



OBAYASHI CORPORATE REPORT **2020**

Integrated Report



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Editorial Policy

Purpose of Publication

The Obayashi Corporate Report is published for readers to understand the overall business activities of Obayashi and the Obayashi Group. In this report, we disclose our management strategy, financial information, and non-financial information in an integrated format.

Reporting Period

Fiscal year ended March 31, 2020 (FY2020.3) and including some activities in FY2021.3

Guidelines Used as References

"The International Integrated Reporting Framework," International Integrated Reporting Council (IIRC)
"GRI Sustainability Reporting Standards," Global Reporting Initiative (GRI)

Notes Regarding Forward-Looking Statements

Where the Obayashi Corporate Report contains predictions and forecasts regarding the future plans, strategies, and performance of Obayashi and the Obayashi Group, these are forward-looking statements based on assumptions and opinions made in light of information available to Obayashi Corporation at the time of writing. Such statements are subject to risk and uncertainties related to economic trends, market demand, currency exchange rates, taxation, and various other systems. Actual results may therefore differ materially from forecasts.



Information Disclosure System

The Obayashi Corporate Report concentrates on the key information needed to understand Obayashi and the Obayashi Group. More detailed information is available on our website.

Financial Information	Non-Financial Information
Obayashi Corporate Report	
<p>Investor Relations Website</p> <p>https://www.obayashi.co.jp/en/ir/</p> <p>Securities Reports (Japanese only)</p> <p>https://www.obayashi.co.jp/ir/data/fsa_disclosure.html</p> <p>Financial Results</p> <p>https://www.obayashi.co.jp/en/ir/kessan_siryu.html</p> <p>Medium-Term Business Plan</p> <p>https://www.obayashi.co.jp/en/company/mid_term_plan.html</p>	<p>Sustainability Website</p> <p>https://www.obayashi.co.jp/en/sustainability/</p> <p>ESG Data Book</p> <p>https://www.obayashi.co.jp/en/sustainability/upload/img/esg_data_en.pdf</p> <p>Corporate Governance</p> <p>https://www.obayashi.co.jp/en/company/governance/statement.html</p> <p>Obayashi Sustainability Vision 2050</p> <p>https://www.obayashi.co.jp/en/sustainability/vision.html</p>



The Obayashi Group is a participant in the UN Global Compact, a global framework for realizing a sustainable international community.



Greeting

Since its founding, the Obayashi Group has held to the spirit of the Obayashi Three Pledges: Quality, Value, and Efficiency. We have earned the trust of society and played our part in it by exercising honest craftsmanship and employing superior technologies.

The practice of craftsmanship has given us the Power of Vision, the Power of Creation, and the Power of People. We will use these three powers to open up new fields and possibilities.

In 2021, we will begin our 130th year in business. Meanwhile, our vision for the future sets out an ideal for us in the years beyond that. We will work to achieve the vision and enhance our corporate value by facing society's increasingly diverse needs and challenges and addressing them head on.



Takeo Obayashi
Chairman
Representative Director



Kenji Hasuwa
President
Representative Director

About Obayashi Group

Obayashi Basic Principles

The Obayashi Group defined our vision and mission in society in the Obayashi Philosophy and set guidelines for achieving it in the Obayashi Code of Conduct. Both are based upon the Obayashi Three Pledges, which we have pursued since our founding. Together, these statements make up the Obayashi Basic Principles.

Our sustainability initiatives are by definition one and the same with the practice of the 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

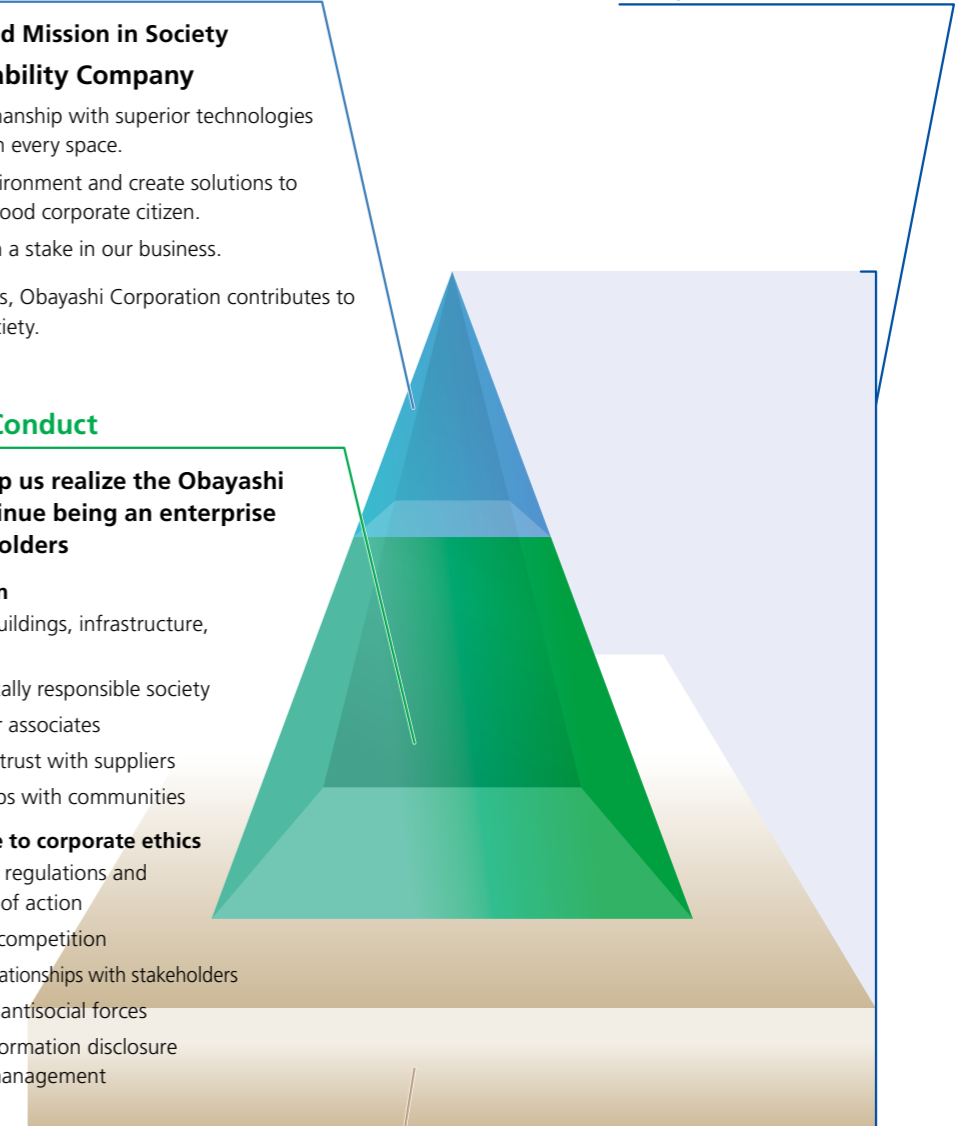
Ensure strict adherence to corporate ethics

- (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

Obayashi Basic Principles



Our History

Giving Shape to Ideas: Milestones of the Obayashi Group

Obayashi's members have handed down its DNA of honest craftsmanship and technology. It has relied on that DNA to complete numerous projects emblematic of their era. We continue to take the challenge of creating new value by doing business in partnership with changing societies. We have supported Japan's modernization by building infrastructure, redeveloping urban areas, and joining reconstruction projects after disasters. We have supported overseas development as well.



1914 Tokyo Central Station (today's Tokyo Station)



1956 Nukabira Dam Power Generation Development on the Tokachi River system in Hokkaido



1997 Tokyo Bay Aqua-Line



2017 Mitanehama Wind Power Station



1931 The Main Tower of Osaka Castle under construction



1964 Yoyogi National Stadium 2nd Gymnasium



2012 TOKYO SKYTREE®



2018 Waterview Connection Tunnels and Great North Road Interchange (New Zealand)



1970 The Japan World Exposition (Theme Pavilion) Exposition theme: "Progress and Harmony for Mankind"



2019 Jewel Changi Airport (Singapore)

1892-1945

Obayashi's Passion for Craftsmanship Supports Japan's Modernization

Founder Yoshigoro Obayashi's progressive and sincere attitude towards the act of construction, and the reliable technologies that Obayashi offered, earned us tremendous trust from customers and attracted many excellent personnel. Undertaking a large number of difficult projects like ports, factories, and railroads in Osaka, Obayashi promoted new industry for modern Japan. After completing Tokyo Central Station (today's Tokyo Station) in 1914, Obayashi helped the reconstruction effort following the Great Kanto Earthquake of 1923. Along the way, Obayashi grew to become one of the largest construction companies in all of Japan.

- 1892** Yoshigoro Obayashi founds the "Obayashi Store" in Osaka
- 1904** Company chooses to call itself "Obayashi Corporation" Tokyo Office opened
- 1918** Obayashi Corporation founded

1946-1990

Infrastructure Construction Expands Business, Supports Post-War Economic Development

Obayashi took part in many post-war construction projects, including private construction, dams, power generation facilities, and railroads, answering society's needs during Japan's high-growth period. We built many high-rise towers, including the Osaka Obayashi Building, completed in 1973 as the first high-rise tower in western Japan. To advance construction technology and streamline management, we started promoting human resource development with the introduction of an overseas training program in 1964. We further enhanced our internal system, for example by establishing the Tokyo Head Office in 1970.

- 1958** Listed on Osaka Securities Exchange (today's Osaka Exchange)
- 1960** Listed on Tokyo Stock Exchange
- 1964** Opens first overseas representative office, in Thailand
- 1965** Technical Research Institute opened in Kiyose City, Tokyo

1991-2016

An Increasingly Global Company as We Take on More Giant Projects in Japan and Abroad

Though demand was slowing as Japan's era of powerful economic growth was coming to an end, Obayashi drew on its excellent technology, long list of completed projects, and human resources. We built a number of landmark projects, including Kansai International Airport, Roppongi Hills Mori Tower, and TOKYO SKYTREE®. We made big leaps internationally, completing Taiwan's high-speed rail and the Dubai Metro. In 1992, Obayashi established its Environmental Protection Action Plan and began initiatives designed both to pursue business and protect the environment.

- 1991** 100th anniversary of founding
- 1995** Tokyo Head Office and Osaka Head Office Building Construction Division have earned ISO 9001 quality assurance certification
- 1999** All branches and organizations have earned ISO 14001 certification

2017-

Aiming to Realize a Sustainable Society and Enhance Corporate Value

Today, Obayashi continues history-making construction in Japan and abroad. Examples include TOKYO AQUATICS CENTRE and Jewel Changi Airport. Besides building construction, civil engineering, and real estate development, we are deepening and expanding our presence in businesses in new fields. Renewable energy and PFI are core to these new fields. We are also going more global. In addition, we are leveraging our leading-edge technology to meet the wide range of society's needs: increasing productivity, reducing environmental impact, mitigating and preventing disasters, and more.

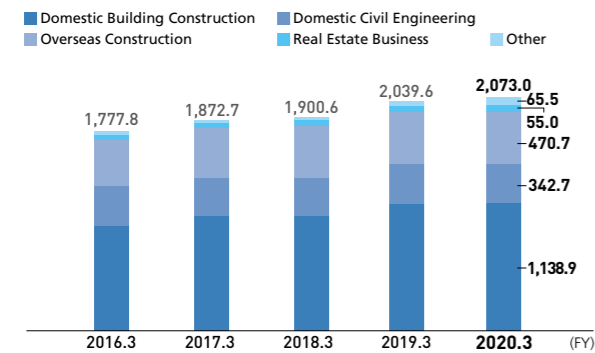
- 2017** Medium-Term Business Plan 2017 established
- 2019** Asia-Pacific Regional Headquarters and North American Regional Headquarters established

Performance at a Glance

Consolidated Financial Highlights

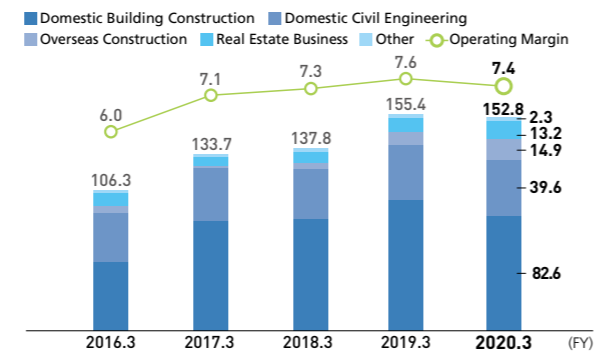
Net Sales

¥2,073.0 billion



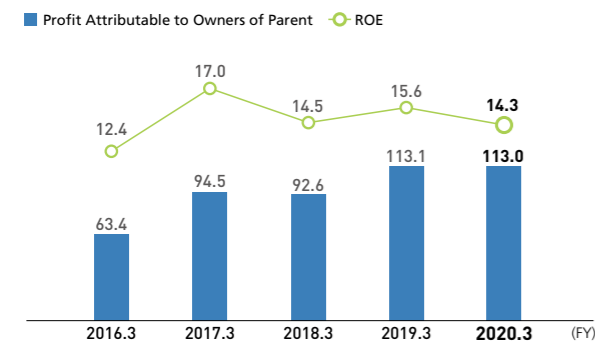
Operating Income / Operating Margin

¥152.8 billion 7.4%



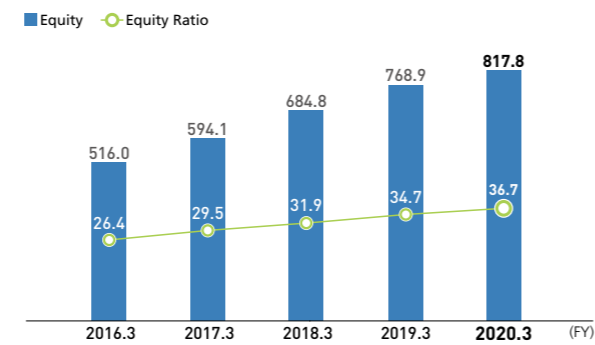
Profit Attributable to Owners of Parent / ROE

¥113.0 billion 14.3%



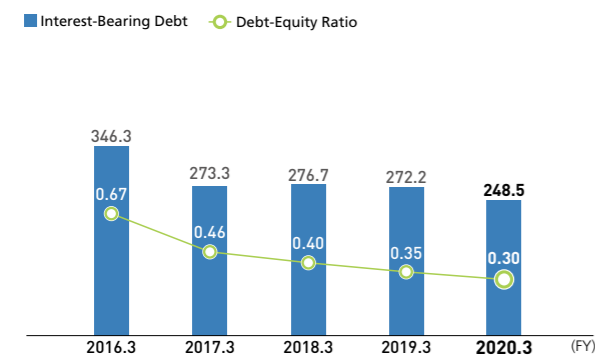
Equity / Equity Ratio

¥817.8 billion 36.7%



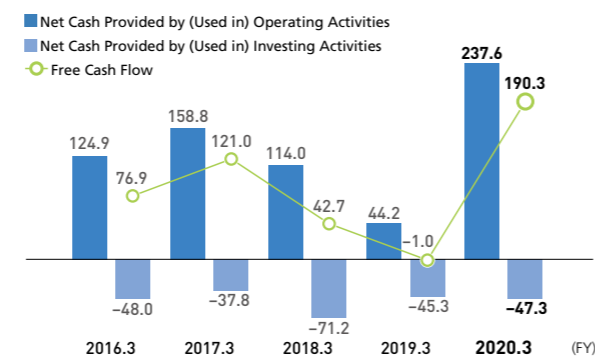
Interest-Bearing Debt (Including Nonrecourse Loans) / Debt-Equity Ratio

¥248.5 billion 0.30 times



Cash Flow

Net Cash Provided by (Used in) Operating Activities ¥237.6 billion

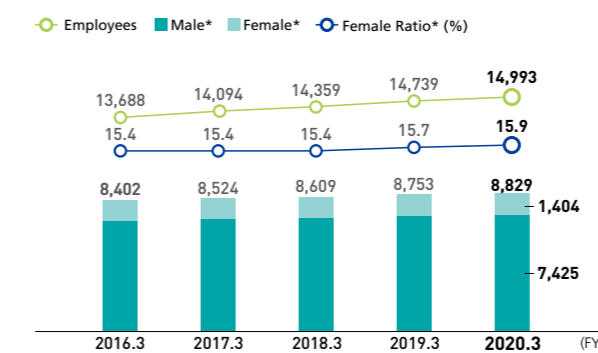


Non-Financial Highlights

Data marked with an asterisk (*) is non-consolidated data. All others are consolidated data.

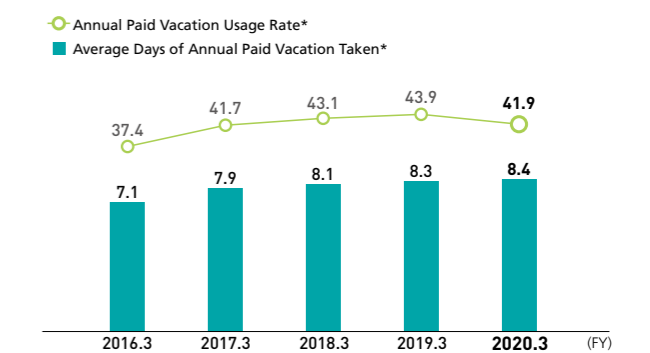
Employee Headcount

14,993 persons



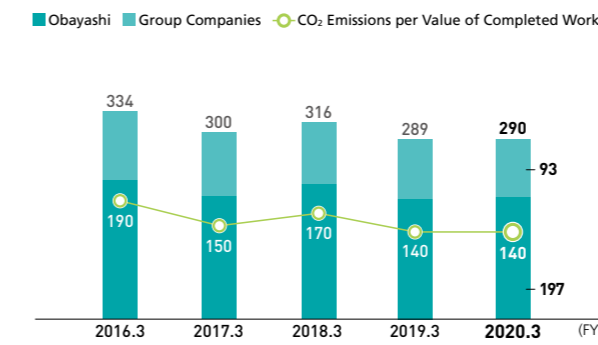
Annual Paid Vacation Usage Rate* / Average Days of Annual Paid Vacation Taken*

41.9% 8.4 days



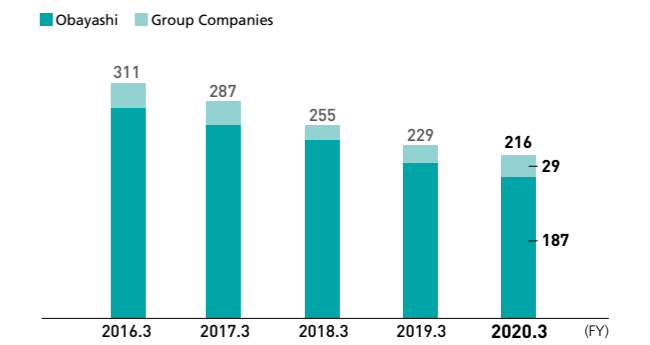
CO₂ Emissions / CO₂ Emissions per Value of Completed Work*

290 thousand t-CO₂ 140 t-CO₂/billion yen



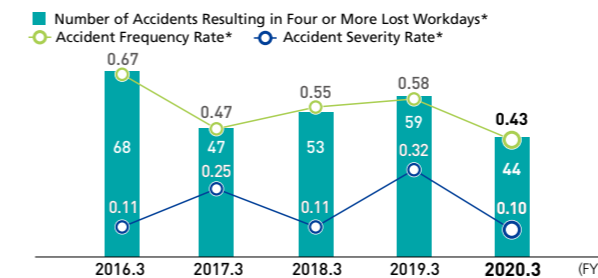
Waste Emission Volume

216 thousand t



Occupational Accidents on Construction Sites*, †

Number of Accidents Resulting in Four or More Lost Workdays 44 Accident Frequency Rate 0.43 Accident Severity Rate 0.10



† Including skilled workers on construction sites
 Accident frequency rate: The number of work-related injuries or deaths recorded for every 1 million work hours
 Accident severity rate: The number of workdays lost to workplace accidents recorded for every 1,000 work hours

Costs of Social Initiatives

Around ¥827 million FY2020.3

President's Message



Continuing to Work toward a Sustainable Society

Kenji Hasuwa
Kenji Hasuwa
President
Representative Director

Safety Management and Rigorous Compliance

Tell us your impressions of FY2020.3 and the business environment facing the Obayashi Group now.

Our consolidated performance in FY2020.3 was strong. Robust construction demand in Japan and abroad ensured we had plenty of projects in hand in both building construction and civil engineering. Net sales amounted to about ¥2,073 billion, setting a new high for the sixth consecutive year. Operating income reached about ¥152.8 billion, a very strong performance second only to our total from FY2019.3. We have also been reorganizing to establish diverse earnings bases so we can deal with future changes in the business environment. Most particularly, we reorganized the Overseas Business Division, which had been based in Japan, into the Asia-Pacific Regional Headquarters in Singapore and the North American Regional Headquarters in San Francisco. We also established the Construction Robotics Division out

of the former Mechanical & Electrical Department, and made the Engineering Division independent. In 2020, we are establishing the Marketing Division and Kanto Branch and reorganizing the Nuclear Facilities Division into an independent division. I expect these to help accelerate growth going forward.

One issue was construction site safety management. Though we had fewer accidents in FY2020.3 than in FY2019.3, we regrettably did have one fatal accident. I had issued a Safety Management Emergency Declaration in January 2019. And we had been making Group-wide efforts to step up safety management. Unfortunately, these did not prevent that accident. We plan to make our safety management system ever more rigorous. We are committed to eliminating fatal accidents and serious injuries in FY2021.3. Through day-to-day efforts to protect the safety of all workers at construction sites, our aim will continue to be no accidents.

There is also the matter of compliance. In 2019, Obayashi was ordered to suspend business because of

the violation of the Antimonopoly Act in our bid on the Chuo Shinkansen maglev line construction project. Group company OBAYASHI ROAD CORPORATION received cease and desist orders and orders to pay a surcharge in relation to determination of the sales price of asphalt mixtures in Japan. This is one reason why the entire Group sees rigorous compliance as one of our most urgent issues. We will continue to focus our minds on practicing management in which compliance is the highest priority. We will ensure it becomes firmly established as the corporate culture of the Obayashi Group.

In FY2020.3, construction investment was steady in Obayashi's major markets. These included large-scale redevelopment of urban areas in Japan and building, maintenance, and repair of infrastructure. However, by early 2020, COVID-19 was spreading ferociously around the globe. This limited people's movement throughout the world, and, one after another, manufacturing bases stopped operating. Global supply chains were disrupted. We could be facing an unprecedented economic crisis, one more serious even than the 2008 global financial crisis. The Japanese government issued a state of emergency in April. At the Obayashi Group, we decided that protecting the health and life of all concerned, including suppliers and subcontractors, was the number one priority. All offices in Japan switched to telecommuting as a basic rule. Also, depending on circumstances, we temporarily suspended work at construction sites in Japan and abroad if the customer agreed. However, we are resuming construction once we take steps to contain infections and implement other safety measures. We will continue constantly monitoring the latest trends and making resolute decisions.

ESG Management

Tell us about Obayashi's ESG initiatives.

In FY2020.3, we worked on the Six ESG Materialities we identified as critical to ESG management. We established action plans and KPIs for each one and incorporated them into concrete business policies to guide our initiatives. Through these initiatives, we aim to contribute to solutions to a wide range of social challenges. One of the materialities that we named is to "Establish an Environmentally Responsible Society." One action plan that we adopted in this regard called for promoting eco-friendly businesses. The KPI to this end sets a certain percentage of design and construction projects that would be for buildings with outstanding environmental

performance. So that is one example of how we are working to lower environmental impact through our business activities. Another materiality, to "Enhance Quality Control and Technological Capabilities," is particularly critical for the sustained development of the construction business in Japan. The challenge set in its action plan is to use technological capabilities to further enhance productivity.

