit attributable to owners of parent	94.5 billion yen	(Variance to FY2015. + 49.0%)

→ Following the previous fiscal year, all items achieved the highest on record.

<Dividends> (the lower table on page 1)

FY2016 ended March 2017 : Total annual dividend 28 yen

FY2017 ending March 2018 (Forecast) : Total annual dividend 28 yen

<Non-consolidated> Topics of statements income – Result FY2016 –

Refer to the upper right table of the Financial highlights on page 2 of “Appendix to the Financial Statements”

<Net sales of completed construction contracts>

1,285.8 billion yen (Variance to FY2015. +79.5 billion yen)

Building Construction 991.5 billion yen (Variance to FY2015. +83.0 billion yen)

→Due to an increase in carried-forward projects at the beginning of the fiscal year. (April1, 2016)

(Compared to the previous fiscal year. (April 1, 2015) +160.2 billion yen)

Civil engineering 294.3 billion yen (Variance to FY2015. (3.5) billion yen)

<Gross profit on completed constructin contracts>

166.7 billion yen (Variance to FY2015. +35.9 billion yen)

Building Construction 119.4 billion yen (Variance to FY2015. +33.8 billion yen)

Gross profit margin 12.0% (Variance to FY2015. +2.6pt)

Civil engineering 47.2 billion yen (Variance to FY2015. +2.1 billion yen)

Gross profit margin 16.1% (Variance to FY2015. +1.0pt)

→Due to an improvement in profit margin on orders received and stable construction costs.

〈Consolidated〉 Topics of statements income – Result FY2016 –

Refer to the upper table of the Results and forecasts for net sales, operating income and gross profit on page 6 of “Appendix to the Financial Statements”

As a whole, Net sales and Operating income mainly reflected the increase from “Domestic Building construction (Non-consolidated)”. Topics of the subsidiaries are as follows

<Consolidated Net sales>

Overseas building construction 367.9 billion yen (Variance to FY2015. +30.0 billion yen)
→ Webcor, LP 166.9 billion yen (+29.0 billion yen)

Domestic civil engineering 332.3 billion yen (Variance to FY2015. (21.5) billion yen)
→ Decrease in a reaction of sales of large-scale projects recorded by Obayashi Road ((14.0) billion yen), and so on

<Consolidated Operating income>

Overseas civil engineering (3.1) billion yen (Variance to FY2015. (5.8) billion yen)
→ A temporary deterioration in profits of certain projects recorded by subsidiaries such as Kenaidan Group Ltd.

Real Estate Business 7.1 billion yen (Variance to FY2015. (3.2) billion yen)
→ Decrease in a reaction of sales of large-scale properties recorded by Obayashi Shinseiwa Real Estate ((2.2) billion yen), and so on

(Reference) Refer to the performance of principal subsidiaries on page 12 of “Appendix to the Financial Statements”.

Orders received

-Result FY2016-

Refer to the middle table of the Financial highlights on page 2 of “Appendix to the Financial Statements”

<Non-consolidated>

【Building construction】

1,052.6 billion yen (Variance to FY2015. (17.0)billion yen)

【Civil engineering】

295.7 billion yen (Variance to FY2015. (34.8) billion yen)

Construction Total 1,348.3 billion yen (Variance to FY2015. (51.8) billion yen)

<Consolidated>

【Overseas building construction】

554.9 billion yen (Variance to FY2015. +234.5 billion yen)

→Due to orders of large-scale projects recorded by Webcor, LP, and so on

Construction Total 2,052.5 billion yen (Variance to FY 2015. +190.3 billion yen)

Interest-bearing debt balances

-Result FY2016-

Refer to the lower table of the Financial highlights on page 2 of “Appendix to the Financial Statements”

<Interest-bearing debt Total>

March 31, 2016	(Beginning of FY2016)	346.3 billion yen
<u>March 31, 2017</u>	<u>(End of FY2016)</u>	<u>273.3 billion yen</u>
Variance	(During the period)	(72.9) billion yen

- Forecasts for FY2017 ending March 2018.
270.0 billion yen (Same level as the balance on March 31, 2017)
- Utilizing net cash provided by operating activities of the robust domestic construction business, continuing investment based on Medium-Term Business Plan 2017.

