


Cover

“LOOP50,” the construction plan of a city that thrives alongside forests

Obayashi Corporation issues a quarterly PR magazine, *Obayashi Quarterly*, which introduces information related to construction cultures together with their related cultures. “LOOP50” is a concept of the future where we recycle the rich resources of the forest to provide both sustainability and an attractive lifestyle. It was featured in the OBAYASHI IDEA section of *Obayashi Quarterly* No. 58 titled “Forest.”

 Website

<https://www.obayashi.co.jp/chronicle/130th/en/story/loop50/>



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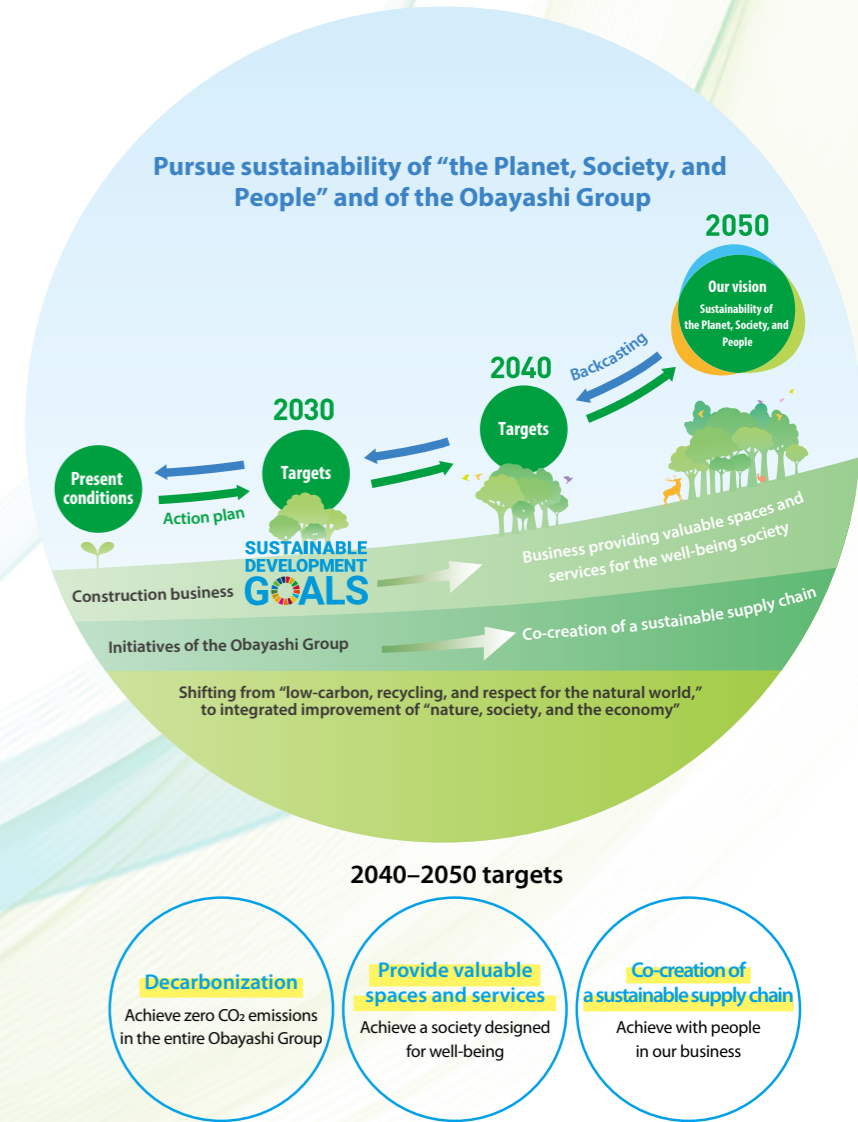
MAKE BEYOND
TRANSCENDING THE ART AND SCIENCE OF MAKING OF THINGS



Obayashi Sustainability Vision 2050

We have formulated our long-term vision, Obayashi Sustainability Vision 2050, which embraces the changes in various social trends and the business environment surrounding the Obayashi Group. The vision incorporates ESG as a management foundation and contributions to meeting the social challenges as expressed in the Sustainable Development Goals (SDGs). We hereby declare that we will simultaneously pursue sustainability of “the planet, society, and people,” and of the Group. The vision aims to realize a sustainable society in the future, defining our “Vision for 2050,” using the backcasting technique to set targets and business development policies that our Group should undertake between 2040 and 2050. We will establish a concrete action plan and KPIs and move forward to realize our vision.

Obayashi Sustainability Vision 2050
<https://www.obayashi.co.jp/en/sustainability/vision.html>

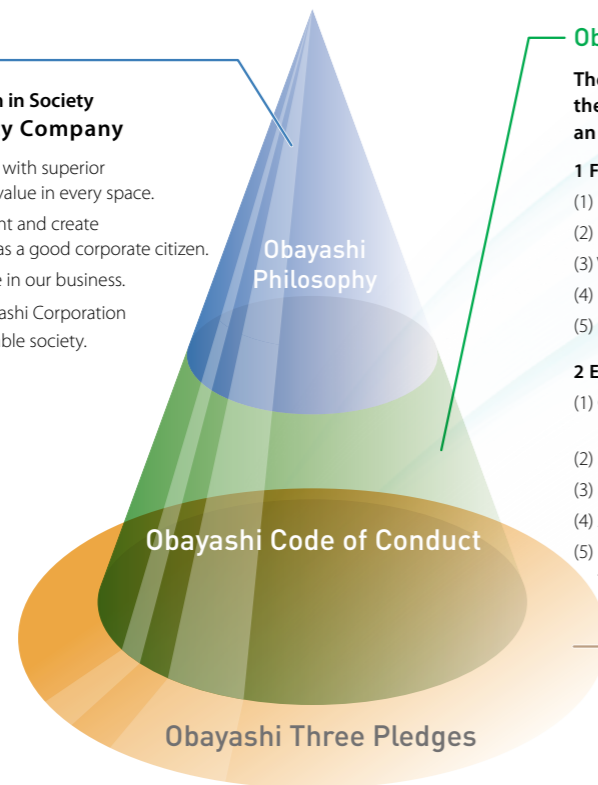


Obayashi Basic Principles

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

- 1 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
- 2 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



MAKE BEYOND
TRANSCENDING THE ART AND SCIENCE
OF MAKING OF THINGS

History of MAKE BEYOND

— Opening a New Era in the Spirit of Obayashi Three Pledges —

The spirit of the Obayashi Three Pledges "Quality, Value, and Efficiency" has been passed down since the Obayashi Group's foundation in 1892. Based on this spirit, we have integrated the technology and expertise of our "craftsmanship" and taken on the challenge of undertaking numerous projects symbolizing the times to pave the way into a new era. Going forward we will pioneer new domains, defying the boundaries of existing businesses, on the strength of our "craftsmanship" cultivated so far: the "Power of Vision," with which we see beyond tomorrow; the "Power of Creation," through which we transform ideas into tangible innovations; and the "Power of People," which makes everything possible.

Quality

Committed to providing excellent structures created by weaving together perfect facilities and outstanding techniques with our utmost efforts led by sincerity and kindness.

Value

Committed to providing structures full of intrinsic value at low prices by utilizing superior machinery and equipment, skillfully procuring materials, and working rationally in a controlled manner.

Efficiency

Committed to eliminating all forms of time-wasting and shortening delivery times by demonstrating the best of our abilities in combination with innovative construction methods, superior planning, and meticulously kept facilities.



The Obayashi Three Pledges were clearly stated in the "Guidelines for On-site Employees," published in 1935.

What are Obayashi Three Pledges?

1905

Osaka Harbor Construction

Founder Yoshigorō Obayashi bid on and won his first large-scale construction project, the construction of Osaka's harbor. The Company dredged a water area of 5.18 million m² enclosed by a great breakwater, using the dredged earth and sand to reclaim land. It also constructed port facilities, including a large pier. Spending on the giant project was reportedly equivalent to 20 years of Osaka City's annual budget at that time. Obayashi was able to survive financial struggles resulting from an economic panic and completed the challenging project, which firmly established its foundation during its early era.



1962

OWS method*

The OWS-Soletanche Diaphragm Wall Construction Method is a method developed by Obayashi ahead of other companies to address noise, vibration and other construction-related public nuisances which became serious problems during Japan's high economic growth period. It is still in use today as an underground construction method.



1970

Japan World Exposition (Theme Pavilion)

The Japan World Exposition was the first world's fair to be held in Asia. Its theme was "Progress and Harmony for Mankind." The great roof of the Theme Pavilion, held together by cast steel pipes, was 292 m long and 108 m wide with a total weight of 8,189 tons. The pavilion was completed by lifting the entire roof assembled on the ground to its position. The feat drew interest from around the world as the first attempt anywhere to lift such a heavy object.



1914

Tokyo Central Station (today's Tokyo Station)

The Renaissance-style station building made of red bricks has a total site area of 23,940 m² and a front that is 335 m long. It was Japan's largest structure made with steel beams at the time. Completing this major construction project, which arguably became and still is a symbol of Tokyo, instantly established Obayashi as an all-Japan contractor, extending the Company's business areas nationwide beyond the Kansai region where its business had started.



1982

San Francisco Sewer Construction

When Obayashi took the order for this project in August 1979, it became the first Japanese construction contractor to win an order for public civil engineering works in the continental U.S. Obayashi used the earth pressure balance shield construction method, which had never been used previously in the U.S., winning a good reputation for Obayashi's technological capabilities. The project helped to solidify Obayashi's position in the American public civil engineering works field.



2012

TOKYO SKYTREE®

The freestanding broadcasting tower, built primarily to transmit TV and radio waves to the entire Kanto region, is the world's tallest structure of its kind. To reach the unprecedented height of 634 m, Obayashi drew on many unique technologies for the foundation and framework structure construction and for the machinery, instruments, and temporary equipment.



2012

Kumiya Distribution Center

The rental logistics facility developed by Obayashi makes effective use of nearly half the premises of its Osaka Materials/Equipment Center. Installing solar power panels with a combined generating capacity of 982 kW on the warehouse roof, Obayashi began its first Solar Power Generation Business on July 1, 2012.

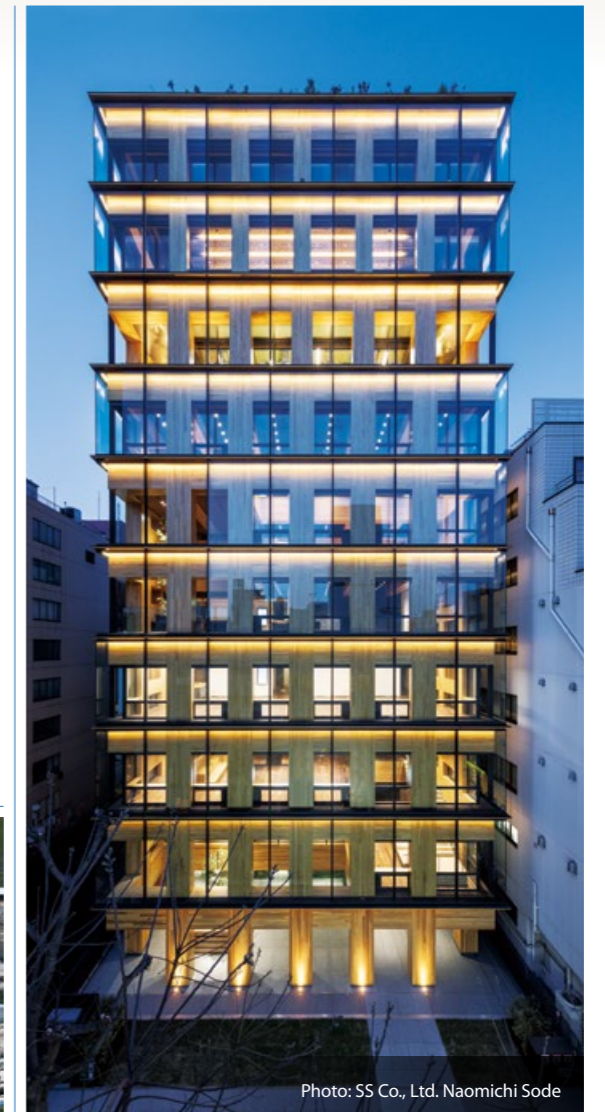


Photo: SS Co., Ltd. Naomichi Sode

2022

Port Plus®

A fully-wooden and fire-resistant high-rise building, with all aboveground structural components (columns, beams, floors, and walls) made of wood, constructed as the Company's own next-generation training and educational facility. It is 44 m high (11-stories), the tallest all-timber fire-resistant building in Japan.

Towards Achieving the Obayashi Group's Vision for 2050

In the Obayashi Sustainability Vision 2050, the Obayashi Group draws our vision of the society we hope to have built by 2050 to achieve the Obayashi Philosophy of “realizing a sustainable society.” Our brand vision, “MAKE BEYOND Transcending the art and science of making of things,” is an expression of our desire to draw on the technology and knowledge of craftsmanship we have cultivated over our history, adapt them for today, and achieve growth beyond the framework of our existing business, to realize sustainability of “the planet, society, and people,” and of the Obayashi Group in light of social changes.

Medium-Term Business Plan 2022 that began in the fiscal year ending March 31, 2023 sets the Obayashi Group's vision for 2050 as follows: “The Obayashi Group will continue to take on the challenge of ceaseless transformation driven by talent and innovation to keep providing a variety of solutions for the sustainability of places we reside: spaces, cities, and the environment.”

In this Report, we explain our measures to strengthen the business foundation and accelerate Company-wide transformation to achieve this vision.



Representative Director
Chairman
Takeo Obayashi

Representative Director
President
Kenji Hasuwa

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Information Disclosure System

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

OBAYASHI CORPORATE REPORT	
Financial Information Investor Relations Website	Non-Financial Information Sustainability Website
https://www.obayashi.co.jp/en/ir/	https://www.obayashi.co.jp/en/sustainability/
Medium-Term Business Plan https://www.obayashi.co.jp/en/company/mid_term_plan.html	Corporate Governance Report (Japanese only) https://www.obayashi.co.jp/company/upload/img/corporategovernance20220624.pdf
Securities Reports (Japanese only) https://www.obayashi.co.jp/ir/data/fsa_disclosure.html	ESG DATA BOOK https://www.obayashi.co.jp/en/sustainability/esg_data_e.html
Financial Results https://www.obayashi.co.jp/en/ir/kessan_siryo.html	Measures to Achieve SDGs https://www.obayashi.co.jp/en/sustainability/sdgs.html

Editorial Policy

Purpose of Publication

The Obayashi Corporate Report is published for readers to understand the overall business activities of Obayashi Corporation 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, 2022 (FY2022.3) and including some activities in FY2023.3

Guidelines Used as References

“The International Integrated Reporting Framework,” International Integrated Reporting Council (IIRC)

“GRI Sustainability Reporting Standards,” Global Reporting Initiative (GRI)

Date Issued September 2022

Notes Regarding Forward-Looking Statements

Where the Obayashi Corporate Report contains predictions and forecasts regarding the future plans, strategies, and performance of Obayashi Corporation 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.



We will strengthen our business foundation and accelerate Company-wide transformation to achieve our sustainable growth and realize a sustainable society

Kenji Hasuwa

Representative Director
President

Changes in the Business Environment and Key Efforts to Pursue

In fiscal year ended March 31, 2022 (hereinafter, "FY2022.3"), the Obayashi Group posted ¥1,922.8 billion in net sales, up ¥155.9 billion from the previous fiscal year, mainly due to the smooth progress in the large projects in the domestic building construction business. Operating income, however, plummeted year on year by 66.7% to ¥41.0 billion, falling below ¥100.0 billion for the first time since FY2015.3. This was due to the posting of a large provision for loss on construction contracts in response to the significantly deteriorated profitability of large projects amid the changing business environment which was mainly characterized by the larger size of building construction projects in major cities, the resultant escalation of competition among construction companies, and global rises in material prices.

After hitting bottom at ¥42 trillion in FY2011.3, construction investments in Japan began recovering in step with the economic recovery and spurred by the demand created by restoration efforts after the Great East Japan Earthquake. Despite the temporary decline during COVID-19, construction investments are expected to be solid. Meanwhile, the content of construction demand has been changing in response to the requirements of society. Currently, the markets related to infrastructure renewal for creating a resilient country and the markets related to Smart Cities and green energy are growing, in addition to the rapid growth in the needs for eco-friendly architecture to achieve carbon neutrality. We expect a certain volume of construction projects to stably arise for the time being, including the projects related to Expo 2025 Osaka, Kansai, construction projects for the Chuo Shinkansen maglev line, and redevelopment projects of major cities.

There are, however, concerns about global economic slowdown caused by the resurgence of COVID-19, monetary tightening in Europe and the U.S., the materialization of geopolitical risks such as the Ukrainian situation, and the resulting rises in energy, building

materials and equipment prices, supply chain disruptions, and decline in private sector capital investment. As these factors are making our future increasingly uncertain, it has become more important for us to speedily strengthen our business foundation.

Medium-Term Business Plan 2022

Based on these changes in the global society and economy and in our business environment, we developed the Obayashi Group Medium-Term Business Plan 2022, "Strengthening the Business Foundation and Accelerating Company-wide Transformation," based on a review of the Medium-Term Business Plan 2017. Medium-Term Business Plan 2022 divides the next five years (FY2023.3 to FY2027.3) into two phases. The first two years, which end in FY2024.3, are positioned as the phase to strengthen the foundation. During this phase, we will strengthen and expand the foundation for the construction business, which is our core business, aiming to post an operating income of ¥100.0 billion as the bottom line. Our priority during this phase will be to recover and stabilize our business results. The five years that end in FY2027.3 are positioned as the phase for accelerating Company-wide transformation. During this phase, we will accelerate the transformation of our business to establish the path to a medium- and long-term growth.

Throughout these two phases, we will make a consistent, all-out effort to implement the basic strategy comprising the following three pillars under the plan: "strengthen and expand the foundation of the construction business," "innovate technologies and businesses," and "expand the business portfolio for sustainable growth." First, to "strengthen and expand the foundation of the construction business," we will enhance our competitiveness and profitability by increasing our capability of delivering additional value for customers and components and integration of construction business processes through the transformation of our business processes and exhaustive risk management. To "innovate technologies

President's Message

and businesses," we will strengthen the business foundation through the digital transformation (DX) of construction utilizing digital technologies and robotics, which are our strengths, while expanding business domains that have these innovative technologies at their core and creating business opportunities that contribute to solving social challenges. Furthermore, to "expand business portfolio for sustainable growth," we will proactively invest our management resources in the five business domains* we currently work on, centered on the domestic construction business, in a timely manner, and facilitate the diversification of our business portfolio to establish a foundation for a global growth. In addition, we have adopted return on invested capital (ROIC) as a key performance indicator. We will manage each business with an awareness of ROIC and improve their capital efficiency.

To implement these three pillars, we establish the platform development strategy for the following seven domains: Human Resources, Organization, DX, Technologies, Supply Chain, Finance and Capital, and Sustainability Management System. By incorporating the strategies on these seven areas into our strategies for five business strategies, we will increase the effectiveness of the plan.

Through these initiatives, we are committed to "strengthening the business foundation and accelerating Company-wide transformation," as we have set out in the plan.

* Domestic Construction, Overseas Construction, Real Estate Development, Green Energy, and New Businesses Initiatives

Achieving Carbon Neutrality and Well-being

Today, it is widely accepted that sustainability has become a common social issue for the entire world. Working towards

carbon neutrality and well-being has especially become a global trend. The Obayashi Group deems them as important challenges that contribute to our sustainable growth. Medium-Term Business Plan 2022, therefore, puts forth the business strategy that sees carbon neutrality and well-being as our business opportunities.

On carbon neutrality, the Obayashi Group has strengths in implementing infrastructure that uses natural energy or next-generation energy and in technologies that reduce environmental loads, as we have capacity to offer management services for the entire life cycle of building construction from planning, designing, and construction to maintenance, management, renovation, and demolition. Specifically, we are expanding our knowledge and building a track record through our projects on large-scale wooden building construction, energy recycling using forest resources, and the creation of supply chains for green hydrogen. Leveraging our total competitiveness based on such knowledge and experience, we will offer various solutions for the needs of society such as net zero energy buildings (ZEBs) and net zero energy houses (ZEHs)*1 and extending the useful life of civil engineering structures, thereby achieving a sustainable growth and enhancing our corporate value.