This is an issue of interest to the entire construction industry, and one that needs speedy resolution throughout the supply chain, including our suppliers and subcontractors. Japan's construction workers are growing older on average and fewer in number. And among other challenges, the Japanese government's regulations on maximum amount of overtime work will start applying in FY2025.3. The Obayashi Group will work as one to achieve this materiality. This will help ensure our own sustained growth. It will also help fulfill our role as a leading company in the construction industry, by securing skilled workers for the future of the industry and helping it to develop soundly.

The Obayashi Group has faced many difficult times before: the oil shock, the collapse of Japan's bubble economy in the 1990s, the 2008 financial crisis, the Dubai shock, and others. Each time, however, we overcame and grew by facing the challenge straight on, without any hesitation. Now the COVID-19 pandemic is causing more difficulties than we ever imagined. Still, I take it as an opportunity to reform the Group for our further growth. Medium-Term Business Plan 2017 calls on us to practice solid ESG management to achieve the Vision for the Future that the Obayashi Group drew up. Now we must pursue that management, working seriously to solve many challenges and constantly challenging ourselves to grow.

Dramatic Increases in Productivity

What specific initiatives is Obayashi taking to increase productivity?

The key to increasing productivity is digital transformation. The term means using big data, IoT, AI, and robotics to transform business models and processes. Let's take the construction business as an example. Here, we need to take maximum advantage of digital data from a BIM and CIM foundation. This can help eliminate overburden, unevenness, and waste. It can simultaneously transform every stage of construction projects: marketing, design and engineering, estimating, procurement, actual construction, building management, and after-sale

President's Message

service. In future, I believe all these construction processes will be interconnected and we will be able to build new business models with maximum productivity.

The Obayashi Group is already using its collective strength to pursue technological development that will pave the way for digital transformation. The Technical Division, partnering with the Corporate Strategy Division, the Digital Integration Division, and the Construction Robotics Division, is leading a cross-sectional effort to speed up development of next-generation production systems. Aside from development speed, we are entering the stage of actually applying the developed technologies at construction sites. We will use those technologies to produce concrete results.

Increasing productivity is also a way for us to address future shortages of construction workers. It is very closely related to the ESG materiality "Develop and Retain Human Resources." People are the management foundation that makes the Obayashi Group competitive. Therefore, we seek to provide decent work and implement work style reform. This can help ensure we have talented and diverse personnel into the future. One specific change is to reduce long work hours, closing each construction site eight days out of every four-week period. To that end, we are introducing new technologies, building up our construction workforce, and building a support system that also includes our customers.

The aim is to diligently transform our management foundation—the technology, human resources, and information that support our business. This is absolutely critical if we are to deal with changes in the outside environment and keep growing. Others have pointed out that the current COVID-19 pandemic could be an opportunity. It could radically change individuals' values and work styles and social and economic currents.



We have actually seen society as a whole rapidly adopt digitalization. For example, working at home by telecommuting has quickly spread to more and more businesses. With that as the background, the Obayashi Group is immediately picking up the pace of digital transformation. We are fundamentally reviewing all business processes and work styles as a way to make the management foundation reforms that will drive growth. Our aim is to increase productivity dramatically, and that includes the administrative departments of the Group. Achieving that would enable us to reassign people to more creative, challenging jobs. It would lead to future growth as measured by greater construction capabilities and the creation of new sources of earnings.

Steadily Progressing toward Our Long-Term Vision

How is Obayashi responding to the global community's demands in terms of ESG and SDGs?

In 2011 we established Obayashi Green Vision 2050, a medium- to long-term environmental vision for achieving a sustainable society. Since then, we have been working to solve environmental problems to foster an environmentally responsible society. In 2019 we developed that vision further, changing its title to Obayashi Sustainability Vision 2050 and making it the Group's long-term vision. We incorporated into it changes in social conditions and the business environment and the importance of ESG as a management foundation. It reflected our awareness of the need to contribute to meeting the social challenges as expressed in the SDGs.

We believe that for the Obayashi Group to continue doing business into the future, it is absolutely essential to realize a sustainable society founded on harmony between the planet, society, and people. And that is why we define our vision for 2050 as a state of having realized sustainability of all three. By seeking that, we will be pursuing the sustainability of the Obayashi Group at the same time. To get there, we set three targets for the years 2040–2050. There is decarbonization, the elimination of CO₂ emissions throughout the Obayashi Group. Next is providing valuable spaces and services, to achieve a society designed for well-being. The third target is to create a sustainable supply chain, which we plan to achieve in partnership with the stakeholders in our business. ESG management will be the tool with which we work steadily towards our targets in the

Obayashi Group and entire supply chains. We aim, in this manner, to contribute to sustainability of the planet, society, and people and to build a strong management foundation that contributes to sustained growth.

Decarbonization in particular is an inescapable, global-scale challenge we must address if we are to achieve our 2050 vision. The Obayashi Philosophy charges us to be "A Leading Sustainability Company." As such, we are taking action to lower the environmental impact of all our business activities, especially construction. We are also focusing on the renewable energy business. We are developing this business flexibly, keeping an eye on future trends, including government energy policies. In addition, we are currently conducting scenario analysis at the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). This process is meant to help businesses respond strategically to uncertain climate change. We are preparing to disclose our report during FY2021.3. We are studying the risks and opportunities of rising temperatures for the Obayashi Group's present business, especially building construction. Going forward, we plan to consider those results and incorporate specific responses to the impacts of climate change into our management strategy.

It is also important that entire supply chains take part in ESG initiatives. In doing so, employees of Obayashi Corporation, our Group companies, suppliers, and subcontractors in Japan and abroad need to have a shared philosophy. In March 2020, we revised the Obayashi Group CSR Procurement Policy. This is part of our effort to "Conduct Responsible Supply Chain Management," as mentioned in our ESG materialities. We are working to ensure wider understanding and knowledge of the revised policy among Obayashi employees, suppliers, and subcontractors. In FY2021.3, moreover, we plan to hold briefings for Group companies. We will also perform human rights due diligence that will include our supply chains to better understand and reduce human rights risks associated with Group business.

Realizing a Sustainable Society

How do you hope to help realize a sustainable society?

The Obayashi Basic Principles include the Obayashi Philosophy, the Obayashi Code of Conduct, and the Obayashi Three Pledges. They are the foundation of



Obayashi Group management. I believe that practicing the Obayashi Basic Principles is essentially the same thing as ESG management. Based on the Obayashi Basic Principles, we established the long-term vision Obayashi Sustainability Vision 2050. Medium-Term Business Plan 2017 is the first step towards that vision. All of these are designed to help realize a sustainable society.

Stop and take a fresh look at the importance of ESG management and the significance of contributing to the SDGs. I think you will find they perfectly align with the spirit of the Obayashi Philosophy, which calls on us to be "A Leading Sustainability Company"; the Obayashi Code of Conduct, which was written to ensure we remain an enterprise trusted by society; and the Obayashi Three Pledges (Quality, Value, and Efficiency) that we have handed down since Obayashi's founding. We need to be convinced that the efforts we made before were the right ones, and we need to pass them down to the next generation.

Growth is the power the Company needs to adapt to the extraordinary changes in the external environment. Indeed, it is a prerequisite for the continuation of the Obayashi Group. We will continue asking questions: whether we are really diligently transforming ourselves and what our vision should be. And we will make full use of all management resources to unceasingly challenge ourselves to grow. By such means, we can be sure the next generation is ready to carry on the efforts we have made.

Let us continue responding sincerely to the diversifying needs of society, exercising honest craftsmanship and employing superior technologies. If we do, we will provide buildings, infrastructure, and services of reliable quality to our customers and society and contribute to the realization of a safe, secure, and sustainable society.

A Direction Forward

Realizing Sustainability of "the Planet, Society, and People" and of the Obayashi Group

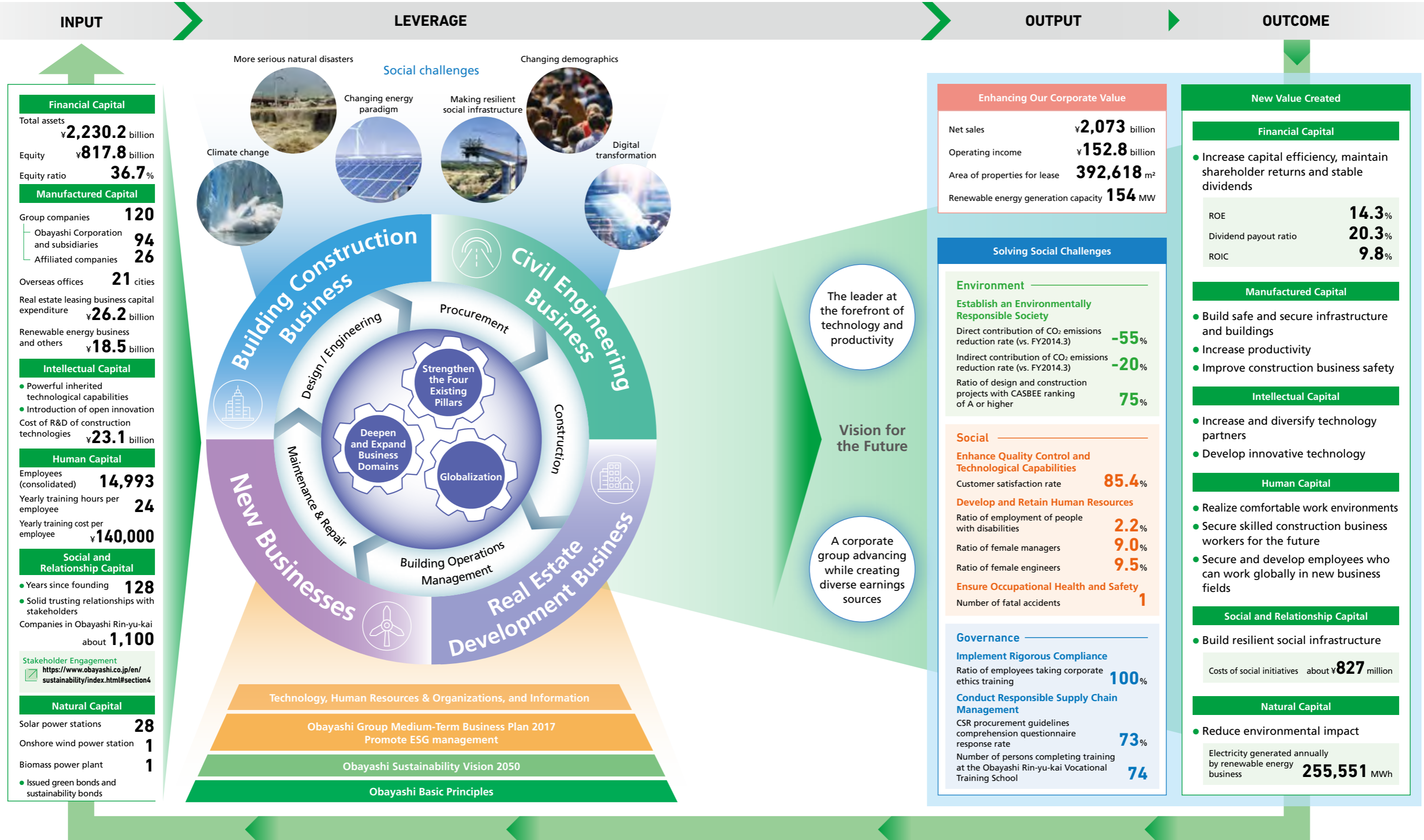
The Obayashi Philosophy calls on us to be "A Leading Sustainability Company." Through ESG management that ties our own growth to solutions to social challenges, we aim to realize sustainability of the planet, society, and people.



Our Value Creation

The Obayashi Group faces social challenges head on so that we can realize sustainability of “the planet, society, and people.” With ESG management as our foundation, the Group can work as a whole to continue creating economic and social value through our business. Through this value creation process cycle, we will work constantly with society to create new value while realizing sustained growth.

Numbers shown are FY2020.3 results or values as of March 31, 2020.



Financial Review

Obayashi will build a strong management foundation to ensure sustainable growth and value creation



Yasuo Kotera
Director, Executive Vice President

FY2020.3 Performance and FY2021.3 Business Environment

In FY2020.3 (the fiscal year ended March 31, 2020), the Obayashi Group benefited from robust construction demand in Japan and abroad. Also, productivity-enhancing measures and investments made earlier came to fruition during the year. As a result, consolidated net sales set a new record for the sixth straight year. Moreover, though we recorded provisions for loss on some projects, profit attributable to owners of parent ended strong, second only to FY2019.3.

Cash flow from operating activities in FY2020.3 was ¥237.6 billion, thanks in part to collections of payments for domestic construction works.

As for FY2021.3, the outbreak of COVID-19 caused Obayashi to temporarily suspend construction work from late April. Factors like this make the business environment unclear. However, we are taking steps to minimize the impact on performance, such as continuing or resuming construction once infection prevention measures are firmly in place.

Capital Expenditure Plan for Achieving “Vision for the Future”

Medium-Term Business Plan 2017 includes a capital expenditure plan of ¥400 billion over five years as a means of “preparing the way for the future” to achieve our Vision for the Future. As of the end of FY2020.3, we

have invested ¥273.4 billion cumulatively. In FY2021.3, we will continue investing in our real estate leasing business and renewable energy business. We will also be actively investing in R&D of construction technologies (such as building next-generation production systems) and digital transformation to dramatically raise productivity. We are also stepping up alliances with startups that have leading-edge technology.

Our Investment Committee, established in July 2019, reviews and evaluates the Obayashi Group’s investing activities as a whole. For example, the committee considers the appropriate scale of investment given

Medium-Term Business Plan 2017 Major Management Indicator Targets

Targets for March 31, 2022		Results as of March 31, 2020
Equity ratio	¥900 billion 40%	¥817.8 billion 36.7%
Net interest-bearing debt (Interest-bearing debt)	0 (¥250 billion)	-¥66.4 billion (¥248.5 billion)
Targets for FY2022.3		Results as of March 31, 2020
Net sales	Around ¥2,000 billion	¥2,073 billion
Operating income	Around ¥150 billion	¥152.8 billion
Profit attributable to owners of parent	Around ¥100 billion	¥113 billion
Profit attributable to owners of parent per share (EPS)	Around ¥150	¥157
Return on equity (ROE)	Over 10%	14.3%

Progress on Capital Expenditure Plan (FY2018.3–FY2022.3) of Medium-Term Business Plan 2017

	Five-year plan	FY2020.3 results	Cumulative through FY2020.3
R&D of construction technologies	¥100 billion	¥23.1 billion	¥64.7 billion
Construction machinery and business facilities	¥50 billion	¥14.5 billion	¥34.4 billion
Real estate leasing business	¥100 billion	¥26.2 billion	¥100.5 billion
Renewable energy business and others	¥100 billion	¥18.5 billion	¥45.9 billion
M&As and others	¥50 billion	¥1.3 billion	¥27.9 billion
Total capital expenditure	¥400 billion	¥83.9 billion	¥273.4 billion

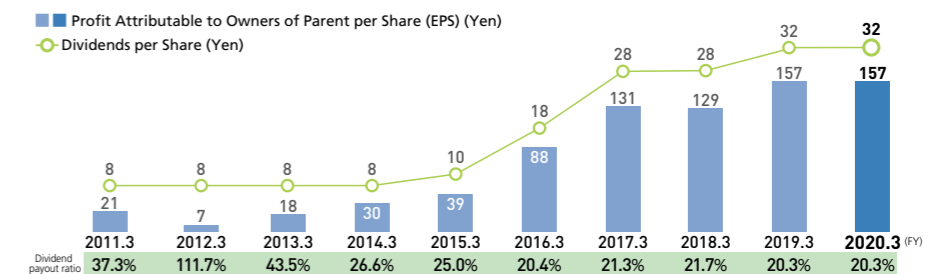
the Group’s current financial status and assets and the consistency of individual investments with the Group’s investment policy and their significance in terms of business strategy. It also seeks to find a proper balance of risk and return and monitor businesses after we decide to launch them. This enables the Board of Directors and other bodies to focus their discussion points and have deeper deliberations. Thus, the committee helps ensure the steady progress of Group investing activities.

Capital Policy and Policy on Shareholder Returns

In June 2019, we issued sustainability bonds, which can only be used to fund activities with a strong social or environmental benefit. As a result, we have expanded funding sources to include investors with ESG concerns. In our renewable energy business, moreover, we are practicing funds management that balances self-funding with liabilities, for example by using project financing.

A significant part of our assets is shares that we own in our customers’ businesses. This arrangement contributes greatly to the trusting relationships, based on capital ties, that we have with customers. They are also very economically rational, as they take consideration of the profitability of the projects ordered by the entities in which we have holdings as well as dividends and unrealized capital gains. The Board of Directors considers these relationships each year, looking for issues where the shareholdings are no longer so useful. In the past 10

Profit Attributable to Owners of Parent per Share (EPS) and Dividends per Share



years, Obayashi has sold 103 issues (28% of the total) for ¥84.7 billion.

Our basic policy on shareholder returns is first to try to sustain stable dividend payouts over the long term. We consider the need to enhance our financial base and build up internal reserves for future investment. Then, we aim for a consolidated dividend payout ratio of 20% to 30%.

We engaged with shareholders and institutional investors many times during FY2020.3. We will continue the practice of robust disclosure and dialogue to heighten mutual understanding and endeavoring to increase shareholder returns as we work to ensure that current growth investment boosts future profits.

For Sustainable Growth and Value Creation

Since FY2018.3, the Obayashi Group has worked in unison to build a “strong management foundation” and “prepare the way for the future” as based on our “Vision for the Future” and Medium-Term Business Plan 2017, a blueprint for achieving that vision. The favorable business environment up to now has helped us to attain record profits. We have even come close to reaching the management indicator targets that we originally established for our balance sheet (equity was ¥817.8 billion and the equity ratio was 36.7% as of March 31, 2020, compared to our targets of ¥900 billion and 40%, respectively).

However, we have still not made sufficient progress on building a diverse business portfolio through M&A and other means, creating new sources of revenue, or building a new management foundation, such as an information platform. These continue to be challenges for achieving future growth.

Now, the COVID-19 pandemic has dealt a severe blow to the world economy. We also recognize the anti-globalization movement and the recessionary risk.

The Obayashi Group will take these circumstances as an opportunity to step up the pace of work style reform and digital transformation all at once. We will steadily and efficiently allocate funds and human resources for this purpose. The plan is to diversify our sources of earnings and build a strong financial footing, thereby showing the world a new aspect of the Obayashi Group as an enterprise that can continually create value.

Management Structure

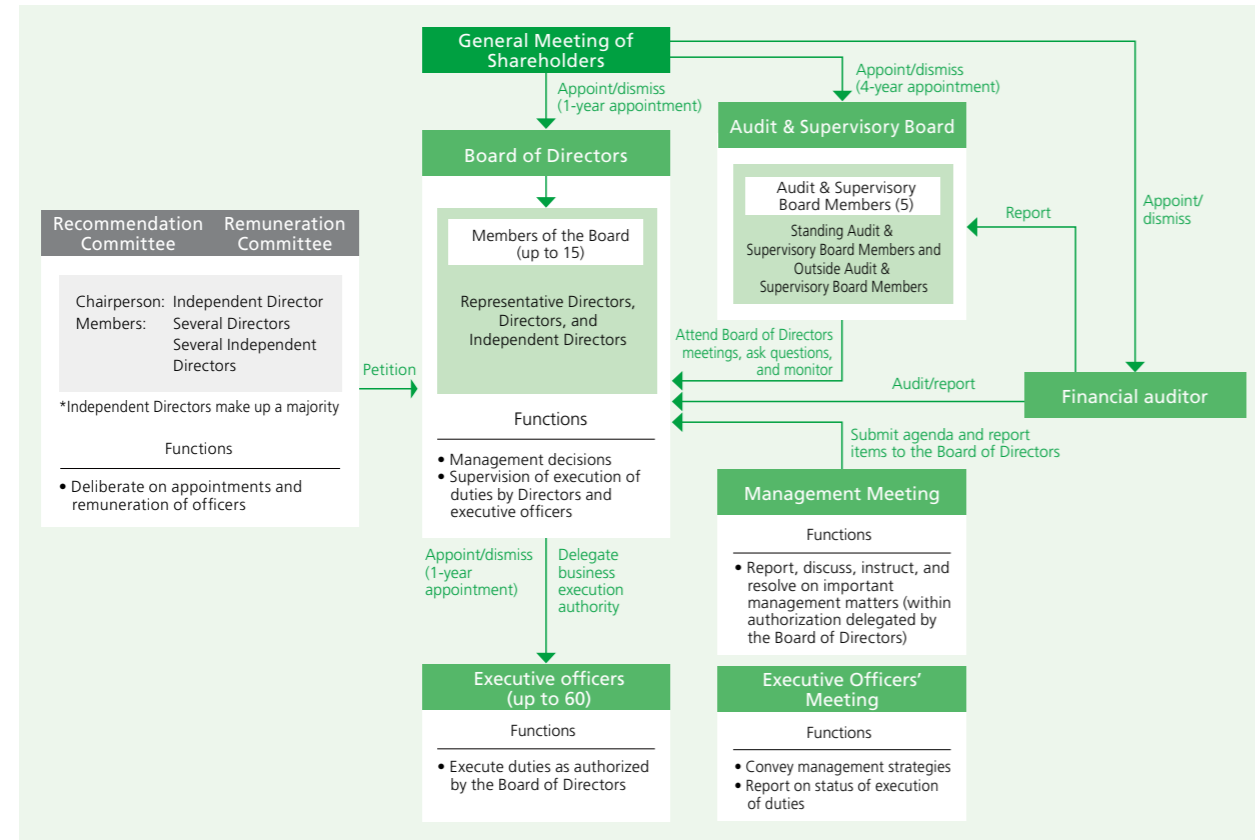
Basic Policy

Obayashi believes that transparency and sound management, along with a strong corporate governance framework, are critical to maintaining society's trust. We enhance corporate governance also to achieve sustainable growth and greater corporate value over the medium to long term. Specific initiatives include transparent, fair, rapid, and resolute decision-making. Such decision-making is always based on the principles of Japan's Corporate Governance Code set out by the Tokyo Stock Exchange, laws and regulations, and society's expectations.

Management Structure

Obayashi has a General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, financial auditor, and other statutory bodies. Additionally, we have established systems for making management decisions and conducting appropriate audits. We practice precise and swift decision-making through our executive officer system and Management Meeting. The latter is composed of members appointed from among the Directors and executive officers.

Management Structure



Overview of the Corporate Governance Framework (As of June 24, 2020)

- Form of organization
Company with Audit & Supervisory Board
- Members of the Board
Number in Articles of Incorporation: Up to 15 persons
Actual number: 12 persons
Of which, Independent Directors: 5 persons
Appointment term: 1 year
Remuneration: Basic remuneration and stock remuneration in line with contribution to performance
- Audit & Supervisory Board Members
Actual Number: 5 persons
Of which, Outside Audit & Supervisory Board Members: 3 persons
- Number of independent officers: 8 persons
- Executive officer system: Yes
- Financial auditor: Ernst & Young ShinNihon LLC
- Discretionary committees: Recommendation Committee regarding officers' affairs
Remuneration Committee regarding officers' remuneration

Recommendation Committee and Remuneration Committee

The Recommendation Committee and Remuneration Committee are each headed by an Independent Director. Each has seven members, including two Directors and five Independent Directors. The Recommendation Committee deliberates on the selection process for officers. The Remuneration Committee deliberates on remuneration for these persons. The results are submitted to the Board of Directors. This is intended to clarify the officer selection and remuneration decision processes, while ensuring transparency and objectivity.