「Medium-Term Business Plan 2017」 and Forecasts for FY2017



| Review of Medium-Term Business Plan 2015 |

Net sales

- Net sales to achieve a level around 10% higher than the plan target.
- The overseas construction sales ratio to reach the plan target.

Operating income

- Operating income to be more than double the plan target due to an improvement in the business environment for the domestic construction market, etc.
- The ratio of operating income from areas other than domestic construction was lower than the plan target due to dramatic improvement in profits from domestic construction.

Others

- ROE is expected to exceed the plan target significantly due to a major improvement in profits.
- Improvement of financial base, such as interest-bearing debt and the D/E ratio, is proceeding ahead of the plan.

(Billions of yen, unless otherwise noted)

	FY2015.3 Result	Medium-Term Business Plan 2015		
		Plan	FY2016.3 Result	FY2017.3 Result
Net sales	1,773.9	Around 1,700.0	1,777.8	1,872.7
Ratio of overseas construction sales within construction business	24%	25%	24%	25%
Operating income	48.3	Around 45.0 (stable)	106.3	133.7
Domestic construction	58%	55%	83%	92%
Other than domestic construction (overseas construction, real estate development, new businesses)	42%	45%	17%	8%
Ordinary income	59.9	Around 50.0	111.2	140.1
Profit attributable to owners of parent	28.6	—	63.4	94.5
Interest-bearing debt	410.8	Around 400.0 (March 31, 2018)	346.3	273.3
D/E ratio (times)	0.81	Around 0.9	0.67	0.46
EBITDA	62.7	59.0 to 63.0	120.8	148.7
ROE	6.2%	Around 8% (over the medium to long term)	12.4%	17.0%
Dividend payout ratio	25.0%	20% to 30%	20.4%	21.3%

I Business Environment of the Obayashi Group I

Domestic

- ▶ The domestic construction market is unlikely to expand over the long term due to underlying factors such as population decline. However, for the time being, investment is firm in major urban areas and the private non-residential sector.
- ▶ With infrastructure aging even more quickly, the nature of the construction market is changing, including a pivot from new construction to renewal projects and the expansion of the public-private partnership (PPP) market, in response to public sector financial constraints.
- ▶ Increase in awareness of disaster readiness and mitigation against the threat of damage from natural disasters and demand for clean energy
- ▶ Improvement in productivity, including technology innovation such as IoT, artificial intelligence (AI), and robots, is essential for maintaining and expanding business
- ▶ Urgent need for initiatives in personnel development and work style reform to help secure workers for the future given the aging population and declining birthrate

Overseas

- ▶ Increasingly uncertain outlook with unclear global political and economic situation and the normalization of terrorist activity in regions around the world
- ▶ Expansion in business opportunities driven by increase in demand for food, energy, and infrastructure in step with population growth and economic development, primarily in emerging countries
- ▶ Strong investment in urban development and infrastructure in the regions where the Obayashi Group has expanded, including Southeast Asia, North America, and Oceania

| Approach to Obayashi Group Business Plan |

The Vision for the Future that Obayashi has established for its 150th anniversary year (2042) looks to realize a sustainable society.

The Medium-Term Business Plan 2017 was drafted as a set of results to be achieved and policies to be implemented in the first five years of our roadmap for achieving this vision.

