



# Engagement with Shareholders and Investors

FY2023 : April 2023 - March 2024

April 12, 2024

Obayashi Corporation

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

# 1. Strengthening organization for shareholders and investors

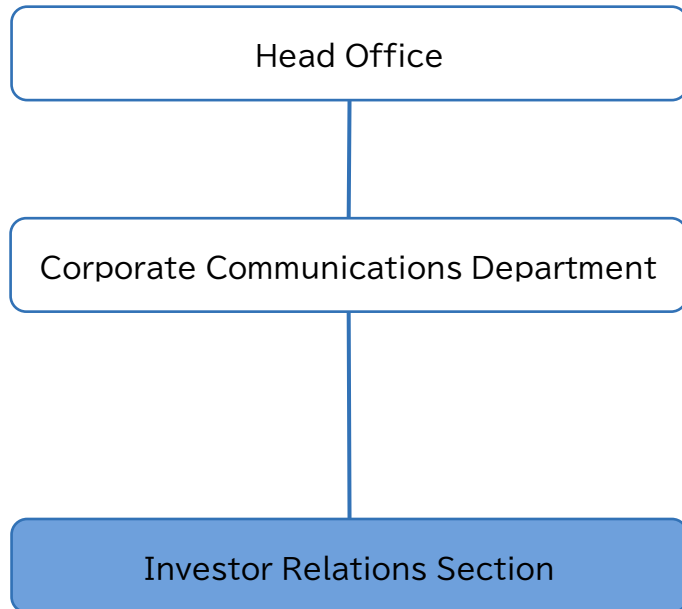
## Established Investor Relations & Shareholder Relations Department

- In the changing environment surrounding the stock market, building a good relationship with the market through engagement is an important issue in management strategies.
- In order to handle shareholders and investors related activities as a company systematically and enable more flexible operations in line with management strategies, revising relevant divisions and strengthening the organization is important.

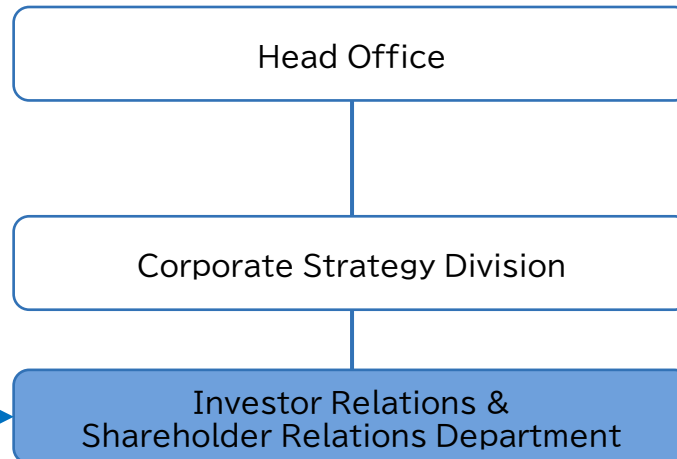


Investor Relations & Shareholder Relations (IR & SR) Department  
newly established in April 2023 under the Corporate Strategy Division

### Before revision



### After revision



**[Before revision]**  
Shareholders and investors activities based on management strategies within Corporate Communications Department

**[After revision]**  
Shareholders and investors activities under one of departments in Corporate Strategy Division, which planning management strategy

