

Investor Presentation



**2nd Quarter : Presentation on Financial Results
(April 1 to September 30, 2019)**

November 13, 2019

OBAYASHI CORPORATION

Financial Results for the Six Months Ended September 30, 2019



〈Consolidated〉 Business Results



See the Consolidated Financial Results at the top part on Page 1 of the 2nd Quarter Financial Results.

〈Consolidated Business Results〉

Net Sales	965.2 billion yen	+ 3.0% YoY
Operating Income	72.7 billion yen	+11.9% YoY
Ordinary Income	76.7 billion yen	+10.0% YoY
Profit attributable to owners of parent	56.8 billion yen	+16.4% YoY

→ New first half record highs achieved for the 6th consecutive year in each category.

〈Dividends per Share〉

Interim dividends [16 yen] + Year-end dividends [16 yen]
= Annual dividends [32 yen]

The dividend forecast has not been revised.

〈Non-consolidated〉 Topics of Statements of Income



See the Non-consolidated Financial Results (YoY Comparison) at the top right-hand part on Page 4 of the 2nd Quarter Financial Results.

〈Net Sales of Completed Construction Contracts〉

Total	660.8 billion yen	+43.9 billion yen YoY
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Building Construction	523.2 billion yen	+41.3 billion yen YoY
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→ The performance compared to the first half of last fiscal year resulted from progress on many large projects.

Civil Engineering	137.5 billion yen	+2.6 billion yen YoY
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〈Gross Profit on Completed Construction Contracts〉

Total	87.9 billion yen	+8.1 billion yen YoY
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Building Construction	62.7 billion yen	+7.0 billion yen YoY
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Gross profit margin	12.0%	+0.4 pt YoY
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→ Performance was due to the increase in the net sales of completed construction contracts and to progress on high-margin construction projects.

Civil Engineering	25.2 billion yen	+1.1 billion yen YoY
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Gross profit margin	18.4%	+0.5 pt YoY
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→ Performance was due to steady growth in construction projects in hand and additional payments for additions to large contract projects.

〈Consolidated〉 Topics of Statements of Income



See the Consolidated Net sales, Operating Income (YoY Comparison) at the top part on Page 7 of the 2nd Quarter Financial Results.

Information on contributions from subsidiaries:

〈Consolidated Net Sales〉

Overseas Building Construction	185.1 billion yen	(22.7) billion yen	YoY
→Mainly: Webcor	112.8 billion yen	(13.0) billion yen	YoY

〈Consolidated Operating Income〉

Overseas Building Construction	5.2 billion yen	+ 2.0 billion yen	YoY
→Mainly: Thai Obayashi	3.0 billion yen	+ 0.5 billion yen	YoY
Real Estate Business	5.8 billion yen	+ 0.8 billion yen	YoY
→Mainly: Obayashi-Shinseiwa	4.1 billion yen	+ 0.0 billion yen	YoY

For reference: See Page 10 of 2nd Quarter Supplementary Data on Financial Results (April 1 to September 30, 2019) for the results of the main subsidiaries.

Orders Received



See the consolidated business results at the middle part on Page 4 of 2nd Quarter Financial Results.

<Non-consolidated>

Building Construction	534.8 billion yen	+105.4 billion yen	YoY
Civil Engineering	68.4 billion yen	(32.7) billion yen	YoY
Construction Total	603.2 billion yen	+ 72.7 billion yen	YoY

Interest-bearing Debt Balances



See the Interest-bearing debt balances at the bottom part on Page 4 of the 2nd Quarter Financial Results.

<Interest-bearing Debt Balances Total>

As of March 31, 2019	272.2 billion yen
<u>As of September 30, 2019</u>	<u>250.8 billion yen</u>
Change during the 1H	(21.3) billion yen

- There has been no change in the forecast for the interest-bearing debt balance at fiscal year-end. (March 31, 2020 : 260 billion yen)
- The operating cash flow generated from the strong performance in the domestic construction business was used to continue the investments detailed in Medium-Term Business Plan 2017.