Particularly when appointing and dismissing presidents, the Board of Directors offers direction regularly. The board determines whether the process is being conducted appropriately in line with a succession plan (standards for appointing and dismissing presidents, standards for nominating successors, development policies, and the like). In FY2020.3, Recommendation Committee and Remuneration Committee members had a 100% attendance rate.

Main Recent Initiatives to Enhance Corporate Governance

	2005.3	2006.3	2008.3	2014.3	2016.3	2019.3	2020.3	2021.3 (FY)	
Members of the Board	Directors	Up to 50 members → Up to 15 members							
	Appointment term	2 years → 1 year							
	Independent Directors	0 → 1 person			1 → 2 persons		2 → 3 persons		3 → 5 persons
Separation of supervision and business execution	Introduction of the executive officer system								
Outside Audit & Supervisory Board Members	2 → 3 persons								
Officers' remuneration						Introduction of performance-linked stock remuneration system			
Committee establishment			Recommendation Committee and Remuneration Committee established			Recommendation Committee and Remuneration Committee reconfigured to make an Independent Director the chairperson and make Independent Directors a majority of membership			

Independent Directors and Outside Audit & Supervisory Board Members

We have appointed five Independent Directors and three Outside Audit & Supervisory Board Members. There is no risk that these individuals will have interests that conflict with those of ordinary shareholders. Independent Directors provide advice on improving management efficiency and supervise all aspects of management from an independent position. Outside Audit & Supervisory Board Members are responsible for ensuring effective corporate governance by conducting third-party checks independent of management.

Our standards for appointing independent officers (Independent Directors and Outside Audit & Supervisory Board Members), including standards regarding independence, are as follows:

Requirements for Selection as an Independent Officer Candidate

<https://www.obayashi.co.jp/en/company/governance/statement.html>

Training of Members of the Board and Audit & Supervisory Board Members

The Directors make important management decisions and supervise management of the business. Audit & Supervisory Board Members audit the execution of duties by Directors, executive officers, and employees. The Directors and the Audit & Supervisory Board Members continually update their knowledge and skills.

Each year at Obayashi Corporation, an external instructor gives training to all Directors, Audit & Supervisory Board Members, and executive officers. Topics include corporate governance and business operations crisis management. We provide training opportunities for Directors and Audit & Supervisory Board Members such as participation in external seminars as they endeavor to better understand their roles and duties and acquire the knowledge they need.

A training in April 2019 focused on the SDGs, climate change countermeasures, risk management, human rights, and other sustainability concerns. Participants, which also included Directors from Group companies, considered these issues from an ESG perspective.

Management Structure

Collaboration among Audit & Supervisory Board Members, Financial Auditor, and Internal Audit Arm

The Audit & Supervisory Board Members and financial auditor each conduct audits from their independent standpoints. Audit & Supervisory Board Members receive reports and briefings as required from the financial auditor. The two parties also cooperate to raise the effectiveness of audits by sharing information and opinions. Meanwhile, the Business Administration Department is Obayashi's internal audit arm. It is responsible for all audits conducted separately from the Audit & Supervisory Board Members and financial auditor. Such audits are performed according to Obayashi's Internal Audit Regulations. The purpose of these audits is to monitor the effectiveness of internal control and the execution of duties by each Company department. The Audit & Supervisory Board Members and Business Administration Department also share information and opinions to raise the effectiveness of audits.

Policies for Determining Remuneration

The basic policy on remuneration for each Director and executive officer is to determine the amount of basic remuneration and performance-linked stock remuneration for each fiscal year in accordance with actual contribution to earnings. The purpose is to secure outstanding human resources and provide incentive to each Director and executive officer to improve earnings and enhance corporate value.

For basic remuneration, the Board of Directors, following deliberation by the Remuneration Committee, has set a remuneration table in accordance with title and earnings contribution ranking. At the end of each business year, the Remuneration Committee, headed by an Independent Director and with Independent Directors as a majority of its membership, appraises how much individual Directors and executive officers contributed to earnings. This determines their remuneration for the next fiscal year. Such remuneration is capped at ¥60 million per month in keeping with a resolution made at the 101st Ordinary General Meeting of Shareholders on June 29, 2005.

Our performance-linked stock remuneration system was introduced in FY2016.3. The goal of this system is to incentivize contributions to increasing earnings mainly

over the medium to long term as well as to enhancing corporate value. The system distributes Obayashi shares to Directors and executive officers (except for Independent Directors and persons residing outside Japan) based on the degree of achievement of earnings targets for each business year. The standard for distributing shares is determined in advance by the Board of Directors after deliberation by the Remuneration Committee.

The basic policy on Audit & Supervisory Board Member remuneration is to set an amount required to secure outstanding personnel. The ultimate aim thereby is to ensure that corporate governance functions effectively.

Remuneration standards are established in advance through discussions by Audit & Supervisory Board Members. They are set separately for full-time and part-time members. Remuneration for each member is determined in line with those standards, capped at ¥10 million per month in keeping with a resolution made at the 101st Ordinary General Meeting of Shareholders on June 29, 2005.

Total Remuneration of Members of the Board and Audit & Supervisory Board (FY2020.3)

Position	Total remuneration and other compensation
Directors (10 Directors)	¥483 million
Audit & Supervisory Board Members (5 Members)	¥90 million
Directors and Audit & Supervisory Board Members who are independent officers (6 Members)	¥65 million

Note: The above includes a performance-linked stock remuneration expense of ¥15 million recorded for seven Directors (the three Independent Directors were excluded).

Matters Pertaining to the Financial Auditor (FY2020.3)

Category	Compensation paid for audit certification activities	Compensation paid for non-audit activities
Obayashi Corporation	¥107 million	¥1 million
Consolidated subsidiaries	¥81 million	¥3 million
Total	¥189 million	¥4 million

Name of the financial auditor Ernst & Young ShinNihon LLC

Establishment and Implementation of Internal Control System

We have established and implemented an internal control system per the Companies Act and Ordinance

for Enforcement of the Companies Act. The purpose of the system is to ensure appropriate business operations throughout the Group.

Evaluating Effectiveness of Board of Directors

Analysis and evaluation of the effectiveness of the Board of Directors as a whole takes account of the assessments and opinions of individual Directors and Audit & Supervisory Board Members on the Board of Directors' size, composition, management methods, state of deliberation, support systems, and more. An external legal office also provides advice for the process. In concrete terms, each Director and Audit & Supervisory Board Member fills out a questionnaire once a year on the Board of Directors' management. The results are reported to the Board of Directors and reflected in subsequent operations and more. An evaluation was done again in FY2020.3, and we judged that the Board of Directors continued to be effective. Periodically providing opportunities to visit Obayashi offices in Japan and abroad to enhance the Independent Directors' understanding of our business is one example of an improvement made based on results of the effectiveness evaluation. We will continue considering the opinions of individual Directors and Audit & Supervisory Board Members and making improvements as appropriate to the Board of Directors and its management methods.

Dialogue with Shareholders and Others

We consider the General Meeting of Shareholders to be an important forum for dialogue with shareholders. At the meeting, the business report by the President, Q&A sessions with Directors, and so on enable constructive shareholder dialogue. We also hold financial results briefings for second-quarter and annual financial results. Results briefings for the first- and third-quarter results are by conference call. Other opportunities include construction site tours, participation in securities companies' investment conferences, small meetings, and other such activities.

IR Activities

<https://www.obayashi.co.jp/en/company/governance/statement.html#section1-7>

Risk Management

The Obayashi Group is committed to accurately assessing the risks associated with our business activities, preventing those risks from materializing, and minimizing the impact if they do. These efforts are key

to enhancing our corporate value and fulfilling our social responsibility to stakeholders. As such, we have built a risk management system covering the entire Group.

Risk Management

<https://www.obayashi.co.jp/en/company/governance/riskmanagement.html>

Risk Management System

Important decisions are referred to the Board of Directors and Management Meeting for discussion. These bodies determine and evaluate the risks of each agenda item. They discuss whether we have found a response that would be appropriate in case a risk is manifested, and then a decision is made on the item.

Moreover, each department assesses the risks inherent to its business processes. It builds the necessary avoidance and mitigation measures into those processes before performing them. Meanwhile, the Business Administration Department, which is Obayashi's internal audit arm, audits each department's risk management efforts.

Information Security

There are three risks to information assets: risk relating to force majeure (natural disaster, infrastructure failure, etc.), risk relating to internal information management, and risk relating to such events as unauthorized access to information by outside parties. To protect against these risks, we put security systems in place and have taken prevention measures against emergencies. We also continually train all employees, support staff, and partner companies in information security. This is to raise the awareness of information asset users and managers. We also have a Personal Information Protection Policy, established in 2005 as information was becoming a big part of society. The policy guides our effort to make sure all employees are properly handling customers' personal information.

Business Continuity Plan Initiatives

We formulated our business continuity plan (BCP) to anticipate risks from disasters like large earthquakes. Under it, we draft and implement measures to prevent business interruptions and recover quickly in case of occurrence. If an earthquake causes a disaster, for example, emails are automatically sent out to inquire on construction site damage. Since we can learn the damage at sites right away, we can take prompt recovery action. We also hold earthquake preparation drills twice a year at all main offices and branches. The scenarios addressed in trainings during FY2020.3 were a major earthquake in the Nankai Trough and earthquakes damaging individual main offices and branches.

Corporate Officers

(As of June 24, 2020)

Members of the Board



Takeo Obayashi
Chairman,
Representative Director

Apr. 1977 Joined the Corporation
Jun. 1983 Director
Jun. 1985 Managing Director
Jun. 1987 Senior Managing Director
Jun. 1989 Executive Vice President
Jun. 1997 Vice Chairman
Jun. 2003 Chairman
Jun. 2007 Director
Jun. 2009 Chairman (incumbent) and Representative Director (incumbent)



Kenji Hasuwa
Representative Director

Apr. 1977 Joined the Corporation
Apr. 2010 Executive Officer
Oct. 2012 Managing Executive Officer
Oct. 2014 General Manager of Technology Business Development Division
Jun. 2015 Director
Apr. 2016 Senior Managing Executive Officer
Mar. 2018 Representative Director (incumbent) and President (incumbent)



Shingo Ura
Representative Director

Apr. 1973 Joined the Corporation
Aug. 2007 Executive Officer
Apr. 2010 Managing Executive Officer and Deputy General Manager of Building Construction Division at Tokyo Main Office
Apr. 2012 Senior Managing Executive Officer and General Manager of Building Construction Division at Tokyo Main Office
Apr. 2015 General Manager of Tokyo Main Office
Jun. 2017 Representative Director (incumbent) and Executive Vice President (incumbent)
Apr. 2019 General Manager of Building Construction Division (incumbent)
Apr. 2020 General Manager of Marketing Division (incumbent)



New appointment

Yoko Kobayashi
Independent Director*1

Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation (the predecessor of NTT)
Jun. 2008 Member of the Board of Directors of NTT Communications Corporation
Jun. 2010 President and CEO of NTT Com CHEO
Jun. 2014 Audit & Supervisory Board Member of NTT Communications Corporation
Jun. 2018 Outside Director and Audit & Supervisory Committee Member of Mitsubishi UFJ Trust and Banking Corporation (incumbent)
Sep. 2018 General Auditor of Japan Aerospace Exploration Agency (incumbent)
Jun. 2020 Independent Director of the Corporation (incumbent)
Major concurrent position:
Outside Director, Audit & Supervisory Committee Member of Mitsubishi UFJ Trust and Banking Corporation
General Auditor of Japan Aerospace Exploration Agency



New appointment

Masako Orii
Independent Director*1

Apr. 1983 Joined Suntory Limited
Apr. 2012 Executive Officer of Suntory Holdings Limited
Apr. 2016 Senior Managing Director and Member of the Board of Suntory Wellness Limited
Apr. 2019 Advisor of Suntory Holdings Limited (incumbent) and Executive Director of Suntory Hall, Suntory Foundation for the Arts (incumbent)
Jun. 2020 Independent Director of the Corporation (incumbent)
Major concurrent position:
Executive Director of Suntory Hall, Suntory Foundation for the Arts

*1 An Outside Director as per Article 2, Section 15 of the Companies Act



Takehito Sato
Representative Director

Apr. 1975 Joined the Corporation
Apr. 2011 Executive Officer and Deputy General Manager-in-Charge of Civil Engineering Construction Division at Tokyo Main Office
Apr. 2015 General Manager of Shikoku Branch
Apr. 2016 Managing Executive Officer
Mar. 2018 Senior Managing Executive Officer and General Manager of Civil Engineering Construction Division
Jun. 2018 Director
Apr. 2019 Representative Director (incumbent) and Executive Vice President (incumbent)
Apr. 2020 General Manager of Safety, Quality & Environment Division (incumbent)



Yasuo Kotera
Director

Apr. 1977 Joined the Corporation
Apr. 2010 Executive Officer and General Manager of Accounting Department at Head Office
Apr. 2012 Managing Executive Officer
Apr. 2015 Senior Managing Executive Officer
Apr. 2017 General Manager of Real Estate Development Division
Jun. 2018 Director (incumbent)
Apr. 2020 Executive Vice President (incumbent)



Toshihiko Murata
Director

Apr. 1977 Joined the Corporation
Apr. 2012 Executive Officer and Deputy General Manager-in-Charge of Building Construction Division at Osaka Main Office
Apr. 2015 Managing Executive Officer and Deputy General Manager of Building Construction Division at Osaka Main Office
Apr. 2017 General Manager of Building Construction Division
Mar. 2018 Senior Managing Executive Officer (incumbent)
Jun. 2018 Director (incumbent)
Apr. 2019 General Manager of Tokyo Main Office (incumbent)

Members of the Audit & Supervisory Board



Hikaru Ueno
Standing Audit &
Supervisory Board
Member

Apr. 1977 Joined the Corporation
Apr. 2010 Executive Officer and General Manager of Personnel Department at Head Office
Apr. 2012 Managing Executive Officer
Apr. 2015 General Manager of Sapporo Branch
Mar. 2018 Advisor
Jun. 2018 Standing Audit & Supervisory Board Member (incumbent)



New appointment

Masahiro Saito
Standing Audit &
Supervisory Board
Member

Apr. 1981 Joined the Corporation
Apr. 2014 Deputy General Manager-in-Charge of Building Construction Division at Tokyo Main Office (responsible for marketing)
Apr. 2016 Executive Officer and Deputy General Manager of Real Estate Development Division
Mar. 2018 Representative Director and President of OBAYASHI-SHINSEIWA REAL ESTATE CORPORATION
Apr. 2020 Advisor at the Corporation
Jun. 2020 Standing Audit & Supervisory Board Member (incumbent)



Hiroshi Yokokawa
Outside Audit &
Supervisory Board
Member*2

Apr. 1970 Joined the Ministry of International Trade and Industry
Sep. 1999 Director General of Consumer Goods Industries Bureau
Jun. 2000 Retired from the Ministry of International Trade and Industry
Jul. 2000 Executive Vice President of Japan External Trade Organization
Jul. 2002 Retired from Japan External Trade Organization
Aug. 2002 Advisor of Osaka Gas Co., Ltd.
Jun. 2003 Managing Director of Osaka Gas Co., Ltd.
Jun. 2005 Representative Director and Senior Managing Director of Osaka Gas Co., Ltd.
Jun. 2008 Representative Director and Vice President of Osaka Gas Co., Ltd.
Jun. 2009 Representative Director and Executive Vice President of Osaka Gas Co., Ltd.
Apr. 2011 Director of Osaka Gas Co., Ltd.
Jun. 2011 Retired from Osaka Gas Co., Ltd.
Jul. 2011 President of the Japan Commercial Arbitration Association
Jun. 2015 Retired from the Japan Commercial Arbitration Association
Outside Audit & Supervisory Board Member of the Corporation (incumbent)

Major concurrent position:
President of Japan Association of Athletics Federations
Chairman of Association for the Promotion of Electric Vehicles
President of The Materials Process Technology Center
Chairman of Foundation of Global Life Learning Center

*2 An Outside Company Auditor as per Article 2, Section 16 of the Companies Act



Toshimi Sato
Director

Apr. 1985 Joined the Corporation
Jan. 2011 Senior General Manager of North American Regional Headquarters at Overseas Business Division
Apr. 2013 General Manager of Finance Department at Head Office
May 2015 General Manager of Corporate Management Planning Department at Head Office
Apr. 2017 Executive Officer
Jun. 2018 Director (incumbent)
Apr. 2019 Managing Executive Officer (incumbent)



Shinichi Otake
Independent Director*1

Apr. 1971 Joined Nippon Telegraph and Telephone Public Corporation (the predecessor of NTT)
Jun. 2002 President of NTT-ME Tokyo Corporation
Jun. 2004 Executive Vice President of Nippon Telegraph and Telephone WEST Corporation
Jun. 2006 Representative Director and Senior Vice President of Nippon Telegraph and Telephone WEST Corporation
Jun. 2007 Senior Executive Vice President of Nippon Telegraph and Telephone WEST Corporation
Jun. 2008 President of Nippon Telegraph and Telephone WEST Corporation
Jun. 2012 Chief Executive Counselor and Member of the Board of Nippon Telegraph and Telephone WEST Corporation
Jun. 2013 Independent Director of the Corporation (incumbent)
Jun. 2014 Chief Executive Counselor of Nippon Telegraph and Telephone WEST Corporation
Jul. 2018 Senior Advisor of Nippon Telegraph and Telephone WEST Corporation



Shinichi Koizumi
Independent Director*1

Apr. 1971 Joined Toray Industries, Inc.
Jun. 2004 Vice President (Member of the Board) of Toray Industries, Inc.
Jun. 2006 Senior Vice President (Member of the Board) of Toray Industries, Inc.
Jun. 2007 Senior Vice President (Member of the Board & Member of the Executive Committee) of Toray Industries, Inc.
Jun. 2008 Executive Vice President and Representative Member of the Board of Toray Industries, Inc.
Jun. 2013 Senior Advisor of Toray Industries, Inc. and Chairman of the Board of Toray Corporate Business Research, Inc.
Jun. 2015 Advisor of Toray Industries, Inc. and Independent Director of the Corporation (incumbent)
Jun. 2017 Standing Corporate Auditor of DeNA Co., Ltd. (incumbent)
Major concurrent position:
Standing Corporate Auditor of DeNA Co., Ltd.
Managing Director (Outside Director) of Japan Bank for International Cooperation
Outside Director of Preferred Networks, Inc.



Tetsuo Nakakita
Outside Audit &
Supervisory Board
Member*2

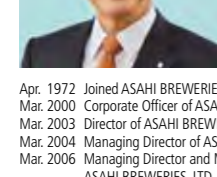
Apr. 1976 Joined the Ministry of Construction
Jul. 2006 Deputy Director-General of Railway Bureau, the Ministry of Land, Infrastructure and Transport
Jul. 2007 Retired from the Ministry of Land, Infrastructure and Transport
Vice Chairperson of Funenkousha
Jun. 2013 President of West Japan Housing Industry Credit Guarantee Inc.
Jun. 2018 Outside Audit & Supervisory Board Member of the Corporation (incumbent)



Akihiko Nakamura
Outside Audit &
Supervisory Board
Member*2

Mar. 1982 Joined Price Waterhouse Certified Public Accountants Office
Sep. 1986 Registered as a Certified Public Accountant
Jul. 1998 Representative Partner of Aoyama Audit Corporation and Partner of PricewaterhouseCoopers Co., Ltd. (PwC)
Apr. 2000 Representative Partner of ChuoAoyama Audit Corporation
Sep. 2006 Representative Partner of Aarata Kansa Hojin (currently PricewaterhouseCoopers Aarata LLC)
Jul. 2017 Retired from PricewaterhouseCoopers Aarata LLC and PwC
President of Akihiko Nakamura CPA Office (incumbent)
Jun. 2018 Outside Audit & Supervisory Board Member of the Corporation (incumbent)

Major concurrent position:
President of Akihiko Nakamura CPA Office



Naoki Izumiya
Independent Director*1

Apr. 1972 Joined ASAHI BREWERIES, LTD.
Mar. 2000 Corporate Officer of ASAHI BREWERIES, LTD.
Mar. 2003 Director of ASAHI BREWERIES, LTD.
Mar. 2004 Managing Director of ASAHI BREWERIES, LTD.
Mar. 2006 Managing Director and Managing Corporate Officer of ASAHI BREWERIES, LTD.
Mar. 2009 Senior Managing Director and Senior Managing Corporate Officer of ASAHI BREWERIES, LTD.
Mar. 2010 President and Representative Director of ASAHI BREWERIES, LTD.

Jul. 2011 President and Representative Director, COO of Asahi Group Holdings, Ltd.
Mar. 2014 President and Representative Director, CEO of Asahi Group Holdings, Ltd.
Mar. 2016 Chairman and Representative Director, CEO of Asahi Group Holdings, Ltd.
Mar. 2018 Chairman and Representative Director of Asahi Group Holdings, Ltd.
Jun. 2018 Independent Director of the Corporation (incumbent)
Mar. 2019 Chairman of the Board of Asahi Group Holdings, Ltd. (incumbent)

Major concurrent position:
Chairman of the Board of Asahi Group Holdings, Ltd.
Outside Director of New Otani Co., Ltd.
External Board Director of Recruit Holdings Co., Ltd.

Officers

(As of June 24, 2020)

Executive Officers

President

Kenji Hasuwa

Executive Vice Presidents

Shingo Ura Responsible for overall building construction. General Manager of Building Construction Division General Manager of Marketing Division	Isamu Kakeno General Manager of Osaka Main Office General Manager of Yumeshima Development Division	Takehito Sato Responsible for overall civil engineering construction. General Manager of Safety, Quality & Environment Division	Yasuo Kotera Responsible for overall administration. General Manager of Harassment Prevention Department
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Senior Managing Executive Officers

Yoshiharu Nakamura General Manager of Asia-Pacific Regional Headquarters	Toshihiko Murata General Manager of Tokyo Main Office	Jiro Otsuka General Manager of Real Estate Development Division	Atsushi Sasagawa General Manager of Building Construction Division at Osaka Main Office, Deputy General Manager of Marketing Division, and Deputy General Manager of Yumeshima Development Division
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Akinobu Nohira
General Manager of Civil Engineering Construction Division

Managing Executive Officers

Mamoru Hikida General Manager of Kyushu Branch	Makoto Hidetaka General Manager of Hiroshima Branch	Naoki Kajita General Manager of Technical Division Responsible for information systems	Koji Murakami General Manager of Nagoya Branch	Hirokazu Onozaki General Manager of North American Regional Headquarters
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Shuji Kurokawa General Manager of Civil Engineering Construction Division at Tokyo Main Office	Shin Matsumoto General Manager of Civil Engineering Technology Division	Katsuyoshi Okawa Senior Project Manager of Marunouchi 1-3 JV Project at Tokyo Main Office	Yoshimi Sekoguchi General Manager of Yokohama Branch	Yuichi Yamamoto General Manager of Technology Business Development Division
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Koji Kunieda Deputy General Manager of Building Construction Division (responsible for mechanical & electrical, and renovation)	Hitoshi Hasegawa General Manager-on-Assignment of Marketing Division	Eisuke Yamamoto Deputy General Manager of Civil Engineering Construction Division (responsible for overseas)	Toshiro Kiyomi General Manager of Building Construction Division at Tokyo Main Office
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Toshimi Sato Responsible for Corporate Strategy and Digital Integration Divisions, and Personnel, Finance, and Accounting Departments. General Manager of Corporate Strategy Division Deputy General Manager-in-Charge at Tokyo Main Office (responsible for project administration)	Nozomu Taoda General Manager of Kanto Branch
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Executive Officers

Moriyuki Hanawa	Takashi Takeuchi	Hitoshi Tomoto	Mitsuru Kawasaki	Susumu Kawaguchi
Nobuyuki Wakuni	Hideo Katsumata	Hironobu Kawakami	Yoshihito Sasaki	Seiji Nagai
Akihiro Higashide	Kyoji Ikeda	Hiromitsu Kato	Goichi Kamochi	Kazuyuki Goto
Kimihiko Sato	Isao Sano	Futoshi Takahashi	Yutaka Taneda	Kojiro Nitta
Yasuo Morita	Motoi Yano	Yoshikatsu Imazuka	Shigeru Edatsune	Hitoshi Shibuya
Atsushi Takeuchi	Katsuhiko Matsuda	Masaaki Yasui	Eiichiro Okano	Toshiro Kito
Shinobu Yamanaka				

Comments from Independent Directors and Outside Audit & Supervisory Board Members

Independent Directors

Shinichi Otake

We established the new Investment Committee to step up risk management. It takes a third-party point of view to examine the Company's risks from many angles. Additionally, the discussions of the Board of Directors are reflected in business operations. Year by year, our governance initiatives are getting better. One issue for Obayashi going forward will be establishing business fields other than the building construction business and civil engineering business. I will continue actively giving input on the use of intellectual property and investments in the renewable energy field and startups.