**[Before revision]**  
Need of strengthening the organization

**[After revision]**  
Investor Relations Section promoted to IR & SR Department under Corporate Strategy Division

## 2. Engagement with shareholders and investors

### (1) Activities in FY2023

Total number of times		Speakers	Attendees/ contents
1st half	2nd half		
<b>Financial results briefings</b>			
4		<b>[2Q and end of fiscal year]</b> <ul style="list-style-type: none"> <li>• President and CEO</li> <li>• Head of Marketing Division (Executive Vice President)</li> <li>• Executive officer responsible for overall administration (Executive Vice President)</li> <li>• Head of Civil Engineering Construction Division (Managing Executive Officer)</li> <li>• Head of Building Construction Division (Managing Executive Officer)</li> <li>• General Manager of Accounting Department</li> </ul>	Securities analysts and institutional investors (some shareholders) ✓ Conducted online ✓ Number of attendees: FY2022 4Q: 78 FY2023 1Q: 92 FY2023 2Q: 94 FY2023 3Q: 101
2	2	<b>[1Q and 3Q]</b> <ul style="list-style-type: none"> <li>• General manager of Accounting Department</li> </ul>	
<b>IR interviews</b>			
143		<ul style="list-style-type: none"> <li>• General Manager of Corporate Strategy Division (Executive Officer)</li> <li>• General Manager of Accounting Department</li> <li>• General Manager and members from IR &amp; SR Department</li> </ul>	Securities analysts and institutional investors (some shareholders) ✓ Number of attendees: 265 persons (Domestic: 136, Overseas: 129)
69	74		
<b>Conferences hosted by securities companies</b>			
4		<ul style="list-style-type: none"> <li>• General Manager of Corporate Strategy Division (Executive Officer)</li> <li>• General Manager and members from IR &amp; SR Department</li> </ul>	Overseas institutional investors (some shareholders) ✓ Number of attendees: 30 persons (23 companies)
1	3		

## 2. Engagement with shareholders and investors

### (1) Activities in FY2023

Number of times		Speakers	Attendees/ contents
1 <sup>st</sup> half	2 <sup>nd</sup> half		
<b>Business briefings/ tours of construction sites</b>			
1		<ul style="list-style-type: none"> <li>• Head of Real Estate Development Division (Managing Executive Officer)</li> <li>• Director of the construction project site</li> </ul>	Securities analysts and institutional investors (some shareholders) ✓ Introduced business initiatives and construction sites ✓ June: Minato Mirai 21 Central District 53 Block Development JV project site tour
1	-		
<b>Topic briefings</b>			
1		<ul style="list-style-type: none"> <li>• General Manager of Human Resources Department (WorkStyle Reform Project Team)</li> <li>• General Manager of Marketing Planning Department</li> <li>• General Manager of Digital Transformation Division</li> </ul>	Securities analysts and institutional investors (some shareholders) ✓ Introduced initiatives in individual fields ✓ February: Online briefings on responding to the revised Labor Standards Act of Japan
-	1		
<b>Individual interviews with major shareholders</b>			
35		<ul style="list-style-type: none"> <li>• Independent Directors</li> <li>• General Managers of General Administration Department, ESG &amp; SDGs Department, and IR &amp; SR Department</li> </ul>	Major shareholders (institutional investors) ✓ Number of attendee: 87 persons
20	15		

## 2. Engagement with shareholders and investors

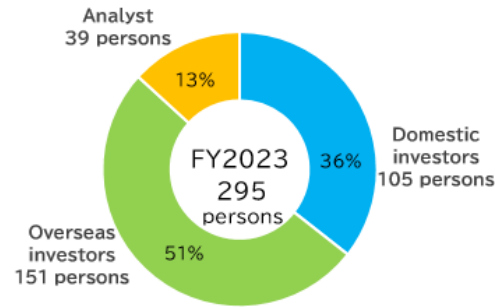
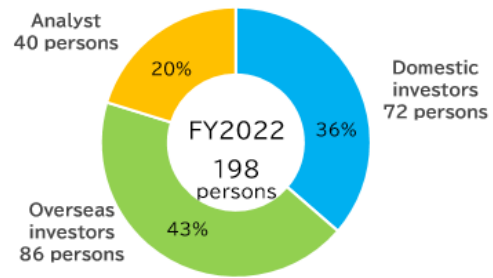
### (2) IR interviews

- Number of IR interviews held and the number of attendees both increased significantly in FY2023. Increased interest in Japanese stocks due to the Tokyo Stock Exchange's request to listed companies improving capital efficiency, and construction stocks in general where the market has become steady after a rapid rise in construction material prices.
- Actively participated in conferences sponsored by securities companies to expand opportunities of engagement with overseas investors.