Forecasts for Fiscal Year Ending March 31, 2020



Forecasts for Fiscal Year Ending March 3, 2020

- Consolidated Statements of Income



(Yen in billions)

	Result April 1, 2017 - March 31, 2018	Result April 1, 2018 - March 31, 2019 A	Fiscal Year Ending March 31, 2020		YoY Comparison B - A
			Result April 1, 2019 - September 30, 2019	Forecast April 1, 2019 - March 31, 2020 B ※	
Net Sales	1,900.6	2,039.6	965.2	2,030.0	(9.6)
Non-consolidated	1,294.0	1,398.2	669.4	1,378.0	(20.2)
Gross Profit	234.3	254.0	121.3	250.0	(4.0)
Selling, General and Administrative Expense	96.5	98.5	48.6	100.0	1.4
Operating Income (Operating Income margin)	137.8 7.3%	155.4 7.6%	72.7 7.5%	150.0 7.4%	(5.4)
Non-consolidated	109.7 8.5%	123.2 8.8%	56.4 8.4%	113.5 8.2%	(9.7)
Ordinary Income	143.9	163.0	76.7	156.5	(6.5)
Profit attributable to owners of parent	92.6	113.1	56.8	110.0	(3.1)

※ There have been no revisions to the forecasts previously announced August 7, 2019.

Forecasts for Fiscal Year Ending March 3, 2020 - By Reportable Segments



(Yen in billions)

			Result April 1, 2018 - March 31, 2019 A		Fiscal Year Ending March 31, 2020						Y o Y Comparison B - A		
					Result April 1, 2019 - September 30, 2019			Forecast April 1, 2019 - March 31, 2010 B					
			Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income			
Construction Business	Building Construction	Domestic	1,126.5	93.7	8.3%	538.0	41.1	7.7%	1,116.0	91.0	8.2%	(10.5)	(2.7)
		Overseas	408.7	6.7	1.7%	185.1	5.2	2.8%	372.0	6.5	1.7%	(36.7)	(0.2)
		Subtotal	1,535.2	100.4	6.5%	723.1	46.4	6.4%	1,488.0	97.5	6.6%	(47.2)	(2.9)
	Civil Engineering	Domestic	351.3	39.7	11.3%	164.5	17.5	10.6%	347.0	36.0	10.4%	(4.3)	(3.7)
		Overseas	58.8	1.9	3.3%	30.2	1.1	3.8%	70.0	0.5	0.7%	11.1	(1.4)
		Subtotal	410.2	41.7	10.2%	194.7	18.6	9.6%	417.0	36.5	8.8%	6.7	(5.2)
	Construction Total	Domestic	1,477.9	133.4	9.0%	702.5	58.6	8.4%	1,463.0	127.0	8.7%	(14.9)	(6.4)
		Overseas	467.5	8.7	1.9%	215.3	6.4	3.0%	442.0	7.0	1.6%	(25.5)	(1.7)
		Subtotal	1,945.5	142.2	7.3%	917.9	65.0	7.1%	1,905.0	134.0	7.0%	(40.5)	(8.2)
Real Estate Business			49.1	10.5	21.6%	22.1	5.8	26.5%	60.0	13.0	21.7%	10.8	2.4
New Businesses and Other			45.0	2.6	5.9%	25.1	1.7	7.1%	65.0	3.0	4.6%	19.9	0.3
Total			2,039.6	155.4	7.6%	965.2	72.7	7.5%	2,030.0	150.0	7.4%	(9.6)	(5.4)

※ There have been no revisions to the forecasts previously announced August 7, 2019.

Forecasts for Fiscal Year Ending March 3, 2020

- Non-consolidated Statements of Income



(Yen in billions)

		Result		Fiscal Year Ending March 31, 2020				YoY Comparison B - A		
		April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019 A	Result April 1, 2019 - September 30, 2019	Forecast April 1, 2019 - March 31, 2020 B ※					
Net Sales of Completed Construction Contracts	Building	988.9	1,085.2	523.2		1,080.0		(5.2)		
	Civil	287.4	291.4	137.5		275.0		(16.4)		
	Total	1,276.4	1,376.6	660.8		1,355.0		(21.6)		
Net Sales of Real Estate Business and Other		17.6	21.5	8.6		23.0		1.4		
Net Sales		1,294.0	1,398.2	669.4		1,378.0		(20.2)		
Gross Profit on Completed Construction Contracts	Building	124.4	12.6%	132.6	12.2%	62.7	12.0%	130.0	12.0%	(2.6)
	Civil	49.4	17.2%	52.7	18.1%	25.2	18.4%	47.5	17.3%	(5.2)
	Total	173.9	13.6%	185.3	13.5%	87.9	13.3%	177.5	13.1%	(7.8)
Gross Profit on Real Estate Business and Other		3.0	17.1%	5.3	24.7%	2.5	30.1%	5.5	23.9%	0.1
Gross Profit		176.9	13.7%	190.6	13.6%	90.5	13.5%	183.0	13.3%	(7.6)
Selling, General and Administrative Expenses		67.2	5.2%	67.3	4.8%	34.1	5.1%	69.5	5.0%	2.1
Operating Income		109.7	8.5%	123.2	8.8%	56.4	8.4%	113.5	8.2%	(9.7)
Ordinary Income		117.8	9.1%	135.7	9.7%	62.1	9.3%	123.0	8.9%	(12.7)
Profit		80.6	6.2%	98.4	7.0%	45.8	6.8%	89.5	6.5%	(8.9)

※ There have been no revisions to the forecasts previously announced August 7, 2019.