Meanwhile, we are accelerating our efforts to reduce greenhouse gas (GHG) emissions from the Group's business activities. We are committed to the Science Based Targets (SBT)*2 and have set a new emissions target for the FY2031.3 for Scope 1+2 and Scope 3 as our KPI to achieve carbon neutrality by 2050. To achieve this target, we will introduce alternatives to diesel fuel (e.g., biodiesel fuel), expand energy-saving construction using ICT, and promote the introduction of hybrid construction machinery and

electric machinery, for Scope 1. For Scope 2, we will shift toward renewable energy to use green energy for all our electricity consumption in our construction sites and offices in Japan. For Scope 3, a better understanding of our customers, greater social needs, and cooperation with our supply chain, as well as the Group's efforts are essential. In addition to promoting and expanding ZEBs, we will facilitate the development and application of low-carbon materials such as Clean-Crete**3 and spread and increase wooden structures and interiors for large buildings to steadily reduce emissions.

For well-being, we believe that we can utilize our strengths in offering safe, secure, and comfortable buildings and infrastructure to society and in preventing, reducing, and recovering from disasters, leveraging the technological prowess we have developed over long years. In addition, as a leading company in the construction industry, we will further promote "work style reforms" and promote initiatives to realize a work-and-life balance and diversity and inclusion (D&I) as the whole Group to achieve "work experience." We will realize the well-being of the Group by ensuring safety, security, and comfort in all workplaces including construction sites, by organizing an environment that gives job satisfaction to all people equally including those in our supply chain, and by surveying, evaluating, and continuing to improve the satisfaction of all our officers and employees.

*1 A building or a house that consumes zero net primary energy while still providing a comfortable indoor environment

*2 Medium- and long-term GHG emission targets set by companies consistent with the level set in the Paris Agreement and a framework to achieve such target

*3 Concrete that can reduce CO₂ emissions by up to 80% compared to normal concrete by replacing some of the cement with industrial byproducts such as ground-granulated blast furnace slag, etc. which have lower CO₂ emissions

Enhancing Sustainability Promotion Framework

Following the June 2021 revision to Japan's Corporate Governance Code, the Board of Directors was required to take more proactive actions on challenges surrounding sustainability such as consideration to the global environmental problems and respect for human rights. In response to this situation, the Obayashi Group established the Sustainability Committee under the Board of Directors in April 2022 as part of our efforts to overhaul and strengthen our sustainability management promotion framework. The Committee which consists of all our Independent Directors identifies sustainability issues and has a wide range of discussions on our responses from the viewpoints of the survival of our company and

enhancement of our corporate value. Based on the results of the Committee's discussions, the Board of Directors holds substantial deliberations, through which the Board monitors, oversees, and involves with business execution departments in an effective and efficient manner. The Group's responses to sustainability-related management issues as determined by the Board of Directors are reflected in the business strategies of business execution departments, with the Business Plan Committee developing and promoting concrete measures and reviewing their implementation status in each business line. Through this framework, we accurately comprehend our business risks and opportunities and strive to enhance our corporate value over the medium and long term.

Towards Sustainability

In our long-term vision, "Obayashi Sustainability Vision 2050," established in 2019 based on the Obayashi Basic Principles, the Group paints its vision for 2050 as the realization of the sustainability of "the planet, society, and people." To achieve this vision, we are proactively promoting ESG management. Based on our wish to blaze a trail in a complex and uncertain time when the existing values change dramatically, Medium-Term Business Plan 2022 sets out the Group's goal of continuing to take on the challenge of ceaseless transformation driven by talent and innovation to keep providing a variety of solutions for the sustainability of places where we reside: spaces, cities, and the environment.

The Obayashi Group has evolved and grown by constantly and sensitively responding to changes in the times and social demands through the reliable "craftsmanship" which we have developed since our foundation in 1892. Going forward, I will take the lead in our efforts to realize sustainability of "the planet, society, and people," by meeting the changing and diverse social demands and expectations, boldly taking on challenges for new growth, strengthening the business foundation, and accelerating Company-wide transformation.

I would greatly appreciate your continued understanding and support for the Obayashi Group.

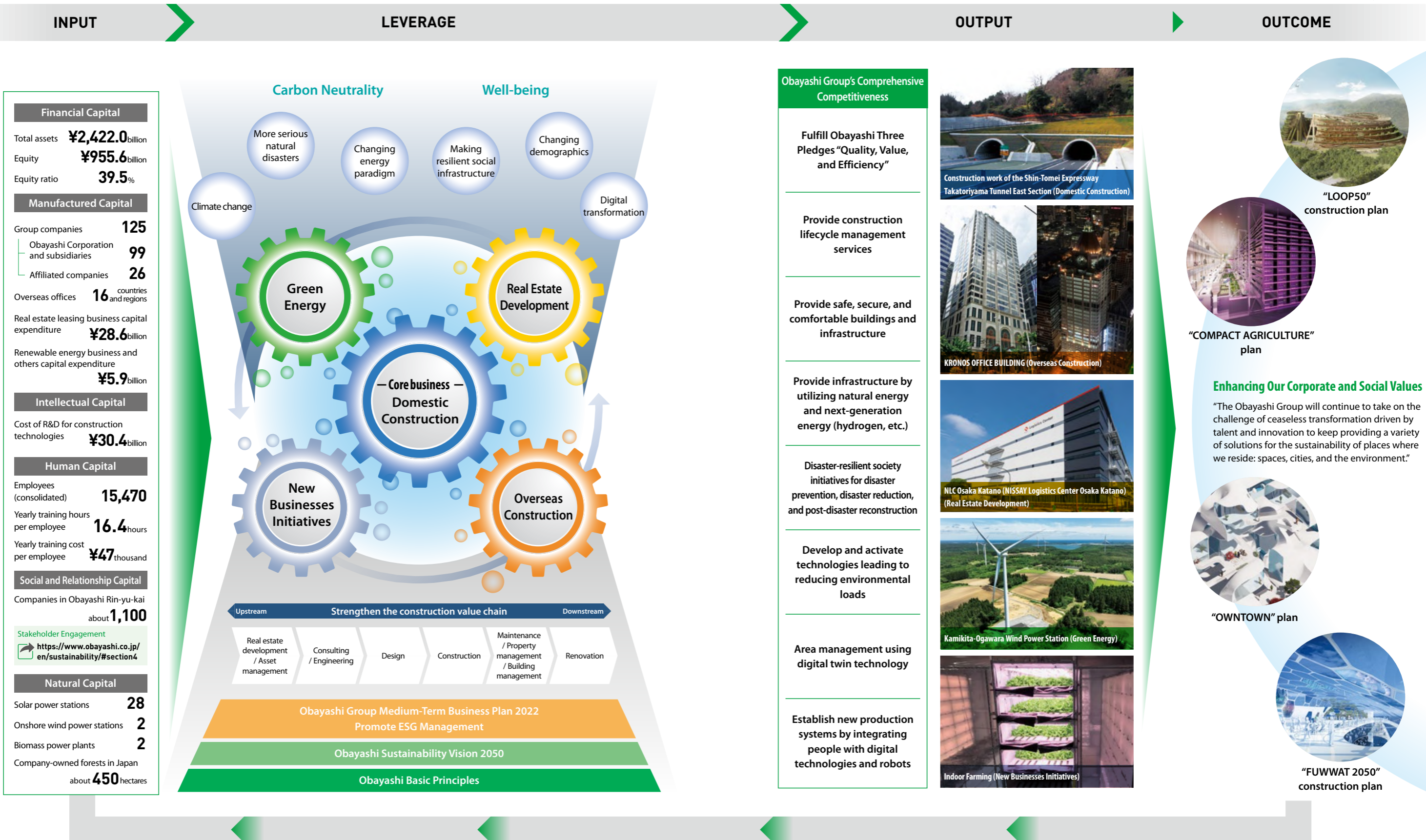


Our Value Creation

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 enhance corporate value and solve social challenges through our business.

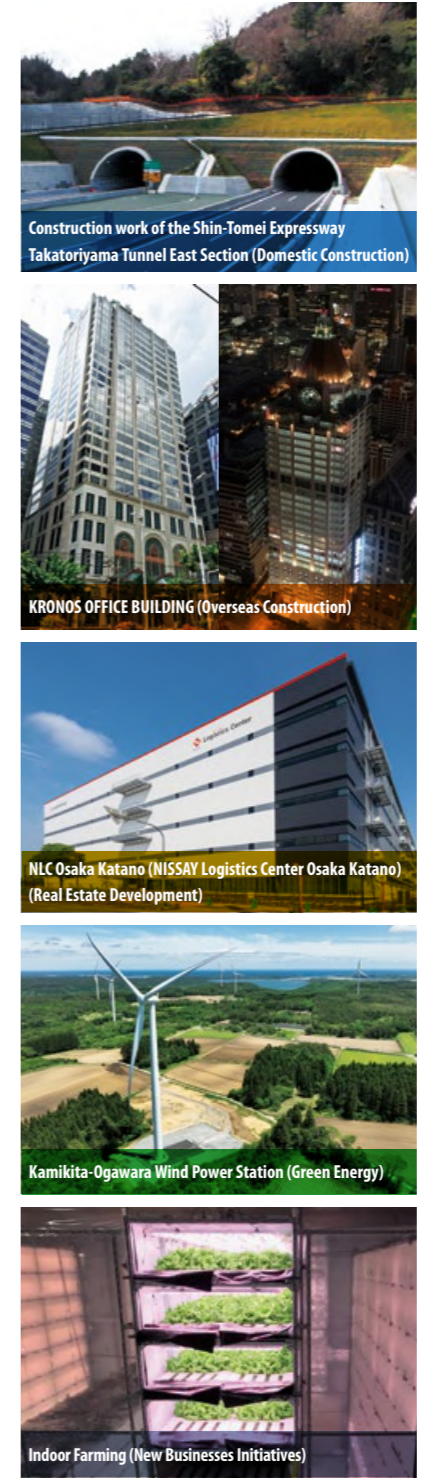
Through this value creation process cycle, we will realize sustainable growth while working constantly with society to create new value.

Numbers shown are FY2022.3 results or values as of March 31, 2022



Financial Capital	
Total assets	¥2,422.0 billion
Equity	¥955.6 billion
Equity ratio	39.5%
Manufactured Capital	
Group companies	125
Obayashi Corporation and subsidiaries	99
Affiliated companies	26
Overseas offices	16 countries and regions
Real estate leasing business capital expenditure	¥28.6 billion
Renewable energy business and others capital expenditure	¥5.9 billion
Intellectual Capital	
Cost of R&D for construction technologies	¥30.4 billion
Human Capital	
Employees (consolidated)	15,470
Yearly training hours per employee	16.4 hours
Yearly training cost per employee	¥47 thousand
Social and Relationship Capital	
Companies in Obayashi Rin-yu-kai about	1,100
Stakeholder Engagement	
https://www.obayashi.co.jp/en/sustainability/#section4	
Natural Capital	
Solar power stations	28
Onshore wind power stations	2
Biomass power plants	2
Company-owned forests in Japan about	450 hectares

- Obayashi Group's Comprehensive Competitiveness**
- Fulfill Obayashi Three Pledges “Quality, Value, and Efficiency”
 - Provide construction lifecycle management services
 - Provide safe, secure, and comfortable buildings and infrastructure
 - Provide infrastructure by utilizing natural energy and next-generation energy (hydrogen, etc.)
 - Disaster-resilient society initiatives for disaster prevention, disaster reduction, and post-disaster reconstruction
 - Develop and activate technologies leading to reducing environmental loads
 - Area management using digital twin technology
 - Establish new production systems by integrating people with digital technologies and robots



“LOOP50” construction plan

“COMPACT AGRICULTURE” plan

Enhancing Our Corporate and Social Values

“The Obayashi Group will continue to take on the challenge of ceaseless transformation driven by talent and innovation to keep providing a variety of solutions for the sustainability of places where we reside: spaces, cities, and the environment.”

“OWNTOWN” plan

“FUWWAT 2050” construction plan

Obayashi Group Medium-Term Business Plan 2022

“Strengthening the Business Foundation and Accelerating Company-wide Transformation” (2022-2026)

The Obayashi Group Medium-Term Business Plan 2022 was formulated in March 2022. It is based on changes in social conditions globally, the conditions for domestic construction market that is the core business of the Group, and the overall review of Medium-Term Business Plan 2017, to “contribute toward realizing a sustainable society,” which is the Obayashi Philosophy.

By taking initiatives toward “strengthening the business foundation and accelerating Company-wide transformation,” we will establish a business foundation capable of generating stable profits with consolidated operating income of ¥100.0 billion as the bottom line, and further improve earnings within the period of the new business plan.

We will also establish a path to sustainable growth in corporate value by continuing to make decisive investments.

Medium-Term Business Plan 2017

Review of Medium-Term Business Plan 2017

Looking at financial indicators over five years from FY2018.3 to FY2022.3, while net sales, operating income, etc., remained mostly in line with the plan until FY2020.3, operating income decreased significantly in FY2022.3. Meanwhile, equity accumulation progressed steadily and we were able to further enhance our financial base.

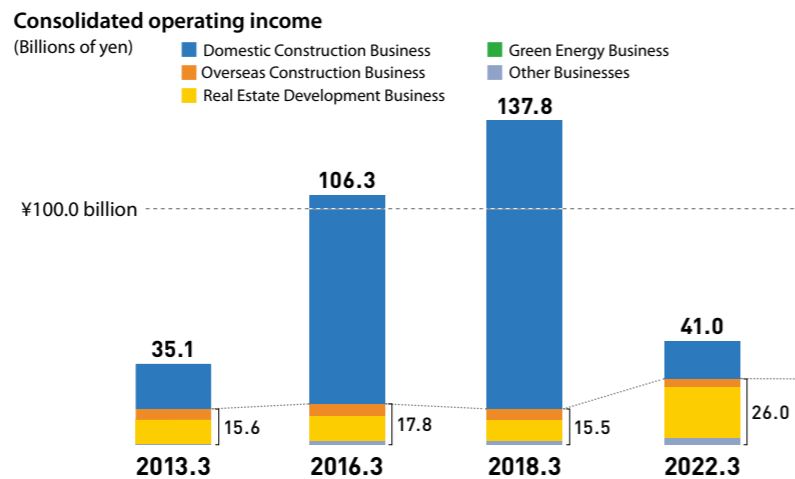
With regard to growth investments, we are steadily making investments in large-scale properties for lease and in renewable energy business as a means for preparing the way for the future, with their profit contribution anticipated from FY2023.3 or beyond.

Background and Key Efforts to Pursue

Changes in Society and the Economy	Business Environment
<ul style="list-style-type: none"> Changes in behaviors and values due to the outbreak of COVID-19 Uncovered weakness in global supply chains Rising prices due to a shortage of semiconductors and soaring oil prices Accelerating global efforts for decarbonization, such as carbon neutrality and hydrogen, and well-being initiatives Increasing economic and security risks 	<ul style="list-style-type: none"> Intensifying competition due to lack of expected significant expansion of the domestic construction market Solid demand anticipated in national resilience projects, redevelopment, renovation, smart cities, and green energy fields Rapidly increasing and diversifying customer needs for carbon neutrality Responding to the application of overtime cap regulation under the revised Labor Standards Act of Japan Lack of skilled workers in the construction industry due to factors such as the declining birthrate and aging society, etc.

Efforts Carried Over from Medium-Term Business Plan 2017

- Strengthening the business foundation of the domestic construction business
 - Expansion of proposal and production capacity, enhancement of procurement capability
 - Continuing a corporate culture that prioritizes safety and quality
- Expansion and further localization of overseas construction business
- Environmental changes in the green energy business
- Transformation of business processes through digitization
- Use of data in the construction value chain such as BIM/CIM, and implementation of next-generation technologies such as construction technologies and robotics, etc.



Medium-Term Business Plan 2012 | Medium-Term Business Plan 2015 | Medium-Term Business Plan 2017 | Medium-Term Business Plan 2022

Three Pillars of the Fundamental Strategy

Strengthen the Foundation

In FY2023.3 and FY2024.3, we will prioritize the recovery and stabilization of earnings with consolidated operating income of ¥100.0 billion as the bottom line.

Fundamental Strategy 1 Strengthen and Expand the Foundation of the Construction Business

- Strategize work portfolio building
- BPR (Business Process Re-engineering)*
- Increase competitiveness and profitability
- Maintain, strengthen, and expand supply chain
- Respond to the application of overtime cap regulation under the revised Labor Standards Act of Japan

Accelerate Transformation

From FY2025.3, we will establish a path to medium- to long-term growth through Company-wide transformation, as the phase to work toward future growth.

Fundamental Strategy 2 Innovate Technologies and Businesses

- Develop innovative construction production systems
- Generate new value for customers in new business domains
- Develop business models and technologies that will lead to resolving social issues, such as carbon neutrality and well-being

Fundamental Strategy 3 Expand Business Portfolio for Sustainable Growth

- Adopt ROIC as a key performance indicator to make management decisions with a focus on capital efficiency
- Establish solid and resilient sources of growth integrating the five business domains enhanced by continuous investment

*A review of existing organizations and systems, and re-designing the business flows, etc. from a process-prospective toward the intended objective of the business

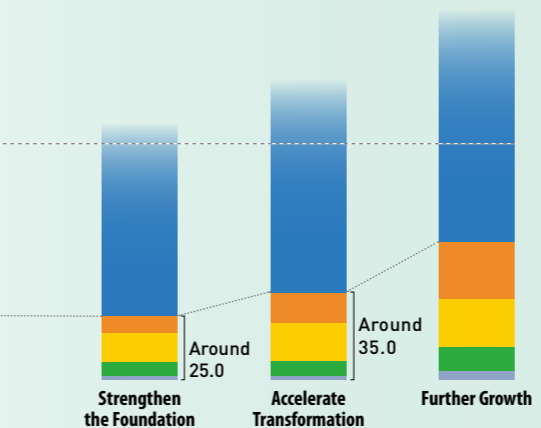
Medium-Term Business Plan 2022

Measures for Strengthening the Foundation of Construction Business (Through FY2024.3)

Measures for Accelerating Transformation (Through FY2027.3)

“Strengthening the Business Foundation and Accelerating Company-wide Transformation”

Platform Development Strategy	Business Strategy
<ul style="list-style-type: none"> 1 HR P.49 2 Organization P.89 3 DX P.57 4 Technologies P.59 5 Supply Chain P.65 6 Finance and Capital P.17 7 Sustainability Management System P.35 	<p>P.25</p> <p>Diversified global business portfolio centered on domestic construction</p> <p>Seeds to create new business opportunities</p>



Operating Income

The consolidated operating income from FY2016.3 to FY2021.3 remained at an elevated level against an increase in demand such as for domestic construction and for recovery and restoration from disasters. However, a significant decrease in profit was recorded in FY2022.3 attributable to provision for loss on construction contracts for several large-scale construction works in the domestic building construction business. For the phase of “Strengthening the Foundation” in FY2023.3 and FY2024.3 of Medium-Term Business Plan 2022, we will focus on recovering and stabilizing our business results and posting consolidated operating income of ¥100.0 billion as the bottom line, at a higher level even when taking into consideration business performance of the Group over the years. With the phase of “Accelerating Transformation” until FY2027.3, we will establish a strong corporate structure that can earn more than 30% consolidated operating income through businesses other than domestic construction business and aim to achieve further revenue growth by promoting business transformation toward medium- and long-term growth.

Three Pillars of the Fundamental Strategy

1 Strengthen and Expand the Foundation of the Construction Business

Enhance productivity and the ability to provide added value for customers by “re-engineering business processes of the domestic construction business,” “expanding the construction value chain,” and “implementing innovative construction production systems”

■ Improve the certainty of earnings through the transformation of business processes and exhaustive risk management

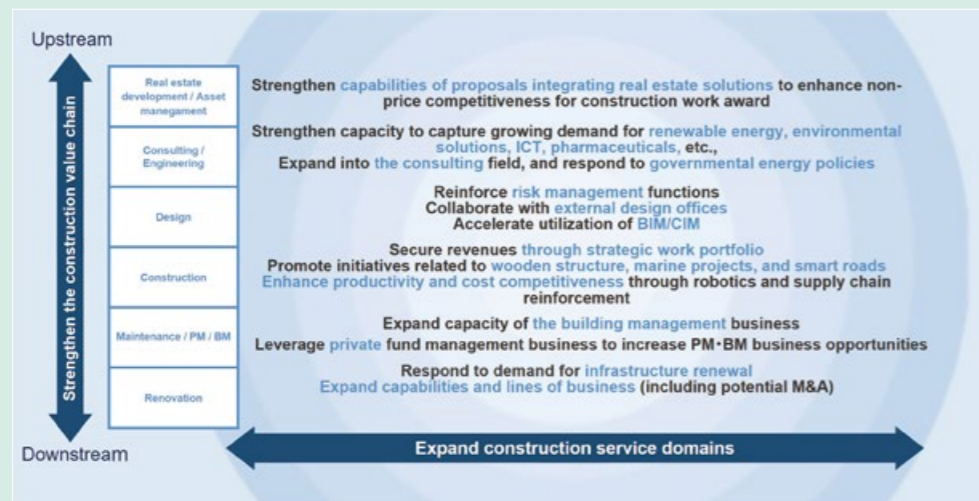
We will build a more reliable earnings base in the construction business through a fundamental review of our business processes using DX and enhancement to risk management, going beyond the traditional practices and widely accepted ideas in the construction industry. At the same time, we will strategize work portfolio building with our production capacity, bearing in mind the effective use of management resources and the maintenance and improvement of construction technologies.