#### Number of IR interviews held and number of attendees (including conferences hosted by securities companies)

FY2022 : 126 times (total 198 persons)

FY2023 : 166 times (total 295 persons)

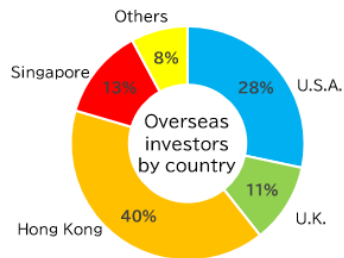


■ Domestic investors ■ Overseas investors ■ Analyst

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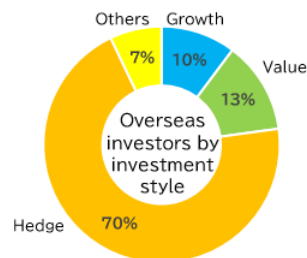
#### Breakdown of interviews with overseas investors

By country



■ U.S.A. ■ U.K. ■ Hong Kong ■ Singapore ■ Others

By investment style



■ Growth ■ Value ■ Hedge ■ Others

## 2. Engagement with shareholders and investors

### (3) Major themes at IR interviews

#### Overall business performance

- ✓ Plan to achieve consolidated operating income of 100 billion yen, a performance indicator in the Medium-Term Business Plan 2022

#### Domestic building construction business

- ✓ Progress toward the FY2023 forecast and outlook for FY2024 and beyond
- ✓ Ratio of a provision for loss on construction contracts to net sales of completed construction contracts
- ✓ Orders and competitive market environment
- ✓ Construction Material Prices and Labor Costs
- ✓ Construction capacity, supply chain constraints
- ✓ Construction projects for Expo 2025 Osaka, Kansai
- ✓ The impact of the accident at the construction site of Yaesu in front of Tokyo Station

#### Domestic civil engineering business

- ✓ Progress toward the FY2023 forecast and outlook for FY2024 and beyond
- ✓ Self- Elevating Platform usage and amortization costs

#### Overseas construction business

- ✓ Progress toward the FY2023 forecast
- ✓ Business environment in North America
- ✓ M&A of MWH, Inc.

#### Real estate development business

- ✓ Forecasts for real estate sales
- ✓ Future investment plans

#### Capital policy and shareholder returns

- ✓ Shareholder proposals at the 119th Ordinary General Meeting of Shareholders
- ✓ The Company's capital policy (disclosure on March 4, 2024 [“Notice Concerning Revision of Capital Policy”](#))
- ✓ The Company's policy on shareholder returns (disclosure on March 4, 2024 [“Notice Concerning Changes in Dividend Policy and Revision to Dividend Forecasts \(Dividend Increase\)”](#))
- ✓ Progress on reduction of Cross-Shareholdings
- ✓ Progress on investment plans under the Medium-Term Business Plan 2022

## 2. Engagement with shareholders and investors

### (4) Major themes at individual interviews with major shareholders in FY2023

#### 1<sup>st</sup> half

##### Shareholder proposal at the Ordinary General Meeting of Shareholders in 2023

- ✓ Reasons for opposing the shareholder proposal
- ✓ Growth Strategies under Midium-Term Business Plan 2022
- ✓ Cash balance and cash flows

#### 2<sup>nd</sup> half

##### Reduction of cross- shareholdings

- ✓ Progress toward reduction targets by the end of March 2027
- ✓ Revision of target (less than 20% of consolidated net assets) due to share price increase after April 2023
- ✓ Initiatives for reduction
- ✓ Negotiations with companies that we hold shares in
- ✓ Voting guidelines of institutional investor for companies that we hold shares in

##### Accident at Yaesu

- ✓ Questions related to exercise voting rights (causes of the accident, status of internal control functions, etc.)