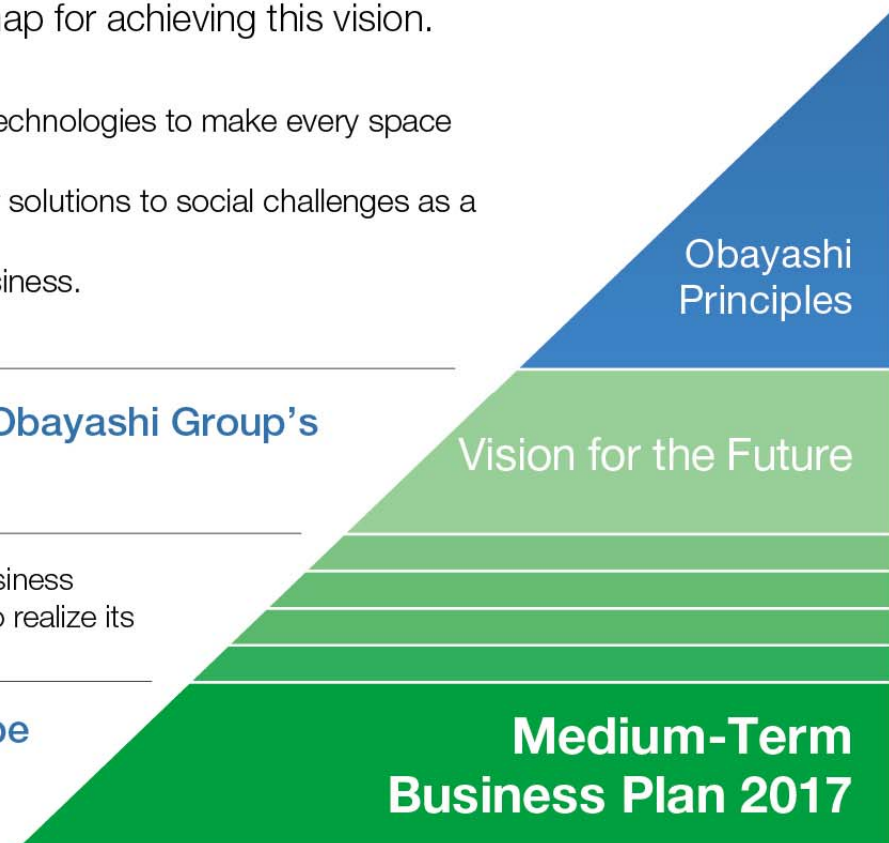
Obayashi Principles

1. Exercise true craftsmanship and employ superior technologies to make every space as valuable as it can be.
2. Show concern for the global environment and offer solutions to social challenges as a good corporate citizen.
3. Value everyone we come in contact with in our business.

Vision for the Future with a view to the Obayashi Group's 150th anniversary year (2042)

Obayashi Group will adapt flexibly to changes in the business environment while establishing and executing policies to realize its Vision for the Future

Results to be achieved and policies to be implemented over five years (FY2018.3 to FY2022.3)