■ Enhance competitiveness and profitability by increasing capability of delivering additional value for customers and improving all the components and integration of construction business processes

We will strengthen our total proposal abilities to increase our capability of delivering additional value of the services we offer to our customers by utilizing internal and external networks of the Group. We will also enhance our competitiveness and profitability by improving all the components and integration of construction business processes that encompass business development, design, procurement, production, and the supply chain. We will especially focus on expanding the procurement base and strengthening collaboration for maintaining, enhancing, and expanding our supply chain, in a situation where higher materials prices and concerns about materials procurement actualize.

■ Strengthen the construction value chain and expand construction service domains

We will strengthen the series of the “construction value chain,” development, consultation, design, construction, maintenances, and renovation and promote initiatives in new construction service domains such as wooden structure, marine projects, and smart roads.



2 Innovate Technologies and Businesses

Capture growth opportunities generated from social demand for “carbon neutrality” and “well-being” by materializing new value with in-depth integration of innovative technology and business model

As responding to trends such as carbon neutrality and well-being has become global social challenges, customer needs in these areas are rapidly growing and diversifying. The Obayashi Group promotes technological and business innovation leveraging the Group’s strengths that have been developed to date to respond to these social challenges as new business opportunities.

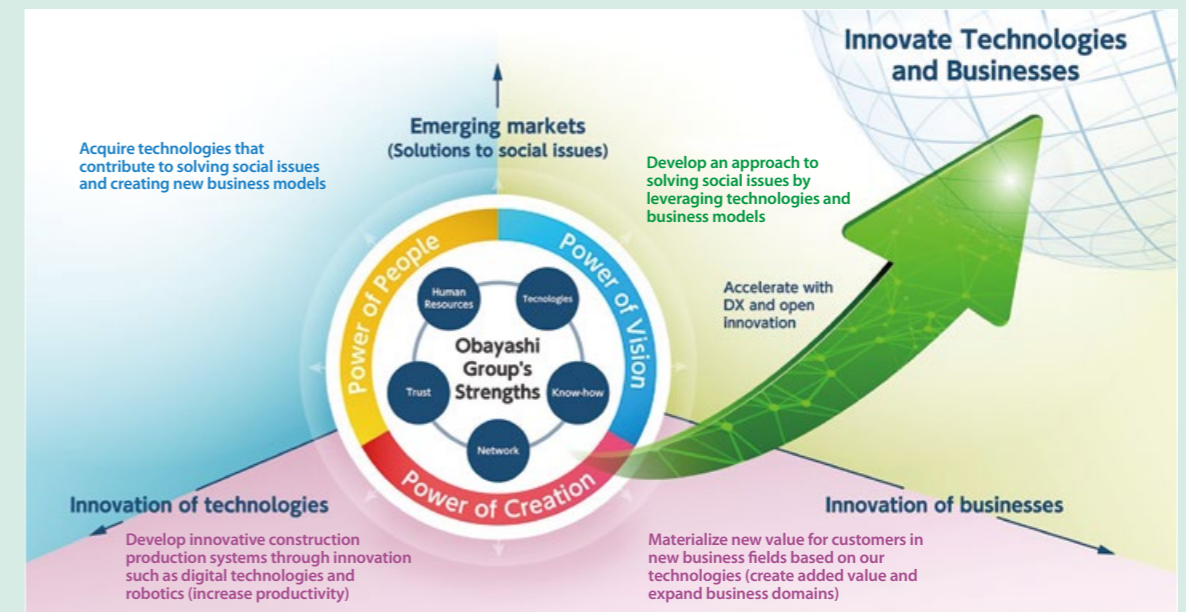
■ Realizing carbon neutrality

We offer a management service for the entire life cycle of buildings and civil engineering structures from their planning and

designing to construction, maintenance, renovation, and demolition. In addition, we have strengths in infrastructure using natural energy and next-generation energy and in the implementation of technologies that reduce environmental loads. Leveraging this total competitiveness of the Group, we provide solutions for the needs of society such as extending the useful life of buildings and civil engineering structures and reducing and absorbing CO₂. We are also working on turning our ideas into reality, such as high-rise wooden structures, energy cycle based on forestry resources, and the creation of supply chains for green hydrogen.

■ Realizing well-being

We expect the infrastructure market for realizing well-being to expand as demonstrated in movements to create smart cities and other types of new towns including the development of the Yumeshima in Osaka City. Applying state-of-the-art digital technologies to construction technologies, we realize well-being through comfortable area management.



3 Expand Business Portfolio for Sustainable Growth

Continuously acquire new profit opportunities through open innovation and active investments, leveraging strengths in technologies and networks cultivated in a variety of global business fields centered on domestic construction

We consider that developing businesses in global markets is essential for the Group’s sustained growth given that a labor shortage is becoming evident and competition is intensifying in the domestic construction market due to the anticipated lack of significant future growth. We will establish a solid and resilient source of global growth with exhaustive risk management by creating a global business portfolio through the appropriate and proactive allocation of business resources into five business domains comprising the core domestic construction business, the overseas construction business, real estate development business, green energy business, and new businesses initiatives.

In addition, we have adopted return on invested capital (ROIC) as a performance indicator to promote business management that focuses on capital efficiency. We will set different weighted average cost of capital (WACC) target for each business and aim for ROIC exceeding the targeted WACC. The ROIC reverse tree for each business is introduced to clarify concrete strategy and action items.



Financial Review

Obayashi Group will increase corporate value and improve capital efficiency

Yasuo Kotera

Representative Director
Executive Vice President



Review of Medium-Term Business Plan 2017

The business environment surrounding the Obayashi Group changed largely during the five years under Medium-Term Business Plan 2017. Until FY2020.3 we posted net sales and operating income at levels mostly consistent with our plans due to the growing demand for domestic construction and the recovery and restoration demand following the Great East Japan Earthquake. In FY2021.3, however, net sales and operating income both declined mainly due to the suspension of works following the outbreak of COVID-19 in the overseas building construction business, in addition to works for many of large-scale projects in the domestic building construction business having just started. Furthermore, in FY2022.3, which was the final year

of the plan, operating income deteriorated significantly to ¥41.0 billion due to the posting of a provision for loss on construction contracts given the weakening profitability in multiple large-scale projects in the domestic building construction business, although net sales recovered to ¥1,922.8 billion.

On enhancement of our financial base, we almost achieved our targets over five years, which were ¥900.0 billion in equity and the equity ratio of 40%. In addition, we invested a cumulative total of ¥456.3 billion over five years for deepening and expanding business domains and globalization, exceeding the planned amount of ¥400.0 billion, preparing the way for the future.

Medium-Term Business Plan 2017 P/L

	Results for FY2018.3	Results for FY2019.3	Results for FY2020.3	Results for FY2021.3	Results for FY2022.3	Targets for FY2022.3
Consolidated net sales	¥1,900.6 billion	¥2,039.6 billion	¥2,073.0 billion	¥1,766.8 billion	¥1,922.8 billion	Around ¥2 trillion
Consolidated operating income	¥137.8 billion	¥155.4 billion	¥152.8 billion	¥123.1 billion	¥41.0 billion	Around ¥150 billion
Profit attributable to owners of parent	¥92.6 billion	¥113.1 billion	¥113.0 billion	¥98.7 billion	¥39.1 billion	Around ¥100 billion
Profit attributable to owners of parent per share (EPS)	¥129.09	¥157.65	¥157.59	¥137.64	¥54.55	Around ¥150
Return on equity (ROE)	14.5%	15.6%	14.3%	11.3%	4.1%	Around 10%

Medium-Term Business Plan 2017 B/S

	Results for FY2018.3	Results for FY2019.3	Results for FY2020.3	Results for FY2021.3	Results for FY2022.3	Targets for FY2022.3
Equity	¥684.8 billion	¥768.9 billion	¥817.8 billion	¥931.0 billion	¥955.6 billion	¥900 billion
Retained earnings	¥404.8 billion	¥498.1 billion	¥587.0 billion	¥661.5 billion	¥677.5 billion	¥700 billion
Equity ratio	32.2%	34.7%	36.7%	41.0%	39.5%	40%
Net interest-bearing debt	¥86.6 billion	¥103.5 billion	(¥66.4 billion)	¥7.4 billion	¥15.3 billion	Zero
Interest-bearing debt	¥276.7 billion	¥272.2 billion	¥248.5 billion	¥265.9 billion	¥280.4 billion	¥250 billion
Cash and deposits	¥190.0 billion	¥168.6 billion	¥315.0 billion	¥258.5 billion	¥265.0 billion	¥250 billion

Medium-Term Business Plan 2017 Investments (FY2018.3- FY2022.3)

		Plan	Results
Continuous investment in order to remain "the leader at the forefront of technology and productivity"	R&D of construction technologies	¥100 billion	¥121.2 billion
	Construction machinery and business facilities	¥50 billion	¥61.1 billion
Investment to become "a corporate group advancing while creating diverse earnings sources"	Real estate leasing business	¥100 billion	¥181.6 billion
	Renewable energy business and others	¥100 billion	¥55.0 billion
Growth investment by capturing opportunities	M&A etc.	¥50 billion	¥37.2 billion
Total investment amount for five years		¥400 billion	¥456.3 billion

Performance Indicators Under Medium-Term Business Plan 2022

We formulated Medium-Term Business Plan 2022 to achieve further growth of the Obayashi Group based on the changes in the business environment and the continuing challenges from the previous plan.

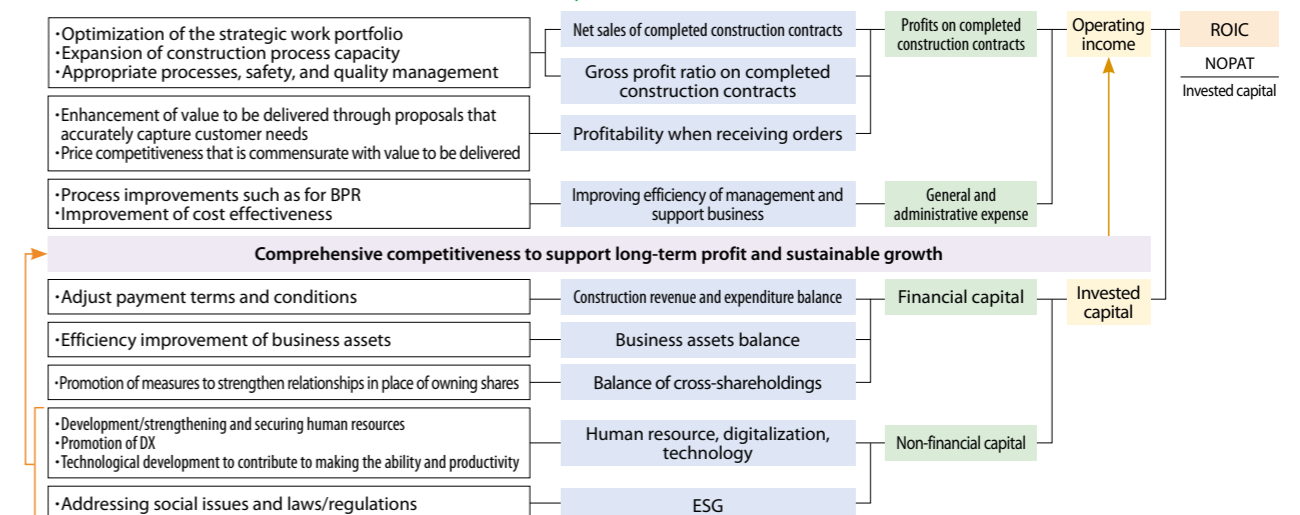
We consider that the net sales target of approximately ¥2 trillion is an appropriate level commensurate with our production capacity on the premise of the stable continuation of our business. We see an operating income of ¥100.0 billion or more as the bottom line; however, it is a level that we will not be able to achieve in the anticipated business environment during this five-year period unless we steadily strengthen the foundation of the domestic construction business and transform our earnings structure. During the phase to strengthen the foundation until the end of the FY2024.3, our results will be impacted by the likely absence of profits on the projects for which we have posted a provision for construction loss and by the worldwide skyrocketing materials prices. However, we will build a business foundation that will contribute to the stable posting of profits with an operating income of ¥100.0 billion as a bottom line by working on recovering business results through the strengthening of our competitiveness and raising of profitability as our priority and by increasing our profits in the real estate development business and renewal energy business. Furthermore, in the phase to accelerate Company-wide transformation through FY2027.3, we will expand our business portfolio and transform our earnings structure so that we will obtain approximately 30% of our operating income from businesses other than the domestic construction business. This will establish a path for our medium- and long-term growth.

Under the plan, we have adopted return on invested capital (ROIC) as an indicator of the profitability of each business. Our aim is to raise the efficiency of overall capital invested in our businesses, regardless of its source of funds. We consider that ROIC is an effective indicator to improve profitability because it will foster an awareness of the efficiency of working capital and noncurrent assets in the construction business and facilitate the prompt collection of trade receivables related to construction contracts and the effective use or disposal of idle assets, in addition to appropriately evaluating investment efficiency in the real estate development business and green energy business. We have set the medium-term target ROIC for the entire company at 5% or more. Instead of aiming to achieve an ROIC of 5% or more in all businesses, we will make management decisions concerning the allocation of management resources, investment policy, etc. from the viewpoint of whether we are generating profits that exceed the notional weighted average cost of capital (WACC) of each business, taking into account the risk characteristics and market environment of each business. In addition, to improve ROIC of each business, we will use the ROIC reverse tree to develop and implement practical, concrete measures in each division and department.

Medium-Term Business Plan 2022 Financial Indicator Targets

Performance indicators	Consolidated net sales	Consolidated operating income	Profit attributable to owners of parent per share (EPS)
	Around ¥2 trillion	¥100 billion or more	¥100 or more
Stability indicators	Equity ratio	Return on invested capital (ROIC)	
	Around 40%	5% or more in the medium term (Reference) Return on equity (ROE) 8% or more in the medium term	
Efficiency indicators	Dividend on equity ratio (DOE)		
Targets for shareholder returns			Around 3%

ROIC Reverse Tree in the Domestic Construction Business (example)



Financial Review

Investments Under Medium-Term Business Plan 2022

We plan to invest ¥600.0 billion in total for the five years under Medium-Term Business Plan 2022, an amount exceeding the total investment amount under the previous plan. We will proactively invest in intangible assets whose importance is growing, such as human resources, digitalization, and technologies, to strengthen our management platform. In addition, we will continue investing in construction machinery and business facilities to strengthen and expand the foundation of the construction business and making growth investments in the real estate development business and green energy business to improve and expand our business portfolio.

In the real estate development business, we will expand our investment targets from office buildings to logistics facilities and for-lease condominiums to diversify asset types. We will also proactively work on environmentally friendly projects such as net Zero Energy Buildings (ZEBs). At the same time, we will facilitate the reshuffling of our asset portfolio through the cycle of investing and selling to further improve investment efficiency. We will also expand our business portfolio through M&As in both Japan and overseas centered on the five business domains of domestic construction, overseas construction, real estate development, green energy, and new business initiatives.

Medium-Term Business Plan 2022 Investment Plan

	Plan	FY average	
Intangible asset investment for platform development	Human resource-related investment	¥25 billion	¥5 billion
	Digital-related investment	¥70 billion	¥14 billion
	Technology-related investment	¥80 billion	¥16 billion
Ongoing tangible asset investment with a focus on strengthening the foundation of the construction business	Construction machinery and business facilities	¥50 billion	¥10 billion
Growth investment toward expanding business portfolio	Real Estate Development Business*1	¥300 billion	¥60 billion
	Green Energy Business	¥50 billion	¥10 billion
	M&A etc.*2	¥25 billion	¥5 billion
Total investment amount for five years		¥600 billion	¥120 billion

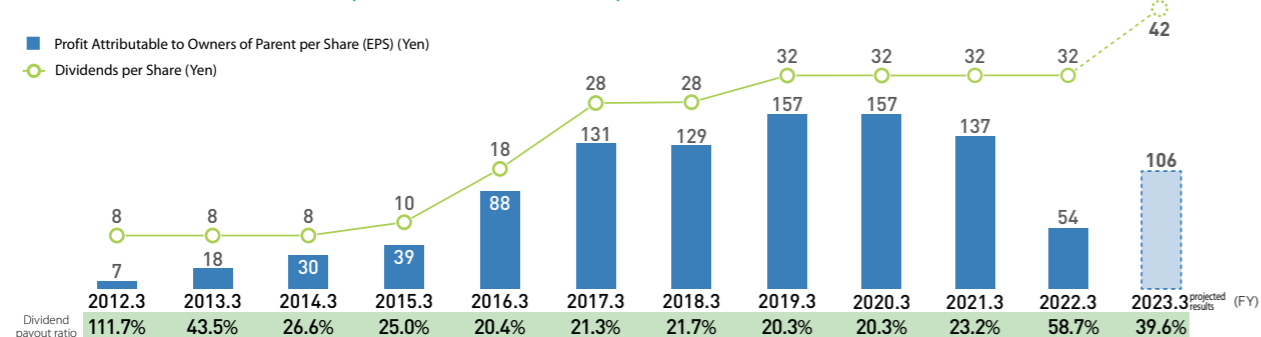
*1 Excluding ¥140 billion recovered as a result of sales of assets invested (Net ¥160 billion when combined with the recovered amount)
*2 Including open innovation investment

Policy on Shareholder Returns

Our basic policy on shareholder returns is first to try to sustain stable dividend payouts over the long term, and we provide returns commensurate with the Group's performance. Under Medium-Term Business Plan 2017, we paid dividends to achieve a dividend payout ratio of 20% to 30%. In Medium-Term Business Plan 2022, we have established a policy of aiming to pay dividends at the dividend on equity ratio (DOE) of around 3% to provide shareholder returns through the improved equity resulting from the accumulation of profits

over the medium and long term. Based on this policy, we plan to pay ¥21 per share for both the interim and term-end dividend for an annual dividend of ¥42 per share in FY2023.3. We will aim to raise our corporate value over the medium and long term by strengthening our earnings base through growth investments. At the same time, we will pay our shareholders in a stable manner dividends commensurate to our equity, which represents the accumulation of our profits, based on DOE.

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



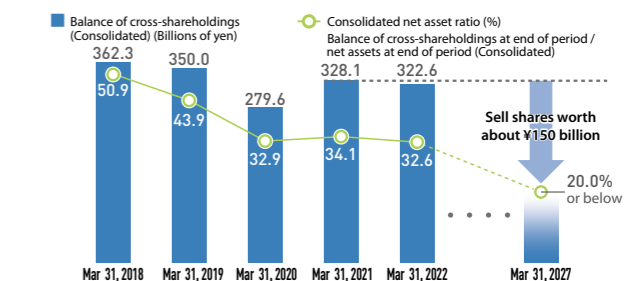
Reducing Shares That We Own in Our Customers' Businesses

We own shares in our customers' businesses (hereinafter, "cross-shareholdings") for the purpose of maintaining and strengthening our trade relationships with them. We sell these shares as needed and utilize the proceeds from the sale of such shares by, for instance, re-investing them in the income-producing businesses when we determine that the significance of having cross-shareholdings shares has weakened based on a comprehensive consideration of profitability including capital cost and returns to our business and an examination of medium- and long-term economic rationality.

As of March 31, 2022, the balance of such shares we own stood at ¥322.6 billion, representing 32.6% of our net assets. In the plan, we will further review the meaning of having cross-shareholdings and pursue investment efficiency and have decided to sell approximately ¥150.0 billion worth of shares in total to bring the ratio of cross-shareholdings to total net assets to less than 20% as early as possible by the end of March 2027.

To achieve this sales target, we need to obtain an understanding of our customers whose shares we will sell. We intend to achieve this target at an early timing by having careful dialogues with them and proceeding with sales. We have already reached an agreement to sell some issues and will disclose the sales status of such shares at an appropriate timing.

Changes in Balance of Cross-shareholdings and Consolidated Net Asset Ratio



Changes in Sale of Cross-shareholdings

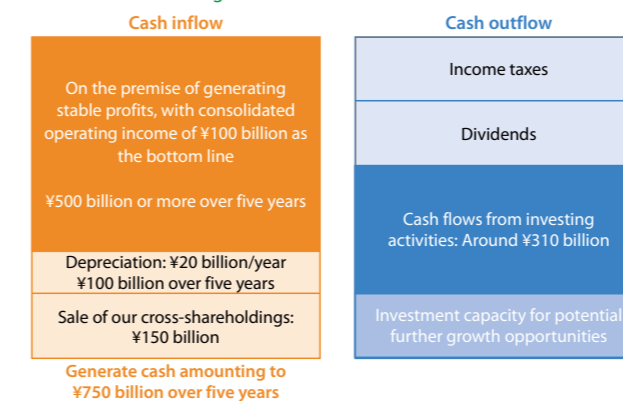
	FY2018.3	FY2019.3	FY2020.3	FY2021.3	FY2022.3
Sales result	¥8.7 billion	¥5.4 billion	¥9.2 billion	¥7.7 billion	¥16.9 billion

Cash Allocation

We use the cash generated from stable profits and the sale of our cross-shareholdings for shareholder returns by means of stable dividend payments based on DOE and for proactive growth investments. Such cash also provides us

with the capacity to make investments to further improve our corporate value. This allows us to prepare for major investment opportunities for our sustained growth and to make investments boldly when an opportunity arises.