##### Election of Directors and officers

- ✓ Expertise and experience of directors to increase corporate value
- ✓ Ratio of Independent Directors
- ✓ Ratio of female directors
- ✓ Measures to achieve Japanese government's target of "30% or more female executives by 2030"

### 3. Sharing engagement results within the company

Shared Contents in FY2023	Frequency Times/year	Sharing method
<b>Financial results briefing summary</b>		
✓ Q&A at financial results briefings	4	Via email to: <ul style="list-style-type: none"> <li>• Directors attended</li> <li>• Each business division</li> <li>• Relevant departments</li> </ul>
<b>IR interview summary</b>		
<ul style="list-style-type: none"> <li>✓ IR interview summary</li> <li>✓ Major questions</li> <li>✓ Opinions and requests from securities analysts and institutional investors</li> <li>✓ IR &amp; SR Department comments</li> <li>✓ Share price and stock price index after disclosure of financial results</li> <li>✓ Consensus trends, etc.</li> </ul>	4	At the Board of Directors or Director's Roundtable Meeting to: <ul style="list-style-type: none"> <li>• Directors</li> <li>• Audit &amp; Supervisory Board</li> </ul>
	4	Via email and in person to: <ul style="list-style-type: none"> <li>• Each business division</li> </ul>
	4	Via email to: <ul style="list-style-type: none"> <li>• Relevant departments</li> </ul>
<b>Individual interviews with major shareholders</b>		
<ul style="list-style-type: none"> <li>✓ Shareholder opinions regarding company's explanations</li> <li>✓ Shareholder interest related to ESG</li> <li>✓ Exercise of voting rights, etc.</li> </ul>	2	At the Board of Directors to: <ul style="list-style-type: none"> <li>• Directors</li> <li>• Audit &amp; Supervisory Board</li> </ul>
<b>About IR &amp; SR activities</b>		
<ul style="list-style-type: none"> <li>✓ Business briefings, site tours, and topic briefings</li> <li>✓ Efforts to address issues, etc.</li> </ul>	2	At the Board of Directors to: <ul style="list-style-type: none"> <li>• Directors</li> <li>• Audit &amp; Supervisory Board</li> </ul>
<b>Analyst Reports</b>		
✓ Analysis and evaluation of securities analysts, ratings, etc.	at any time	Via email to: <ul style="list-style-type: none"> <li>• Directors</li> <li>• Audit &amp; Supervisory Board</li> <li>• General Manager of the Business Division</li> <li>• Relevant departments, etc.</li> </ul>



## 4. Responding to the engagement results

The status of integrating shareholders and investors opinions and requests to our management strategy are as follows. As for the management indicator targets, we have revised our Midium-Term Business Plan 2022 as disclosed in March 4, 2024. [“Notice Concerning Revision of Capital Policy”](#) [“Notice Concerning Changes in Dividend Policy and Revision to Dividend Forecasts \(Dividend Increase\)”](#)