| Vision for the Future |

The leader at the
forefront of technology
and productivity

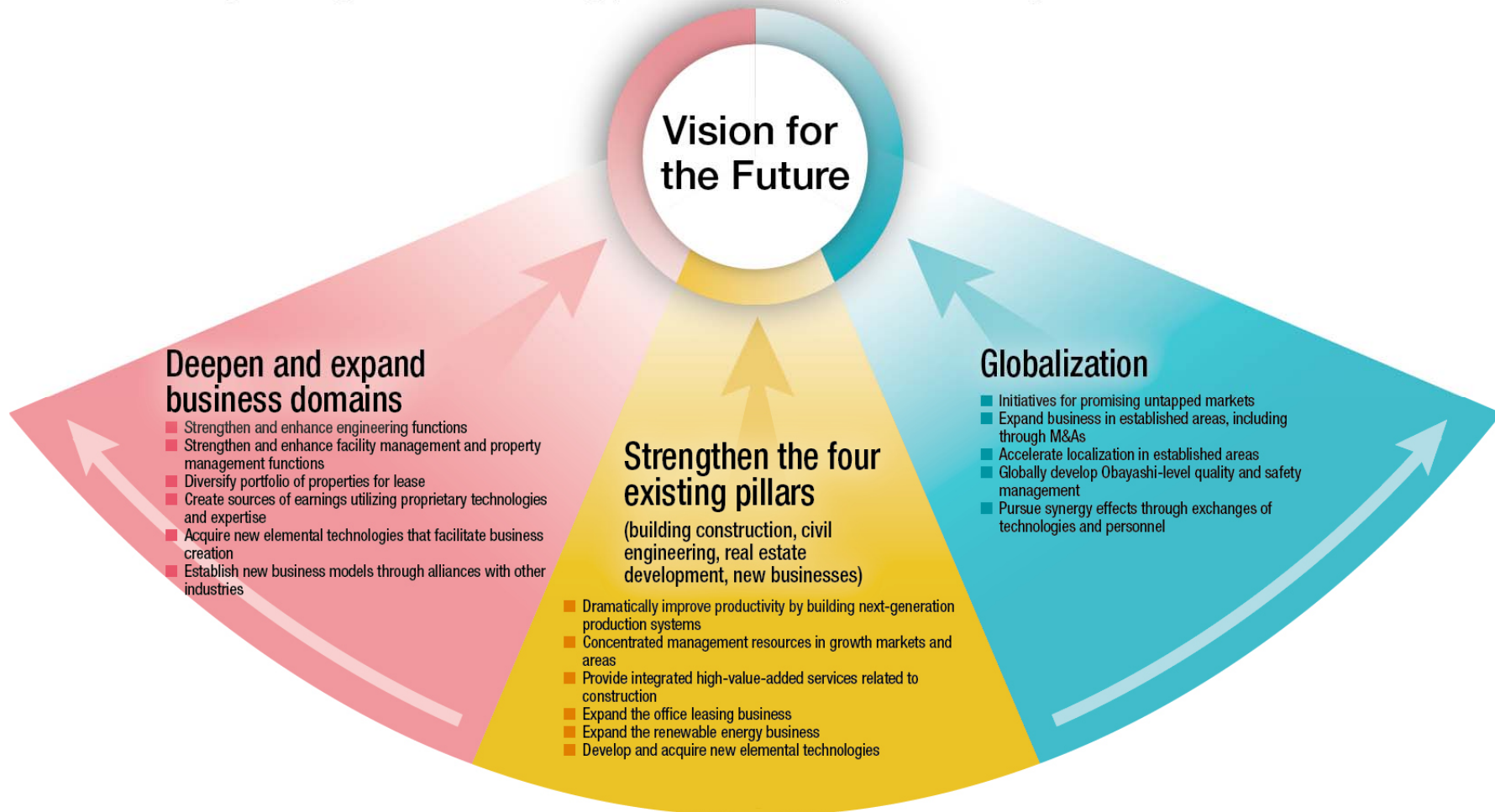


A corporate group
advancing while
creating diverse
earnings sources

The Obayashi Group will evolve into a corporate group that can meet the expectations of all its stakeholders, continuing to grow beyond the framework of a general contractor and adapting flexibly to changes in the business environment.

| Strategy for Realizing Obayashi's Vision for the Future |

Obayashi will **deepen and expand its business domains**, and accelerate **globalization** centered on **strengthening the four existing pillars** with an eye to achieving its Vision for the Future



I Medium-Term Business Plan 2017 Basic Policy I

Basic Policies for the First Five Years Starting to Realize Our Vision for the Future

Building a Strong Management Foundation

The Obayashi Group will use all of its strength to maintain its current performance of record-high earnings, and expand it. We will seize opportunities for growth investments and build a robust management foundation able to cope with unexpected changes in the business environment.