Forecasts for Fiscal Year Ending March 3, 2020 - Orders Received



(Non-consolidated Orders received)

(Yen in billions)

			Result April 1, 2017 - March 31, 2018	Result April 1, 2018 - March 31, 2019 A	Fiscal Year Ending March 31, 2020		YoY Comparison B - A
					Result April 1, 2019 - September 30, 2019	Forecast April 1, 2019 - March 31, 2020 B ※	
Construction Business	Building Construction	Domestic	982.3	1,038.7	525.7	1,020.0	(18.7)
		Overseas	13.0	5.5	9.0	-	(5.5)
		Total	995.4	1,044.3	534.8	1,020.0	(24.3)
	Civil Engineering	Domestic	293.9	244.4	41.8	262.0	17.6
		Overseas	13.7	17.1	26.5	48.0	30.9
		Total	307.6	261.6	68.4	310.0	48.4
	Construction Total	Domestic	1,276.3	1,283.1	567.6	1,282.0	(1.1)
		Overseas	26.7	22.7	35.6	48.0	25.3
		Total	1,303.1	1,305.9	603.2	1,330.0	24.1
Real Estate Business and Others			17.6	21.6	8.5	23.0	1.4
Total			1,320.7	1,327.5	611.8	1,353.0	25.5

(Consolidated Orders received)

Building Construction	1,331.2	1,469.2	761.6	1,440.0	(29.2)
Civil Engineering	443.4	404.5	134.3	440.0	35.5
Real Estate Business and Others	105.4	85.1	36.2	85.0	(0.1)
Total	1,880.1	1,958.8	932.2	1,965.0	6.2

※ There have been no revisions to the forecasts previously announced August 7, 2019.

Forecasts for Fiscal Year Ending March 3, 2020 - Investment Plan



(Yen in billions)

	Result April 1, 2017 - March 31, 2018	Result April 1, 2018 - March 31, 2019	Fiscal Year Ending March 31, 2020		Medium-Term Business Plan 2017	
			Result April 1, 2019 - September 30, 2019	Forecast April 1, 2019 - March 31, 2020	Average per year	Plan for FY2017–FY2021
R&D of Construction Technologies	19.1	22.3	10.7	20.0	20.0	100.0
Construction Machinery and Business Facilities	8.1	11.6	9.3	10.0	10.0	50.0
Real Estate Leasing Business	59.8	14.4	1.4	40.0	20.0	100.0
Renewable Energy Business, and Others	14.3	13.0	3.6	25.0	20.0	100.0
M&As and Others	25.5	1.0	0.8	5.0	10.0	50.0
Total	127.1	62.3	26.0	100.0	80.0	400.0

Forecasts for Fiscal Year Ending March 3, 2020 - Main Management Indicator Targets



	Result March 31, 2017 (Consolidated)	Result March 31, 2018 (Consolidated)	Result March 31, 2019 (Consolidated)	Result September 30, 2019 (Consolidated)	Medium-Term Business Plan 2017 Targets for March 31, 2022 Consolidated Balance Sheet
Equity	594.1 billion yen	684.8 billion yen	768.9 billion yen	805.9 billion yen	900 billion yen
Retained Earnings	334.9 billion yen	404.8 billion yen	498.1 billion yen	542.1 billion yen	700 billion yen
Equity Ratio	29.5%	32.2%	34.7%	36.8%	40%
Net Interest-bearing Debt	78.7 billion yen	86.6 billion yen	103.5 billion yen	65.1 billion yen	0 yen
Interest-bearing Debt	273.3 billion yen	276.7 billion yen	272.2 billion yen	250.8 billion yen	250 billion yen
Cash and Deposits	194.5 billion yen	190.0 billion yen	168.6 billion yen	185.7 billion yen	250 billion yen