Shinichi Koizumi

We have been actively using the results of the officers' questionnaire to ensure the effectiveness of the Board of Directors. We have also been steadily working on a range of initiatives, including reorganization of the Recommendation Committee and Remuneration Committee. I am also concerned with realizing an Obayashi sustainable growth strategy that actively incorporates the ESG/SDGs perspective. To that end, I actively state my opinion on such topics as global cooperation with overseas bases (subsidiaries), initiatives in new business areas, and technological development strategies at such forums as meetings of the Board of Directors, President's interviews, and observations of affiliated companies overseas.

Naoki Izumiya

Last year, as an Independent Director, I focused on three areas: governance reform, risk management, and external communications. This year, in addition to those, I hope to work on increasing Obayashi's corporate value over the medium to long term, an aim that is premised on increasing shareholder value. My themes will be reconsidering the corporate brand, the medium-term business plan, and sustainability, among others. The Obayashi Board of Directors is very open, which I expect will continue making it easy for us to speak our mind so there can be deeper discussions.

Outside Audit & Supervisory Board Members

Hiroshi Yokokawa

When I look at Obayashi recently, it reminds me of the old wisdom that adversity makes you stronger. Obayashi faced some severe consequences after it was found to have violated the Antimonopoly Act in relation to bidding on constructing the Chuo Shinkansen maglev line. I have been impressed with how the Company as an organization and its individual employees have taken a steadfast attitude toward compliance. I feel assured that this attitude has become part of the Company's "culture." People's awareness of norms sublimates into "culture" when it transitions from passive to active. For governance to succeed, people must be self-directed, act autonomously, and have the capacity to self-purify.

Tetsuo Nakakita

I have not seen any sign that awareness of the need to prevent recurrence of the Antimonopoly Act violation has grown any weaker at Obayashi. Nonetheless, as an Audit & Supervisory Board Member, I will continue to emphasize this and other aspects of rigorous compliance. I would also mention that the world and social changes affecting businesses are sometimes far greater than we imagine. However, from my position as an Audit & Supervisory Board Member, I will work to always deal with the situation head on and help to maintain and enhance a free corporate culture so that we can respond transparently and decisively.

Akihiko Nakamura

I have found Obayashi to have an open-minded environment for audits. Outside Audit & Supervisory Board Members can work with Standing Audit & Supervisory Board Members to conduct visiting audits on Head Office functions, branch offices throughout Japan, and major subsidiaries, and all related personnel cooperate sincerely with us. It helps us get a real understanding of the broad range of work that people do. It is my intention to make full use of this environment to better grasp Obayashi's management activities and to offer suggestions on a range of management issues from my independent, objective point of view to help the Company achieve healthy development.

Feature

PLACE Starting from Silicon Valley

The Obayashi Group established the Silicon Valley Ventures & Laboratory (SVVL) in 2017 in the northern part of Silicon Valley which has been the ideal place for open innovation among the Group, startups, research institutions and universities. The SVVL facility has played the main role of the innovation-driving center for the Group, by searching out new innovative seeds and in part by actually verifying technologies at the lab. The Silicon Valley culture, which welcomes open discussion among diverse people with different backgrounds, would not only fit into our R&D activities, but also lead us to be more successful.

PEOPLE Expanding Collaborative Ecosystem

The key to new value creation in the construction industry is to build up a unique and diversified ecosystem for advanced construction technology. Followed by making two venture capital investments focused on "Construction Tech,"* our ecosystem has been expanding with variety of partners such as a strategic partnership with SRI International, one of the most prestigious research institutions leading the world innovation scene, and a partnership with NVIDIA Corporation, the leader in AI technology. In addition, academic networks like Oxford Innovation Society and the Stanford Center for Integrated Facility Engineering (CIFE) have enhanced our ecosystem. These collaborative and international partnerships will be a rich environment for open innovation R&D development as our diversified ecosystem.

* Construction technology (Construction Tech) refers to the collection of innovative tools, machinery, modifications, IT software, etc. used in the construction industry that enables advancement in methods, including automated construction equipment etc.



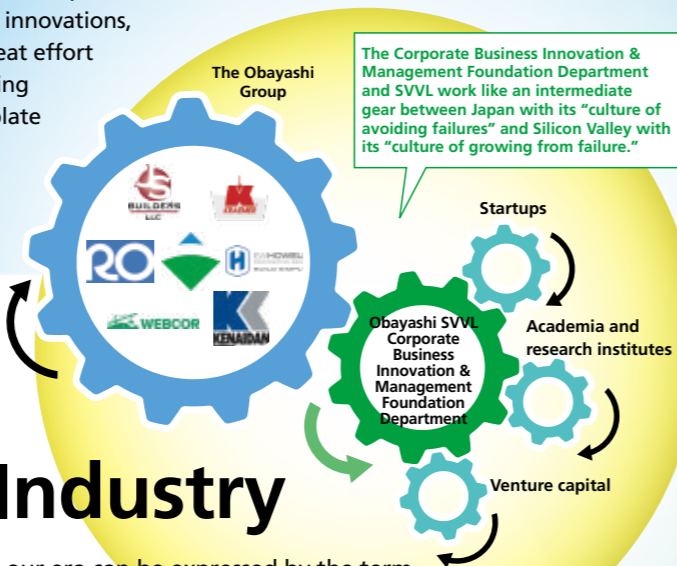
Three- "P"s accelerate innovations

PROCESS Framework for Creating Innovation



Silicon Valley Ventures & Laboratory (SVVL) has launched and designated the annual event known as the "Obayashi Challenge." It has been seeking out, developing, and scaling up innovations in the construction tech field since its establishment. For instance, Obayashi Challenge 2017 was a technology competition in which many startups and institutes proposed solutions to the most significant challenges Obayashi was facing. The Obayashi Challenge has triggered the start of dozens of co-development projects and investments in Construction Tech startups. In order to create new innovations, we are making a great effort

to cultivate an innovative mindset, by applying Design Thinking and Business Model Canvas approaches as our common template and language. These approaches will deepen our innovation initiatives going forward.



Obayashi's New Value Creation with Innovation

New Breakthroughs in the Construction Industry

The high uncertainty and unpredictable business environment of our era can be expressed by the term "VUCA."* We are living in an age of agile development of cutting-edge technologies like AI, IoT, robotics and other disruptive technologies. These have brought more complexity to our business than ever before. The Obayashi Group comprehends and believes that a mindset of innovation will enable us to achieve sustainable growth even in the VUCA era. Therefore, we are working on establishing new breakthroughs in the construction industry corporate revolutions and innovations, including digital transformation, with our collaborative and diversified ecosystem.

*VUCA is an acronym to describe today's business environment, standing for four keywords: Volatility, Uncertainty, Complexity, and Ambiguity

CLOSE UP

Stepping up Together with Startups

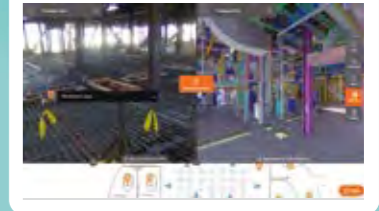
CASE 01 StructionSite

StructionSite is a platform service for construction sites that uses omnidirectional still and video images taken by a 360° camera. The images it takes can be set automatically for the precise location in a building floor plan with simple operation. StructionSite, established in 2016 by well-experienced construction engineers, has gotten over 230 corporate customers in the North America region since its establishment. Since StructionSite was selected at Obayashi Challenge 2017, the Obayashi Group has supported it in many ways, including the implementation of its services at domestic and overseas construction sites and the expansion of its service functions. In April of 2020, Change Inc. and Oak Information System Co. started acting as agents for the service in the Japan market.

StructionSite developed AI technology which can create continuous 360° images along the trajectory



Comparison of as-is site condition and corresponding BIM model on the StructionSite system



CASE 02 Arevo



Arevo provides 3D printing services with three core strengths: (1) FEM structural optimization analysis software, (2) the true 3D printing process with six-axis robot, and (3) utilization of high strength carbon composite materials.

CASE 03 Smartvid.io



Smartvid.io. developed an AI engine specifically for the construction industry to analyze unsafe behaviors from captured images including video and still camera. Many US based general contractors, including Obayashi's American subsidiary WEBCOR, LP, as well as insurance companies are taking part in field tests.

CASE 04 SafeAI



The company's focus is on autonomous vehicle technology, designed and built specifically for heavy equipment used in the mining and construction industries. It is currently undergoing field tests at mining and construction sites.

VOICE

Toward a Major Movement Involving Parties Both Inside and Outside the Obayashi Group



Tamaki Horii, PhD
General Manager of Corporate Business Innovation & Management Foundation Department

The Obayashi innovation initiatives are winning high praise. For example, we were nominated for the Built Worlds Venture Investors 50 Top List, from the most influential media in the construction tech field. Creating new value and achieving sustainable growth for the Obayashi Group will require good preparation of fertile ground that will change the way we have worked up to now. Ultimately, this will change our business processes at Obayashi as a whole. New possibilities and new ways shall be developed from the efforts to revamp current business ways. We will get a new perspective on things we may have taken for granted up to now. The Obayashi Group hopes to generate a small success and then scale it up into a great movement of innovation, by listening to our inner voices and conducting innovation that paves the way to the future Obayashi. This is the true transformation we aim to realize.

Materialities and KPIs

ESG Materialities of the Obayashi Group

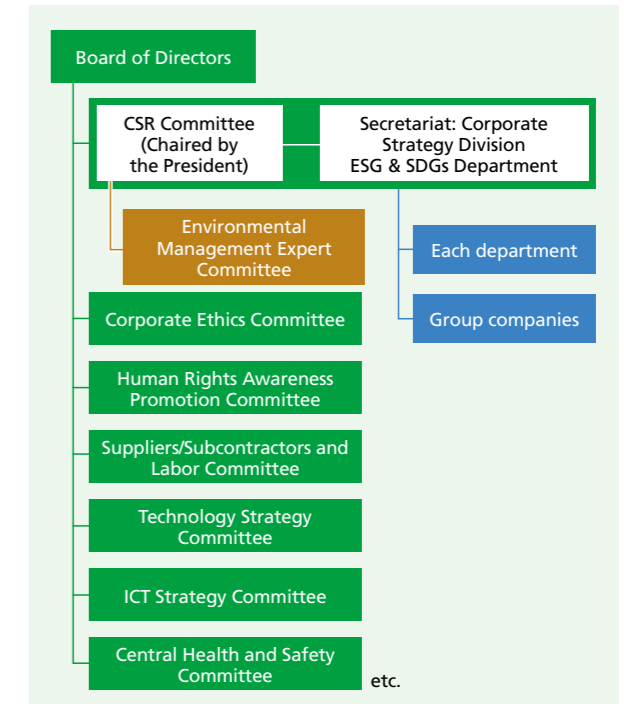
The Obayashi Group has identified Six ESG Materialities for promoting ESG management. We incorporate these materialities into business policies based on our Medium-Term Business Plan and tie them in with the SDGs in our business initiatives. By so doing, we aim to achieve medium- to long-term growth and realize a sustainable society.



Promotion Framework

The CSR Committee was put in place to promote business activities based on the Obayashi Basic Principles. It is headed up by the President and has a membership consisting of General Managers of divisions and other executive officers.

Meeting once a year, the committee establishes basic CSR policies and specific action plans and reviews achievements of initiatives. The ESG & SDGs Department of the Corporate Strategy Division serves as secretariat for the CSR Committee. It drafts and promotes sustainability measures, disseminates CSR and ESG information, and instills relevant practices within the Group. It also promotes Group-wide initiatives. Finally, it refers important sustainability matters to the Board of Directors for discussion.



Promoting ESG Management We check progress each fiscal year on KPIs that are based on Obayashi's materialities. We

then use the PDCA cycle for further initiatives.

Materiality	Action plan	KPI	FY2020.3 results	FY2021.3 targets	FY2022.3 targets	Pages with more information	
E	Promote eco-friendly businesses	Ratio of design and construction projects (of 2,000 m ² and up) with CASBEE ranking of A or higher	75%	At least 70%		P.31	
		Ratio of sustainability-related capital expenditure to real estate leasing business capital expenditure	92.7%	At least 90%			
	Promote renewable energy business	Electricity generated annually as a result of renewable energy business	255,551 MWh	At least 288,000 MWh	At least 370,000 MWh		
		Promote decarbonization	Direct contribution of CO ₂ emissions reduction rate (vs. FY2014.3)	-55%	-85% by FY2031.3		
			Indirect contribution of CO ₂ emissions reduction rate (vs. FY2014.3)	-20%	-25% by FY2031.3		
	Contribute to realizing a recycling-oriented society	Emissions of construction waste material per unit value of completed construction work	178 t/billion yen	No more than 140 t/billion yen			
S	Enhance Quality Control and Technological Capabilities	Pursue reliable quality	Customer satisfaction rate	85.4%	At least 90%	100%	P.33
		Use technological capabilities to further enhance productivity	Construction business productivity increase rate (vs. FY2017.3)	2.0%	At least 10% by FY2022.3		
	Maintain good construction management system	Ratio of workers with important construction management credentials: first-class construction management engineer (building construction, professional engineer, registered first-class architect, and registered civil engineering, plumbing work, and electricity work)	80.2%	Maintain at least 80%			
S	Ensure Occupational Health and Safety	Rigorously apply the Occupational Health and Safety Management System (OHSMS)	Number of fatal accidents	1	0		P.35
			Degree of achievement of the Occupational Health and Safety Management System evaluation items	83.3%	At least 90%		
S	Develop and Retain Human Resources	Promote work style reform	Ratio of practice of closing construction sites eight days out of every four-week period	23.4%	At least 40%	100%	P.37
			Ratio of eligible male employees taking childcare leave or other leave for the purpose of childcare	13.5%	15% by FY2022.3		
			Ratio of employment of people with disabilities	2.2%	2.4%	At least 2.4%	
			Promote diversity	Ratio of female managers	9.0%	10% by 2024	
		Ratio of female engineers	9.5%	10% by 2024			
G	Implement Rigorous Compliance	Promote the Corporate Ethics Program	Ratio of employees taking corporate ethics training	100%	100%		P.43
		Practice rigorous information security management	Ratio of employees taking information security training	99.3%	100%		
G	Conduct Responsible Supply Chain Management	Promote CSR procurement	CSR procurement guidelines comprehension questionnaire response rate	73%	100%		P.45
			Construction materials green procurement rate	43.1%	At least 50%	At least 55%	
			Train and support skilled workers	Number of Certified Excellent Site Supervisors / Excellent Operators	456	More than previous fiscal year	
		Number of persons completing training at the Obayashi Rin-yu-kai Vocational Training School	74	More than previous fiscal year			

Environment

Establish an Environmentally Responsible Society



KPI Progress (FY2020.3 results)

Direct contribution of CO ₂ emissions reduction rate (vs. FY2014.3)	Indirect contribution of CO ₂ emissions reduction rate (vs. FY2014.3)
55% reduction	20% reduction



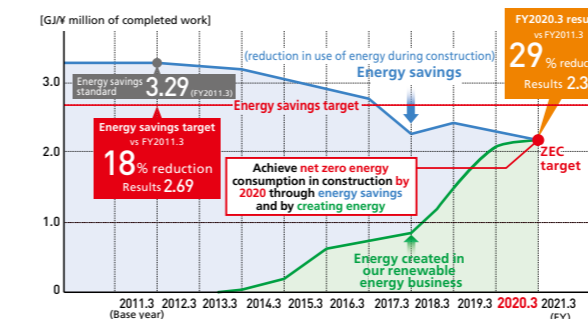
Promoting Decarbonization

ZEC (Net Zero Energy Construction) as an Initiative to Solve Energy Problem

We have been working since FY2011.3 to achieve net zero energy consumption in building and civil engineering construction by 2020. This is to be accomplished both by saving energy in the construction business in Japan and creating energy in the renewable energy business.

By FY2020.3, we had reduced energy consumption by 29% compared to FY2011.3, beating our ZEC target of 18%. Going forward, we will step up energy savings initiatives at construction sites Group-wide and promote our renewable energy generation business as we push toward decarbonization.

Energy Used per Unit Value of Completed Work



Renewable Energy Generation Business

Obayashi Clean Energy Corporation has been in the renewable energy generation business since its founding in 2012. Currently it has solar, onshore wind, and biomass power stations operating in 30 locations. The total generating capacity of these facilities is 154 MW.

We are also promoting an offshore wind power project (generating capacity of about 140 MW) in Akita Prefecture and pushing to produce CO₂-free hydrogen with electricity derived from geothermal power.

These renewable energy projects are presently funded in part by green bonds and sustainability bonds issued by Obayashi.

Electricity generated in FY2020.3 **255,551** MWh

Contributing to Realizing a Recycling-Oriented Society

Reducing Construction Waste

Construction waste makes up about 20% both of waste emissions and amount of waste sent for final disposal for all industries in Japan. In 2005, we became one of the first in the industry to start promoting zero emissions of waste at all construction sites. We began by ensuring there was a common awareness about emissions. We control emissions systematically by efficiently sorting waste material and planning ahead to recycle what we can.

Initiatives to Develop Practical Biodegradable Plastic

Hydrogen oxidizing bacteria,*¹ which propagate by absorbing CO₂ and hydrogen, are expected to power a technology that produces useful substances without using organic matter. Using hydrogen made from renewable energy could help greatly to break our dependence on fossil fuels for making chemical materials.

Obayashi is conducting research to develop a practical technology for producing biodegradable plastic*² from CO₂. The plastic, which is polylactic acid,*³ uses hydrogen oxidizing bacteria.*⁴ Such technologies are expected to help prevent global warming and solve the problem of ocean plastic.

The construction industry accounts for about 16% of world plastic use. Examples include temporary uses like sandbags and curing sheets. Replacing these with polylactic acid made by hydrogen oxidizing bacteria could help reduce CO₂ emissions and help build a sustainable society.

Obayashi is working to make the technologies practical through our research. We will actively expand our efforts to solve global environmental problems by working collaboratively with other enterprises and local governments.

*¹ Bacteria that use the chemical energy from a reaction between hydrogen and oxygen to cause carbon dioxide assimilation (a reaction in living bodies that changes CO₂ into organic matter).

*² Biodegradable plastic is plastic that, after it is used, is broken down biologically by the action of forces including natural microorganisms.

*³ A biodegradable plastic made by polymerizing lactic acid. Often it uses lactic acid made from sources like corn, but the new technology uses lactic acid made directly by hydrogen oxidizing bacteria that use hydrogen and CO₂, so it does not compete with food sources.

*⁴ Research is being conducted jointly with Utilization of Carbon Dioxide Institute Co., Ltd.

Basic Policy

We foster a sustainable society with a low carbon footprint, a commitment to recycling, and a deep respect for the natural world.

Environmental Policy

Principles

As a good corporate citizen, Obayashi considers active efforts and continuous improvement of environmental issues to be integral components of business management. We envision our future society, seeking to contribute to the realization of a sustainable society.

Environmental Management System

We built and are operating a company-wide environmental management system (EMS). The EMS had earned ISO 14001 certification for all domestic organizations by 1999. We have a CSR Committee chaired by the President, and below that, an Environmental Management Expert Committee chaired by the executive officer responsible for the environment. These bodies set basic policies and work continually to improve by evaluating EMS results and reviewing targets and initiatives accordingly.

Compliance with Environmental Laws and Regulations

Obayashi complies with all the environmental laws and regulations applying to construction work and responds to them appropriately. Environmental law and regulation supervisors are appointed at bases all over Japan. This person scrutinizes the key content of laws and regulations and makes sure it gets carried out evenly. Each year we provide e-learning and group training for those in charge of environmental laws and regulations. In these ways, we work to ensure every employee knows about and has a higher awareness of the laws and regulations.

Response to Climate Change

It is well known that climate change driven by greenhouse gases (GHG) is one of the world's biggest environmental problems. The Obayashi Group is committed to helping build the carbon-free society that the world is aiming for in the Paris Agreement of 2015. To do that, we will contribute to meeting GHG emissions reduction targets through our business.

On the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), the Obayashi Group is currently conducting scenario analysis on the impact of climate change on our business. We are studying countermeasures to future risks. We are preparing to earn Science Based Target (SBT) certification through such efforts as establishing and enhancing environmental data and re-examining our GHG emissions reduction targets and action plan.

Social

Enhance Quality Control and Technological Capabilities



KPI Progress (FY2020.3 results)



Basic Policy

Quality is the foundation that supports the Obayashi Group's business. We practice consistent quality control and continual improvement to ensure that customers feel confident, satisfied, and proud of the buildings and infrastructure we provide. We earn the trust of customers by providing safe, secure, high-quality buildings, infrastructure, and services, exercising honest craftsmanship, and employing innovative technologies.

Management System

Following our quality policy, we have implemented a Quality Management System (QMS) conforming to ISO 9001. Under the QMS, we practice integrated quality management with a commitment to continuous quality improvement, at all stages from planning to design, construction, and after-sale service. Further, we are constantly sharing information and engaging in an array of training for higher quality and technology. Both our building construction and civil engineering businesses have management systems in which executive officers are the superintendents of QMS.

Ensuring Customer Satisfaction

To provide construction that customers can use with security, comfort, and confidence, we strive to improve our quality technology.

Starting at the construction stage, various building data is shared by members at the construction site,

clients, and architects. These include 3D design models, construction drawings, equipment specifications, and construction records. This data is exchanged over the cloud through a dedicated server.

Data is centrally managed in a building records system. The central system likewise manages post-delivery information on defects and performance verifications of completed buildings, as well as regular inspection records and long-term repair plans.

We also provide services in an integrated way from planning, design, and construction to post-delivery after-sale service. This helps customers maintain the value of their buildings and infrastructure throughout their life cycle.