Preparing the Way for the Future

Technology development and acquisition, human resource development, new business model creation, supported by strategic investment for deepening and expanding business domains and promoting globalization



I Main Management Indicator Targets I

Obayashi will build a strong management foundation to enable it to make growth investments for realizing its Vision for the Future and cope with changes in the business environment

March 31, 2022 Consolidated Balance Sheet

		March 31, 2017 Result	
Equity	900.0 billion yen Retained earnings 700.0 billion yen	594.1 billion yen 334.9 billion yen	<ul style="list-style-type: none"> ■ Further improvement of financial base ■ Strengthen equity to withstand unexpected business risks ■ Strengthen investment capabilities to support systematic and flexible growth investment for expanding business fields
Equity ratio	40%	29.5%	
Net interest-bearing debt	0 yen Interest-bearing debt 250.0 billion yen Cash and deposits 250.0 billion yen	78.7 billion yen 273.3 billion yen 194.5 billion yen	

FY2022.3 Consolidated Income Statement

		March 31, 2017 Result	
Net sales	Around 2 trillion yen		
Operating income	Around 150.0 billion yen	1,872.7 billion yen	<ul style="list-style-type: none"> ■ Improve enterprise value by maintaining and expanding its profit level
Profit attributable to owners of parent	Around 100.0 billion yen	133.7 billion yen	
Profit attributable to owners of parent per share (EPS)	Around 150 yen	94.5 billion yen	

Return on equity (ROE)

ROE expected to decline due to a decline in financial leverage caused by strengthening equity

March 31, 2022

Over 10%

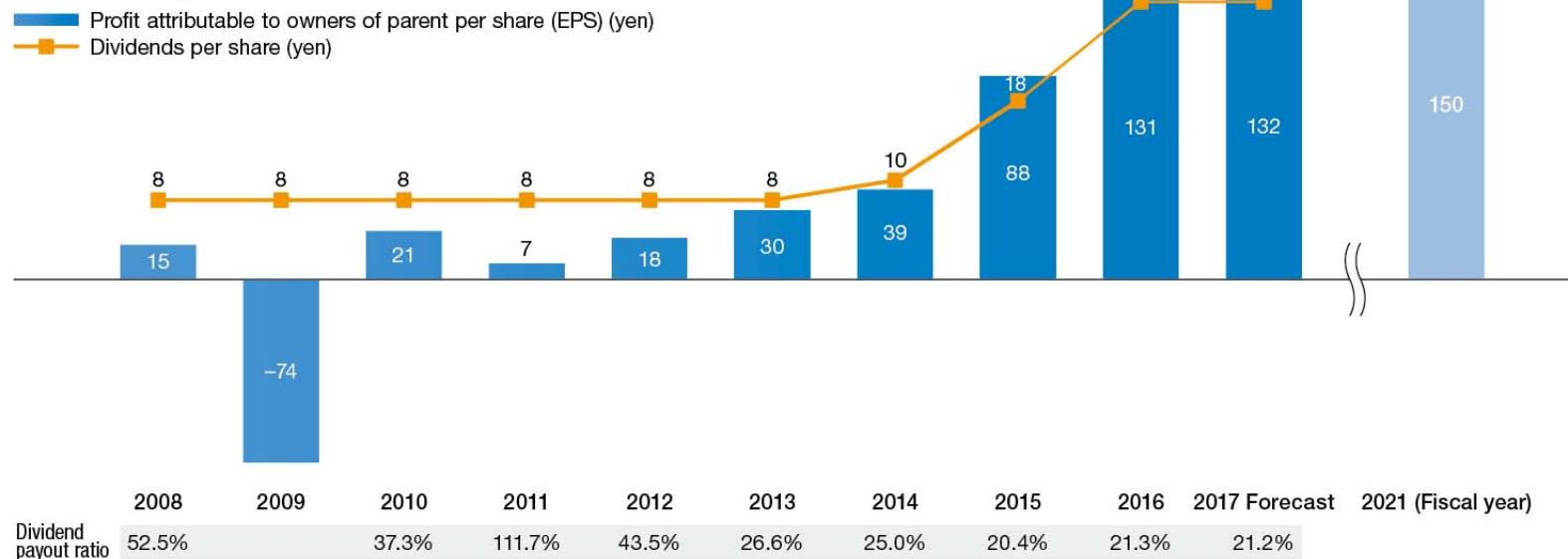
	[ROE]	Profit attributable to ([owners of parent margin	× [Asset turnover ratio	= ROA) × [Financial leverage	= ROE
March 31, 2022	5.0%	0.92	4.6%	2.5	11.5%	
March 31, 2017 Result	5.0%	0.94	4.7%	3.6	17.0%	