	Result April 1, 2016 - March 31, 2017 (Consolidated)	Result April 1, 2017 - March 31, 2018 (Consolidated)	Result April 1, 2018 - March 31, 2019 (Consolidated)	Forecast April 1, 2019 - March 31, 2020 (Consolidated)	Medium-Term Business Plan 2017 Targets for March 31, 2022 Consolidated Income Statement
Net Sales	1,872.7 billion yen	1,900.6 billion yen	2,039.6 billion yen	2,030 billion yen	Around 2 trillion yen
Operating Income	133.7 billion yen	137.8 billion yen	155.4 billion yen	150 billion yen	Around 150 billion yen
Profit attributable owners of parent	94.5 billion yen	92.6 billion yen	113.1 billion yen	110 billion yen	Around 100 billion yen
Profit attributable owners of parent per share (EPS)	131.66 yen	129.09 yen	157.65 yen	153.28 yen	Around 150 yen
Return on Equity (ROE) ※	17.0%	14.5%	15.6%	13.6%	Over 10%

※The forecast for shareholders' equity as of March 31, 2020 was calculated by adding the forecast for second-half profit attributable to owners of parent to the results for the first half and subtracting the forecast for payment of interim dividends.

Promotion of ESG Management

Promotion of ESG Management - Obayashi Basic Principles



Obayashi Philosophy

Obayashi's Vision and Mission in Society

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.

Obayashi Code of Conduct

These guidelines help us realize the Obayashi Philosophy and continue being an enterprise trusted by all stakeholders

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

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

Obayashi Three Pledges

The spirit that has guided us since our founding
Quality, Value, and Efficiency

Promotion of ESG Management - Realizing the Philosophy



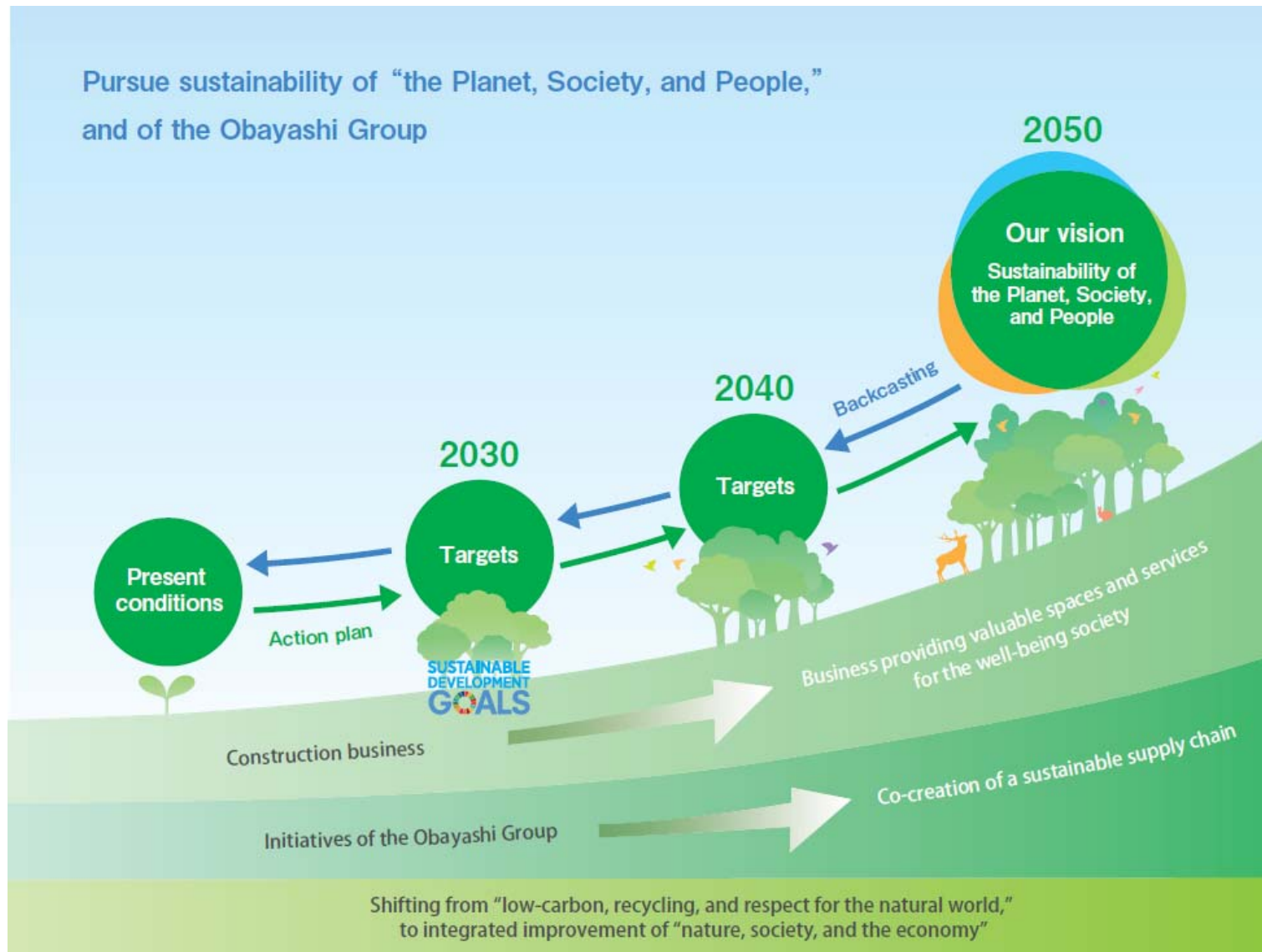
Our Vision for 2050
Obayashi Sustainability Vision 2050