Customer BCM (Business Continuity Management) Support

We are implementing a system to relay damage reports via portable devices during earthquakes. Thanks to a GPS function, nearby construction projects are displayed on the portable devices when there is an earthquake. Cameras can be used to record the damage status and immediately report to the response force. Based on the reports, we put together a recovery support framework suited to the state of damage and we support customer BCM.

To offer recovery support, we need to cooperate with our suppliers and subcontractors. Thus, we periodically hold trainings with suppliers and subcontractors to check that our systems are ready for an emergency. Our trainings in May 2019 drew participation from 842 companies.

Dealing with Diversifying Customer Needs

The nature and level of customers' quality requirements for buildings and structures are always changing and diversifying. At the same time, solving the labor shortage and how to pass down skills to younger workers are pressing issues for the construction industry. It is urgent that the industry increase productivity with fewer people. The Obayashi Group is using the latest technologies, like ICT and AI, to raise productivity while offering buildings, infrastructure, and services meeting customers' quality requirements. Examples include augmented reality (AR), 3D measuring with tools like drones, and visualization and remote operation of construction processes by BIM and CIM.

Maintaining Good Construction Management Systems

Various Training Programs

We conduct training programs to increase our engineers' construction management capabilities so customers get high-quality buildings and infrastructure. At the Fuji Education Training Center,* we train new recruits with hands-on construction site work. The training is designed to teach actual procedures and the difficulty of the work and enhance participants' skills. Trainees learn by directly

performing operations like measuring, assembling rebar and concrete forms, and inspecting materials.

Also, each year at our training facilities at the Robotics Centers, we give training in specialized knowledge relating to individual jobs like architecture, civil engineering, facilities, and mechanical and electrical work and in technologies related to construction planning. There are also programs at the Technical Research Institute and at actual construction sites. For mid-career employees, a variety of programs are offered, including live exercise-based technical training and teaching of the latest technologies. These are designed to foster a high level of quality and construction management skills. Outside Japan, Group company THAI OBAYASHI CORPORATION LIMITED opened a technical training center in 2015. Aside from Group company employees, trainings are also given for suppliers, subcontractors, and university students aiming for careers as engineers.

* A training facility run by the National Construction Industry Education and Training Association in Japan for construction engineers and skilled workers

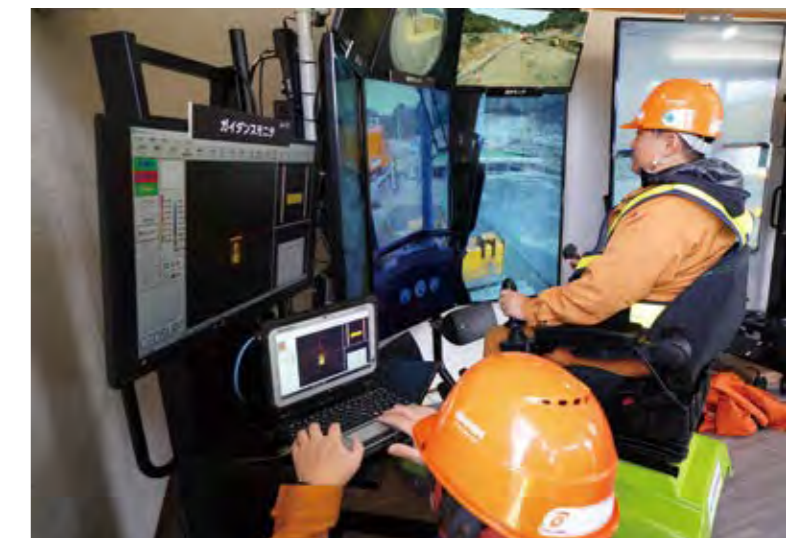


TOPIC

Finding New Ways to Do Construction Work with Integrated Construction Management System

In February 2020, Obayashi conducted a field test* building a road using 5G (the fifth-generation mobile communications system) for part of the construction zone at a dam under construction (Kawakami Dam in Iga City, Mie Prefecture). We were able to automate and remotely control a series of processes including excavation, transport, and rolling compaction. This test is helping Obayashi to find new ways to do construction work with an integrated construction management system, which we aim to achieve in the near future.

* Field test as part of FY2019 5G comprehensive demonstration test headed up by KDDI CORPORATION in collaboration with Obayashi and NEC Corporation



Social

Ensure Occupational Health and Safety

Focus SDGs  

KPI Progress (FY2020.3 results)

Number of fatal accidents: **1**
 Degree of achievement of the Occupational Health and Safety Management System (OHSMS) evaluation items: **83.3%**



Health and Safety Initiatives

Safety Training

We are stepping up training for employees, suppliers, and subcontractors to prevent workplace accidents, raise health and safety awareness, and deepen understanding of safety-related laws and regulations. All employees working at construction sites take training. That includes group trainings using case studies of actual accidents as material and training using a video we produced when we conducted field tests as a fire prevention measure. We have in addition set up a training facility where trainees can really see hazardous situations in person. The point of this experience-based training, which is open to Obayashi employees and suppliers, is to enhance trainees' sensitivity to danger. Ultimately, this will raise their safety awareness and safety management skills.

Safety Patrols

All branches conduct regular patrols of construction sites to verify health and safety management conditions. Additionally, the central officer in charge of health and safety and secondary officer in charge conduct special patrols four times a year. We also run patrols to verify dust hazard prevention efforts at tunnel construction sites and so forth.

Checklists are always used on patrols to determine whether identified issues were ultimately corrected.



A patrol checking dust hazard prevention efforts in a tunnel

Growing Variety of Health and Safety Information Tools

Construction personnel, including those of our suppliers and subcontractors, receive a publication called Safety Information each month. Here we share information about safety topics and health and safety law and regulation changes. The goal is to thoroughly familiarize readers with safety concerns.

We also have safety materials in multiple languages for foreign technical trainees and foreign construction employees who work on construction sites. These materials explain the proper procedures when entering a site, so these trainees and employees can correctly understand Obayashi's safety rules. We have in addition installed safety markers and signs in appropriate languages at construction sites to help ensure safety while working.

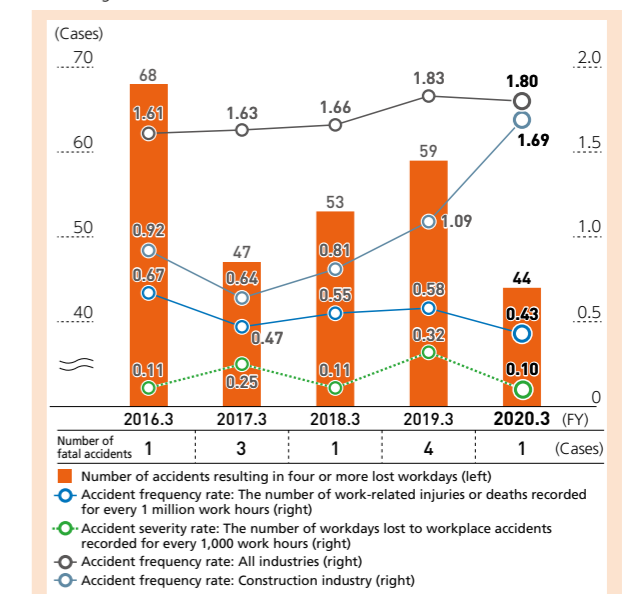
Aiming for Zero Occupational Accidents

Obayashi established the Safety, Quality & Environment Division in March 2019 to help prevent disasters. It provides safety instructions and support directly to individual main offices, branches, and construction sites.

We focus particularly on preventing machinery accidents and accidents that result in falls, since these can do serious damage. Working with our suppliers and subcontractors, we are determined to prevent occupational and other accidents.

Occupational Accidents on Construction Sites

*Including skilled workers on construction sites



Basic Policy

Our Health and Safety Principles call for us to ensure the health and safety of all workers at construction sites and create comfortable workplace environments, and we promote day-to-day health and safety initiatives accordingly.

Health and Safety Principles

We make the safety of our construction sites, where so many people work, a top priority. For that reason, we practice health and safety initiatives day to day that are based on the Health and Safety Principles.

Health and Safety Principles

The Obayashi Philosophy states that we "value each person with a stake in our business." In line with that, we ensure the health and safety of all workers at construction sites and create comfortable workplace environments.

Rigorously Apply Obayashi's Occupational Health and Safety Management System

Obayashi's Occupational Health and Safety Management System

The Central Health and Safety Management Committee, headed up by the President, meets at least twice a year. It deliberates on basic health and safety

affairs, such as prevention of workplace accidents and health problems and how to maintain and promote wellness. We also operate the Occupational Health and Safety Management System, which brings all our safety management methods together, to put the Health and Safety Principles into action. We aim for continual improvement by setting policies and targets and following the PDCA cycle.

Targets and Priority Measures

Obayashi has set a target of zero fatal accidents and formulated the priority measures to achieve it. We produce posters that we place at construction sites to heighten safety awareness. We also work for safety by clearly stating specific action plans.

FY2020.3 target: Zero fatal accidents

<Priority Measures>

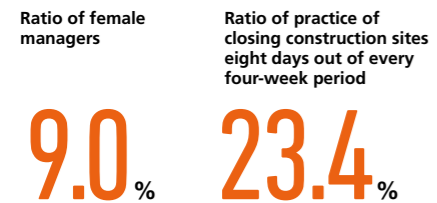
- 1 Prevent occupational accidents under the strong leadership of the project manager
- 2 Plan and execute appropriate work procedures
- 3 Prevent accidents resulting in falls
- 4 Prevent machinery accidents
- 5 Prevent fire accidents
- 6 Prevent damage to third parties due to accidents
- 7 Increase health and safety management capabilities and strengthen training
- 8 Promote creation of healthy work environments

Social

Develop and Retain Human Resources



KPI Progress (FY2020.3 results)



Basic Policy

At Obayashi, we understand it is the strength of each individual employee that supports our company. For that reason, we establish workplaces in which diverse personnel can play an active role. When hiring, promoting, and the like, we do not discriminate on the basis of race, gender, nationality, religion, disability, or anything unrelated to talent and job performance.

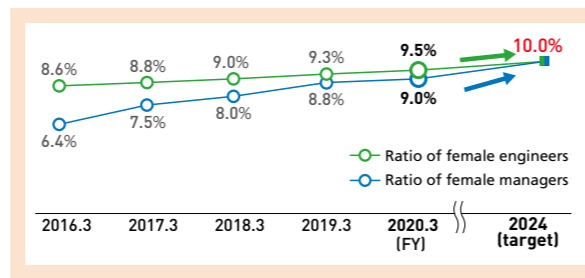
We ensure the health and safety of all employees and workers in a work environment where they can exercise their unique character and talents and feel motivated.

Promoting Diversity

Opportunities for Female Employees

In 2003, we eliminated employee classifications. Since then, we have hired based on capabilities and placed the right people in the right jobs. Our First Action Plan, based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace, set targets to be reached by 2024. We have been getting steadily closer to our targets.

Moreover, we have made it a policy to hire based on personal qualities. Among new graduates hired, the ratio of females we hire has risen from 16% in FY2018.3 to 19% in FY2021.3.



Hiring of People with Disabilities

Our special subsidiary Oak Friendly Service Corporation, established in 2001, employs persons with intellectual and mental disabilities. Employees work at 11 offices around Japan. Job coaches with specialized knowledge guide employees, who perform jobs that take account of the nature of their disabilities. The aim is to provide opportunities for independence and a place in society.

Appropriate Personnel Evaluations

At the heart of our personnel system is the practice of treating people appropriately based on reasonable personnel evaluations. Personnel evaluations consist of superiors meeting with their subordinates every six months, setting targets, and fully discussing the employee's results. We allow the evaluated person to see his or her final evaluation. This makes the evaluation process transparent and acceptable. We also have means in place to evaluate whether subordinates are satisfied with their superiors' leadership.

Promoting Work Style Reform

Targets and FY2020.3 Results

Target maximum overtime hours worked (to be achieved by FY2022.3)

Yearly maximum960 hours/year
 Multiple-month average*1.....No more than 80 hours on average over 6 months
 Single-month limit*1Less than 100 hours

*1 Includes work on days off

In FY2020.3, 82.3% of employees stayed within the target maximum overtime hours worked.*2 Every six months, we conduct evaluations that include analyzing factors that might prevent us from keeping appropriate work hours. The results are reported to the executive officers and disclosed to all employees, which helps us manage our targets Company-wide.

Obayashi also provides training on work style reform. We encourage employees who do not meet targets to take planned compensatory days off. We also notify employees of the target quitting time for each individual. Through approaches like these, we are working to reduce long work hours.

*2 The limits on overtime hours in the Work Style Reform Act of Japan come into force April 1, 2024 for the construction business.

Closing Construction Sites for 8 Days Every 4-Week Period

Obayashi has been endeavoring to meet its target of two-day weekends for employees (closing construction sites eight days out of every four-week period). This requires setting appropriate delivery dates. That, in turn, requires understanding on the part of the customer.



A mark of Japan Federation of Construction Contractors calling for two-day weekends for all construction sites

Pamphlets and other means are used to carefully explain the situation to customers.

We also set target closing times for construction sites and encourage our employees to go home then. This is another way we are advancing work style reform.

Helping Increase Operational Efficiency through ICT

Obayashi aims to automate work processes and make them more efficient with less human labor by actively adopting tools using the latest ICT. Bold steps we are taking to make work processes more efficient include repeated e-learning about attendance management to raise awareness. Others include simplifying accounting procedures by introducing an expense adjustment system and implementing RPA.*

*Robotic Process Automation

Telecommuting Program Officially Introduced

We officially introduced a telecommuting program for all workplaces in October 2019. To facilitate this program, we added meeting systems and information sharing tools and enhanced IT support.

From April 2020, as COVID-19 infections began to spread, telecommuting became the norm as a general rule for office jobs. We will continue to recommend that employees telecommute and work to realize flexible work styles.

Introducing ICT Tools for Construction Site Use

In March 2019, we started using device terminals at all construction sites and introducing ICT tools to help raise work efficiency. Examples include inspection tools, an app that inserts a virtual blackboard into construction site photos to keep records of key data, and software we developed for tasks like diagnosing building performance, sharing design drawings, and BIM.

We use the cloud for sharing construction data as an environment that all concerned can access.

We are making construction site work more efficient in a number of ways. We are installing Wi-Fi at all construction sites, as well as a system to manage entry to and exit from sites. Digital bulletin boards are used for morning assemblies and to train construction workers new to the site.

Develop and Retain Human Resources

A Safe and Comfortable Work Environment

Expanded Child Care Support System

We seek to enrich our system beyond legally required programs like childcare leave and shortened work hours. We offer parental leave programs apart from the usual paid leave. For example, parents who cannot get a place for their children in nursery school can extend their period covered by childcare leave from age two to three. Programs like these help employees balance work and parenting.

We expanded our child-care leave program. Now, parents of children under two can take leave of seven or more straight days for parenting purposes. Not just female workers but males are taking advantage of the child-care leave program thanks to efforts to get the word out to male workers.

Balancing Work and Home Nursing Care

To ensure our employees have peace of mind in dealing with home nursing care issues, we are enhancing programs such as home nursing care leave and shortened work hours.

Balancing work with other sides of employees' lives requires not just programs but the cooperation of others. A video we produced and posted on our intranet deepens employee understanding of home nursing care.

Maintaining Employee Health in Mind and Body

Every employee needs a work environment in which they can work in good health. Obayashi believes it important to take every opportunity to ensure employee mental and physical health care. We are working to raise the rate of employees getting secondary exams after periodic checkups, ensure that those working long hours follow the advice they get in interviews with doctors, increase the percentage of employees undergoing stress checks, promote follow-up care, and provide mental health training.

We also are working to enhance our consultation offices. We have medical specialists and clinical psychologists (counselors) in-house who offer exacting mental health support to employees.

Cooperation between Labor and Management

Every employee, with the exception of management and a few others, is a member of the Obayashi Corporation Employees' Union. In other words, 100% of personnel who qualify for union membership actually participate. Labor and management meet together regularly in forums such as the Labor-Management Council and Health Committee. They use these occasions to discuss a broad range of concerns, including creating comfortable work environments, benefits programs, health and safety, and wages.

Developing Human Resources

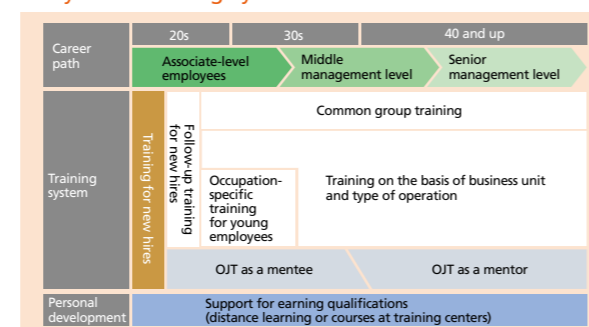
Developing our personnel is essential to the sustained growth of the Obayashi Group. Therefore, we have a variety of training programs.

For young employees, we have a mentor system to get coaching by senior employees, in-house training systems, OJT and job-class-specific and level-specific group trainings. For middle management and up, we offer trainings based on age and responsibilities, including level-specific training and training on the basis of business unit and type of operation.

One key set of measures involves developing human resources for Obayashi's global development. Here, the focus is on global leadership training and expanding the number of persons working outside Japan. We give practical trainings, such as lending employees to Group companies overseas to train there for a limited time.

We offer a practical training program for locally hired staff at overseas Group companies. This program enables locally hired staff to learn our construction technologies and safety management measures.

Obayashi's Training Systems



Respect for Human Rights

Human Rights Policy

Under the Obayashi Basic Principles, respect for human rights is one of the most important social responsibilities of a business. For that reason, we deem it essential to try to raise each employee's awareness.

In June 2011, we established the Obayashi Statement on Human Rights. Based on the Universal Declaration of Human Rights, this statement sets out our commitments. We commit to respecting fundamental human rights. We commit to not discriminating based on race, gender, age, nationality, religion, social origin, disability, and the like, and this applies to all employees and persons associated with our business. We commit to respecting international rules including International Labour Organization (ILO) agreements. We commit to prohibiting the use of forced labor or child labor. We commit to complying with all applicable laws and regulations in the nations and regions where we operate.

Initiatives for Respecting Human Rights

Obayashi has a Human Rights Awareness Promotion Committee chaired by the executive officer responsible for human resources. It meets regularly to promote the recognition of human rights in keeping with our statement.

Group companies also conduct human rights training tailored to their business activities and regional characteristics. These efforts are based on policies determined by the Obayashi Human Rights Awareness Promotion Committee. We furthermore conduct human rights due diligence, and this includes our supply chains. We identify notable human rights issues so we can catch human rights risks and lower them.

Training in Human Rights

All employees must refrain from any form of discrimination. They must have a correct human rights awareness that respects people's diversity. Thus, we take every opportunity we can to train all on human rights issues like harassment, diversity and inclusion, sexual orientation and gender identity, and racism.

Additionally, in April 2019, all executive officers underwent training on harassment prevention and risk management.

Consultation Desk

We provide our Corporate Ethics Reporting System as a consultation desk on human rights issues. We also have specialized internal and external points of contact for harassment and disability concerns. In April 2019, we established the Harassment Prevention Department. It works specifically to prevent harassment in the Obayashi Group and deal appropriately with requests for consultation if it does occur.

Both employees and third parties can reach out anonymously to the Harassment Prevention Department. The department ensures that anyone inquiring is protected from adverse treatment.

We also put up posters to make the consultation desk better known among persons within and beyond the Obayashi Group.

The content of issues brought to the consultation desk are analyzed and the results disclosed internally. Through actions like this, we are working to stamp out all harassment.

Social

Social Initiatives

Basic Policy

In keeping with the Obayashi Basic Principles, Obayashi endeavors to solve social challenges, respect local cultures and customs wherever we work, and promote harmony with society as a good corporate citizen.

Obayashi Social Responsibility Policy: Our Commitments

- 1 We take a global perspective on everything we do to fulfill our social responsibilities, making the most of all the resources available to us around the world. Our business itself contributes solutions to address global issues, and we also undertake special initiatives that go beyond the reach of our business.
- 2 We coordinate our work to address social issues with local communities, non-profits, NGOs, governments and other key actors, capitalizing on the unique strengths of every entity and every person involved.
- 3 We work hard to ensure that our approach to social responsibility is clearly understood and that our efforts to build a better society are widely known.

Construction Site and Technical Research Institute Tours and In-Person Experience at Business Sites



Obayashi offers tours of construction sites around Japan as well as the Technical Research Institute and Group company business sites. Tours are open to students and citizens.

Through these events, we are creating opportunities to deepen participants' understanding of the construction industry. Among other things, we hope to show them advanced construction technologies, how dynamic construction can be, and the real joy of craftsmanship.

Construction site tours include events at which participants can experience what it is like to work at a site. We also open some projects to the public if it is safe to do so. Altogether, events like these bring in about 20,000 participants each year.



Obayashi Foundation Scholarship Program



The Obayashi Foundation offers assistance for urban planning research and international conferences. It also operates an award program for researchers in the field. In addition, the foundation provides scholarships to students studying to become urban planning professionals or researchers. In FY2020.3, we gave scholarships to 21 students in a wide range of humanities and scientific fields.

Hosting Interns from Special-Needs Schools and Others



We founded special subsidiary Oak Friendly Service Corporation in 2001 to promote employment of persons with intellectual disabilities. It hosts interns from special-needs schools throughout the year. The 13 interns hosted in FY2020.3 gained experience sorting and sending mail, managing office supplies, and doing other tasks.



Donations to Local Elementary Schools



Activities by Group company THAI ODAYASHI CORPORATION LIMITED seek to increase learning opportunities for children. Since 2007, it has been supporting local elementary schools in a number of ways. In FY2020.3, the company built a library at a school and donated books. The company also teaches children and their teachers the fun of crafting things.



Reinvigorating a Farm Community through Local Development Project



Obayashi has participated in Niigata Prefecture's semi-mountainous area partnership establishment support project since 2011. This project is building a long-term partnership with the Ohnagatani farm community of Tainai City. Obayashi established paddy fields in the community and holds planting, harvesting, and similar events three times a year. The many participants include employees and their families as well as community residents and city government employees.

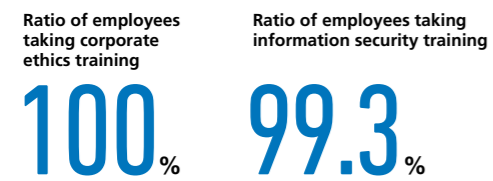


Governance

Implement Rigorous Compliance



KPI Progress (FY2020.3 results)

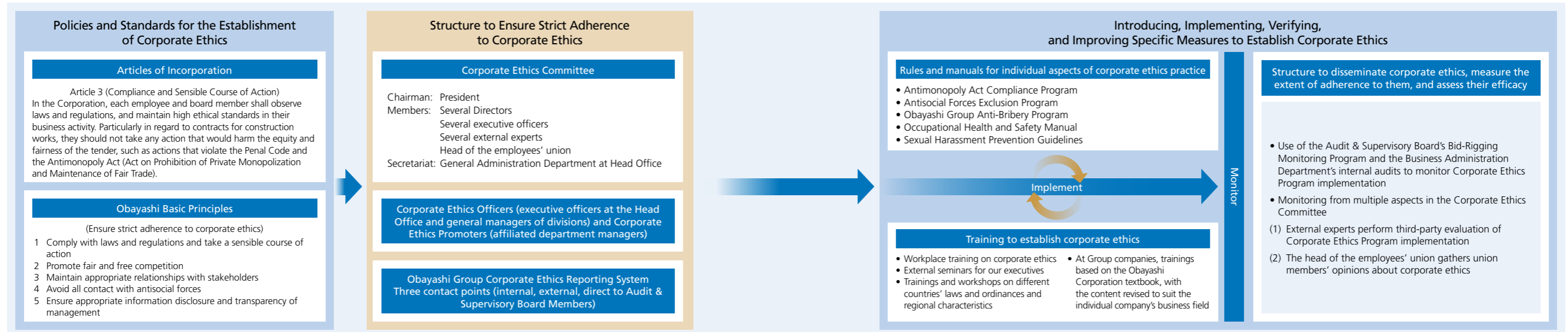


Basic Policy

Obayashi's Articles of Incorporation express our strong determination to stay aware of compliance issues, including corporate ethics. They likewise commit us to complying with laws and regulations to create a sound corporate culture. The Obayashi Code of Conduct moreover stipulates thorough adherence to corporate ethics throughout the Company. Top management leads the effort for corporate ethics.