| Policy on Shareholder Returns |

Consolidated Dividend Payout Ratio Target: 20 to 30% Range

Provide shareholders with returns commensurate with the Company's performance, including through share buybacks, with a primary emphasis on providing stable dividend payouts to our shareholders over the long term, taking into account the need to enhance internal reserves so as to further improve our financial base, develop technologies, and make capital expenditures for the future

Profit attributable to owners of parent per share (EPS) and dividends per share



I Capital Expenditure Plan I

Obayashi will invest 400.0 billion yen over five years to prepare the way for realizing its Vision for the Future

Medium-Term Business Plan 2017		(Reference) Medium-Term Business Plan 2015	
Plan for 2017–2021	(Fiscal year average)	Plan for 2015–2017	(Fiscal year average)

■ Continuous investment to maintain position as “the leader at the forefront of technology and productivity”

R&D of construction technologies	100.0 billion yen	(20.0 billion yen)	40.0 billion yen	(13.3 billion yen)
Construction machinery and business facilities	50.0 billion yen	(10.0 billion yen)	25.0 billion yen	(8.3 billion yen)

■ Investment to realize “a corporate group advancing while creating diverse earnings sources”

Real estate leasing business	100.0 billion yen	(20.0 billion yen)	55.0 billion yen	(18.3 billion yen)
Renewable energy business, and others	100.0 billion yen	(20.0 billion yen)	60.0 billion yen	(20.0 billion yen)

■ Growth investments that seize opportunities

M&As and others	50.0 billion yen	(10.0 billion yen)	—	(—)
Total investment amount over five years	400.0 billion yen	(80.0 billion yen)	180.0 billion yen	(60.0 billion yen)

| Forecasts for FY2017 (Consolidated) |

(Unit : 100 million yen)

	FY2014 Result	FY2015 Result	FY2016 Result A	FY2017 Forecasts B	Variance B - A
Net Sales	Conso. 17,739	Conso. 17,778	Conso. 18,727	Conso. 19,150	422
	Non-conso. 12,598	Non-conso. 12,350	Non-conso. 13,040	Non-conso. 13,250	209
Construction	16,730	16,957	18,025	18,320	294
Domestic	76%	76%	75%	75%	-
Overseas	24%	24%	25%	25%	-
Real estate development business	638	470	387	440	52
New businesses	370	234	219	260	41
Others		116	95	130	35
Operating Income (Operating profit margin)	Conso. 483 (2.7%)	Conso. 1,063 (6.0%)	Conso. 1,337 (7.1%)	Conso. 1,345 (7.0%)	7
	Non-conso. 189 (1.5%)	Non-conso. 763 (6.2%)	Non-conso. 1,082 (8.3%)	Non-conso. 1,070 (8.1%)	(12)
Ordinary Income	599	1,112	1,401	1,400	(1)
Profit attributable to owners of parent	286	634	945	950	4
ROE	6.2%	12.4%	17.0%	15.1%	-

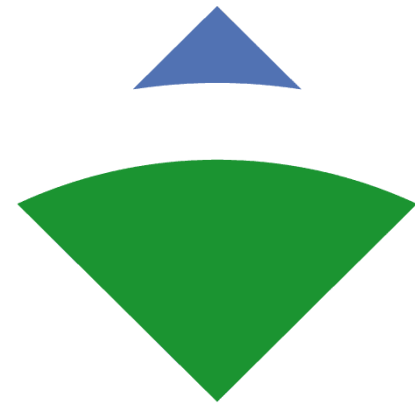
Forecasts for FY2017 (Non-consolidated)