Cash Allocation During the Period of Medium-Term Business Plan 2022



Breakdown of Cash Flows from Investing Activities

Item	Investment plan
Human resource-related investment	¥25 billion
Digital-related investment	¥70 billion
Technology-related investment	¥80 billion
Construction machinery and business facilities	¥50 billion
Real Estate Development Business	¥300 billion
Green Energy Business	¥50 billion
M&A etc.	¥25 billion
Investment plan	¥600 billion
Deduction of the amount to be excluded from cash flows from investing activities	(¥150 billion)
Recovery through the sales of assets invested in the Real Estate Development Business	(¥140 billion)
Amount to be included in cash flows from investing activities	¥310 billion

Towards Achieving the Obayashi Group's Vision for 2050 and Obayashi Philosophy

When we formulated Medium-Term Business Plan 2022, we defined the Obayashi Group's vision in 2050 as follows: "The Obayashi Group will continue to take on the challenge of ceaseless transformation driven by talent and innovation to keep providing a variety of solutions for the sustainability of places where we reside: spaces, cities, and the environment." To achieve this vision, we need to evolve and develop as a corporate group through more advanced technologies and

business innovation with the Group's competitiveness at its core. To realize the Obayashi Group's vision for 2050 and the Obayashi Philosophy of "Contribute to realizing a sustainable society," the entire Group will work as one to achieve the five-year business plan starting in the FY2023.3, "Obayashi Group Medium-Term Business Plan 2022: Strengthening the Business Foundation and Accelerating Company-wide Transformation."

Dialogue Between the President and Independent Directors

Obayashi aims to create new customer values positioning carbon neutrality and well-being as business opportunities

Dialogue was held in May 2022 for this report between President Hasuwa and four independent directors, with Medium-Term Business Plan 2022 “Strengthening the Business Foundation and Accelerating Company-wide Transformation” as the theme.



Hiroyuki Kato
Independent Director

Naoki Izumiya
Independent Director

Kenji Hasuwa
Representative Director President

Yoko Kobayashi
Independent Director

Masako Orii
Independent Director

“Carbon Neutrality” and “Well-being”

Hasuwa: Today, it is widely accepted that sustainability is a common global challenge. It has become essential for companies to proactively address this challenge for their own sustainable growth. In Medium-Term Business Plan 2022, the Obayashi Group presented a business strategy to position “carbon neutrality” and “well-being” as important challenges we should focus on and as business opportunities to further accelerate our efforts to achieve

sustainability as outlined in the Obayashi Philosophy and our long-term vision, the Obayashi Sustainability Vision 2050 (hereinafter, “OSV2050”).

Izumiya: I think Medium-Term Business Plan 2022’s strategic direction to resolve sustainability challenges through our business practices is right. Climate change in particular has enormous impacts, and we must not waste time to address this as the most important global challenge. Companies cannot afford to wait and see. As we have committed ourselves to sustainability targets,



we are required to achieve them without fail. We need to implement achievable measures identified by backcasting from our targets. The companies that fail to do so should brace themselves to undermine confidence of stakeholders and lower corporate value.

Kobayashi: The concept of sustainability has constantly changed in companies. Currently, the notion of incorporating the resolution of social challenges into our business so as to increase the sustainability of companies and society is widely accepted. Medium-Term Business Plan 2022 highlights this notion clearly, which makes it easier to show the direction our business is heading. It is certain that we need to immediately take actions for “carbon neutrality,” but we also need to consider managing our business with an awareness of “being regenerative” with the aim to regenerate into better conditions in the future.

Orii: As everyone has said, we are in a situation where crises are threatening the entire global environment and demanding changes in the social and economic systems. In this situation, the trends surrounding sustainability challenges are becoming increasingly multi-layered and complex, while “carbon neutrality” lies at their core. With the growing importance of biodiversity, urban regeneration, and diversity and inclusion (D&I), I feel that it is becoming more important to address “well-being.” I appreciate that Medium-Term Business Plan 2022 makes clear Obayashi’s resolve to place and address the resolution of these sustainability challenges at the center of its business strategy.

Kato: In the past, corporate responses to sustainability challenges were more associated with risk management, as seen in their response to environmental issues. In recent

years, however, companies have tended to position solving sustainability challenges, such as SDGs, as “their own business opportunities.” I consider it highly significant that Medium-Term Business Plan 2022 has positioned “carbon neutrality” and “well-being” as opportunities to create new customer values and businesses.

Hasuwa: The traditional role of the construction industry was strongly associated with the making of things that were embedded in customers’ business models. Recently, the wide array of technologies we have developed are required as solutions in the broader society as we try to solve sustainability challenges. I believe that the need to realize “carbon neutrality” and “well-being” will cause major transformation in the construction market. We will respond appropriately to this trend in a timely manner.

Medium-Term Business Plan 2022: Expectations and Challenges

Orii: Medium-Term Business Plan 2022 incorporates Obayashi’s understanding of the challenges we face based on the changes in society and the economy, our current business environment and the previous Medium-Term Business Plan 2017, and is linked to OSV2050 and the values the Company has upheld since its foundation. I especially have strong expectations of the Company to practice and promote “well-being.” I see well-being as a new concept of creation that connects “people,” “cities,” “spaces,” and “nature.” Concretizing this concept will lead to the creation of values that embody Obayashi’s brand vision, “MAKE BEYOND Transcending the art and science of making of things.” I want the Obayashi Group to proactively engage in unique



SPECIAL FEATURE Dialogue Between the President and Independent Directors

progressive projects, such as Port Plus®, Japan's first fully-wooden and fire-resistant high-rise structure.

Kobayashi: On the promotion of D&I, the Company launched a dedicated organization and made visible progress in its efforts. While these are achievements, the Company has yet to examine and roll out highly effective measures. Going forward I expect Obayashi to evolve, adopting a more focused approach, such as setting concrete targets and implementing measures to achieve them. For the promotion of women, we should not make increasing the number of women in managerial positions an objective. Instead, we need to re-evaluate it from the viewpoint of increasing women in managerial positions having a positive impact on the Company's performance. "Philosophy" is important in business management. I want Obayashi to rigorously pursue "carbon neutrality" and "well-being," which the Company positions as business opportunities based on the Obayashi Philosophy, to increase revenue and grow its business.



Kato: I think the Green Energy Division has made much progress in its efforts to create green energy, such as a steady increase in power generation from the solar, wind, and biomass energy business, and using geothermal power to manufacture and supply green hydrogen in Japan and overseas. "Carbon neutrality" and "well-being" promoted in Medium-Term Business Plan 2022 are highly compatible with the business strategy of the Obayashi Group's core businesses. I therefore expect concrete achievements to be made. "Well-being" means safety, security, and "to live well." I believe that only well-being-minded people can build spaces, towns, and cities that offer well-being. I will closely observe the "well-being" of all officers and employees of the Group.



Izumiya: The Company significantly fell short of its revenue target for FY2022.3. This requires serious reflection and concrete actions. In addition, I see the "handling of management risk," "profitability awareness," and the "decision-making process," as three challenges in the Company's governance. I consider that our mission is to monitor and supervise the Company from two perspectives, namely, "enhancing the Company's financial value through the sustainable growth of its business," and "improving its social value through its contributions to society." The Company has clearly communicated the message that it will shift the focus of capital allocation to "carbon neutrality" and "well-being" as its management strategy. How to achieve this is an important challenge for the business execution side. I urge them to achieve both the financial and non-financial targets.

Hasuwa: We position the first two years of Medium-Term Business Plan 2022, which will end March 31, 2024, as the phase to strengthen the Company foundation. During this phase, we will strengthen and expand the foundation of the construction business, our core business, aiming to post a consolidated operating income of ¥100 billion as the bottom line. Our priority during this phase will be to recover and stabilize our business results. We have promptly implemented measures to stop the recurrence of the profitability deterioration of large-scaled construction projects in the domestic building construction business, which led to our undershooting of the revenue target. As for the upgrading of our governance, which has been pointed out, we will continue our efforts to make improvements. On "well-being," based on the opinions I have heard today, we will work to guide the entire supply chain towards it to achieve co-existence with our suppliers and subcontractors.

Sustainability Committee

Hasuwa: In April 2022, we established the Sustainability Committee under the Board of Directors. The purpose of the Committee is to identify sustainability challenges, to examine and to make recommendations on our approach to identified challenges, and to review the implementation status by the business execution sections. As the members of the Committee, I expect our Independent Directors to make recommendations, share insights, and have robust discussions based on your experience.

Kato: Utilizing my experience in business, my focus will be to discuss how we create businesses that lead to the resolution of sustainability challenges. Being an outside director of an overseas company, I want to make recommendations that will raise the Company's sustainable corporate value from a global perspective.

Orii: As I have mentioned earlier, sustainability challenges for "society" and for "companies" are becoming increasingly multi-layered and complex. Based on my insights, I want to state my opinions as to whether the Company is setting appropriate priorities regarding these challenges. At the same time, I will closely monitor whether the Company's "corporate culture," "organizational culture," and "employee awareness" are consistent with Medium-Term Business Plan 2022 and OSV2050. In particular, I want to ensure that the Company does not make light of the importance of "safety," "quality," and "compliance," as these build the society's trust in us.

Kobayashi: It is also important to gain the trust of society through proactive information disclosure. I want to encourage more active self-promotion in a positive sense. We cannot instantly change the societal image of the construction industry, which is seen as a male-dominated industry. However, Obayashi should communicate to the general public that many women are currently playing active roles in various sections of the Group. In addition, I consider strong trusting relationships with the supply chains are one of the strengths of the Obayashi Group. The general public should know that the Group assists its supply chain to secure human resources and to develop engineers and next-generation managers so as to achieve a sustainable growth together with them.

Izumiya: I want to proactively state my opinions at the Committee utilizing my experience as a corporate manager working on governance reforms. What is important in establishing the Committee is to clarify its mission and to set the issues it discusses and its action plan. The Committee's mission is to raise the Company's social value. It needs to narrow down the issues the Company should address and help the Company achieve steadily results in its business activities in order to raise the Committee's own effectiveness. If the Committee only consists of Directors, its discussions may become removed from the actual business activities. We therefore need to create an action plan together with the business execution sections. Furthermore, I believe we should establish in advance the methods by which the Committee and the Board of Directors supervise and monitor the implementation status of the business execution side.

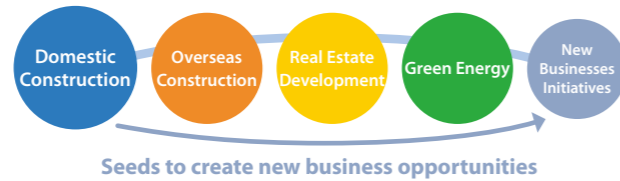


Hasuwa: To raise the Company's corporate value in the medium to long term, I want the Committee to broadly discuss sustainability challenges, identify our challenges, examine our approach to them, and continue discussing the Group's business portfolio. Through these discussions, we will adeptly meet social demands and the entire Obayashi Group proactively work on the sustainability challenges the world faces.

Based on the various opinions and advice I received today from our Independent Directors, I want to erect a highly effective management structure and boldly keep trying to solve the diverse social challenges, thereby achieving a sustainable society and enhancing our corporate value. Thank you for having a dialogue with me today.

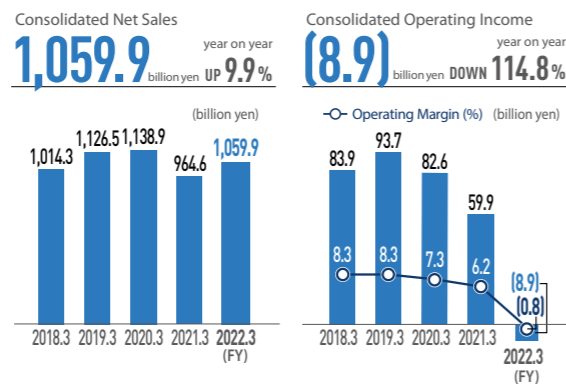
The Five Business Domains

The Obayashi Group will build a portfolio to develop diverse businesses globally, centered on the five business domains comprised of domestic construction business as the core, overseas construction business, real estate development business, green energy business, and new businesses initiatives.



Domestic Construction Business (Building Construction)

We provide all kinds of buildings—offices, condominiums, commercial facilities, factories, hospitals, schools, and more—for the varied needs of our customers and society. We have completed many projects emblematic of the era and culture. In response to the social challenge of carbon neutrality in recent years, we are promoting initiatives such as environmentally responsible building construction, including wooden structures and interiors, ZEB, and eco-friendly construction using low-carbon material and fuel.

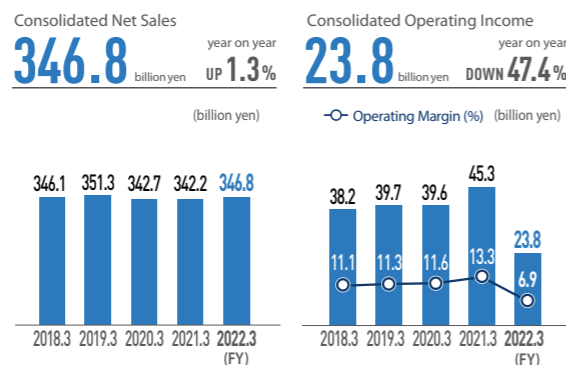


Consolidated net sales increased, mainly because large projects made steady progress compared to the previous fiscal year when many of them had been in the early stages and faced slow progress.

Consolidated operating income significantly decreased due to recordings of provision for loss on construction contracts for multiple large-scale construction projects and other factors.

Domestic Construction Business (Civil Engineering)

We contribute to a safer, more secure, and richer society by constructing the infrastructure which our lives depend on: tunnels, bridges, dams, river works, urban civil engineering structures, railroads, expressways, and more. In recent years, we are expanding our business domain to maintenance, including upgrades, and repairs as we actively endeavor to extend the lives and functionality of existing infrastructure. Additionally, we will increase productivity as well as safety and achieve work style reform through the promotion of construction DX such as development and application of automation and autonomizing technologies for construction.

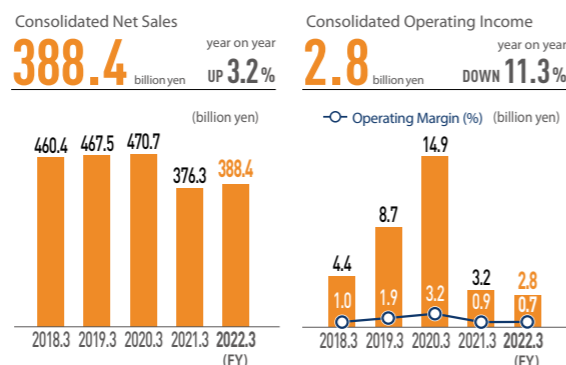


Consolidated net sales remained at the same level as the previous fiscal year, with construction projects in hand increasing, but projects with long delivery such as ECI and design-build construction also increasing.

Consolidated operating income decreased compared to the previous fiscal year when profit levels were boosted due to construction design changes as well as high-profitability construction.

Overseas Construction Business

We are expanding our building construction and civil engineering businesses in Southeast Asia, North America, and Oceania with our Group companies rooted in the various countries and region at the core, supporting the livelihoods of local citizens through construction of various buildings and social infrastructure. Utilizing the business foundations built up in various countries for more than half a century, the Obayashi Group companies, both in Japan and abroad, synergistically boost one another's strengths, such as technologies and human resources in an organic and bidirectional manner to achieve innovations in the construction technologies and business in the global market in order to capture new revenue opportunities.



Consolidated net sales increased, despite decreased net sales of WEBCOR in North America, with an increase in OBAYASHI SINGAPORE and others due to rebound after the effects of COVID-19 in the previous fiscal year.

Consolidated operating income decreased due to the decrease in net sales of WEBCOR and KENAIIDAN in North America, despite an increase in net sales of OBAYASHI SINGAPORE due to rebound.

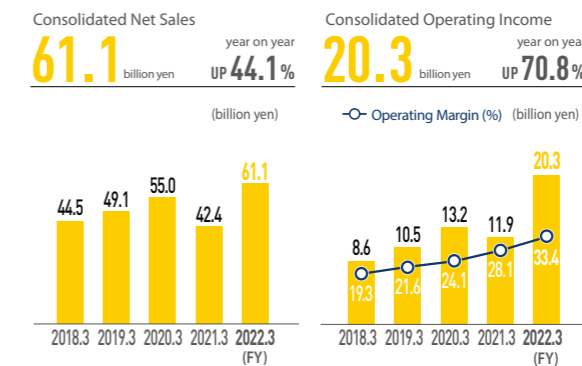
TOPIC Establishment of the Smart City Development Office and Carbon Neutral Solutions Department

To address heightened societal interest and an increase and diversification of requests from customers regarding carbon neutrality and well-being, Obayashi newly set up the Smart City Development Office and Carbon Neutral Solutions Department under the Marketing Division.

We will gather and utilize knowledge and know-how in respective fields Company-wide and provide customer solutions to generate and promote business not only in construction but also in new relevant fields.

Real Estate Development Business

We will continue to develop and hold prime properties for lease in favorable locations, primarily in urban areas, and flexibly garner capital gains through the use of private funds, as well as establish a building operations management model. Moreover, in addition to incorporating decarbonization as a business operator, and providing safe and secure spaces that support the continuity of business tenants, we also support the promotion of large-scale development as a business partner and specified agent for urban redevelopment projects. We also promote the acquisition of prime assets in the global market, such as in the U.K. and Thailand.

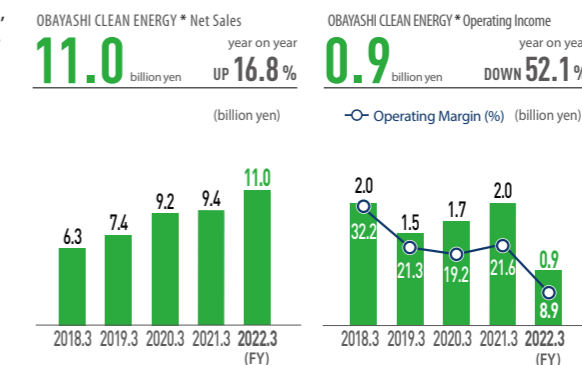


Consolidated net sales increased significantly, with property sales accompanying the reshuffling of asset portfolios by OBAYASHI-SHINSEIWA REAL ESTATE.

Consolidated operating income, as with net sales, increased significantly with property sales.

Green Energy Business

In line with the 2050 Carbon Neutral Declaration, we are pursuing the power generating business with renewable energy, such as solar power, wind power, biomass power, and geothermal power. We are also conducting demonstration projects in setting up supply chains to promote social implementation of carbon-free green hydrogen, both in Japan and abroad. We will make use of the knowledge and know-how gained through these endeavors to propose optimal solutions in response to various customer needs toward decarbonization.



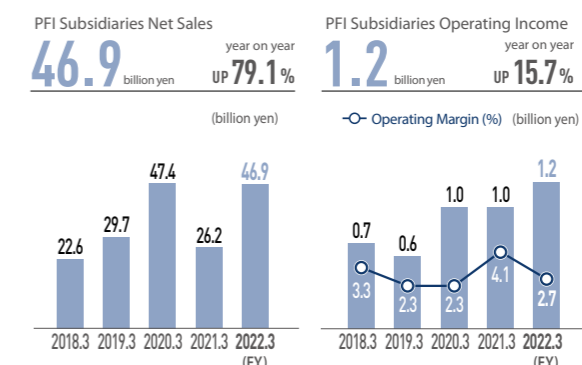
* Includes its subsidiaries which run renewable energy business

OBAYASHI CLEAN ENERGY net sales increased with the stable operations of the Otsuki Biomass Power Plant and the start of operations of the Obayashi Kamisu Biomass Power Plant.

OBAYASHI CLEAN ENERGY operating income decreased due to costs incurred in preparations to start operations of the Obayashi Kamisu Biomass Power Plant.

New Businesses Initiatives

In the field of new businesses, the Obayashi Group utilizes its core technologies in solving social challenges and expanding into growth markets. It is also strengthening PPP and concession initiatives. We will also combine technology seeds (the technological strengths) of Obayashi Group's four businesses (domestic construction, overseas construction, real estate development, and green energy) with new business models aiming for commercialization.