“Vision for the Future”
by our 150th anniversary (year 2042)
Medium-Term Business Plan 2017

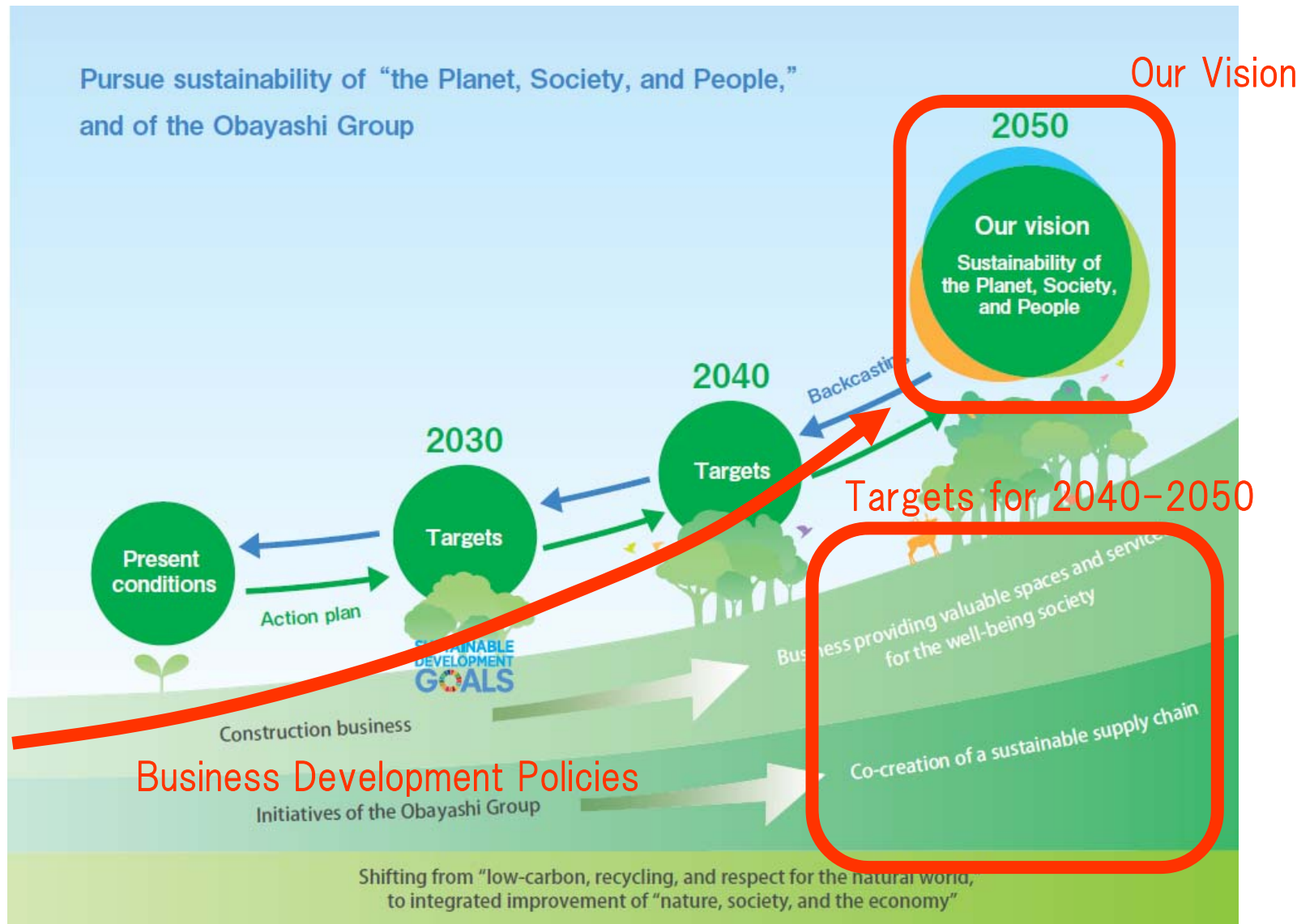
ESG Initiatives
【Management Foundation Strategy】