Promoting the Corporate Ethics Program

The Corporate Ethics Program exists to help prevent corruption of all kinds. We are constantly verifying and improving the program. Having set out policies and standards and established a compliance structure, we have introduced specific measures and regularly review the implementation status of each measure.



Workplace Training on Corporate Ethics

Workplace training on corporate ethics takes place each year for all officers and employees. Using a format of discussion within each department, participants look at specific case studies. Examples include compliance with laws and ordinances such as the Antimonopoly Act, avoiding all contact with antisocial forces, and stamping out illegitimate accounting practices.

For More Thorough Compliance

On October 22, 2018, Obayashi was found guilty of violating the Antimonopoly Act in bidding related to constructing the Chuo Shinkansen maglev line. We were ordered to pay a fine of ¥200 million. Our Antimonopoly Act Compliance Program dates back to 2006. It is a matter of grave concern to us that this incident could happen in spite of this program and Group-wide efforts to implement rigorous compliance. Thus, we will be taking recurrence prevention measures to promote business operations that put the highest priority on compliance.

- ☑ **Recurrence Prevention Measures**
<https://www.obayashi.co.jp/en/sustainability/ethics.html>
- ☑ **Antimonopoly Act Compliance Program**
https://www.obayashi.co.jp/en/sustainability/ethics/antitrust_law.html

Verification by Third-Party Committee

In light of the Antimonopoly Act violation mentioned above, Obayashi created a third-party committee in September 2018 to investigate the situation. In January 2019, we accepted the committee's investigative report, which included recommendations on how to prevent the same thing from happening again.

In April 2019, we established recurrence prevention measures based on the committee's recommendations. We then had the committee verify implementation in March 2020, at which point the measures had been in effect for one year. The report we received said, "The committee finds that Obayashi has largely implemented recurrence prevention measures as recommended by the committee and carried them out sincerely on the whole, and there have been no particular problems."

We will continue to implement rigorous compliance going forward.

Practicing Rigorous Information Security Management

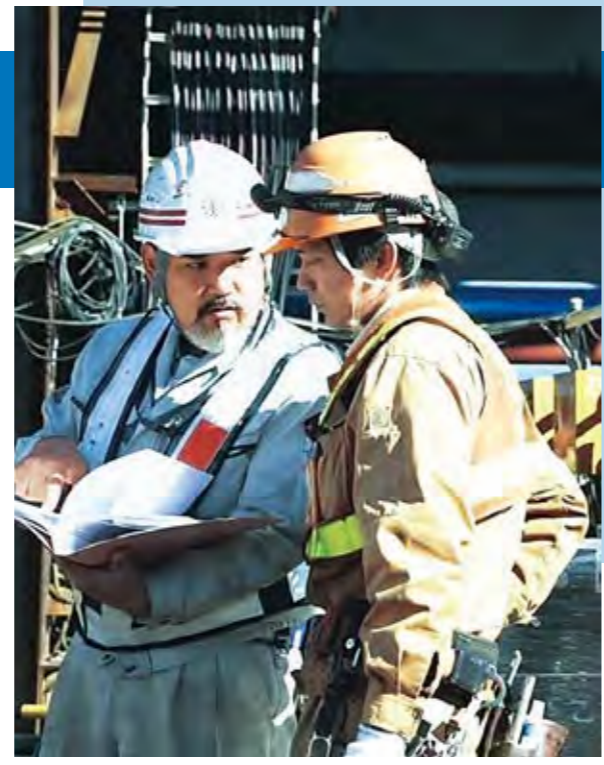
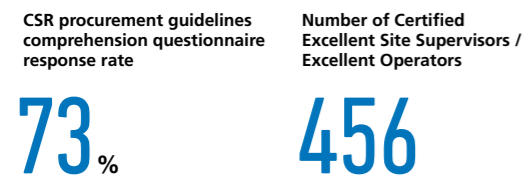
Risks to information assets include risk relating to force majeure, internal information management, and such events as unauthorized access to information by outside parties. To protect against these risks, we put security systems in place and have taken prevention measures against emergencies. We also have a Personal Information Protection Policy. The policy guides our effort to make sure all employees are properly handling customers' personal information.

Governance

Conduct Responsible Supply Chain Management



KPI Progress (FY2020.3 results)



Basic Policy

Obayashi believes that fulfilling corporate social responsibility requires an effort throughout the supply chain. We conduct fair transactions with suppliers and build stronger mutual trust with them as partners who can grow with us.

Promoting CSR Procurement

Obayashi Group CSR Procurement Policy

The Obayashi Group established its CSR Procurement Guidelines as part of our effort to fulfill our corporate social mission based on the Obayashi Basic Principles. Under those guidelines, we have been working to practice CSR procurement in league with a wide range of suppliers concerned with our business.

In March 2020, we revised the guidelines to include items about more specific initiatives, reflecting the growing diversity of society's demands. The most important matters are stipulated in contracts concluded with suppliers and confirmed when the contracts are agreed.

The Obayashi Group is making suppliers and subcontractors aware of the revised Obayashi Group CSR Procurement Policy and managing our supply chain so that suppliers of all products and services connected with our business can grow and develop with us.

[Obayashi Group CSR Procurement Policy](https://www.obayashi.co.jp/en/sustainability/suppliers/csr_procurement.html)
https://www.obayashi.co.jp/en/sustainability/suppliers/csr_procurement.html

Obayashi Rin-yu-kai

Obayashi Rin-yu-kai, comprised of Obayashi suppliers and subcontractors from across Japan, counts about 1,100 member companies doing various types of work. Obayashi periodically monitors member companies to ensure their soundness. The corporate members of Obayashi Rin-yu-kai hold liaison meetings regularly. They share information about revisions to safety laws and regulations and how to deal with legal welfare expenses. Among other issues, they discuss hosting foreign technical trainees, a practice that is growing.

Training and Supporting Skilled Workers

The construction industry in recent years is struggling to recruit and retain construction site workers at a time when current employees are aging.

Promoting recruitment of skilled workers who will lead future generations and passing down skills is not just up to suppliers. It is a matter in which Obayashi must play an important role. We work together with our suppliers to convey the appeal of the construction industry.

Certification of Excellent Site Supervisors / Excellent Operators

The Obayashi Excellent Site Supervisor and Excellent Operator Certification Program aims to help pass on expert skills. Under the system, we certify and raise the pay of exceptional supervisors* and crane operators. Each year we are expanding the scope of the program. For example, young skilled workers are now eligible to participate, and we have increased the pay boost that successful candidates receive.

* A skilled worker who provides instructions to subordinates at construction work sites

Obayashi Rin-yu-kai Vocational Training School

In 2014, we opened a vocational training school* to nurture skilled workers at Obayashi's suppliers and subcontractors and pass on expert skills to future generations.

The school offers three courses: scaffolding, ferro-concrete reinforcement, and formwork. Employees of Obayashi and its suppliers and subcontractors serve as instructors. Trainees spend about a month and a half acquiring the knowledge and technical skills needed at construction sites. These include construction tasks, safety management, and Computer-Assisted Design (CAD).

We have also set up a short course focusing on CAD skills. The two courses combined have produced 273 graduates (as of March 31, 2020), who are now working at construction sites.

Additionally, we have an incentive system in place for cases where skilled workers with certain certifications work on our construction sites. The program gives incentives and rewards to certified workers to help shape their careers and increase their wages. Incentives

<https://www.obayashi.co.jp/en/sustainability/suppliers.html>

are available to training program graduates as well as suppliers and subcontractors.

* Obayashi Rin-yu-kai Vocational Training School is a wide-area occupational training organization utilizing a program of the Ministry of Health, Labour and Welfare.

Supporting Recruiting Activities

Joint Company Introduction Seminars and Hands-on Occupational Construction Site Tours

Since FY2015.3, we have been holding company introduction seminars jointly with Obayashi Rin-yu-kai. These events are open to school career counselors. Counselors visit construction sites and take workshops to learn the best approaches to convey the appeal of the construction industry to their students.

We also conduct hands-on occupational construction site tours for high school and vocational school students. By actually experiencing a variety of occupations, participants can understand the differences between various kinds of work and get a sense of their own aptitudes.



TOPIC

Construction Career Up System

The Construction Career Up System is a cross-industry program to register and collect data on skilled workers' qualifications, social insurance subscription status, construction site work experience, and more. The ground-breaking system, which came into full operation in FY2020.3, is a collaboration between public and private entities like the Ministry of Land, Infrastructure, Transport and Tourism and the Japan Federation of Construction Contractors. Obayashi is also an active participant. Its purpose is to improve treatment of construction site workers and help them visualize their careers into the future.



Construction Career Up System logo



Toranomon Hills Business Tower



Akasaka Intercity AIR (winner of the 60th BCS Prize 2019)



Nam Ngiep 1 Hydropower Project / Laos



Hitachi, Ltd. Central Research Laboratory "Kyoso no mori" (R&D Center)
(winner of Good Design Award 2019)



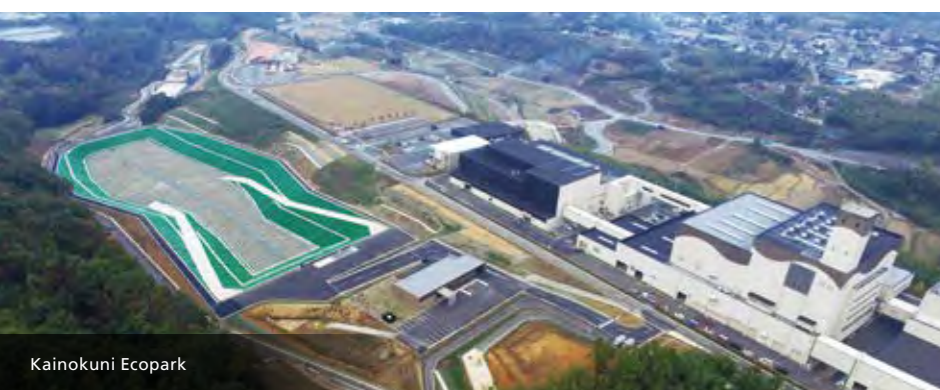
Nara Prefectural Convention Center

OUR WORKS

Obayashi Group Craftsmanship

Business Report

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- 62** Robotics Business
- 63** Technical Development



Kainokuni Ecopark



Plané-Scene Maruyamacho



Mitanehamada Wind Power Station Wind lift method
(winner of Engineering Commendation Award of ENAA 2019)



Metropolitan Expressway between Itabashi JCT and Kumanocho JCT
(winner of Japan Society of Civil Engineers Award 2018)

Building Construction Business



Productivity Increasing Initiatives Contributing to Growth of an Attractive Construction Industry

Given the worries about a shortage of skilled workers in future, increasing productivity is the biggest challenge for the construction industry if it is to continue developing sustainably. Obayashi will of course enhance safety and quality by developing and acquiring advanced technologies. We will also work to reduce overburden, waste, and unevenness at construction sites, strongly promote work style reform, and contribute to the growth of an attractive construction industry. We will also work to maximize earnings for the Group as a whole by responding flexibly to changes in the market.

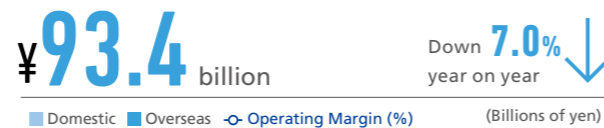
Shingo Ura

Representative Director, Executive Vice President, General Manager of Building Construction Division, and General Manager of Marketing Division

Consolidated Net Sales



Consolidated Operating Income



Opportunities in Business Environment

- Abundant private-sector non-residential construction demand will continue, including large-scale redevelopment in urban areas and capital investment as the manufacturing industry returns to Japan
- Creation of new demand and added value with increased productivity as IoT, AI, and robotics evolve and spread
- Robust construction demand in Southeast Asia, North America, and Oceania

Risks and Responses

- | | |
|---|--|
| <ul style="list-style-type: none"> Decline in private construction investment when business conditions slow Social demands to correct problems in working environments, such as long work hours Materials supply shortages, skilled worker shortages and aging, and the resulting cost increases Impact on earnings and business evaluation if there are major safety or quality incidents Great fluctuations in legal systems and political and economic conditions overseas where we do business | <ul style="list-style-type: none"> Maintain and expand orders received and profitability by expanding and leveraging our network and offering high-value-added services Increase productivity by using next-generation production systems and transforming business processes Secure and train human resources by further enriching our global procurement networks and improving working environments and conditions Fully implement safety and quality education programs and policies Develop business and practice risk management in a locally-based way (e.g., collaborate with local businesses) |
|---|--|

Business Strategy Based on Medium-Term Business Plan

- Realize stable earnings by enhancing competitive advantages in growth markets and areas and providing integrated high-value-added services for buildings, centered on leveraging the Group's total capabilities and global network
- Improve productivity by building next-generation production systems utilizing IoT, AI, and robotics, transforming business processes by basing them on BIM, and developing labor-saving construction methods, etc.
- Eradicate serious accidents and quality and construction defects by implementing diverse education programs and rigorously managing safety and quality by ICT
- Secure production capacity by improving the working environment at construction sites, developing multiskilled workers, securing skilled workers, and providing educational support, etc.
- Enhance earnings capacity and expand business domains by collaborating with local partners and sharing our technology in our overseas building construction business

Specific Measures Based on Business Strategy and Outcomes

- Establish Marketing Division in April 2020 and centrally manage information across the business domains of building construction and civil engineering. Draw up a strategy for marketing in cooperation with all branches, further boost marketing, and strengthen partnerships and cooperation within the Group
- Collaborate with external businesses, etc., to build next-generation design and construction management systems and safety and quality control techniques using autonomous construction machinery and ICT/AI
- Promote consistent use of one-model BIM, which centralizes information. Increase competitiveness and productivity by using BIM as a work platform
- Improve environment on construction sites (such as enabling reasonable working hours) and ensure their productivity by introducing Construction Career Up System
- Secure excellent skilled workers with Excellent Site Supervisor and Excellent Operator certification systems, and train and enhance the technological capabilities of skilled workers and pass down technical skills to the next generation through Obayashi Rin-yu-kai Vocational Training School
- Strengthen locally-based marketing by establishing North American Regional Headquarters and Asia-Pacific Regional Headquarters. Expand on Obayashi technology and increase work skills by promoting exchanges of personnel with Group companies outside Japan

TOPIC 01

Construction Begins on Japan's First All-Timber High-Rise Fire-Resistant Building



Construction has begun on an all-timber high-rise fire-resistant building that will serve as a next-generation training facility for ensuring the Obayashi Group's sustainable growth. Located in Naka-ku, Yokohama City, it will consist of 11 aboveground floors when it is completed in 2022. It will be Japan's first such building wherein all structural members (columns, beams, floors, and walls) are made of wood. By introducing a large number of environmentally related technologies, we aim to realize ZEB Ready* status (indicating that a building consumes at least 50% less energy than an ordinary building), earn LEED certification, and acquire WELL certification (WELL is a standard for evaluating building environments and indoor environments for wellness).

*Net Zero Energy Building Ready



Illustration upon completion



Building Construction Business



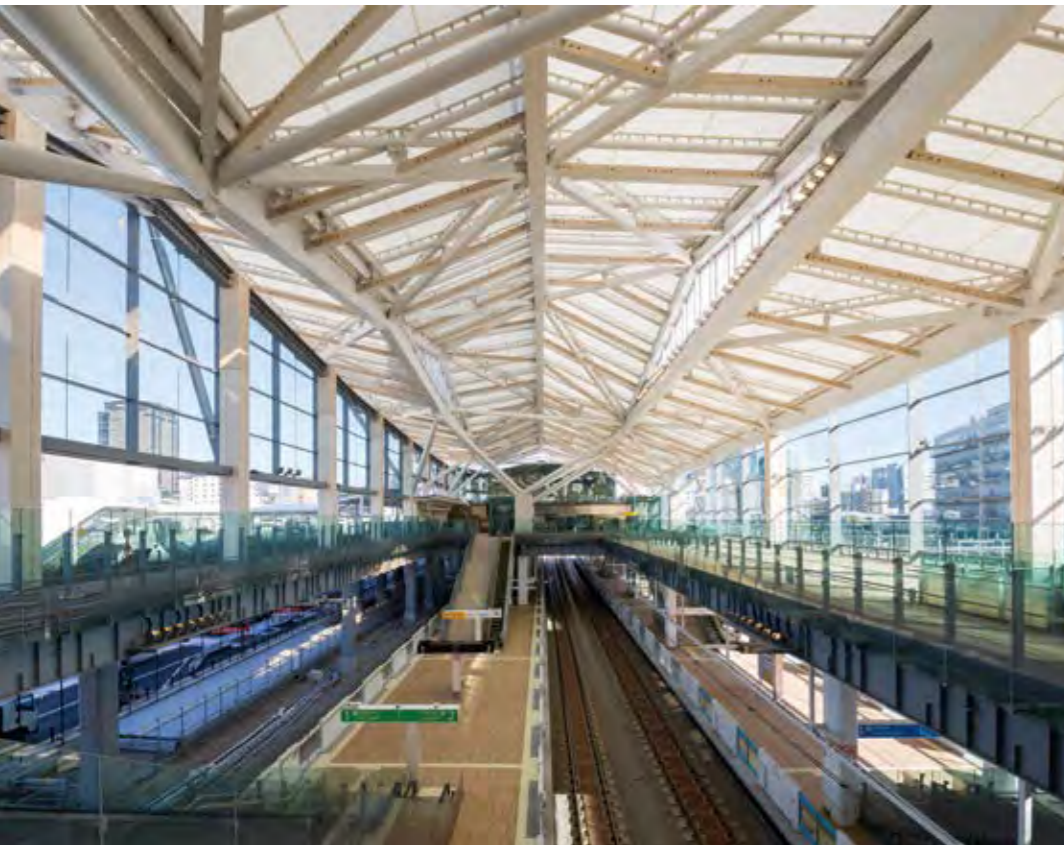
PROJECT REPORT TOKYO AQUATICS CENTRE

The new pool at Tatsumi Seaside Park is internationally recognized. The work was delivered in a short time and costs were reduced thanks to the "liftup construction method." The massive roof, weighing 7,000 tons, was assembled on the ground and then lifted into place. The facility was built to host national and international competitions.



PROJECT REPORT SAMYAN MITRTOWN Bangkok, Thailand

Obayashi Group company THAI OBAYASHI CORPORATION LIMITED built the large mixed-use complex, containing a shopping center, hall, offices, hotel, and more in the center of Bangkok, Thailand. The eco-friendly structure was constructed to meet LEED Gold environmental performance standards.



PROJECT REPORT Takanawa Gateway Station

Located between Tamachi and Shinagawa, the station opened on March 14, 2020. The roof, designed with an origami motif, evokes an image of light coming through a shoji sliding door and realizes a very Japanese design. The station building is also very eco-friendly. The membrane roof saves lighting power consumption and the structure is made of wood from the Tohoku region.

TOPIC 02

ES CON FIELD HOKKAIDO, New Ballpark for Hokkaido



Obayashi, together with HKS Inc., a major architectural design firm in Texas, U.S.A., won the order to design and build the new sports venue ES CON FIELD HOKKAIDO. The site in Kitahiroshima City, Hokkaido will be the home stadium for the Hokkaido Nippon-Ham Fighters baseball team. The plan calls for a natural turf field, a distinctive exterior featuring one of Japan's largest retractable roofs, and a glass wall giving an open feel. Inside, a 360° concourse will afford views of the entire field from a variety of angles for a novel viewing experience. Work began in May 2020 with a planned opening in March 2023.



Illustration upon completion

Civil Engineering Business



Providing Unique Obayashi Value while Adapting to a Changing Business Environment

The division is developing technology to make onsite construction work autonomous and more efficient, while ensuring everything is based on safety and quality. Our aim is to further increase productivity while adapting to changes in the business environment. Employees involved with the civil engineering business in Japan and overseas, including those at Group companies, are teaming up to reform work styles. We are also working in collaboration with our suppliers to be more competitive. Through efforts like these, we will provide unique Obayashi value to society and customers.

Takehito Sato (left) Representative Director, Executive Vice President, Responsible for overall civil engineering construction, General Manager of Safety, Quality & Environment Division

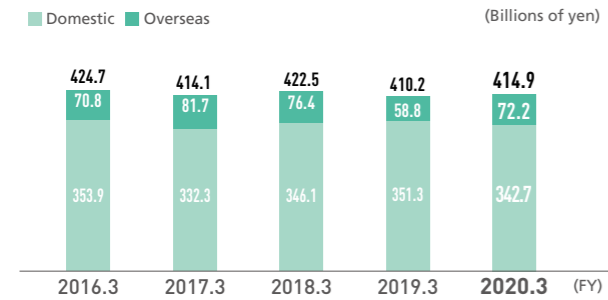
Akinobu Nohira (right) Senior Managing Executive Officer, General Manager of Civil Engineering Construction Division

Consolidated Net Sales

¥414.9 billion

Up 1.1% year on year ↑

(Billions of yen)

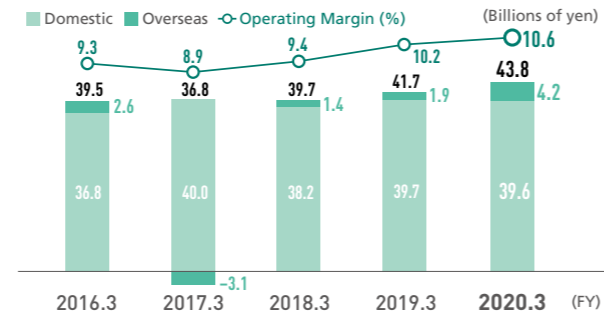


Consolidated Operating Income

¥43.8 billion

Up 5.0% year on year ↑

(Billions of yen)



Opportunities in Business Environment

- Progress on large projects, including the 2025 World Exposition, integrated resort facilities, redevelopment in urban centers
- Growing market for maintenance and renovation of infrastructure built in Japan's high-growth period
- A constant need for clean energy including offshore wind power farms
- Increasing demand to build infrastructure in newly emerging economies as they develop, overseas infrastructure projects driven by public-private partnerships

Risks and Responses

- Impact on earnings and business evaluation if there are major safety or quality incidents
 - Lack of production capacity as changing population structures leave fewer skilled workers
 - Social demands to correct problems in working environments, such as long work hours
 - Business interruptions due to shortages of skilled workers, materials, or equipment during a natural disaster
- ▶ Fully implement safety and quality awareness-raising and control policies
 - ▶ Establish next-generation construction production systems based on BIM/CIM and increase productivity by promoting autonomous operation of construction machinery
 - ▶ Increase efficiency by transforming business processes and using ICT
 - ▶ Conduct trainings, including training on securing skilled worker, material, and equipment procurement channels in line with BCP during disasters

Business Strategy Based on Medium-Term Business Plan

- 1 Strategically acquire orders to construct, renew, and extend the life of infrastructure that contributes to the safety and security of the public as well as Japan's economic development
- 2 Work to acquire orders for energy-related projects that respond to social and environmental change
- 3 Expand design-build projects using labor-saving technology and ICT, and further increase productivity and construction safety using IoT and AI
- 4 Diversify earnings base by expanding into upstream and downstream sectors in the civil engineering business
- 5 Secure employees and skilled workers by improving the working environment on construction sites and secure production capacity by supporting their development and so forth
- 6 Stabilize business earnings by promoting business strategies tailored to regional characteristics in overseas business and strengthening coordination between Japan and overseas

Specific Measures Based on Business Strategy and Outcomes

- Develop bridge slab replacement technologies for labor-saving, "Submarine Slicer™" and "Flange Blaster™"
- Build a Self Elevating Platform (SEP) for construction of offshore wind power farm
- Develop Obayashi-Dam Innovative Construction Technology (ODICT™), computer-aided dam construction technology, and apply it at dam construction sites
- Develop shield 3D linear control system as basis for "OGENTS/DRIVE™" shield autonomous driving technology
- Increase productivity by actively implementing ICT tools
- Foster improvement awareness by establishing new in-house work style reform commendation system
- Support expansion in number of skilled workers, by offering hands-on occupational experience and tours of construction sites
- Support career formation for skilled workers by promoting Construction Career Up System
- Train local overseas employees in Japan
- Enhance information-gathering capacity and procurement competitiveness by collaborating and strengthening relationships with local partners and suppliers at overseas bases

TOPIC 01

Construct Dams with ODICT™ Computer-Aided Dam Construction Technology



Obayashi has developed ODICT™, which integrates construction know-how acquired through many years of dam construction experience by using digital technologies such as ICT, IoT, and AI. We designated construction of the main body of Kawakami Dam in Iga City, Mie Prefecture as a project to promote i-construction.* Here, we are developing more than 20 technological solutions to pursue practical application of automated construction.