Net sales of the PFI subsidiaries increased due to newly recorded sales from several projects based on construction progress standards resulting from the implementation of the Accounting Standard for Revenue Recognition.

Operating income of the PFI subsidiaries maintained the same levels as the previous year as a result of the steady operation of businesses.



B-Innovation Park Photograph: GANKOISHA



Renewal Project of Rt.1 Haneda Line of Tokyo Metropolitan Expressway (Phase I)
(JFCC: Japan Federation of Construction Contractors Awards 2021 2nd Construction Excellence Prize)

Domestic Construction Business (Building Construction)

Business Strategy

Maximize value to be delivered, collaborating with supply chains

- Secure steady earnings based on strategic work portfolio in line with production capacity
- Maintain, strengthen, and expand supply chains and increase the production capacity by utilizing next-generation production technologies and DX
- Secure stable earnings by solidifying risk management process and by improving cost competitiveness, gathering effort of all the construction business process including marketing, design, procurement, and production
- In response to an increase in building stock and the needs of society (environmental responsibility, etc.), strengthen marketing abilities and set up a construction system toward gaining renovation construction projects, for which an increase is projected
- Further promote initiatives in growing sectors (including data centers, semiconductor plants, pharmaceutical plants, wooden structures and interiors, and ZEB)
- Strengthen the construction value chain and expand construction service domains by utilizing networks toward solving social issues such as carbon neutrality and well-being (including the usage of M&As)

Business Environment

- Intensifying competition due to lack of expected significant expansion of the domestic construction market
- Solid demand in fields such as redevelopment, renovation, smart cities, and green energy
- Rapidly increasing and diversifying customer needs for carbon neutrality
- Unprecedented price hikes for a wide range of construction material and disruptions in supply chains
- Application of overtime cap regulation under the revised Labor Standards Act of Japan in April 2024, lack of skilled workers in the construction industry due to declining birthrate and aging society

Specific Initiatives

- ▶ Continue aiming for over ¥1 trillion in value of completed construction contracts while keeping in mind capacity for design and construction processes
- ▶ Secure profitability with a strategy that considers a good balance for orders received between large-scaled, small- to medium-scaled projects, and renovation projects
- ▶ Reflect rises in construction material costs in price conditions for biddings, add a clause to construction contracts requiring discussions surrounding cost increases, and conclude contracts for materials promptly after finalizing a construction contract in order to minimize the effects of price hikes for construction material
- ▶ Reform in business processes through BPR and increased productivity through creating production systems and labor-saving methods utilizing IoT/AI/robotics
- ▶ Secure skilled workers through improvements in working environments and on-site operations in cooperation with supply chains

Domestic Construction Business (Civil Engineering)

Business Strategy

Maximize value to be delivered, collaborating with supply chains

- Secure steady awards and profits by flexibly responding to changes in customer needs, such as ECI*1 and DB*2, as well as social and environmental changes
- Capitalize know-how as a pioneer in infrastructure renewals such as major expressway upgrades, and maintain/strengthen competitive advantage
- Strengthen competitive advantage and project promotional framework in the green energy field
- Cooperate internally and externally toward solving social issues such as environmental restoration and decarbonization, utilizing the Group's comprehensive strength
- Develop and implement automating and autonomous technologies for construction and promote construction DX
- Secure a production structure by building up the human resource foundation and transformation of business processes and co-create with supply chains

*1 Early Contractor Involvement method: A method in concluding a construction contract by cooperating technologically with a priority negotiation rights holder selected based on their technological proposal, and negotiating price and other factors while reflecting details of the proposal for technological cooperation work into the design

*2 Design-build method: A method in which both the design and construction processes are ordered together at the same time to a single contractor

Business Environment

- Expectation that effects of COVID-19 will be limited and investment in civil engineering will remain at a flat level
- Large civil engineering projects such as infrastructure renewals progressing according to plan overall in an environment marked by building national resilience
- Qualitative changes in the market (changes in order methods, increasing competition in renovation, accelerating decarbonization, etc.)
- Application of overtime cap regulation under the revised Labor Standards Act of Japan in April 2024, lack of skilled workers in the construction industry due to declining birthrate and aging society

Specific Initiatives

- ▶ With hiring based on a personnel plan, build a structure enabling construction valued at ¥300.0 billion for completed construction contracts on average
- ▶ Maintain an advantageous position by enhancing systems for bidding, design and construction in the renovation field
- ▶ Collaborate with the Green Energy Division to capture more business opportunities for EPC*
- ▶ Reform in business processes through BPR and increased productivity through production systems and labor-saving construction methods utilizing IoT/ AI/ robotics

*Undertaking Engineering, Procurement, and Construction all at once



Bangabandhu Sheikh Mujib Railway Bridge WD1 (Bangladesh)



Four Seasons Private Residences at 706 (U.S.A.)

Overseas Construction Business

Business Strategy

Acquire further growth opportunities in the global market by leveraging a solid business foundation

- Expand construction capacity through continuous growth of Group companies in North America and new M&As
- Strengthen the local businesses foundation of Group companies in Asia and develop a cross-border collaboration system centered on Asia-Pacific Regional Headquarters
- Initiatives for projects from upstream stages leveraging the Group network and broad use of resources
- Implement a strategy to enter targeted region, including M&As in non-construction business
- Initiatives for non-construction business (development/green energy business) in North America and Thailand where strong management foundations have already been established

Business Environment

- Accelerating global efforts for decarbonization, such as carbon neutrality and hydrogen, and well-being initiatives
- Uncovered weakness in global supply chains as seen with the semiconductor shortage
- Rising prices due to factors such as soaring oil prices
- Impact on economic activities in each country and changes in the market due to COVID-19

Specific Initiatives

- ▶ Strengthen response to transformation in the market caused by expansion of work portfolio and increase profitability
- ▶ Continued fostering of global personnel
- ▶ Swift handling of information gathering on global companies and receiving orders utilizing the Group network
- ▶ Sharing Obayashi Group's technological capabilities to strengthen competitiveness



Minato Mirai 21 Central District, Block 53 (Image upon completion)

Real Estate Development Business

Business Strategy

Increase investment efficiency and profitability by optimizing the asset portfolio

- Diversify asset types and secure steady income gains by investing in growing sectors including environmentally responsible buildings such as ZEB and value-added logistics facilities
- Flexibly obtain capital gains and establish property/building management business models (such as PM and BM operations) by utilizing private funds under management
- Acquire competitive assets by utilizing networks in the global market

Business Environment

- Changes in the real estate market because of changes in lifestyles and work styles brought on by the outbreak of COVID-19
- Concern over rising vacancies in office space and falling rents due to oversupply of office space
- Demand by society for sustainability such as with carbon neutrality and well-being
- Emergence of new fields of growth accompanying a heightened need for logistics facilities, etc.

Specific Initiatives

- ▶ Make new investments in the amount of ¥300.0 billion over five years, with net investment of ¥160.0 billion after property sales worth ¥140.0 billion
- ▶ Optimize assets held with reshuffling of our asset portfolio according to location, building age, and size of individual properties
- ▶ Utilize private REITs conceived in cooperation with other companies and private funds conceived by the Obayashi as purchasers in addition to third parties
- ▶ Take into consideration factors such as transparency, safety, and growth potential of various countries overseas to find investment opportunities other than in United Kingdom and Thailand
- ▶ Convert electric power for all domestic lease properties owned by the Group to 100% renewable energy power by 2030
- ▶ For new properties, obtain ZEB Ready Certification by implementing energy-saving technology and also actively promote obtaining CASBEE and other types of environmental certification



Kamikita-Ogawara Wind Power Station

Green Energy Business

Business Strategy

Achieve growth by responding to needs to realize carbon neutrality

- Create synergies with Construction Business and the Real Estate Development Business by responding to customer needs toward decarbonization
- Increase power generation capacity and diversify energy source to lower total risk
 - (i) Initiate renewable energy related business in Asia (power generation, PPA*, EPC etc.), (ii) Promote efforts for non-FIT power supply, etc.
- Strengthen efforts for progress in hydrogen-related technologies and commercialization
 - (i) Promote decarbonization by using hydrogen in the construction industry (construction machinery using hydrogen mixed combustion engines, etc.), (ii) Promote businesses in the light of experience in hydrogen pilot projects (producing & supplying) both in Japan and abroad

*Power Purchase Agreement: A system in which an agreement for the purchase of electric power is concluded between a business operator and a consumer. With an onsite PPA, a PPA business operator is provided with space such as the rooftop of a building owned by the consumer, where power-generating facilities are built in the same location as the facility to consume the electric power. Electric power generated is provided to the consumer, and the power generating facilities are operated and maintained by the operator.

Business Environment

- Shift in main power source to renewable energy (proportion of renewable energy power generation in FY 2031.3 at 36% to 38% with the 6th Strategic Energy Plan)
- Switch from the Feed in Tariff system (FIT system) to FIP system* (integration into the electric power market)
- Diversification of customer needs for decarbonization
- High interest in hydrogen energy

*Feed-in Premium system: A system used when an operator generating renewable energy sells generated power in the wholesale electric power market or through a negotiated transaction, in which the difference between the standard price (FIP price) and market price is granted as a premium

Specific Initiatives

- ▶ Invest ¥50.0 billion over five years mainly in fields which have not been commercialized by the renewable energy business such as geothermal and small-scale hydropower fields and in the hydrogen business
- ▶ Undergo initiatives to create synergy with the Construction Business and the Real Estate Development Business with EPC orders, onsite PPA and providing consultations regarding renewable energy
- ▶ Reach profitability early by promoting hydrogen-related businesses



The Space Elevator Construction Concept

New Businesses Initiatives

Business Strategy

Pursue breakthroughs for exponential growth with exploration and launch of new businesses

- The following four areas are positioned as growth market areas leading to the solution of social issues. We will leverage our core technologies and focus on establishing new business models (i) Carbon neutrality, (ii) Well-being, (iii) Transformation of existing industries brought about by digitization and innovative technologies, and (iv) New market growth triggered by potential deregulation and diverse ordering methods
- Search and implement revenue models (consider entering into order methods such as PPP/concessions, etc. and test various revenue models such as the subscription platform business)

Background Leading to Formulation of the Business Strategy

- Uncertain and complex times with big changes in existing values
- Addressing trends such as carbon neutrality and well-being has become a global social issue regardless of region, with recognition that the commitment to take initiatives toward these issues is assumed for corporate survival
- Transformation of current businesses and creation of new business models are important management challenges toward solving sustainability issues that aim for the Group's sustainable growth

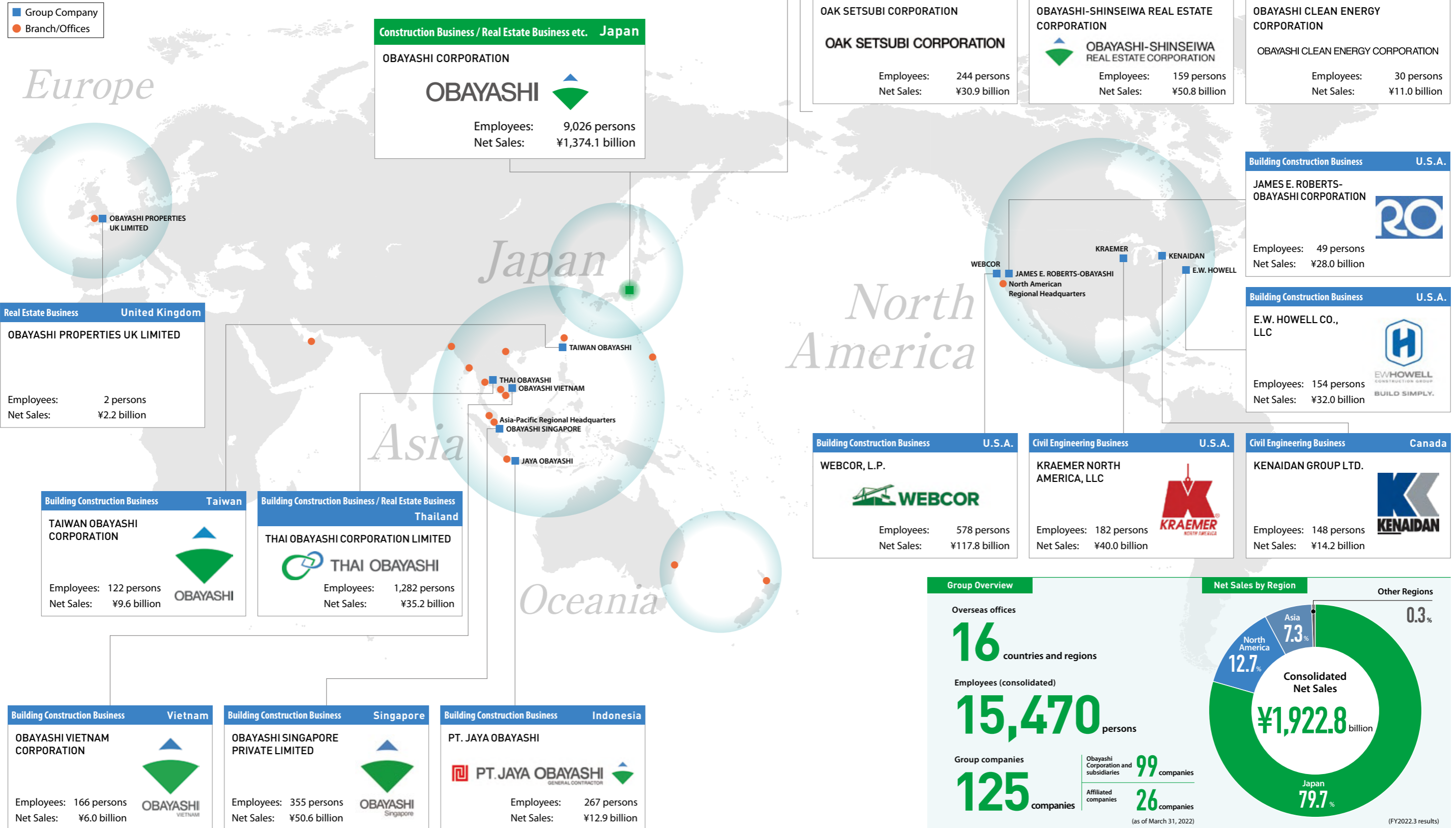
Specific Initiatives

- ▶ Combine technology and know-how gained through the Construction Business with digital technology for (i) improvement and reform of value provided for customers, (ii) new value creation, (iii) profitability other than through construction contracts
- ▶ Utilize synergy with existing businesses (Construction Business, Real Estate Development Business, and Green Energy Business), find business seeds in markets gaining attention such as construction DX and city platforms, agriculture & biotechnology, space, and focus on designing business models
- ▶ Assign management resources appropriately and decisively through establishment, operation and management of new business development processes based on ISO56002 Innovation Management System
- ▶ Optimize management resource utilization that is not limited by in-house reliance
 - (i) Promote collaboration among entities such as head offices, branches, divisions, and Group companies (including Obayashi SVVL*), (ii) Develop ecosystems with research organizations, venture capitals, startups, and others for creating new businesses, and other means
- ▶ Carefully analyze risks of each project and returns to the Group, then work for concessions or PFI projects for the effective use of public real estate

* Obayashi Silicon Valley Ventures & Laboratory. Obayashi's base in the U.S. for research and activities

Global Network

The Obayashi Group is developing its businesses, centered on the construction business, in various regions including North America, Southeast Asia, and Oceania, with advanced technology cultivated in the domestic construction business at the core.



Materialities and KPIs

ESG Materialities of the Obayashi Group

Grounded on the Obayashi Basic Principles, the Obayashi Group has identified six ESG materialities for promoting ESG management. We incorporate these materialities into our Medium-Term Business Plan measures and tie them in with the SDGs in our business initiatives. By so doing, we aim to reach our Obayashi Sustainability Vision 2050 targets, achieve medium- to long-term growth, and realize a sustainable society.

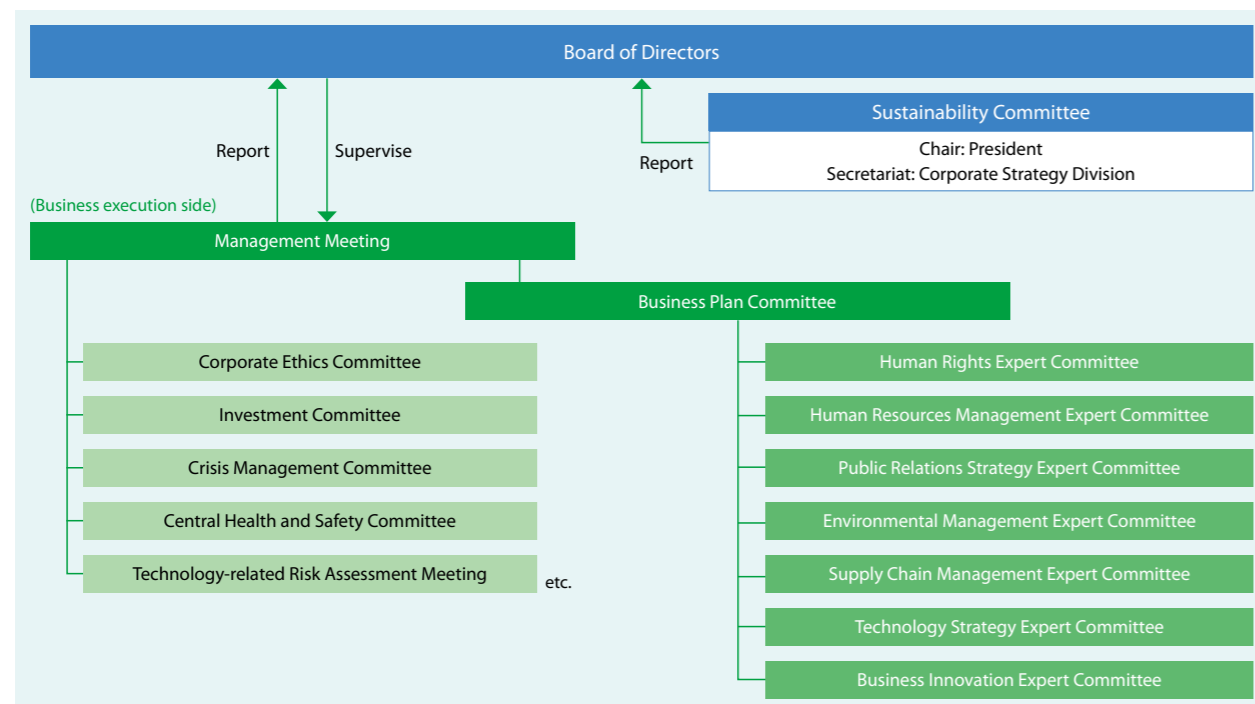
We check progress each fiscal year on action plans and KPIs which we have set that connect to Obayashi's materialities. We then use the PDCA cycle for further initiatives.



Sustainability Promotion Framework

Obayashi Corporation has established the Sustainability Committee under its Board of Directors in order to practice corporate activities in alignment with the Obayashi Basic Principles and to promote initiatives designed to achieve society's and its own sustainability. The Sustainability Committee, chaired by the President, comprises Independent Directors and other members. It convenes at least twice a year to identify sustainability challenges to discuss and make recommendations on Obayashi's responses to the identified sustainability challenges and to review the implementation status of such responses by the business execution side. Based on discussions at the Sustainability Committee, the Board of Directors determines management policies for promoting ESG management and achieving SDGs.

On the business execution side, under the Management Meeting, the Business Plan Committee mandated by the President, and expert committees in various sustainability areas established under the Business Plan Committee, develop, promote, and monitor the implementation of measures in accordance with the management policies determined by the Board of Directors. The Business Plan Committee and these expert committees are also in charge of disseminating information and communicating it internally to promote sustainability efforts within the whole Group.