Opinions and requests from shareholders and investors	Our response
<b>Midium- Term Business Plan 2022 Management Performance Indicator Targets</b>	
<b>【Equity standard】</b> <ul style="list-style-type: none"> <li>✓ What is the basic idea for the target of equity ratio of around 40%?</li> <li>✓ Have almost achieved your equity ratio target of 40%, to what extent do you intend to increase in the future?</li> </ul>	<ul style="list-style-type: none"> <li>✓ Set the amount of invested capital for each business in line with the growth of the construction business and related businesses of the Group, and set the required amount of equity after examining the capital structure (including the use of finance leverage) for each business. (The equity level during the Medium- Term Business Plan is set at 1 trillion yen)</li> </ul>
<b>【Efficiency】</b> <ul style="list-style-type: none"> <li>✓ ROE target of 8% is low.</li> <li>✓ What will be the ROE target after FY2025, when the impact of projects for which a provision for loss on construction contracts has been recorded will be eliminated.</li> <li>✓ Improvement of ROE is necessary for better PBR.</li> <li>✓ Leveraging on low-efficient development projects is welcome.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Estimating the cost of shareholders’ equity that the stock market demand around 8% to 9%, set ROIC at 5% or more that exceeds WACC, and ROE at 10% or more that exceeds the cost of capital as targets.</li> <li>✓ Set a capital target and will promote strategic shareholder return measures to achieve ROIC of 5% and ROE of 10% through sustained profit growth by implementing growth strategies.</li> </ul>
<b>【Shareholder Returns】</b> <ul style="list-style-type: none"> <li>✓ When targeted equity ratio of around 40% is achieved, retained earnings should be used to shareholder returns.</li> <li>✓ There should be a capacity to increase shareholder returns with the current strong balance sheet.</li> <li>✓ The dividend policy of 3% DOE is well-understood. What is the policy for shareholder returns when profits exceed the total amount of dividends?</li> <li>✓ Please indicate measures to improve PBR.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Raised the target annual dividend ratio from around 3% to around 5% of DOE, placing priority on maintaining a stable dividend over the long term.</li> <li>✓ Execute flexible shareholder returns by using various ways such as special dividends and acquisition of own shares according to necessary equity and profit status, in addition to annual dividends.</li> </ul>
<b>Growth strategy</b>	
<ul style="list-style-type: none"> <li>✓ What is the company’s medium- to long-term growth strategy?</li> </ul>	<ul style="list-style-type: none"> <li>✓ Continue discussing long-term growth strategy at board of directors, management meetings, etc.</li> </ul>

## 4. Responding to the engagement results

Opinions and requests from shareholders and investors	Our Response
<b>Reduction of cross-shareholdings</b>	
<ul style="list-style-type: none"> <li>✓ Could the Company disclose the progress of the reduction of cross-shareholdings?</li> </ul>	<ul style="list-style-type: none"> <li>✓ Disclosed the progress of reduction in the following media for second quarter and end of fiscal year: Notice of convocation of ordinary general meeting of shareholders, financial results, financial results briefing materials, external website, etc.</li> <li>✓ Disclosed not only the amount sold but also the amount agreed to be sold to show progress and the impact of the share price increase on the balance held.</li> </ul>
<b>Governance</b>	
<ul style="list-style-type: none"> <li>✓ Could the Company disclose more on reasons for selecting the skills that are important in selecting directors, and the evaluation on the effectiveness of the board of directors?</li> </ul>	<ul style="list-style-type: none"> <li>✓ Disclosed in the notice of convocation of ordinary general meeting of shareholders and Corporate Report 2023.</li> <li>✓ The evaluation is disclosed in the Corporate Report 2023 and in the Independent Directors' Dialogue.</li> </ul>
<b>Sustainability</b>	
<ul style="list-style-type: none"> <li>✓ What is the Company's initiatives to address the issue of a shortage of skilled workers in the construction industry?</li> </ul>	<ul style="list-style-type: none"> <li>✓ Held a discussion on "creating value together with the supply chain" with the President and chairman of the Obayashi Rin-yu-kai Federation* and outside experts in the Corporate Report 2023. * Organization of Obayashi's suppliers and subcontractors</li> </ul>
<ul style="list-style-type: none"> <li>✓ The management strategies regarding human capital and intellectual property stipulated in the revised Corporate Governance Code?</li> </ul>	<ul style="list-style-type: none"> <li>✓ Executing human resource strategy linked to management strategy is an ongoing issue.</li> <li>✓ Established the <a href="#">"Initiatives Related to Intellectual Property"</a> regarding intellectual property strategy in April 2023.</li> </ul>
<b>More engagement with shareholders and investors</b>	
<ul style="list-style-type: none"> <li>✓ Initiatives for the revised Labor Standards Act of Japan?</li> </ul>	<ul style="list-style-type: none"> <li>✓ Feature article on the realization of eight-days out of every four-week period at construction sites in Corporate Report 2023.</li> <li>✓ Briefing on responding to the revised Labor Standards Act of Japan in February 2024.</li> </ul>
<ul style="list-style-type: none"> <li>✓ Are there any opportunities to talk with the top management?</li> </ul>	<ul style="list-style-type: none"> <li>✓ Small meetings are to be held in FY2024.</li> </ul>