* i-construction: An initiative led by the Ministry of Land, Infrastructure, Transport and Tourism to apply ICT to construction sites

More information about Obayashi's dam construction initiatives
OBAYASHI DAM WORLD
<https://www.obayashi.co.jp/damworld/>
(Japanese only)





PROJECT REPORT

Yamada Town Reconstruction (Iwate Prefecture)

Obayashi undertook each stage from surveying and design through to construction in this reconstruction project following the Great East Japan Earthquake. Covering a large area of about 60 ha, the project moved houses to higher ground, raised the ground level in low-lying areas, maintained urban centers, national highways, local roads, and rivers, and also worked on water supply and sewer lines. It was the first project in Japan to use a Construction Management at Risk (CMAR) system.



PROJECT REPORT

**Construction work of improvement of Tokyo-Gaikan Chuo Junction
The north side ramp**

Obayashi used open-cut and pneumatic caisson method to construct a tunnel ramp connecting the main line to the Chuo Expressway. This was part of construction on the Tokyo Gaikan Expressway to relieve traffic congestion and improve the environment in the Tokyo metropolitan region.



PROJECT REPORT

Construction of Kanchpur, Meghna, Gumti 2nd Bridges and Rehabilitation of Existing Bridges, Package No. PW-01

To keep up with increasing traffic caused by Bangladesh's remarkable economic growth, three existing bridges along national highway No. 1, the largest arterial road in Bangladesh, were rehabilitated and second bridges were constructed parallel to them. (Photo shows the Meghna Bridge upon completion.)

PROJECT REPORT

KRAEMER NORTH AMERICA, LLC Participates in Large-Scale Renovation Project for Steel Arch Bridge

Group company KRAEMER NORTH AMERICA, LLC undertook the large-scale renovation of a steel arch bridge (completed in 1987) spanning the Mississippi River in the U.S. With the project based on a CM/GC contract, KRAEMER NORTH AMERICA, LLC was able to participate from the design stage. While replacing the aging deck slabs, it was able to control the tensioning force acting on the arch and ensure stability.



TOPIC 02

New Technology Enables Faster Slab Replacement



Demand is rising to renovate expressways built during Japan's high-growth period. In response, we have developed a variety of technologies to replace bridge slabs. In one project replacing many bridges between the Sonohara Interchange (Nagano Prefecture) and Nakatsugawa Interchange (Gifu Prefecture) on the Chuo Expressway, we were able to shorten work time by about 30% compared to conventional methods. We used the "Slim Fastener®" precast slab-joining technique (enabling fast construction and high durability) and full-precast EMC Parapet™ and furthermore optimized the construction cycle. (For details about these technologies, see "Bridges and Viaducts" on our website (Japanese only).)

https://www.obayashi.co.jp/solution_technology/civil_engineering_structures/011detail04.html (Japanese only)



Real Estate Development Business



Practicing Community Development the Obayashi Way, Sensitive to Trends

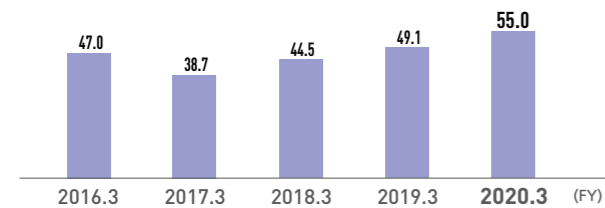
This is a time of change in how our cities, buildings, and office environments work. There is a trend to develop communities for sustainability and another to use IoT and AI in building management.

In our real estate development business, we stay sensitive to trends like these. Moreover, we always keep it in mind that construction is our main business and we try to create strong synergy between the two businesses. We are committed to continuous and steady growth going forward, restoring cities with all types of challenges into attractive places. This is what we call "community development the Obayashi way."

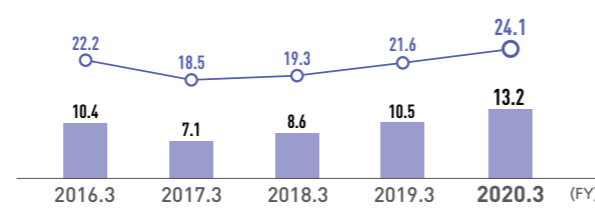
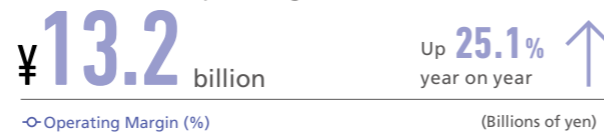
Jiro Otsuka

Senior Managing Executive Officer,
General Manager of Real Estate Development Division

Consolidated Net Sales



Consolidated Operating Income



Opportunities in Business Environment

- Continued redevelopment and solid office demand in the urban areas of Tokyo and Osaka
- Increasing importance of environmentally responsible real estate development projects as ESG investment rises
- Increasing demand for facility management that leverages innovations like IoT and AI

Risks and Responses

- Intensifying competition to secure tenants owing to large supply of office buildings
- Risk of losses from real estate price drops when economy worsens
- Price of land for development jumps too high
- Leverage Group's network to secure tenants and make office buildings more competitive by rebuilding and renovating
- Dissipate investment risk into non-office buildings and overseas markets
- Leverage customers' and Group's networks to acquire land and participate in joint projects with other developers, etc.

Business Strategy Based on Medium-Term Business Plan

- Strengthen stable earnings base through further investment in the office leasing business (focusing on the key area of central Tokyo)
- Continue to develop business selling detached housing and condominiums in the Tokyo metropolitan area and major cities in the Kansai region
- Promote development of new rental housing, logistics facilities, and so forth to drive diversification of the leasing portfolio
- Contribute to creation of a low-carbon society and sustainable communities by promoting environmentally responsible real estate development projects
- Promote facility management that leverages innovation like IoT and AI
- Contribute to construction business by using real estate development expertise to create added value

Specific Measures Based on Business Strategy and Outcomes

- Consolidated operating income in FY2020.3 amounted to ¥13.2 billion, a huge increase year on year, the result of new leasing units that we had invested in or developed going into operation and the completion and sale of housing
- Start of work on Mita 3,4-chome District Class 1 Urban Redevelopment Projects (Tokyo) as specified agent
- Start of Phase 1 sale of Senri Maruyama no Oka (Osaka), large-scale detached housing development. Project was selected as a sustainable structure, etc., leading project (low-CO₂ leading type) implemented by industry, academia, and government
- Continually review leasing portfolio, including expansion of assets in central Tokyo, to strengthen income gains
- Expand development-type sales business to strengthen capital gains
- Expand overseas real estate business to diversify portfolio

TOPIC

Start of Construction on O-NES TOWER, Large Real Estate Development Business in Bangkok, Thailand



At 29 floors above ground and total floor space of about 85,000 m², the tower, now under construction, will be the largest office building among the leasing properties solely owned by the Obayashi Group. It is located in an excellent location in central Bangkok, Thailand, as it connects directly to a transit station. It is scheduled for completion in 2021.

The tower's hybrid structure will enable approximately 20-meter spans without columns. It will offer comfortable office spaces that are unusual in Thailand, including individual air conditioning for more precise temperature control. One aim is to create a leading eco-friendly smart building. We have begun procedures to obtain LEED and WELL certifications and are studying implementation of a building management system using IoT and AI.



Business Report

New Businesses



Using Renewable Energy Business to Expand Our Earnings Base

Obayashi already commercially operates solar, onshore wind, and biomass power businesses. Going forward, we will expand our earnings base primarily with offshore wind power (now in planning) and by working steadily to establish businesses in small-scale hydroelectric and geothermal power.

Additionally, we are bolstering our PPP business in cooperation with branches and Group companies, and working to correctly grasp the changes in the times and environment to further cultivate new business areas.

Yuichi Yamamoto

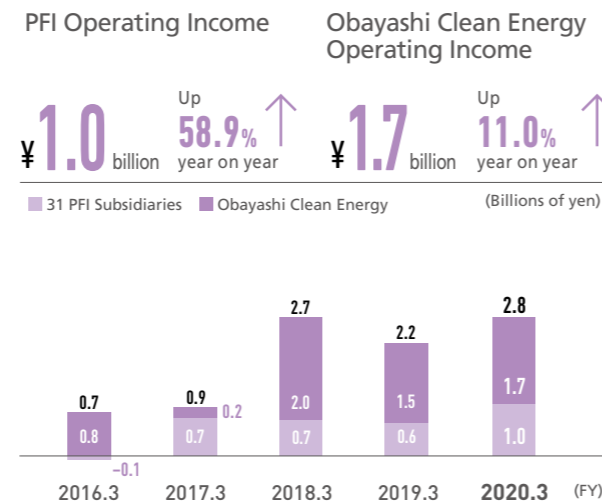
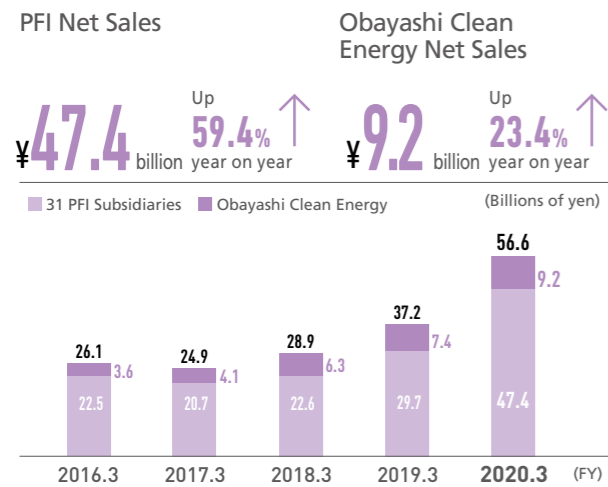
Managing Executive Officer,
General Manager of Technology Business Development Division

Business Strategy Based on Medium-Term Business Plan

- 1 Steadily promote existing projects as well as renewable energy and other projects we plan to commercialize
- 2 Explore new projects for creating new earnings bases and consider commercialization
- 3 Expand Group-wide earnings by strengthening efforts in PPP projects

Specific Measures Based on Business Strategy and Outcomes

- Steadily promote Northern Akita Prefecture Offshore Wind Power, Kamikita Ogawara Onshore Wind Power (Aomori Prefecture), Kamisu Biomass Power (Ibaraki Prefecture), Northern Kyogoku and Rusutsu area geothermal power (Hokkaido), Nikko Ashio Small-Scale Hydroelectric Power (Tochigi Prefecture), etc.
- Stably operate power generation facilities already in commercial operation (28 solar power facilities across Japan, as well as onshore wind power facility in Mitane Town, Akita Prefecture and biomass power facility in Otsuki City, Yamanashi Prefecture)
- Correctly grasp the changes in the times and environment and cultivate new business areas to expand earnings (e.g., steadily promote agriculture business such as plant factories using artificial light and sunlight)
- Work with branches and Group companies to get PPP business and take initiatives to get concessions in fields where we can expect synergy with Group companies



Opportunities in Business Environment

- Increasing demand for renewable energy aiming for the 2030 energy mix outlined by the Japanese government
- Changes in the energy environment, including the enforcement of the Paris Agreement to deal with the rising risk of climate change
- Accelerating entry of enterprises into agriculture as the farming population declines
- Creation of new business opportunities owing to Japanese government promoting PPP (PFI, concessions, etc.)

Risks and Responses

- Decline in unit prices as FIT system that purchases electric power at a fixed price is revised
- Shifts in Japanese government's energy policies
- Functional decline and troubles at renewable energy power generation facilities
- Contingencies and troubles in long-term, wide-ranging private finance initiatives (PFI)
- ▶ Carefully consider whether to participate in projects after closely examining business risks and earnings
- ▶ Use power generation facilities effectively, focusing on operation after FIT system ends
- ▶ Develop risk prevention measures taking advantage of knowledge at Obayashi and its partner operators and build a solid backup system for contingencies
- ▶ Use Obayashi's knowledge in management business and improve ability to manage and respond to risk

TOPIC

Promoting Northern Akita Prefecture Offshore Wind Power Project, One of Japan's Largest



The general sea area of northern Akita Prefecture has some of the best conditions in Japan for wind power. In July 2019, in partnership with The Kansai Electric Power Company, Incorporated and local companies like The Akita Bank, Ltd., we established Northern Akita Prefecture Offshore Wind Power LLC, with Obayashi serving as senior partner among the 11 investing businesses. The company was founded to launch business at one of Japan's largest wind farms, which will have a maximum output of 455 MW. We are steadily preparing environmental assessments and other development and commercial feasibility studies ahead of a call for operator bids, scheduled to happen during FY2021.3.



Business Report Engineering Business



Creating New Added Value, Manifesting Synergy with Construction Business

Under policies that emphasize pursuing domains of technology with potential for the future, expanding our business domains and our involvement up and down the supply chain, and enhancing our human resources and organization, the Engineering Division aims to be a business that can create new added value.

We will cultivate both existing and new fields in terms of markets, customers, and technology and offer services and products with extra tangible and intangible value. In this manner, we will further build up our synergy with our construction business.



Atsushi Takeuchi

Executive Officer, General Manager of Engineering Division

Business Strategy Based on Medium-Term Business Plan

- 1 Strengthen business platform (technology, organization, human resources) for growth and expansion of the engineering business
- 2 Increase earnings capacity by strengthening the engineering business's competitive advantage and harnessing powerful synergies with the building construction and civil engineering businesses
- 3 Expand the division's business domains and its involvement up and down the supply chain by using advanced specialized technological capabilities that create high added value (existing and new fields, expansion overseas)

Specific Measures Based on Business Strategy and Outcomes

- Manufacturing Facilities: Enter the market for robot-based automation and smart factories
- ICT: Pursue office building and factory system integration with IoT and AI
- Environmental Facilities: Strengthen system for working with offshore wind power and biomass power facilities
- Environmental Technology: Comprehensively propose planning, design, construction, and management of waste disposal facilities



New manufacturing facility for vials containing highly potent lyophilized injectables at Nagase Medicals Co., Ltd.

TOPIC

Engineering with Advanced Technology and Expertise



We provided design, procurement, and construction services of building, M&E, and process tools for an injectables manufacturing facility. We have applied advanced aseptic and containment technology and expertise. As a result, we have realized functional and safe production environments required for facilities handling highly potent active injectables.

Business Report Nuclear Facilities Business

Business Strategy Based on Medium-Term Business Plan

- 1 Take initiatives in nuclear power construction relating to measures to increase safety of nuclear power plants and environmental restoration following the Fukushima accident
- 2 Participate in new nuclear power plant construction in and outside Japan; take part in projects on nuclear decommissioning and disposal of radioactive waste

Specific Measures Based on Business Strategy and Outcomes

- Won orders for construction work at The Kansai Electric Power Company, Incorporated's Ohi nuclear power plant and Kyushu Electric Power Company, Incorporated's Genkai nuclear power plant as specified facilities in need of response to severe accident, etc. Conducting technology marketing and taking engineering work initiatives to win more safety enhancement work
- Construction of interim storage facilities and related facilities for removed soil and waste generated from offsite decontamination works. Participating in recovery and use plan of existing waste disposal site for waste generated in management area by government
- Developing human resources and technology to get ready to participate in projects relating to new nuclear power plant construction in and outside Japan, nuclear decommissioning and disposal of radioactive waste

Business Report Robotics Business

Business Strategy Based on Medium-Term Business Plan and Outcomes

- 1 Aim to realize fully autonomous, eco-friendly construction using ICT, IoT, and AI, and to be a leading company in the field of autonomous construction machinery
- 2 Use robotics to help improve earnings in building construction, civil engineering, and new businesses, expand external business using the same technologies to other industries and overseas, and expand the Obayashi Group's revenue sources

- Outcomes**
- Development of autonomous backhoe operating system
 - Development of automatic dam crane operating system
 - Sales to steel industry (SURROGATE®)
 - Sales to rental supplier (SkyJuster®)

TOPIC

Construction and Management of Decontamination Waste Volume Reduction Facilities



In Futaba Town, Fukushima Prefecture, Obayashi constructed a temporary incineration facility to burn flammable materials resulting from decontamination work and a temporary incinerator ash processing facility to melt the incinerator ash and particulate matter and reduce its volume. Drawing on our strengths in design-build projects, we incorporated our own ideas as the construction provider into the design. Through this front-loading approach, we worked to shorten delivery time and increase productivity. Obayashi maintains and operates the facilities, which can process 300 tons of waste daily. In this way, we are contributing to the environmental restoration of Fukushima Prefecture.



TOPIC

Autonomous Backhoe Operating System Developed for High Productivity and Safety



Obayashi developed the autonomous backhoe operating system in a partnership with NEC Corporation and TAIYU Co., Ltd. Instead of a human operator, it uses AI for jobs like tunnel excavation and underground excavation for large buildings. AI can judge the most efficient points for loading soil as the system operates and controls the backhoe. High-precision control enables the same high level of productivity and safety as skilled workers. By building next-generation construction production systems like this and by conducting outside sales of systems, we aim to solve the problem of a skilled worker shortage in the construction industry.





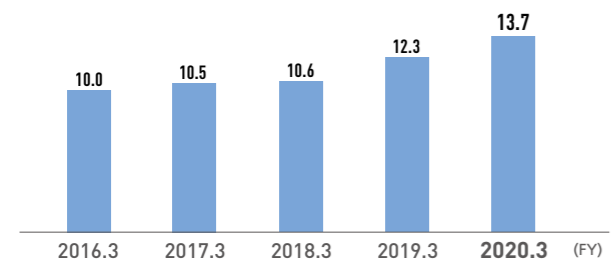
Promoting Innovation to Help Build a Sustainable Society

The Technical Division is strengthening collaboration with enterprises and groups in a variety of fields who have leading-edge technology. Our aim is to promote innovation in all sorts of business domains to realize sustainability of “the planet, society, and people.”

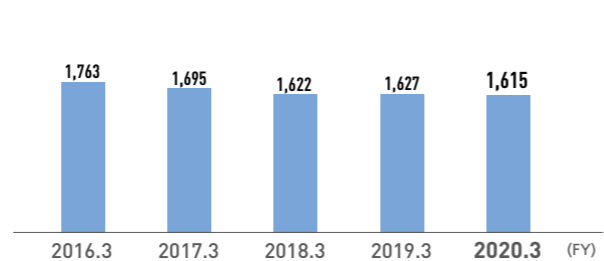
We will pursue technological development to create new value by introducing customers and society to solutions that meet such needs as raising quality and productivity, lowering costs, preparing for natural disasters, and mitigating environmental impact.

Naoki Kajita
Managing Executive Officer,
General Manager of Technical Division

Consolidated Research and Development Expense



Consolidated Number of Patents Owned



Business Strategy Based on Medium-Term Business Plan

- To create a "Flexible Future," enhance the technological capabilities that are the source of the Group's competitive advantage and promote innovation in all business domains
- Develop technologies that contribute to business by aligning with customer needs, stimulating new demand, and reading the markets and the times
- Develop and utilize technologies that will lead to a great leap forward in productivity applying IoT, AI, etc., and to the creation of new value

Specific Measures Based on Business Strategy

- Offer one-stop technology solutions for the needs of our customers and business units from the Technical Division as the Obayashi Group's core technology center. Collaborate with parties in other industries (e.g., using 5G to remotely operate heavy equipment), release information about the technologies we have to parties inside and outside Obayashi, and promote exchanges of technology within the Group
- Develop technologies that contribute to people's safety and security in the event of natural disaster (e.g., build the new "multipurpose wind tunnel experimentation device"), develop technologies that reduce burden on skilled workers and contribute to their safety, and security, and health (e.g., "Cargo Drone" and "Envital®"), develop energy technologies that reduce environmental impact (hydrogen, geothermal, etc.), and develop technologies for greater comfort and wellness in buildings (e.g., "WellnessBOX®")

TOPIC 01

Establishment of Fast-Installation and Low-Cost Construction Technology for Offshore Wind Power Farms



"Skirt Suction®" is an Obayashi-developed technology for the rapidly scaling up offshore wind power industry. A cylindrical vertical wall (the skirt) is pushed into the sea floor to firmly secure offshore wind turbine (OWT) foundations. This is achieved at a greatly reduced cost and short installation time by creating a hydraulic pressure differential between the inside and the outside of the skirt, without the need for heavy equipment.

As the first big step towards practical usage of this technology, suitability for application in fixed OWT structures has been verified by undertaking Japan's first large-scale commissioning and decommissioning experimental studies. We have also obtained approval in principle for application in floating OWT structures.

TOPIC 02



One of Japan's Largest Structures Made by Cement 3D Printer Has Complex Design and Durability



Obayashi made a shell-shaped bench that is among the largest structures in Japan made by a 3D printer. To do so, we developed a composite structure, wherein "SLIM-Crete®" UFC (ultra-high-strength fiber-reinforced concrete) is filled into a frame made of special 3D printing mortar.

The complex design, with curving surfaces and air pockets, was realized by 3D printer's ability to form members with complex shapes without using formwork. Topology-optimizing technology produces forms that, like bones, are lightweight but sturdy and achieve practical structures. With further improvements, we aim to develop practical applications for this as one next-generation technology.