Obayashi Basic Principles

Promotion of ESG Management - Obayashi Sustainability Vision 2050



Promotion of ESG Management - Obayashi Sustainability Vision 2050



Promotion of ESG Management – Obayashi Sustainability Vision 2050



Targets for 2040–2050

Decarbonization

Achieve zero CO2 emissions
in the entire Obayashi Group

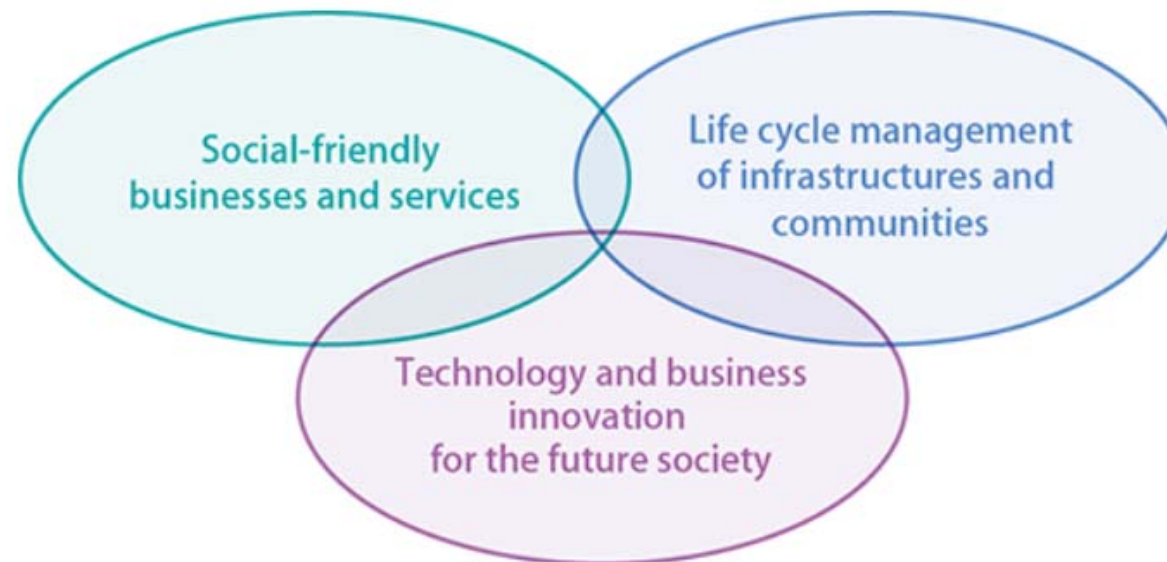
Provide valuable spaces and services

Achieve a society designed
for well-being

Co-creation of a sustainable supply chain

Achieve with people
in our business

Business Development Policies for Realizing Our Vision



Promotion of ESG Management - Realizing the Philosophy



Our Vision for 2050
Obayashi Sustainability Vision 2050

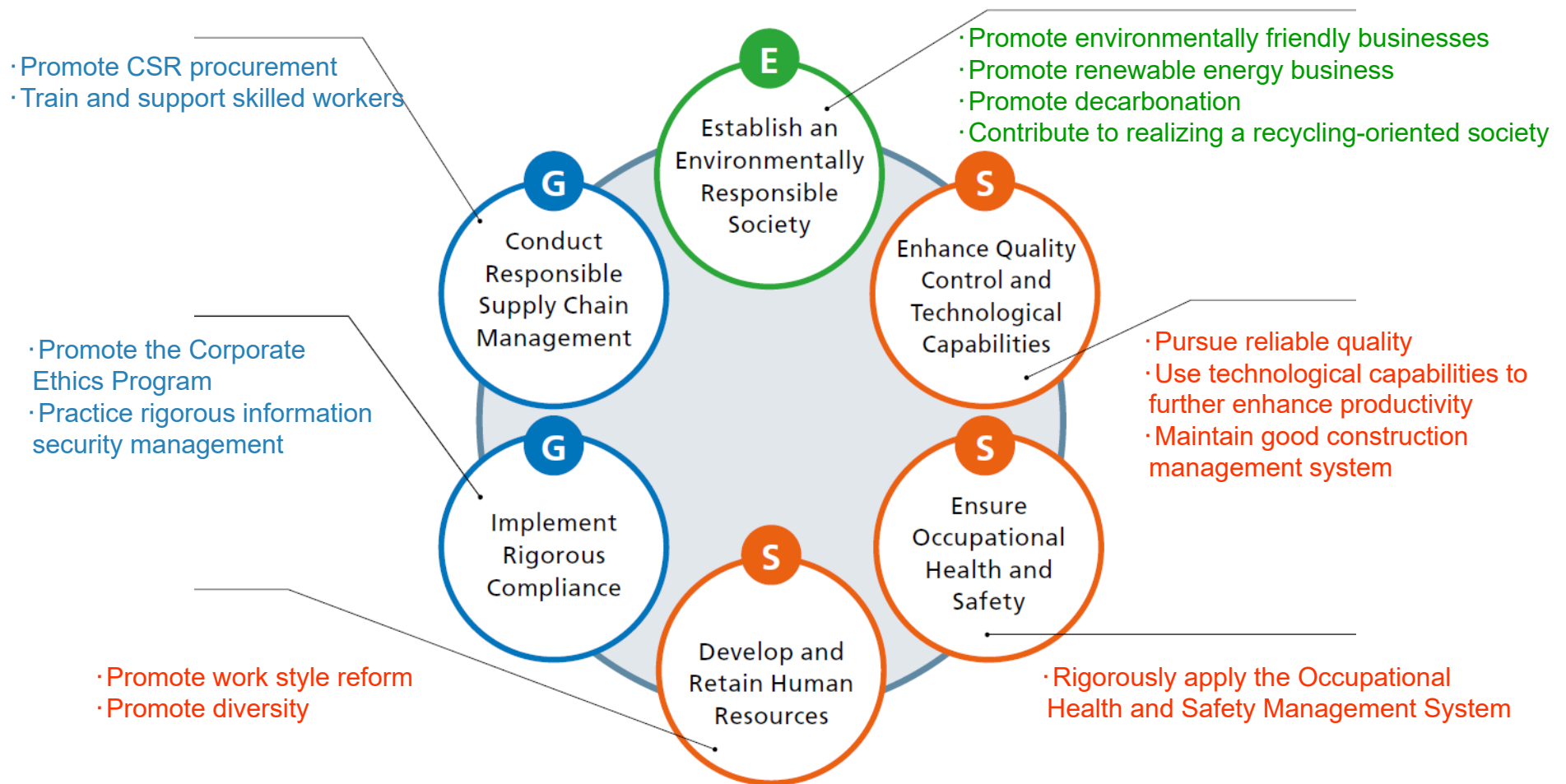
“Vision for the Future”
by our 150th anniversary (year 2042)
Medium-Term Business Plan 2017

ESG Initiatives

【Management Foundation Strategy】

Obayashi Basic Principles

Promotion of ESG Management – ESG Materialities and Action Plans



Promotion of ESG Management - Impact on our Business



●: Opportunities ▲: Risks

● Improving competitiveness by building a strong network with suppliers and strengthening the ability to respond in the BCP (business continuity plan) in the event of a disaster