Action Plan and KPIs

E Establish an Environmentally Responsible Society		Related SDGs 7 9 11 12 13		
Action plan	KPI	FY2023.3 targets	FY2024.3 targets	FY2025.3 targets
Promote eco-friendly businesses	Ratio of ZEB (Net Zero Energy Building) proposals in design and construction projects	100%	100%	100%
	Ratio of renewable energy usage in domestic for-lease properties owned by Obayashi Group	100% of for-lease office buildings by FY2027.3 100% of for-lease properties by FY2031.3		
Promote green energy business	Stable annual electricity generation from renewable energy business	683,700MWh	803,000MWh	803,000MWh
Promote decarbonization	CO ₂ emissions reduction rate (vs FY2020.3) (Scope 1 + Scope 2)	46.2% reduction by FY 2031.3		
	CO ₂ emissions reduction rate (vs FY2020.3) (Scope 3)	27.5% reduction by FY 2031.3		
Contribute to realizing a recycling-oriented society	Ratio of mixed waste in construction waste	3.0% or less	3.0% or less	3.0% or less
S Enhance Quality Control and Technological Capabilities		Related SDGs 8 9 11 12 17		
Action plan	KPI	FY2023.3 targets	FY2024.3 targets	FY2025.3 targets
Pursue reliable quality	Number of serious quality defects	0	0	0
Use technological capabilities to further enhance productivity	Productivity of a construction site worker or employee per day	¥102,000 or more	More than the previous fiscal year	More than the previous fiscal year
Maintain good construction management system	Ratio of technical staff with important construction management credentials: professional engineer, registered first-class architect, and registered first-class construction management engineer (building construction, civil engineering, plumbing work, and electricity work)	Maintain at 80% or more	Maintain at 80% or more	Maintain at 80% or more
S Ensure Occupational Health and Safety		Related SDGs 3 8		
Action plan	KPI	FY2023.3 targets	FY2024.3 targets	FY2025.3 targets
Rigorously apply the Occupational Health and Safety Management System	Number of fatal accidents	0	0	0
S Develop and Retain Human Resources		Related SDGs 4 5 8 10 16		
Action plan	KPI	FY2023.3 targets	FY2024.3 targets	FY2025.3 targets
Promote work style reform	Ratio of construction sites that adhere to the practice of closing eight days out of every four-week period (for 104 days or more a year)	50% or more	60% or more	100%
Promote diversity	Ratio of eligible male employees taking childcare leave or other leave for the purpose of childcare	100% by FY2025.3		
	Ratio of employment of people with disabilities	2.4% or more	2.4% or more	2.4% or more
	Ratio of female managers	12% by FY2025.3		
	Ratio of female engineers	12% by FY2025.3		
G Implement Rigorous Compliance		Related SDGs 8 12 16 17		
Action plan	KPI	FY2023.3 targets	FY2024.3 targets	FY2025.3 targets
Promote the Corporate Ethics Program	Ratio of employees taking corporate ethics training	100%	100%	100%
	Number of serious violation of laws/ordinances	0	0	0
Practice rigorous information security management	Ratio of employees taking information security training	100%	100%	100%
	Number of serious information security incidents (data leakage, loss, falsification)	0	0	0
G Conduct Responsible Supply Chain Management		Related SDGs 8 12 15 16 17		
Action plan	KPI	FY2023.3 targets	FY2024.3 targets	FY2025.3 targets
Promote CSR procurement	Ratio of CSR procurement questionnaires implemented in a supply chain	70%	70%	70%
	Number of suppliers and subcontractors engagements	100 companies	More than the previous fiscal year	More than the previous fiscal year
Train and support skilled workers	Number of Certified Excellent Site Supervisors / Excellent Operators	481 or more	More than the previous fiscal year	More than the previous fiscal year
	Number of persons completing training at the Obayashi Rinyu-kai Vocational Training School	51 or more	More than the previous fiscal year	More than the previous fiscal year

Carbon Neutrality and Well-being as Business Opportunities

Medium-Term Business Plan 2022 “Strengthening the Business Foundation and Accelerating Company-wide Transformation” identifies “innovate technologies and businesses” as one of its fundamental strategies and sees the solution of social issues as a business opportunity, focusing on “carbon neutrality” and “well-being (safety, security, comfort, and health).” While creating customer value through solutions leveraging the Group’s comprehensive competitiveness, we also aim to expand our business domain by creating added value in new business fields.



Business Opportunities and Solutions

THAI OBAYASHI Develops Real Estate Business with State-of-the-Art High-Rise Office Building: O-NES TOWER



High-rise office building with five basement floors and 29 floors above ground

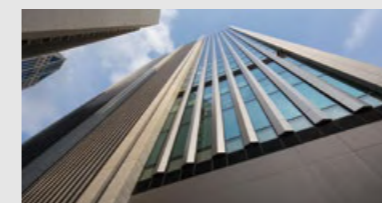
In March 2022, THAI OBAYASHI opened O-NES TOWER in Bangkok, its first full-scale real estate development project and the largest leasing property solely owned by Obayashi Group.

“O-NES” represents the THAI OBAYASHI credo of “Honesty,” being a leading company “No.1 (ONE),” and the “Obayashi New Environmental Space” which is provided by Obayashi Group.

The design was aimed to create an efficient and energy conscious workplace with the latest technologies, realizing well-being for all occupants and visitors. O-NES TOWER is equipped with state-of-the-art structural and environment control systems like no other in Thailand. A large green forecourt of the building, together with roof garden, and greenery in the facade creates a new rich oasis-like environment, in the midst of the busy streets of downtown Bangkok.

Implementation of Technology Maximizing Advantages of Steel Structure

By making the RC core walls bear external forces from earthquakes, wind, and the like, and by utilizing “CFT*1” as material for the columns, fewer number and slender cross section of columns were achieved. Also, V-shaped steel columns, or “V-columns,” spanning from the first to seventh floors characterizing the front facet of the building, were realized as a result. RC core walls were designed following the latest design standards in Thailand, ensuring sufficient safety against earthquakes. Furthermore, the stone façade of the corner portions of the building stretching from the first to the top floors use precast concrete panel with embedded stone, adopted for the first time in Thailand.



Precast concrete panel with embedded stone

The Spirit of “Challenge, Learn, and Move on” Takes Root in Our Staff

During the construction process, THAI OBAYASHI's site staff had support from seconded employees from Obayashi Corporation as well as relevant specialist personnel in Japan. Examples include providing guidance on production management of steel beam material, the detailed structure of the exterior construction process, and preparation of materials, which led to creating the Thai-version construction manual. In addition, in steel beam construction, the use of THAI OBAYASHI's BIM technology made it possible to study and manage the layout and details of the steel beams in 3D images, increasing productivity.

The site staff also proceeded smoothly with the construction by providing appropriate guidance to subcontractors based on what they learned through support from Japan.

Introduction of Building Management System Providing Various Services from Wellness Perspective

O-NES TOWER is creating well-shaped column-free office spaces over 20 meters in depth which have a hybrid structure of RC core walls and steel beam frames. In addition, individual air conditioning, as well as an automatic control system using sensors for lighting, air conditioning, and blinds, have been installed to improve energy efficiency, and energy consumption can be visualized using mobile terminals, providing a highly convenient and wellness-conscious working environment.*2 Furthermore, the carriage porch is located in the basement to separate the traffic flow of automobiles and pedestrians for the safety of users, while expanse green landscape for the entrance and on the rooftop are incorporated to contribute to the visual experience of facility users and the neighboring community. The forecourt of the building was designed with V-columns as the theme and is composed of exterior space that harmonizes with the building.



The forecourt design inspired by the shape of V-column harmonizes with the building

*1 Material for the column to heighten earthquake and fire resistance by filling concrete into tubular steel columns

*2 LEED and WELL certification procedures are underway (scheduled to obtain GOLD certification for both)

Business Opportunities and Solutions

A Major Pioneer Emerges in the Future of Urban Wooden Architecture: Port Plus®



Photo: SS Co., Ltd. Naomichi Sode

Toward Realizing Carbon Neutrality

Pursuit of Environmental Performance and Reduction of Environmental Loads

In order to achieve the high environmental performance required of urban architecture, this building obtains ZEB Ready certification, with energy consumption of 50% or less than that of a typical building, by reducing air conditioning load through the adoption of a double-skin curtain wall system*1 using its wooden structure, actively utilizing natural energy such as geothermal heat and sunlight, and creating an efficient facilities system that matches the building's use plan and methods.

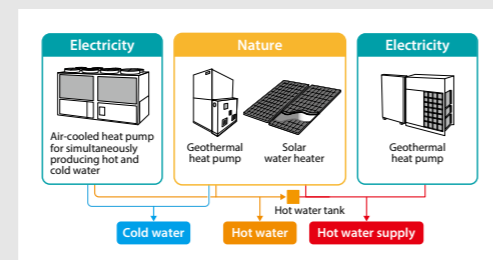
Approximately 1,990 m³ of wood was used in this facility, meaning that 1,652 t-CO₂ was fixed. In terms of greenhouse gas emissions during construction, the wooden structure saved about 1,700 t-CO₂*2 compared to steel beam construction and about 6,000 t-CO₂*2 compared to reinforced concrete, contributing to a reduction in environmental loads.

*1 A system in which glass is double-layered, and air flows between the two glass panels, enabling the reduction of solar heat during the summer season.

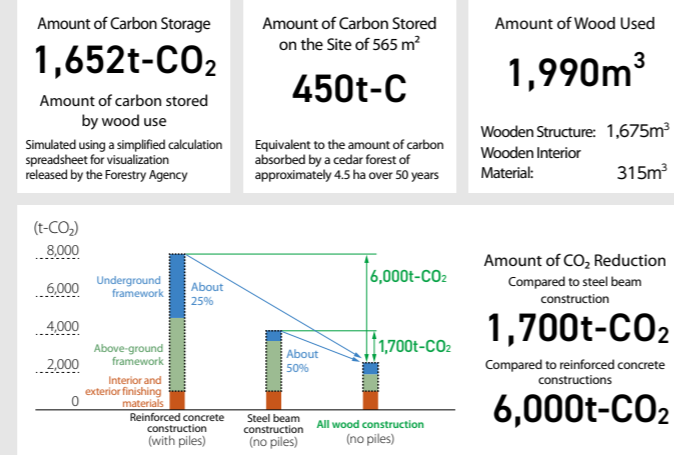
*2 Estimated using One Click LCA with LEED certification

Environmental and Energy-Saving Technologies Adopted

- Minimization of air conditioning load by a double-skin curtain wall
- Air conditioning control by camera image analysis
- Utilization of natural energy, etc.



Large touch panels on each floor display energy consumption, power generation, and ZEB Ready status

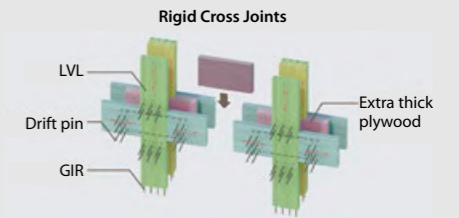


Port Plus®, Obayashi's next-generation training facility, was completed in March 2022 in Yokohama City as Japan's first fully-wooden and fire-resistant high-rise structure, with all main structural components (columns, beams, floors, and walls) above ground made of wood. The name "Port Plus" is meant to be reminiscent of a port town where all kinds of people and knowledge gather (Port, i.e. hub) and a place where various "Plus" experiences are offered. We will pursue promotion, innovation, wellness, and sustainability for the facility as "a place to foster the future of knowledge."

Pursuit of Well-being

Technologies Enabling Wooden High-rise Architecture

The greatest challenge in all-wood high-rise architecture is to ensure the rigidity and bearing capacity of beam-column joints. Therefore, a rigid cross joint was developed for this facility to integrate columns and beams with high precision in the plant. The building secured high rigidity, bearing capacity, and toughness with the rigid cross joints. And the combination with our O-Mega Wood (FR), our fire-resistant technology that acquired Japan's first three-hour fire-resistant certification as a vibration-isolated structure/wooden post/beam, realized a taller and larger wooden construction as in steel beam constructions and RC constructions, opening up new possibilities for urban wooden architecture.



Providing a "Wellness Space"

In addition to the relaxation and humidity control effects of the woody space, the design and technology to incorporate nature, such as wind, light, and aroma, enhances the health and comfort of facility users. It aims to foster a new corporate culture by inducing free and vigorous communication. Also, the guest rooms in the building will provide a comfortable lodging environment that matches the body's internal rhythms by linking our self-developed WellnessBOX** to the user's vital data during sleep. The facility is expected to obtain WELL and LEED certifications, which are wellness-conscious building and indoor environment evaluation standards.

* A building management system, developed by Obayashi, that uses energy conservation technology with IoT and AI to provide the optimal environment to each building user and control the building precisely



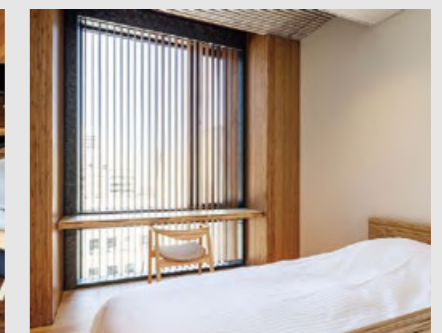
Touch panels allow the operation of blinds and lighting. Guest rooms offer sleep quality measurements, etc.



Training space with biophilic design



Work spaces connected by open ceiling



Guest room to prepare body and mind

Possibilities of All Wood Architecture

An all wood construction site is a superior working environment for a construction site. Since there is no concrete pouring, it reduces the generation of dust, dirt, and noise during construction, minimizing the burden on the surrounding environment. The number of work types involved in framework construction, such as rebar, formwork, and concrete, also decreases, reducing the time and effort for coordination and inspection of construction works, enabling us to save labor and increase efficiency. Furthermore, the active use of wood will help promote a recycling-oriented society. With our vision of "Circular Timber Construction," Obayashi is pursuing sustainability throughout the entire timber resource cycle: planting, growing, using, and planting.

We will continue to aim to create a prosperous and sustainable society living together with forests and trees through various types of wooden architecture.



Environment



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

Basic Policy

As a good corporate citizen the Obayashi Group 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 through all our business activities.

Environmental Management

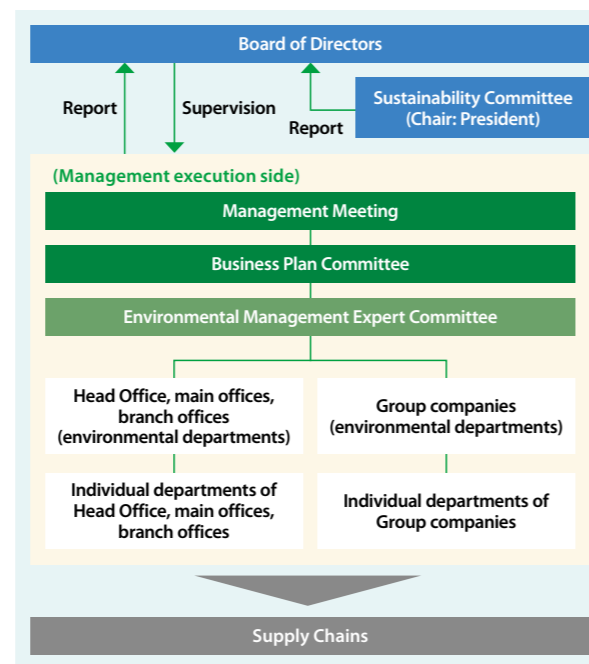
Promotion Framework

We have in place the Environmental Management Expert Committee, chaired by the executive officer responsible for the environment, under the Business Plan Committee commissioned by the President. The expert committee sets basic policies and measures on the Group's environmental initiatives in general and strives for continual improvement by reviewing targets and initiatives based on evaluations of environmental management system (EMS)* results. The environmental departments of the Head Office, main offices, branches, and Group companies are in charge of executing the plans and targets, set by the Environmental Management Expert Committee, and take specific actions to do so.

At Obayashi, environmental compliance is more than just following environmental laws and regulations. We set higher standards for ourselves and respond appropriately based on these. Environmental law and regulation supervisors are appointed at branches throughout Japan. We also give online courses and group training sessions to raise knowledge and awareness of environmental laws and regulations.

* The Obayashi EMS has obtained ISO 14001 certification for all its domestic organizations

Environmental Management Promotion Framework



Environmental Management Promotion Activities

Organization	Overview of organization	Overview of activities
Board of Directors	· Comprised of individual Directors	· Meets about 15 times a year · Supervises climate-related risks and opportunities
Sustainability Committee	· Chair : President · Members : Independent Directors, etc. · Secretariat: Corporate Strategy Division	· Meets twice or more a year · Examines policies on how to address sustainability issues, including climate change, makes their recommendations to the Board accordingly and assesses the status of execution of these matters · Understands long-term risks and discusses the Group's future business portfolio
Management Meeting	· Chair : President · Members : Executive officers, including heads of divisions · Secretariat: Corporate Strategy Division	· Meets about 30 times a year · Reports, discusses, instructs, and resolves important matters regarding sustainability issues, including climate change
Business Plan Committee	· Chair : Executive officer responsible for business plan · Members : Heads of divisions, etc. · Secretariat: Corporate Strategy Division	· Meets about 12 times a year · Formulates policies and manages/reviews progress of their implementation regarding sustainability issues, including climate change
Environmental Management Expert Committee	· Placed under Business Plan Committee · Chair : Executive officer responsible for the environment · Members : Environmental supervisors for individual departments of Head Office · Secretariat: Environmental Management Division	· Meets twice or more a year · Formulates basic policies and measures regarding environmental management; reviews and promotes measures, action plans, etc. based on collected environment-related information based on our EMS and sets targets, monitors/reviews the status of their execution and their achievements, among others.
Environmental departments	· Head Office, main offices, branch offices (environmental departments) · Group companies (environmental departments)	· Head Office, main offices, branch offices, and Group companies take specific actions based on the action plans and targets set by the Environmental Management Expert Committee

Information Disclosure Based on TCFD Recommendations

Obayashi expressed its support in July 2020 for the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). Since then, we have disclosed information related to climate change by conducting scenario analysis in order to identify and assess climate-related risks and opportunities and to understand the medium- to long-term impacts climate problems may have on our business.

Governance

The Sustainability Committee, chaired by the President and comprised of Independent Directors, etc. as members, identifies climate-related issues, discusses policies on how to address these issues, provides the Board with

recommendations, and reviews the status of execution of relevant measures. The Board decides management policies, etc. at its meetings on the basis of discussions at the Sustainability Committee.

Strategy

Assuming the status of our four main domestic businesses* in 2030, we have conducted a scenario analysis to identify and assess climate change-related risks and opportunities and to understand the medium- to long-term impacts that climate-related problems may have on our business. In the analysis process, we identified climate change-related risks

under each scenario. We then quantitatively and qualitatively verified the degree of impact each of about 30 risks could have on our business, ranking them as major, medium, or minor, and incorporating responses to the risks and opportunities thus identified into our business measures.

* Building Construction Business, Civil Engineering Business, Real Estate Development Business, and New Businesses

Important risks and opportunities			Overview	4°C scenario	2°C scenario
Transition	Risk	Introduction of carbon taxes	<ul style="list-style-type: none"> Taxes could be levied on CO₂ emitted by construction and other business activities, causing cost increases Price of construction materials, which consume much energy, could rise, causing procurement cost increases 	Minor	Major
	Opportunity	Increasing need for energy conservation/renewable energy technology	<ul style="list-style-type: none"> Our energy saving technology and ZEB designed to meet society's needs are increasingly superior Renewable energy continues to replace conventional forms of energy There is growing demand for offices with green building certification 	Medium	Major
Physical	Risk	Higher summer temperatures	<ul style="list-style-type: none"> Risks to construction site worker health, including heat stroke risk, are rising Poorer work conditions at construction sites could make worker shortage worse 	Major	Major
	Risk	More severe natural disasters (typhoons, heavy rains, flooding, etc.)	<ul style="list-style-type: none"> Increasing impact from natural disasters could damage buildings and infrastructure during construction or could interrupt construction. There is also increasing risk of needing to respond to damage at suppliers of construction equipment and materials Value of real estate we own in areas with high flood risk could decline 	Medium	Medium
	Opportunity	National resilience initiatives	<ul style="list-style-type: none"> There is rising demand for infrastructure construction, maintenance, and repair to prevent and mitigate disasters and build national resilience 	Major	Major

Risk Management

As for climate-related risks, the Sustainability Committee examines them and reports results to the Board for further discussions as appropriate. Moreover, each department on the execution side assesses the risks inherent to its business processes. It builds the necessary avoidance and mitigation measures into those processes before performing them. Meanwhile, the Internal Audit Department audits each department's risk management efforts.

Targets and Metrics

We have set reduction targets for greenhouse gas (CO₂) emissions with a view to realizing decarbonization in 2050. We will push ahead aggressively with initiatives to reduce CO₂ emissions from our business activities and supply chains in order to meet these targets.