Consolidated Financial Summary

Fiscal years ended March 31	Millions of yen										Thousands of U.S. dollars ⁵	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020
Orders received	¥ 1,282,334	¥ 1,180,639	¥ 1,362,702	¥ 1,449,567	¥ 1,653,005	¥ 1,900,517	¥ 1,951,943	¥ 2,145,256	¥ 1,880,155	¥ 1,958,869	¥ 2,240,001	\$ 20,582,575
Orders received (construction business)	1,214,745	1,108,348	1,289,779	1,372,658	1,580,900	1,797,441	1,862,140	2,052,504	1,774,745	1,873,739	2,149,788	19,753,635
Net sales	1,341,456	1,131,864	1,245,772	1,448,305	1,612,756	1,773,981	1,777,834	1,872,721	1,900,655	2,039,685	2,073,043	19,048,454
Gross profit	14,569	99,716	110,678	114,687	112,059	131,707	193,052	224,933	234,303	254,023	255,547	2,348,136
Gross profit margin (%)	1.1	8.8	8.9	7.9	6.9	7.4	10.9	12.0	12.3	12.5	12.3	—
Selling, general and administrative expenses	77,103	76,542	79,532	79,534	80,067	83,318	86,671	91,191	96,502	98,542	102,675	943,451
Operating income (loss)	(62,534)	23,174	31,145	35,153	31,991	48,388	106,380	133,742	137,800	155,480	152,871	1,404,685
Operating margin (%)	(4.7)	2.0	2.5	2.4	2.0	2.7	6.0	7.1	7.3	7.6	7.4	—
Ordinary income (loss)	(59,608)	22,207	35,241	44,690	40,135	59,913	111,208	140,106	143,951	163,054	159,005	1,461,048
Profit (loss) attributable to owners of parent ^{*1}	(53,354)	15,423	5,142	13,195	21,627	28,695	63,437	94,501	92,662	113,155	113,093	1,039,175
Profit (loss) attributable to owners of parent per share (EPS) (yen/U.S. dollars)	(74.21)	21.46	7.16	18.37	30.11	39.96	88.36	131.66	129.09	157.65	157.59	1.44
Net assets	367,618	351,287	365,492	414,650	448,108	549,483	561,658	644,076	711,525	798,149	850,498	7,814,931
Equity (net assets less non-controlling interests)	342,227	325,936	340,463	384,730	412,456	507,670	516,098	594,160	684,836	768,944	817,892	7,515,320
Retained earnings	139,176	151,684	152,278	161,666	178,665	199,296	255,750	334,957	404,840	498,195	587,012	5,393,850
[The ratio of retained earnings to equity]	[40.7%]	[46.5%]	[44.7%]	[42.0%]	[43.3%]	[39.3%]	[49.6%]	[56.4%]	[59.1%]	[64.8%]	[71.8%]	—
Total assets	1,590,667	1,505,697	1,618,748	1,656,289	1,818,886	1,996,193	1,951,907	2,015,996	2,148,861	2,214,512	2,230,297	20,493,406
Property, plant and equipment	319,373	360,209	358,186	376,489	415,089	408,848	441,604	459,597	526,270	544,558	572,190	5,257,658
Investment securities	296,589	251,196	264,365	317,386	323,858	415,541	342,021	346,245	372,308	360,627	290,719	2,671,316
[Sales result of investment securities]	[3,056]	[12,358]	[14,427]	[9,066]	[12,089]	[4,541]	[4,497]	[4,495]	[8,710]	[5,454]	[9,263]	[85,119]
Net assets per share (BPS) (yen/U.S. dollars)	476.12	453.52	474.01	535.67	574.32	706.94	719.01	827.77	954.05	1,071.49	1,139.69	10.47
Equity ratio (%)	21.5	21.6	21.0	23.2	22.7	25.4	26.4	29.5	31.9	34.7	36.7	—
Return on equity (ROE) (%) ^{*2}	—	4.6	1.5	3.6	5.4	6.2	12.4	17.0	14.5	15.6	14.3	—
Price-earnings ratio (PER) (times) ^{*2}	—	17.2	50.4	24.5	19.3	19.5	12.6	7.9	9.0	7.1	5.9	—
Dividends per share (yen/U.S. dollars)	8	8	8	8	8	10	18	28	28	32	32	0.29
Dividend payout ratio (%) ^{*2}	—	37.3	111.7	43.5	26.6	25.0	20.4	21.3	21.7	20.3	20.3	—
Net cash provided by (used in) operating activities ^{*3}	16,156	1,096	65,755	31,496	37,962	74,646	124,980	158,892	114,034	44,203	237,628	2,183,479
Net cash provided by (used in) investing activities ^{*3}	(12,746)	(33,134)	(1,919)	(29,151)	(47,328)	(7,442)	(48,029)	(37,884)	(71,289)	(45,302)	(47,318)	(434,793)
Net cash provided by (used in) financing activities ^{*3}	(15,733)	10,611	(48,949)	(28,977)	27,587	(34,523)	(68,967)	(89,165)	(54,548)	(24,823)	(49,397)	(453,891)
Cash and cash equivalents at end of period	132,425	108,999	121,682	99,690	121,177	162,607	164,802	194,195	184,783	157,699	298,945	2,746,898
Number of personnel ^{*4}	14,476	14,639	12,870	12,838	12,856	13,432	13,688	14,094	14,359	14,739	14,993	—
[Average number of temporary personnel not included in the above]			[2,869]	[3,031]	[3,139]	[3,658]	[4,066]	[4,431]	[4,393]	[4,093]	[3,886]	—
Interest-bearing debt (except nonrecourse loans)	309,706	321,375	320,798	306,323	351,592	327,802	266,465	200,334	184,724	183,061	172,928	1,588,977
Nonrecourse loans	81,343	87,885	84,316	81,845	76,851	83,017	79,874	73,024	92,004	89,156	75,624	694,885
Total amount of interest-bearing debt and nonrecourse loans	391,050	409,260	405,115	388,168	428,444	410,820	346,339	273,359	276,728	272,218	248,552	2,283,862
Debt-equity ratio (times)	1.14	1.26	1.19	1.01	1.04	0.81	0.67	0.46	0.40	0.35	0.30	—
Financial income (expense)-net	2,445	2,650	3,433	4,463	5,587	5,781	6,497	6,415	6,976	7,584	7,787	71,560
Capital expenditure	9,876	49,043	17,017	35,084	69,110	42,308	56,231	31,410	76,383	39,586	47,573	437,132
Research and development expense	8,018	8,561	9,093	8,742	8,927	9,391	10,081	10,553	10,602	12,312	13,734	126,203
Depreciation	10,534	11,394	11,954	10,916	12,103	14,392	14,476	14,981	14,659	17,672	19,880	182,670

*1 Since the year ended March 31, 2016, the line item "Net income (loss)" has been changed to "Profit (loss) attributable to owners of parent"

*2 Return on equity (ROE), the price-earnings ratio (PER), and the dividend payout ratio for the year ended March 31, 2010 were omitted due to a net loss posted that year

*3 In the consolidated statements of cash flows, figures in parentheses represent a decrease in cash and cash equivalents

*4 Average headcount of temporary employees for each fiscal year is recorded separately in parentheses. This is because the importance of temporary employees in average headcount rose following a revision in the boundary between employees and temporary employees starting in the fiscal year ended March 31, 2012

*5 U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥108.83 to US\$1, the prevailing exchange rate on March 31, 2020

Group Network

Major Group Companies in Japan

Name (major business)	Group interest (%)	Head office	Representative	FY	Financial data (Millions of yen)			Number of personnel (end of fiscal year)
					Net sales	Profit attributable to owners of parent	Net assets	
NAIGAI TECHNOS CORPORATION (Interior, building construction, and sales of materials and equipment for construction)	100.0%	Sumitomo Ichigaya Building, 1-1, Ichigaya-honmuracho, Shinjuku-ku, Tokyo	Masato Yanou	2019.3	101,506	661	6,587	142
				2020.3	97,391	1,050	7,429	149
OBAYASHI FACILITIES CORPORATION (Overall property management, building and M&E construction, and contracted operations)	100.0%	Sumitomoshoji Nishikicho Building, 1-6, Kanda-nishikicho, Chiyoda-ku, Tokyo	Ryosuke Miura	2019.3	26,379	1,302	13,573	647
				2020.3	28,644	1,102	14,281	709
OAK SETSUBI CORPORATION (M&E design and construction including air conditioning, ventilation, drainage, sanitary, and electricity)	100.0%	Sumitomo Fudosan Kayabacho Building, 1-16-3, Shinkawa, Chuo-ku, Tokyo	Kimiyooshi Sato	2019.3	24,280	711	4,299	227
				2020.3	16,772	28	4,327	238
OBAYASHI ROAD CORPORATION (Paving and civil engineering)	100.0%	Sumitomo Fudosan Sarugakucho Building, 2-8-8, Kandasarugakucho, Chiyoda-ku, Tokyo	Katsuji Fukumoto	2019.3	104,562	4,546	48,692	1,048
				2020.3	106,324	7,117	54,767	1,050
OBAYASHI-SHINSEIWA REAL ESTATE CORPORATION (Real estate leasing and sales, property management, insurance)	100.0%	Kojimachi Building, 3-3-6, Kudan-minami, Chiyoda-ku, Tokyo	Motoo Hiruma	2019.3	38,995	5,747	53,175	149
				2020.3	45,103	6,089	59,264	159
OBAYASHI CLEAN ENERGY CORPORATION*1 (Renewable power generation business)	—	Shinagawa Intercity Tower B, 2-15-2, Konan, Minato-ku, Tokyo	Yuichi Yamamoto	2019.3	7,465	573	485	20
				2020.3	9,211	789	7,279	22
OAK INFORMATION SYSTEM CORPORATION (Development and sales of computer software and sales and lease of electronic equipment)	100.0%	Tennoz Ocean Square, 2-2-20, Higashi-shinagawa, Shinagawa-ku, Tokyo	Koji Furuse	2019.3	6,772	276	1,858	177
				2020.3	7,434	200	1,968	179
OC FINANCE CORPORATION (Finance-related services)	100.0%	Shinagawa Intercity Tower B, 2-15-2, Konan, Minato-ku, Tokyo	Shinji Kurimoto	2019.3	700	384	6,077	—
				2020.3	606	340	6,417	—
IBARAKI GREEN CO., LTD. (Old Orchard Golf Club, Daystar Golf Club)	100.0%	686-3, Torihata, Ibaraki-machi, Higashi Ibaraki District, Ibaraki Prefecture	Hiroki Uemura	2019.3	1,830	2,499	5,217	38
				2020.3	1,224	-30	5,187	39
31 PFI Subsidiaries (PFI-related services)	—	—	—	2019.3	29,774	299	3,203	84
				2020.3	47,464	652	4,094	85

*1 Includes its own subsidiary in the renewable energy business

Major Overseas Group Companies

Name (major business)	Group interest (%)	Head office	Representative	FY	Financial data (Millions of yen)			Number of personnel (end of fiscal year)
					Net sales	Profit attributable to owners of parent	Net assets	
E.W. HOWELL CO., LLC*2 (Building construction business)	92.0%	245 Newtown Road, Suite 600, Plainview, NY 11803, U.S.A.	Howard Rowland	2019.3	29,495	74	2,293	152
				2020.3	32,931	280	2,567	170
WEBCOR, LP*2 (Building construction business)	96.0%	207 King Street, Suite 300, San Francisco, CA 94107, U.S.A.	Jes Pedersen	2019.3	240,906	2,709	9,733	772
				2020.3	225,089	1,953	12,375	743
JAMES E. ROBERTS-OBAYASHI CORPORATION*2 (Building construction business)	51.0%	20 Oak Court, Danville, CA 94526, U.S.A.	Scott Smith	2019.3	13,793	117	1,591	41
				2020.3	10,301	83	1,735	43
THAI OBAYASHI CORPORATION LIMITED (Building construction business)	50.0%	11th Floor, Nantawan Building, 161 Ratchadamri Road, Pathumwan, Bangkok 10330, Thailand	Pornchai Sittiyakorn	2019.3	57,709	2,476	45,014	1,260
				2020.3	58,225	2,683	52,248	1,294
PT. JAYA OBAYASHI (Building construction business)	85.0%	JL. Pancoran Timur II No.3, Pancoran, Jakarta 12780, Indonesia	Koichiro Minami	2019.3	7,650	-484	1,742	173
				2020.3	6,852	13	1,799	180
TAIWAN OBAYASHI CORPORATION (Building construction business)	100.0%	16F-1, No.57, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	Yoichi Nagamatsu	2019.3	6,529	-132	3,760	70
				2020.3	4,138	-129	3,673	62
OBAYASHI SINGAPORE PRIVATE LIMITED (Building construction business)	100.0%	1 Paya Lebar Link, #06-03, Paya Lebar Quarter - PLQ1, Singapore 408533	Lee Aik Seng	2019.3	26,608	1,189	4,904	275
				2020.3	26,409	1,615	6,524	296
OBAYASHI VIETNAM CORPORATION (Building construction business)	100.0%	Saigon Trade Center, 24th Floor, Unit 2401, 37 Ton Duc Thang St., District 1, Ho Chi Minh City, Vietnam	Shuji Hosoe	2019.3	16,611	299	4,515	157
				2020.3	17,565	592	5,059	153
KRAEMER NORTH AMERICA, LLC*2 (Civil engineering business)	56.0%	One Plainview Road, Plain, WI 53577-0220, U.S.A.	Scott Peterson	2019.3	21,969	522	4,454	138
				2020.3	32,991	801	5,259	164
KENAIDAN GROUP LTD.*3 (Civil engineering business)	60.0%	7080 Derrycree Drive, Mississauga, Ontario L5W 0G5, Canada	John Goffredo	2019.3	14,831	-201	1,668	147
				2020.3	20,394	72	1,836	142

*2 Consolidated subsidiary of Obayashi USA, LLC

*3 Consolidated subsidiary of Obayashi Canada Holdings Ltd.

Organization Chart

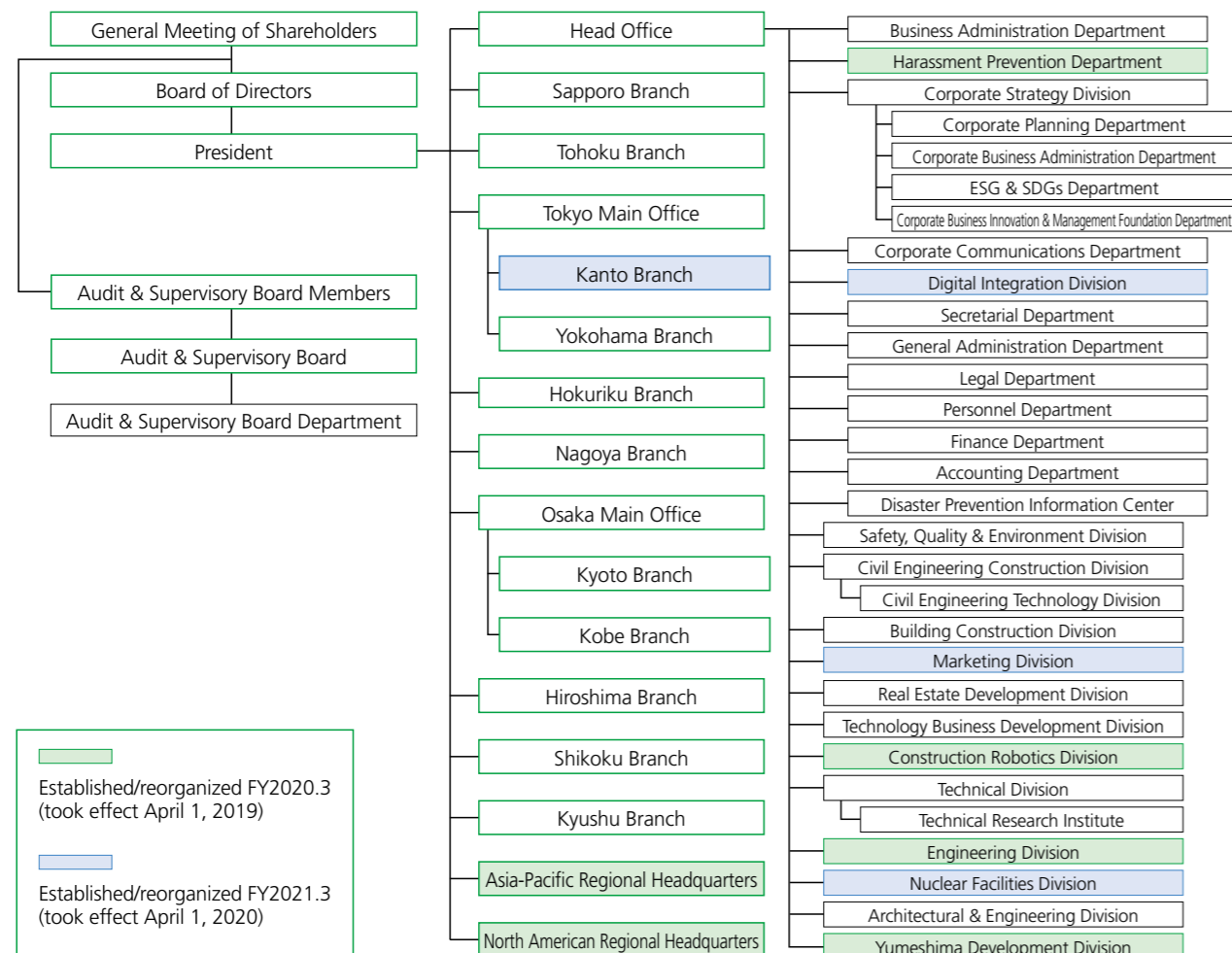
The Obayashi Group has been reorganizing with the primary focus on strengthening the Group's four existing business areas, deepening and expanding our business domains, and accelerating globalization.

Major Organizational Reforms and Their Objectives in FY2020.3

- Establish Asia-Pacific Regional Headquarters and North American Regional Headquarters: To increase the profitability of our overseas business by being rooted in the respective areas and able to draw up and promote comprehensive business strategies that include not only the construction business but also real estate development and new businesses. The regional headquarters' work would be attuned to the circumstances and characteristics of their areas overseas. (Overseas Business Division abolished)
- Establish Construction Robotics Division: To guide leading-edge technological development of construction machinery using IoT, AI, robotics, etc., to enhance innovation and productivity, and to expand that technology outside the Group to create new sources of earnings. (Reorganized the Mechanical & Electrical Department, which had been a supporting department of the construction business)
- Make Engineering Division independent: To flexibly accomplish M&A and alliances and strengthen the area as a business creating new added value in order to solve customers' and society's challenges in the fields of next-generation medical care and the environment
- Establish Yumeshima Development Division: To perform functions like collecting information about the Yumeshima development plan in Osaka and promote comprehensive and effective marketing initiatives in cooperation with each division and Osaka Main Office as a Head Office organization under the direct control of the President
- Establish Harassment Prevention Department: To take reports and provide advice, inquire into incidents, educate, raise awareness of human rights, and stamp out harassment as an independent department specializing in harassment issues

Major Organizational Reforms and Their Objectives in FY2021.3

- Establish Marketing Division: To participate, as an organization that works with every branch, in all stages from strengthening upstream marketing information collection to individual project marketing initiatives, collaborate organically including with Group companies, and work to enhance customer convenience and draw up and implement efficient marketing strategies
- Establish Kanto Branch: To be a combined construction and marketing office for Obayashi's building construction and civil engineering businesses in Saitama, Chiba, Gunma, Tochigi, and Ibaraki Prefectures; to strengthen information collection, solution proposal, and procurement capabilities; and to work to realize attentive support for customers and increase competitiveness
- Establish Digital Integration Division: To more powerfully execute the future digital management foundation concept. (Reorganizing ICT departments, putting the Building Construction Division's iPD Center under the jurisdiction of the new division, and abolishing Global ICT Integration Department as of the end of June 2020)
- Make Nuclear Facilities Division independent: To strengthen its function as a specialized organization focusing on the technology of nuclear power, for which vigorous construction demand is expected



Corporate Information / Stock Information

Corporate Information	
Company Name:	OBAYASHI CORPORATION
Founded:	January 1892
Established:	December 1936
Representative Director, President:	Kenji Hasuwa
Head Office:	2-15-2, Konan, Minato-ku, Tokyo, Japan
Capital:	57,752 million yen
Employees:	8,829 (as of March 31, 2020)
Construction Business Permission:	Government Permit (Toku/Han-1) 3000
Real Estate Business License:	Government License (14) 791
Business Activities:	Construction work in and outside Japan, regional development, urban development, and other construction-related businesses, including contracted engineering, management, consulting services, real estate development, etc.

Major Business Offices

Head Office: 2-15-2, Konan, Minato-ku, Tokyo
 Sapporo Branch, Tohoku Branch (Sendai), Kanto Branch (Saitama), Tokyo Main Office, Yokohama Branch, Hokuriku Branch (Niigata), Nagoya Branch, Kyoto Branch, Osaka Main Office, Kobe Branch, Hiroshima Branch, Shikoku Branch (Takamatsu), Kyushu Branch (Fukuoka), Asia-Pacific Regional Headquarters (Singapore), North American Regional Headquarters (San Francisco)

Research Institute

Technical Research Institute (Tokyo)

Overseas Offices

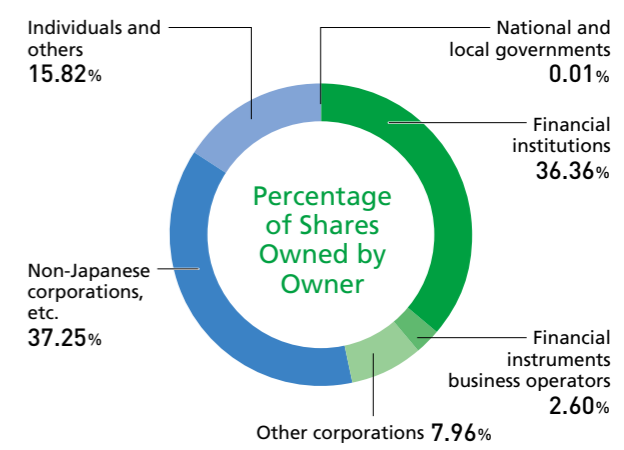
London, Auckland, Sydney, Guam, Taipei, Jakarta, Hanoi, Phnom Penh, Kuala Lumpur, Bangkok, Yangon, Dhaka, Dubai

Stock Information (As of March 31, 2020)	
Number of Shares Authorized:	1,224,335,000 shares (No change from the end of the previous fiscal year)
Total Number of Shares Issued and Outstanding:	721,509,646 shares (No change from the end of the previous fiscal year)
Number of Shareholders:	52,807
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan
Ordinary General Meeting of Shareholders:	June
Stock Listings:	Tokyo and Fukuoka

Major Shareholders (As of March 31, 2020)		
Name	Shareholdings	
	Shares Held (Thousands)	Shareholding Ratio (%) ^{*1}
The Master Trust Bank of Japan, Ltd. (Trust Account)	64,255	8.95
Japan Trustee Services Bank, Ltd. (Trust Account)	62,694	8.73
Nippon Life Insurance Company	20,905	2.91
Takeo Obayashi	16,944	2.36
Japan Trustee Services Bank, Ltd. (Trust Account 7)	16,412	2.29
Japan Trustee Services Bank, Ltd. (Trust Account 5)	12,790	1.78
JP MORGAN CHASE BANK 385151	11,834	1.65
Japan Trustee Services Bank, Ltd. (Trust Account 9)	11,156	1.55
Obayashi Group Employee Shareholding Association	10,857	1.51
GOVERNMENT OF NORWAY	10,312	1.44

*1 Shareholding ratios exclude treasury stock (3,458,032 shares).

Percentage of Shares Owned by Owner*2 (As of March 31, 2020)



*2 Percentage of shares owned by owner is calculated after deducting treasury stock (3,458,032 shares).

OBAYASHI CORPORATION

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