▲ Suspension/cessation of business due to halting of procurement, and a loss of trust and loss of business opportunities from the occurrence of human rights issues and other problems

● Improvement of trust in the Company by society, improvement in organizational capabilities, strengthening of business foundation

▲ Suspension/cessation of business activities, loss of trust, loss of business opportunities

● Securing talented human resources, improving organizational capabilities, and expanding business domains

▲ Outflow of talented human resources, decline in productivity, increasing organizational rigidity



● Expansion of construction demand through development of environmentally related technology and generation of new businesses

▲ Delay in response to stricter environmental laws and regulation, increase in the costs of environment management, decline in competitiveness

● Improvement in productivity, strengthening of competitiveness, and increase in business opportunities

▲ Loss of trust, decline in competitiveness, loss of business opportunities

● Securing talented human resources, strengthening network of excellent suppliers

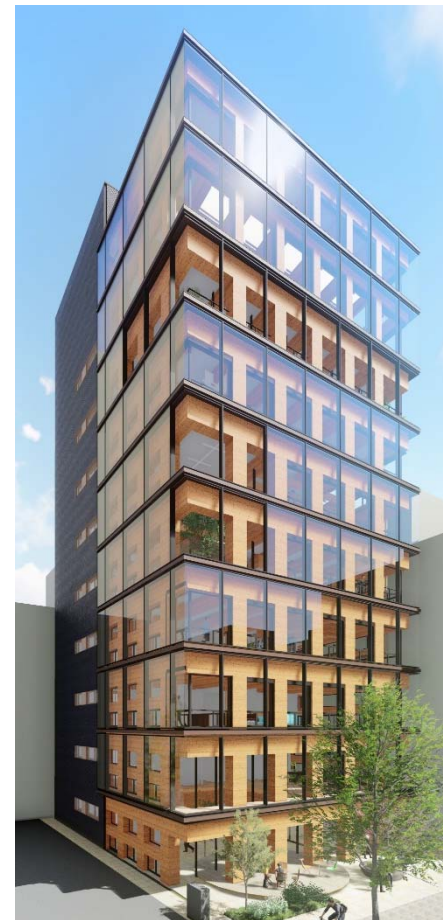
▲ Drop in trust from customers, etc., decline in productivity because of accidents