CO₂ Reduction Targets

Metric	Base year	Target year	Target
Scope 1+2 reduction rate	2019	2030	-46.2%
		2050	-100%
Scope 3 reduction rate	2019	2030	-27.5%

Climate-Related Information Disclosure (Disclosure Based on TCFD Recommendations)

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

Environment

Environment-friendly Initiatives

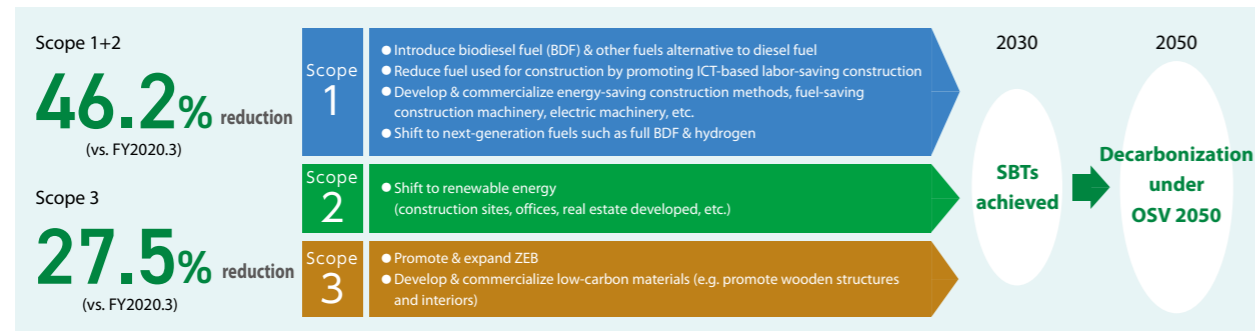
■ New GHG Reduction Targets Set

The Group's "Obayashi Sustainability Vision 2050" calls for "decarbonization" as one of its targets for 2040-2050. To achieve the vision, we have incorporated "carbon neutrality" as a business opportunity into our business plan, and are promoting specific initiatives for the purpose. In 2022, we set new GHG emission reduction targets (CO₂ reduction targets for FY2031.3) as follows. We will strive to attain the

targets by reducing CO₂ emissions through the promotion and expansion of ZEB as well as the introduction of an alternative fuel to diesel fuel and shift to renewable energy.

We have committed to SBT (science-based targets) for the above targets, meaning the targets are in line with the Paris Agreement.

GHG Reduction Targets for FY2031.3



■ Use of Renewable Energy

We will shift sources of electric power used in business activities gradually to renewable energy. In April 2022, the power supply was switched to renewable energy-derived sources at the Shinagawa Intercity building that houses our Head Office. The volume of CO₂ emissions thus reduced based on the ratio we are accountable for is estimated to be about 1,800 t-CO₂ a year. Moreover, all power supply at Grand Front Osaka, a commercial complex in which we have an equity stake, is to be shifted to renewable energy-derived electricity from September 2022, the first large complex to do so in the Kansai region. This is estimated to reduce the equivalent of some 25,000 t a year in CO₂ emissions.

Target Rates of Renewable Energy to be Introduced

	2026	2030
Construction sites	50%	100%
Real estate developed	100% of for-lease office buildings	100% of for-lease properties
Offices, dormitories/company housing, recreation facilities	—	100%

■ Use of Sustainable Finance

We have used sustainable finance to fund renewable energy projects and other undertakings by issuing the Obayashi Green Bond in October 2018 and the Obayashi Sustainability Bond in June 2019.

In March 2022, we set up a committed credit line of ¥70 billion based on a sustainability-linked loan. Furthermore, we issued a sustainability-linked bond through a public offering in the domestic bond market in April 2022. These fundraising measures represent a sort of financing whose terms of borrowing and redemption change according to the status of achievement of Sustainability Performance Targets (SPTs)*. Obayashi has in place GHG reduction targets among SPTs in an effort to contribute to realizing carbon neutrality.

* Represent numerical targets associated with sustainability targets based on the borrower's management strategy

■ Technological Development Contributing to Preserving Biodiversity

At every phase of our business activities, including R&D, design, construction, and maintenance, we are committed to technological development to preserve and create

ecosystems with rich diversity while endeavoring to avoid or mitigate environmental impacts at construction sites and in their surrounding areas.

Greening experiments using grassland plants aiming to conserve biodiversity at low management cost

The Technology Research Institute is conducting greening experiments using grassland plants in the Musashino region to clarify construction and management practice supporting grassland plants, which are rapidly decreasing in Japan.

We have also commissioned Biome Inc. to conduct a plant distribution survey in which citizens participate using Biome*, an app for the collection of living organisms that enables their identification through a name-identifying AI function. This experiment allowed us to obtain data useful for selecting appropriate locations to collect seedlings and seeds used for greening projects. The outcome of this first of its kind experiment in the construction industry is important for the development of technology contributing to the low-cost conservation of biodiversity as well as for the development of a method of effectively using outdoor facilities and other places as areas for growing grassland plants where regular weeding and other maintenance work

are planned.

Going forward, we will seek to establish technology that leads to greening proposals for customers.

* A smartphone app developed by Biome Inc. to collect information for biodiversity conservation



Great burnet, a grassland plant used for our greening experiment

Survey on the impact of the installation of an offshore wind power understructure on fish in peripheral marine areas

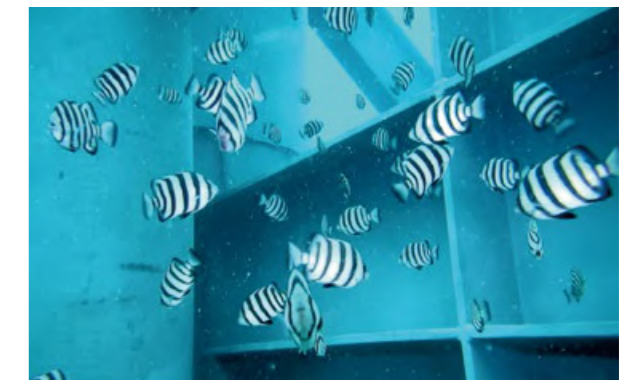
High hopes are pinned on offshore wind power generation as a main source of renewable energy-derived electricity, but there are not many surveys conducted on the effects of offshore wind turbine installations on peripheral marine areas. In the vicinity where a Skirt Suction**1 offshore wind power understructure was installed as a field test, we surveyed fish resources using a self-developed underwater inspection robot dubbed DIAG**2, and environmental DNA**3. As a result of the surveys, it was confirmed that the understructure played the role of a fish haven where coastal fish species such as parrot bass, red sea bream and Okhotsk Atka mackerel gathered.

Collaboration between offshore wind power generation and fishery is an important theme. We will continue to survey the maritime environment and contribute to preserving oceans and marine resources.

*1 A self-developed technology in which the pile-supported understructure of the wind turbine penetrates the seabed with the help of hydraulic pressure. This makes it possible to fix understructures firmly in shallow seas where hard-to-penetrate bedrock emerges, a process difficult under conventional methods such as a monopile structure in which a single pile is driven down

*2 A self-developed, unmanned submersible probe capable of the underwater inspection of dams, harbor structures, etc. with remote control from above water

*3 DNA released from living organisms' body fluid, feces, etc. into water, soil, air, and other environments



A scene of parrot bass gathering around an offshore understructure

Environment

Efforts to Create Business Opportunities

We have taken diverse initiatives to date for the realization of a decarbonized society, not only in the construction business, through the development and commercialization of low-carbon materials and the promotion of ZEB, but also in the renewable energy business and demonstration projects for the establishment of supply chains ranging from production to transport and the use of renewable energy-derived green hydrogen. In recent years, demand for actions toward carbon neutrality is growing and diverse. The Group will make the most of the experience and know-how we have cultivated so far to offer optimal solutions to meet the various decarbonization needs of customers.

Promote Renewable Energy Business

In February 2022, the Group opened its second woody biomass power plant, the Obayashi Kamisu Biomass Power plant (capable of generating 51.5MW of electricity) in the Kamisu City, Ibaraki Prefecture. The plant's primary fuel is imported pellet fuel whose sustainability is certified.

Moreover, in April 2022, we inaugurated the Kamikita-Ogawara Wind Power Station (capable of generating 20.4MW of electricity) in the Rokkasho Village, Aomori Prefecture, the Group's second onshore wind power station. In construction work, we paid maximum attention to the safety of the local communities concerned and to environmental preservation. In this connection, we adopted our Wind Lift® method (jointly developed with another company), which enables a wind turbine to be assembled while its components are being raised, instead of using giant cranes as generally practiced.

Our Group is promoting renewable energy-derived power generation projects, starting with the Kumiyaama Solar Power Station (Kumiyaama Town, Kuse District, Kyoto Prefecture) that opened in July 2012. It now operates 28 solar power stations, two onshore wind power stations, and two woody biomass power plants, with a combined generating capacity (rated output) reaching about 225MW.

Currently, we are investing in wind power projects such as at the ports of Akita and Noshiro in Akita Prefecture (with a combined total capacity of about 140MW, set to launch operations at the end of 2022), a joint venture being promoted by Akita Offshore Wind Corporation (led by Marubeni Corporation). We are also advancing business toward a full lineup for power generation businesses with renewable energy such as by undergoing excavation surveys in locations including Kyogoku Town, Abuta District, Hokkaido as a geothermal power initiative, as well as efforts for development in Ashio Town, Nikko City, Tochigi Prefecture as a small-scale hydropower initiative.



Obayashi Kamisu Biomass Power Plant



Kamikita-Ogawara Wind Power Station



Offshore Wind Farms Project at Akita and Noshiro Ports in Akita Prefecture
Illustration of the Akita Port (photo courtesy of Akita Offshore Wind Corporation; all rights reserved)

Hydrogen Project

High hopes are pinned on hydrogen as a next-generation clean energy source, with no CO₂ emitted during its use, to achieve the target of carbon neutrality by 2050.

We consider that hydrogen will be one of the important energy sources for our future society. We have our eyes set on renewable energy-derived "green hydrogen" in particular,

Producing & supplying green hydrogen with the help of geothermal power, the first project of its kind in Japan ► Kokonoe Town, Kusu District, Oita Prefecture

Geothermal heat, one renewable energy source, is expected to be a possible stable domestic energy supply, and positioned as an important energy source in Japan's clean energy strategy. However, geothermal power plants are often located in mountainous areas. Even if power is generated, connection to the power grid is sometimes physically difficult. Against that background, we are engaged in a demonstration project in the Kokonoe Town, Kusu District, Oita Prefecture, seeking to produce green hydrogen for practical application using geothermal heat-derived electricity.

In cooperation with Oita Chinetsu Kaihatsu K.K., a local geothermal development company, we installed a hydrogen-manufacturing plant at a geothermal power generation facility in July 2021, kicking off green hydrogen production (10 Nm³/h) based on geothermal power (125kW). Green hydrogen thus produced is being used at local hydrogen stations, research facilities studying the development of products based on hydrogen energy, and for other applications. Furthermore, it was adopted as one

Future vision of green hydrogen supply chain construction ► Taupo, New Zealand

We built a demonstration plant for the production and supply of geothermal power-based hydrogen in Taupo, New Zealand, located halfway between Auckland in North Island and the capital city of Wellington, through Halcyon Power Ltd. set up jointly with Tuaropaki Trust of New Zealand. Green hydrogen production began in March 2021. This is the country's first megawatt-class hydrogen production plant, turning out 100 tons a year (equivalent to 1,000 vehicles in terms of conversion to fuel used by battery powered cars). In addition, the plant is building a supply chain network ranging from transportation to usage, and verifying business feasibility. In December 2021, the plant began test sales of green hydrogen to vehicles for public transportation and logistical facilities, etc., to confirm the advisability of pricing based on manufacturing, transport and other costs, and its social receptivity. Going forward, we will seek to expand the

which does not involve CO₂ emissions during its production. We are pushing ahead with demonstration projects aimed at realizing low cost hydrogen and promoting its use by pursuing both efficiency and economy in each process, ranging from production to transport and use.

of the fuels for Toyota Motor Corporation's Corolla equipped with a hydrogen engine in Round 4 of the 2021 Super Taikyu Japan Endurance Series auto race held in Hita City, Oita Prefecture, from July 31 to August 1, 2021. The Group is thus proceeding with demonstration tests in cooperation with other industries.



Geothermal power generation and hydrogen production plant on approximately 1,500m² of land in a mountainous area
(photo: Quad, Inc.)



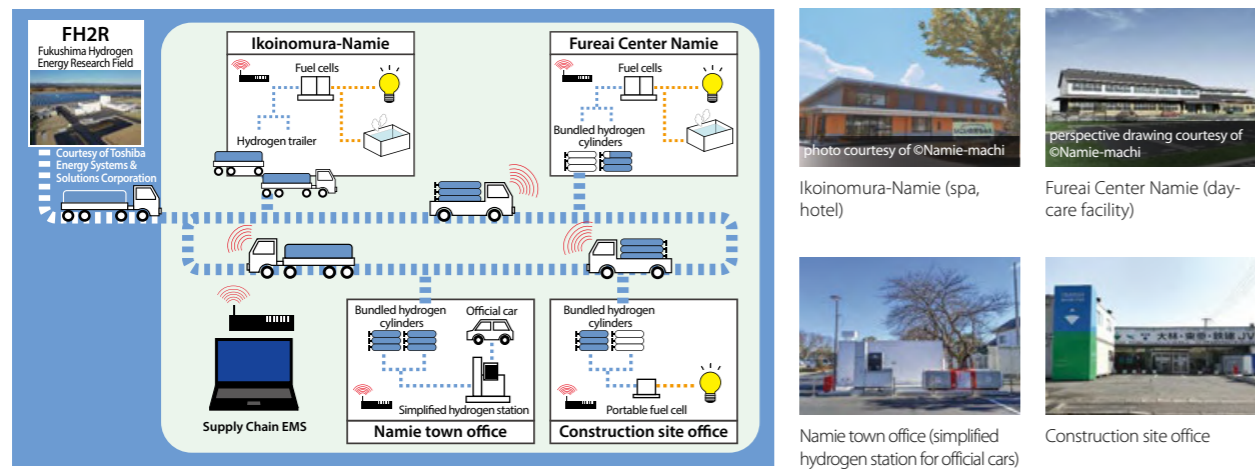
Hydrogen production plant located on the northern side of Lake Taupo where geothermal power generation plants are concentrated

Environment

Realizing a carbon-free city with the construction of a hydrogen-delivery system ▶ Namie Town, Futaba District, Fukushima Prefecture

Namie Town, Futaba District in Fukushima Prefecture issued a zero-carbon city declaration on March 5, 2020, in a move intended to pioneer town-building ushering in a hydrogen-based society. In April 2020, FH2R, a hydrogen-producing plant based on solar energy and one of the world's largest plants of the kind, began to operate on a demonstration basis as a project subsidized by the New Energy & Industrial Technology Development Organization (NEDO). We are engaged in a demonstration project (commissioned by the Ministry of the Environment) to build a

supply chain for the low-cost transport and supply of renewable energy-based hydrogen in bundles of gas cylinders from FH2R and other places where hydrogen is produced. We are striving to optimize the hydrogen supply network through the remote monitoring of use at hydrogen-consuming bases, a logistical transport plan taking into account the status of hydrogen-producing plant operations, and an Energy Management System (EMS) designed to manage in an integrated manner both the GPS-based capture of truck locations and transport instructions.



Supply Chain EMS Plan illustration

Smart community concept supplying heat & power based on hydrogen co-generation system (CGS*) ▶ Kobe City, Hyogo Prefecture

In a joint project with Kawasaki Heavy Industries, Ltd. and subsidized by the New Energy & Industrial Technology Development Organization (NEDO), we are engaged in a smart community technical development project based on hydrogen CGS in the Kobe Port Island area. In this demonstration project, we are responsible for the development of an integrated energy management system (EMS) which controls the supply of hydrogen used as generator fuel, and that of the electricity and heat thus produced. In order to supply heat and power simultaneously to multiple buildings, we are seeking to develop a cogeneration management system that realizes both economic efficiency and environmental friendliness by combining the understanding of the status of thermoelectric consumption on the part of users, projected demand, and other factors for integrated system management. In April 2018, we conducted for the first time in the world a verification test on the cogeneration and supply of heat and power at a thermoelectric plant in an urban area through the combination of hydrogen-fueled gas turbine power generation and an integrated EMS. In the experiment, we successfully supplied heat and power simultaneously to four facilities (Kobe International Exhibition Hall, Port Island Sports Center, a sewage treatment plant,

and Medical Center General Hospital) near the thermoelectric plant. Currently, we are engaged in the refurbishment of the integrated EMS in connection with improving hydrogen CGS as well as in the investigation and examination of a business model of decarbonization through the introduction of hydrogen CGS in urban areas where relatively large facilities and buildings are concentrated.

* A cogeneration system in which heat produced from the power generation process is collected in order to supply both power and heat simultaneously to facilities



Demonstrations also utilize hydrogen imported from Australia

Development & Commercialization of Low-carbon Materials

Clean-Crete®, a self-developed product, is a type of concrete which can reduce CO₂ emissions during the manufacturing process by a maximum 80% by replacing cement with industrial by-products, such as fine powdered slag from blast furnaces which does not generate much CO₂. The cumulative total of Clean-Crete® used since its development in 2010 adds up to some 340,000 m³, with a reduction of CO₂ emissions totaling about 60,000 tons (Obayashi estimates). In April 2022, Clean-Crete N™ was developed by mixing Clean-Crete® with powder whose main component is calcium carbonate containing captured CO₂. The new product is carbon-negative as the CO₂ is captured rather than emitted. We aim to put it into practical use for construction work within FY2023.3.

In May 2022, furthermore, we teamed with Nippon Paper Industries Co., Ltd. and Flowric Co., Ltd. to develop Lignin-Crete™, which can capture CO₂ in concrete structures for a long period by adding a type of woody biomass*¹, powdered lignin*², to concrete. In effect, compared with conventional concrete, the new product can reduce CO₂ emissions in the manufacturing process by about 90%. In addition, it replaces some of the sand with lignin, reducing the volume of sand used for concrete production by up to 20%, thus contributing to conserving natural resources.

We will continue to develop and commercialize low-carbon materials contributing to achieve carbon neutrality.

Promote & Expand ZEB

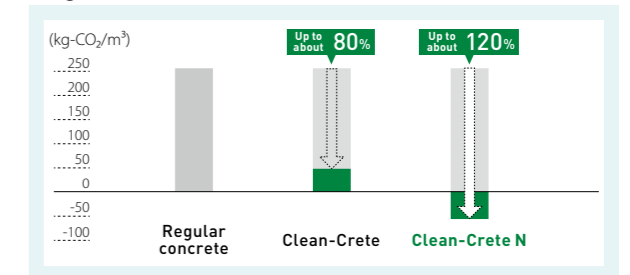
The Group is working to lower CO₂ emissions from our business activities and from the operation of buildings we design and construct after they have been delivered to customers. We undertook the ZEB initiative earlier than other companies. Techno-station, in the main building of our Technology Research Institute, achieved ZEB status for seven straight years since FY2015.3.

In FY2022.3, Mitsui Fudosan Co., Ltd.'s "Mitsui Fudosan Logistics Park Funabashi III (MFLP Funabashi III)," designed and constructed by Obayashi, acquired ZEB Ready certification using energy-saving expertise throughout the building, namely the adoption of super-insulated sandwich panels which restrict the heat load on the outer wall, coupled with LED lighting and energy creation using solar power-generating equipment.

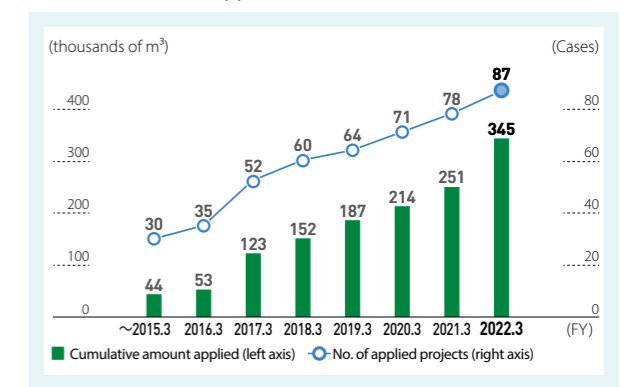
We propose to customers optimizing ZEB by combining

*1 Biomass is a renewable organic natural resource derived from living organisms (except fossil fuels) and woody biomass is derived from wood. Such materials include: what is left over in forest land, such as branches and leaves pruned during tree trimming and log production; tree bark and sawdust generated at lumber mills; wood from demolished housing; and branches from pruned roadside trees.
*2 Lignin is a primary wood component accounting for about 30% of wood and is generated in the process of manufacturing pulp used in paper production.

Image of CO₂ Emission Volumes



Actual Clean-Crete Applications (cumulative total)



optimal energy-saving technologies in a manner matching the intended use and characteristics of buildings while ensuring intellectual productivity, wellness and comfort.



Mitsui Fudosan Logistics Park Funabashi III (MFLP Funabashi III)

Human Resource Management

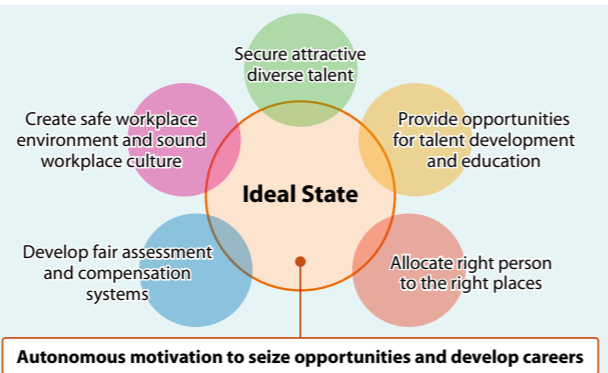


From “Work Style Reforms” to “Work Experience”

The Obayashi Group is establishing a workplace in which diverse personnel can play an active role under its Philosophy to “value each person with a stake in our business,” based on the belief that it is the strength of each individual employee that supports the Company. With Medium-Term Business Plan 2022, we aim to enhance work productivity by heightening individual “work experience,” positioning Human Resource Strategy as one of the Platform Development Strategies so as to lead to our sustainable corporate growth and new value creation through individuals achieving their potential. Under the Obayashi Group Human Resource Management Policy, we will work to cultivate a corporate culture where more free and vigorous discussions can be held and awareness of every officer and employee is raised.