(Unit : 100 million yen)

		FY2014 Result	FY2015 Result	FY2016 Result A	FY2017 Forecasts B		Variance B-A				
Net Sales of completed construction contracts	Building	9,586	9,084	9,915	9,950		34				
	Civil	2,679	2,979	2,943	3,100		156				
	Total	12,265	12,063	12,858	13,050		191				
Net Sales of real estate business and other		332	287	181	200		18				
Net Sales		12,598	12,350	13,040	13,250		209				
Gross Profit on completed construction contracts	Building	421	4.4%	856	9.4%	1,194	12.0%	1,230	12.4%	35	0.4pt
	Civil	244	9.1%	451	15.1%	472	16.1%	445	14.4%	(27)	(1.7)pt
	Total	665	5.4%	1,307	10.8%	1,667	13.0%	1,675	12.8%	7	(0.2)pt
Gross profit on real estate business and other		106	32.2%	63	22.1%	51	28.3%	50	25.0%	(1)	(3.3)pt
Gross Profit		772	6.1%	1,371	11.1%	1,718	13.2%	1,725	13.0%	6	(0.2)pt
Selling, general and administrative expenses		582	4.6%	607	4.9%	636	4.9%	655	4.9%	18	0.0pt
Operating Income		189	1.5%	763	6.2%	1,082	8.3%	1,070	8.1%	(12)	(0.2)pt
Ordinary Income		311	2.5%	828	6.7%	1,165	8.9%	1,150	8.7%	(15)	(0.2)pt
Profit		129	1.0%	507	4.1%	841	6.5%	820	6.2%	(21)	(0.3)pt

Tender Offer for Shares of Obayashi Road Corporation for the purpose of making the Target Company a wholly-owned subsidiary of the Company

Target Company	Obayashi Road Corporation				
Contents of business	Conducting paving work, civil engineering work, manufacturing and selling of asphalt mixtures and others				
History	August 1933	Established 「Toyo Hosokabe Kaisha」 sponsored by the Company			
	February 1967	Changed its name to 「Obayashi Road Corporation」			
	April 1971	Listed on the Second Section of TSE			
	February 1973	Listed on the First Section of TSE			
	December 2001	Converted into a consolidated subsidiary of the Company (Raised the shareholding ratio to current 40.04%)			
Performance	(Unit: 100 million yen)				
		FY2014 Result	FY2015 Result	FY2016 Result	FY2017 Forecasts
	Net Sales	1,108	1,157	1,014	1,124
	Operating Income	84	115	96	73
	Profit attributable to owners of parent	52	71	67	49
	Net Assets	345	407	467	
Total Assets	870	950	970		
Purpose of making the target company a wholly-owned subsidiary of the company	<p>Increase the Target Company's corporate value and business efficiency of the entire group improving in the following manner</p> <ul style="list-style-type: none"> ▪ Avoid a future conflict of interests among the parent company and minority shareholders that may be caused by listing of both the parent and the subsidiary ▪ Increase the degree of freedom in management of the Company group ▪ Further enhance the compliance at the Target Company 				
Tender Offer Price	JPY 940 per one (1) common share 【A】				
Number of shares to be purchased	26,243,052 shares (56.04% of Target Company's total number of issued shares) 【B】				
Purchase price	JPY 24.7 billion. 【A × B】				
Initially registered Tender Offer period	From May 11, 2017 (Thursday) through June 21, 2017 (Wednesday) 【30 business days】 (The date of publication of implementation of the Tender Offer : May 10, 2017 Wednesday.)				
Following completion of the Tender Offer	Making the Target Company a wholly-owned subsidiary of the Company in the manner of demand for sales of shares or share consolidation				



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