Promotion of ESG Management - Specific Initiatives



Building a Fire-resistant High-rise Building Made of Pure Wood

- This pure wood fire-resistant high-rise building will be constructed using all-wood materials for the structural components. This was a first in Japan and unprecedented on a global basis as well.
- It is a next-generation training facility aimed at achieving sustainable growth of the Obayashi Group.



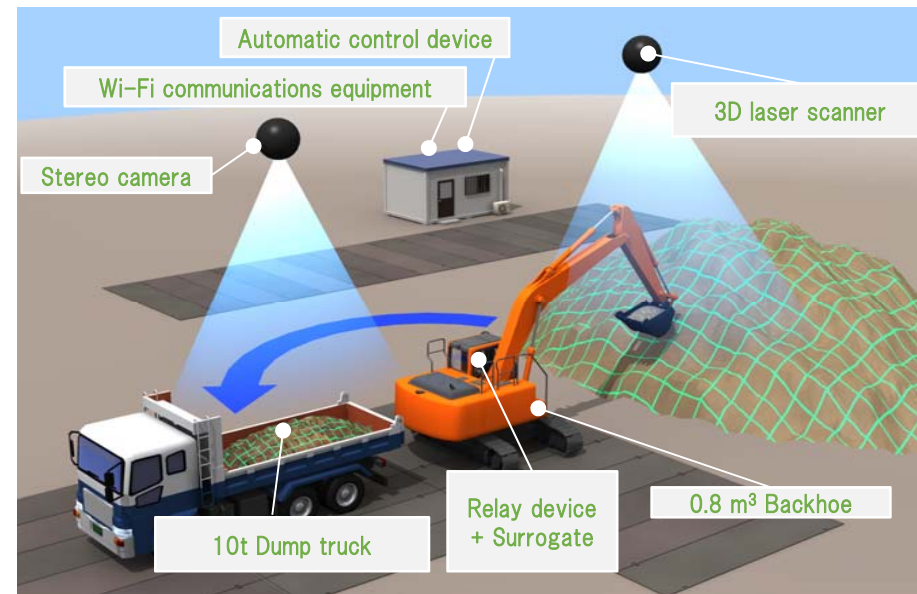
Location: Yokohama, Kanagawa Prefecture
Construction period: March 2020 to March 2022
Total floor area: 3,620 m²
No. of floors: 1 floor below ground, 11 floors above ground

Promotion of ESG Management - Specific Initiatives



Development of Self-driving Systems

- A self-driving system was developed for a backhoe to automate sand loading.
- We succeeded in achieving a high degree of productivity and safety with high-precision control that replicates the expertise of highly skilled technicians.
- In the future, the use of 5G will enable faster transmission of high data volume with minimal delay. Making multiple types of construction machinery simultaneously operate autonomously from the control room will enable further improvements in productivity and labor-savings.



(Jointly developed by NEC Corporation, TAIYU Co., Ltd., and Obayashi Corporation)



Promotion of ESG Management - Specific Initiatives



Skilled Worker Training Support

- We opened the Obayashi Rin-yu-kai Vocational Training School in 2014 to train skilled workers and pass technical skills on to the next generation.
- As of March 2019, 198 skilled workers have completed the training.
- We have introduced an incentive system that awards premium pay to workers who have completed the training and obtained specific qualifications.



Disclaimer

This investor presentation, an English translation of the presentation made at the investor meeting at Obayashi Corporation (Tokyo, Japan) on November 12, 2019 as a digest of Obayashi Corporation's "2nd Quarter Financial Results (April 1 to September 30, 2019)" ("Kessan Tanshin" and "Kessan Setsumeishi Shiryō") disclosed at the Tokyo Stock Exchange on November 11, 2019, is presented solely for the convenience of non-Japanese speaking users. If there is any discrepancy between Japanese "Kessan Tanshin" or "Kessan Setsumeishi Shiryō" and this presentation, Japanese "Kessan Tanshin" or "Kessan Setsumeishi Shiryō" 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.