Human Resource Management Policy (Outline)

The Group will promote individuals achieving their potential by creating a workplace that respects the individual and supports work experience, as well as providing opportunities for growth. In addition, we will encourage autonomous action by each individual in a corporate culture where more free and vigorous discussions can be held and each officer and employee, along with the Company, will aim to create a path to a prosperous future.



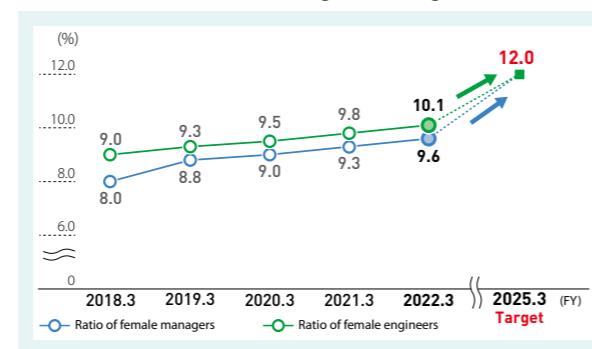
Securing Attractive Diverse Talent

Based on the belief that human resources are one of our most important management resources, we are promoting diversity & inclusion, such as with our basic policy in filling positions based on their ability, so that every employee can maximize their strengths and abilities to the fullest. The Diversity & Inclusion Promotion Department was established in April 2021, aiming to realize well-being by creating and providing an environment and opportunities for every individual to find work experience while taking on work, and to encourage growth. We will take initiatives to establish a workplace where diverse human resources, regardless of gender, nationality, culture, generation, and disabilities, can equally play an active role to further secure human resources and promote their active participation.

Promoting Opportunities for Female Employees

Obayashi promotes opportunities for women, hiring and posting them based on ability. In April 2021, we formulated our Second Action Plan based on Japan’s Act on Promotion of Women’s Participation and Advancement in the Workplace. Under it, we raised our FY2025.3 target for employment of female engineers and managers from 10% to 12% and are acting accordingly. In April 2021, we also endorsed the Keidanren’s Challenge Initiatives for 30% of Executives to be Women by 2030 and are focused on raising the ratio of female executives to 30% by 2030.

Growth in Ratio of Female Managers and Engineers



Career support is provided to female employees such as with information distributed on the intranet regarding female employee role models, as well as career support seminars and opinion exchanges for female engineers being held. We are also focused on supporting women in various stages throughout their life such as by conducting online group discussions with employees on maternity leave. We also actively work to cultivate the next generation with initiatives such as tours of construction sites for female junior high and high school students.



Opinion exchange regarding balancing home, childcare, and work conducted during a construction site tour for female engineers

Employment 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 with disabilities, 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.

TOPIC Creating offices that are welcoming to all

At the Head Office/Tokyo Main Office, office changes are being made as part of creating a workplace that is comfortable to work in for employees having various attributes. All-gender restrooms were installed in April 2022 as well as Braille Neue* in all elevator units. Signboards for the all-gender restrooms were manufactured at a vocational training facility for the intellectually disabled (Kusunokien in Ota-ku) and braille in the elevators was installed by our special subsidiary Oak Friendly Service, which employs disabled persons.

*Enables the visually impaired and the sighted to share the same information



Installing Braille Neue



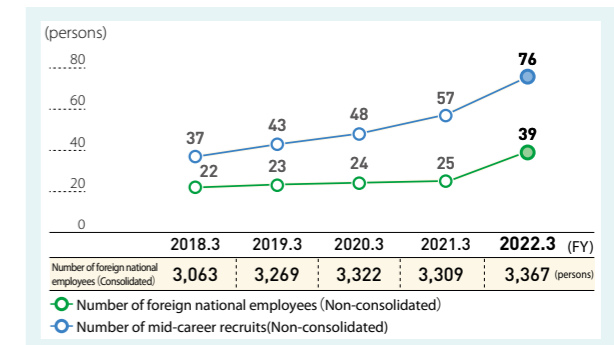
A signboard for an all-gender restroom

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

Employment of Foreign Nationals and Mid-Career Recruits

The number of foreign nationals and mid-career recruits is on the rise yearly for the Group overall. National (locally hired) staff at our overseas Group companies play central roles in management and administration. Going forward, we will actively work toward hiring foreign nationals and mid-career recruits.

Number of Foreign National Employees and Mid-Career Recruits



Rehiring System for Retirees

We have a system to provide ongoing employment opportunities for people after mandatory retirement so that they can continue to use their vast experience and expertise. Many employees work as “senior staffs” from age 60 and “super senior staffs” from age 65 even after reaching the mandatory retirement age under our rehiring system for retirees. We have maintained a rehiring level of 100% for those senior staffs who wish to participate. These veterans are helping to solve one of the big issues facing the construction industry: how to pass on skills to the next generation.

Human Resource Management

Providing Opportunities for Talent Development and Education

Based on the idea that human resources are one of our most important management resources, developing human resources is positioned as one of the most important measures for the Group. We strive to achieve development of the ideal state of human resources as stated in the HR management policy, and encourage autonomous action by every employee and provide educational opportunities leading to growth in individuals.

Developing Human Resources

The Group offers level-specific training based on age and responsibilities, specialist training for specific occupations, and training on the basis of business unit and type of operation. Developing human resources for Obayashi's global development is one key set of measures. Here, the focus is on global leadership training and expanding the number of persons

working outside Japan in the future. We also provide support for study abroad with the aim of skills development for young and mid-level employees as well as practical training, such as lending employees to Group companies overseas to train there.

Obayashi's Training System

Career path	Training for new hires	Level-specific	
		Associate-level employees	Middle management level
Training system	<ul style="list-style-type: none"> • Training for prospective employees • Training for new hires • Follow-up training for new hires 	Common group training	
		<ul style="list-style-type: none"> • Developing independent human resources • Resilience • Global mindset, etc. 	<ul style="list-style-type: none"> • Basics of business administration • Management • Developing subordinates • Communication, etc.
		<ul style="list-style-type: none"> • Risk management • Management strategy, etc. 	
		Selective training(global leadership training, English language training, etc.)	
		Occupation-specific specialized training (building construction, civil engineering, facilities, mechanical and electrical, administration)	
		Training on the basis of business unit and type of operation (marketing, design, construction support, engineering, technology, nuclear power, ICT, BIM/CIM, etc.)	
Personal development	Support for earning qualifications (distance learning, courses at training centers, introduction to reference books, etc.)		
Study, transfer	Study in Japan or overseas, temporarily transfer to other businesses		

Conducting Various Types of Education

For rigorous health and safety training, all employees working at construction sites take group training focused on case studies of actual accidents. In addition, our Robotics Centers in east and west Japan have training facilities where trainees can really see hazardous situations in person. The point of this experience-based training is to enhance trainees' sensitivity to danger. Ultimately, this will raise their safety awareness and safety management skills. We are actively working toward enhancement of education such as with training for mid-career recruits and locally hired staff and for developing digital-related human resources to take the lead in DX. Other initiatives include

diversity & inclusion training, unconscious bias training, self-leadership training, etc. which are types of training conducted to encourage awareness elevation among employees.



Hands-on training with mockups



Unconscious bias training

Creating Sound Workplace Culture

Obayashi's goal is to help each employee maximize their abilities and to cultivate a corporate culture where they can work enthusiastically and be healthy in mind and body. We will further strengthen and revitalize our organizations and aim to achieve work-life balance.

Achieving Work-Life Balance

Support for Successfully Balancing Work and Childcare

We are taking initiatives in providing various systems and creating environments for a workplace where it is possible for employees to balance work and childcare, regardless of gender. In April 2022, we created a childcare leave system for childbirth (father's childcare leave after childbirth) before the system was newly established with the revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members of Japan. We are also working to create a workplace environment that enables balancing work and childcare by offering consultation for supporting return to work, corporate parent classes and seminars on returning from childcare leave, as well as setting up nursing areas.

We are also actively encouraging male employees to take advantage of the childcare support system. In February 2022, we endorsed the Ministry of Health, Labour, and Welfare's Ikumen (men proactively involved in childcare) Project and the initiative for companies to declare 100% of fathers taking parental leave. We are working toward a goal of 100% use of annual childcare leave or other leave for the purpose of childcare by male employees by FY2025.3.

Support for Successfully 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, home nursing care days off, and shortened work hours. To encourage use of the programs, we offer a video and distribute a leaflet that explain them, not just for employees who might use the programs but also others in the workplace.



A logo mark representing the declaration of having 100% of fathers taking parental leave, which is being promoted by Work-Life Balance Co., Ltd.

Reduction of Work Hours

To correct long work hours, Obayashi has established the Work Style Reform Project Team, a cross-departmental organization, and is making efforts to reduce overall work time. From FY2022.3, we place a target of 100% achievement of the limit on overtime hours set in the revised Labor Standards Act of Japan(applicable for FY2025.3) as a KPI, and aim to achieve it one year earlier in FY2024.3. To achieve the target, we are also raising employee awareness of the issue through online training on overtime hours for all employees and introducing ICT tools, as well as conducting thorough reviews of work operations and other active work style reform.

We have also been endeavoring to meet our target of two days off each week 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. Pamphlets and other means are used to carefully explain the situation to customers.

Annual KPI Achievement Rate (FY2022.3 results)

General Rule	Special Measure	Rate of Achievement	vs. FY2021.3 results
No more than 45 hours/month No more than 360 hours/year	(1) Yearly limit No more than 720 hours/year	91.3%	UP1.7pt
	(2) Multiple-month average limit No more than 80 hours on average over 2-6 months*	88.7%	UP0.1pt
	(3) Single-month limit Less than 100 hours/month*	93.2%	DOWN0.4pt
(4) Special measure limit Special measure (more than 45 hours/month) up to 6 times/year		82.2%	UP6.9pt
Achieve all criteria		78.9%	UP5.5pt

*Includes work on legal days off

Human Resource Management

Promoting Flexible Work Styles

Obayashi is developing and enhancing programs so that all employees are able to choose flexible work styles. In April 2021, we expanded the system so that all employees could choose to stagger work hours and telecommuting regardless of reason. We also made it possible for annual paid leave to be taken on an hourly basis. We are also creating a working environment to make telecommuting easier such as by preparing satellite offices and shared offices, actively installing ICT tools, and promoting going paperless.

Increasing Engagement of Employees

We are aiming to realize a workplace where all employees can share targets and awareness and find work experience in daily work. The management team including the President visited all branches to explain Medium-Term Business Plan 2022 and to hold discussions. We are working on inner branding so that each and every employee can be aware of the Company's goal and take on work accordingly. Also, to reflect the views of our employees in improving the various personnel systems, we conducted a variety of surveys on all our employees and held conferences with our employees union to improve engagement. In July 2022, we expanded the number of times costs would be provided for employees who live apart from their families to return home. The survey results were published in the internal newsletter and on the intranet so that our all employees can check them.

Promoting Health and Productivity Management

We are working to maintain and improve the wellness of all employees. In addition to normal medical practices, the Health Management Center at the Head Office provides consultation for smoking cessation treatment and sleep apnea, and is working for disease prevention among employees. We also work to increase the rate of employees getting secondary exams after periodic checkups (rate of employees getting primary checkups is 100%) and thoroughly ensure that employees working long hours are provided consultation and guidance by physicians. For the mental health of employees, we are working to increase the rate of employees taking stress checks and promoting follow-up care, and offering mental health training. We also are working on enhancing enhance the mental health consultation offices that are available to offer advice at any time. Specialists and clinical psychologists (counselors) in-house provide detailed support for employee's mental health. External consultation service can be used 24-hour a day, and we accept consultations by email or telephone for overseas employees and their families as well.

We make efforts in preventing the spread of infectious diseases, providing influenza vaccination shots every year. To prevent the spread of COVID-19, the Group provided workplace vaccinations for those who wished to get vaccinated from among employees (including temporary workers, employees we have accepted on secondment), their families, and employees of suppliers and subcontractors. An environment to make it easy for employees to get vaccinated was created such as by establishing a special leave system for those who suffered side effects at time of or after the vaccination.

Supporting wellness through sustainable foods

The Company cafeteria in the Head Office/Tokyo Main office supports wellness of employees as part of wellness management. Menu offerings are labeled with information on calories, sodium content, and fat content to encourage a rise in health awareness, sustainable foods*1 are incorporated, and effort is made to provide healthy menu choices. Initiatives are being taken to achieve SDGs such as by offering dishes using soy meat and ingredients with BAP certification*2 which is gaining recognition as health food.



BAP-certified dish

*1 Ingredients and food products made through environmentally and socially responsible means
*2 Best Aquaculture Practices certification system guarantees environmental and social responsibility, health of farmed fish, and food safety throughout the entire aquaculture production chain, from hatchery, feed mill, farm, to processing plant

Creating Safe Workplace Environments

Obayashi's 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. In particular, Obayashi makes the safety of our construction sites, where so many people work, a top priority. For that reason, we have set the target for FY2023.3 to "Eliminate fatal accidents and serious accidents," and are working to achieve that goal by establishing priority measures. We produce posters of the targets and priority measures and place them at construction sites to heighten safety awareness. We also work for safety by clearly stating specific action plans.

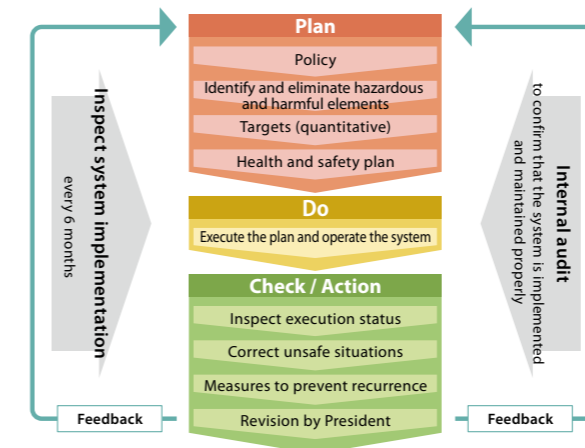
<Priority Measures>

1. Prevent occupational accidents under the strong leadership of the project director
2. Plan and execute appropriate work procedures and confirm them onsite
3. Prevent accidents resulting in falls
4. Prevent machinery accidents
5. Prevent landslide accidents
6. Prevent fire accidents
7. Prevent damage to third parties due to accidents
8. Increase health and safety management capabilities and strengthen training
9. Promote creation of healthy work environment

Occupational Health and Safety Management System

The Central Health and Safety Committee is chaired by the President. It meets at least twice a year to deliberate on and consider basic health and safety affairs, such as prevention of occupational 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. Furthermore, we have health and safety management systems in place so we can respond rapidly in case an occupational accident, natural disaster, or other emergency actually happens.

Occupational Health and Safety Management System

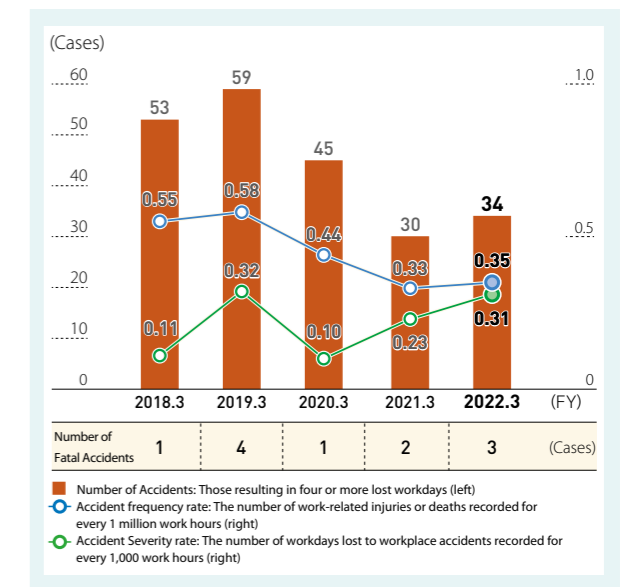


Occurrence of Occupational Accidents

The Safety Division proposes measures regarding safety, promotes them and supervises their execution from a Company-wide perspective. It also works to prevent disasters by providing safety instructions and support to the main offices, branches, and construction sites.

Occupational Accidents on Construction Sites

* Including skilled workers on construction sites



Health and Safety

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

Human Resource Management

Respect for Human Rights

The Group is working on efforts regarding respect for human rights under its Philosophy to “value every one of our associates” in accordance with the international norms of human rights such as the United Nations Guiding Principles on Business and Human Rights.

Revision to the Human Rights Policy

To further take initiatives by the Group as a whole to respect human rights, the Obayashi Corporation Human Rights Policy (established in 2011) was renamed the Obayashi Group Human Rights Policy and revised in September 2021. This Policy applies not only to the Group but all persons related to the businesses including business partners and supply chains. It prohibits every act of human rights violation and promises to fulfill every responsibility in respecting human rights.

Conducting Human Rights Due Diligence

Obayashi practices human rights due diligence under the supervision of the executive officer responsible for the business plan. Our efforts are cross-organizational and include persons of Group companies. In FY2020.3, we specified the main human rights issues in our main businesses. Moreover, we worked with an outside specialist to interview our corporate divisions, departments and personnel responsible in FY2021.3, and major domestic Group companies in FY2022.3 to ascertain the actual state of the specified human rights issues.

In April 2022, the Human Rights Expert Committee (absorption of former Human Rights Awareness Promotion Committee) and the Supply Chain Management Expert Committee were established under the Business Plan Committee. They take specific initiatives toward resolution of human rights issues including in the supply chains.

We continue to practice human rights due diligence such as by establishing a promotional system to prevent and mitigate the negative impact on human rights and implement effective measures.



Raising Awareness of Human Rights

The Human Rights Expert Committee meets periodically and takes initiatives to raise human rights awareness in keeping with the Obayashi Group Human Rights Policy. Based on policies laid out by the Committee, Group companies undergo activities such as conducting human rights training tailored to their business and regional characteristics. Executive training is also held such as for the prevention of harassment and respecting human rights and includes Group companies. To actively promote human rights due diligence going forward, online training regarding business and human rights was conducted in FY2022.3 in addition to human rights training which is held each year, with a

message from the President addressing all officers and employees of the entire Group.



Online training video on business and human rights

Measures against Harassment

We are working on activities for awareness regarding harassment prevention under the leadership of the Harassment Prevention Department that serves as the department specialized in these measures. We conduct online training using videos and put up posters on a regular basis to spread awareness regarding the consultation office.

Since FY2020.3, we have been circulating questionnaire surveys that aim to detect and respond to harassment early, and survey results are shared with employees on the intranet. We are actively working toward creating an open workplace. For example, in FY2022.3, a video introducing a construction site office working at the forefront creating a workplace as a model example was made available to all officers and employees, and issues uncovered through examples of past harassment were shared with the management level.

Consultation Desks

We provide the Corporate Ethics Consultation and Reporting System as a consultation desk on human rights. In addition, we have specialized internal and external points of contact for harassment. Both employees and third parties can reach out anonymously to the consultation desks. Consultations are kept confidential, and we ensure that anyone inquiring will be protected from adverse treatment.



<https://www.obayashi.co.jp/en/sustainability/employee/humanrights.html#section3>

Diversity & Inclusion

Raising Awareness Among Employees to Promote Diversity & Inclusion

The Diversity & Inclusion Promotion Department is taking the lead in promoting greater awareness, aiming for an organization in which diverse individuals elevate work engagement while taking in a wide variety of each other's views and ideas, and where all employees can play an active role as they achieve work experience. A message was sent from the President to all employees, with awareness activities conducted using the internal newsletter and various training programs encouraging greater awareness within each individual.

Effort is being put into fostering “iku-boss,” which can expect to heighten performance as an organization while supporting the professional career and personal life of subordinates. The Obayashi Iku-Boss Declaration was made with which the President and leaders of various departments take the lead in becoming iku-bosses. We are also working on raising awareness among the management level such as by inviting outside experts to conduct training for those in managerial level positions to learn about ideals and management methods regarding iku-bosses.



Diversity & inclusion training



President Hasuwa making the Iku-Boss Declaration upon joining the Iku-Boss Corporate Alliance

Digital Transformation (DX)



We will promote DX to strengthen our business foundation and accelerate Company-wide transformation.

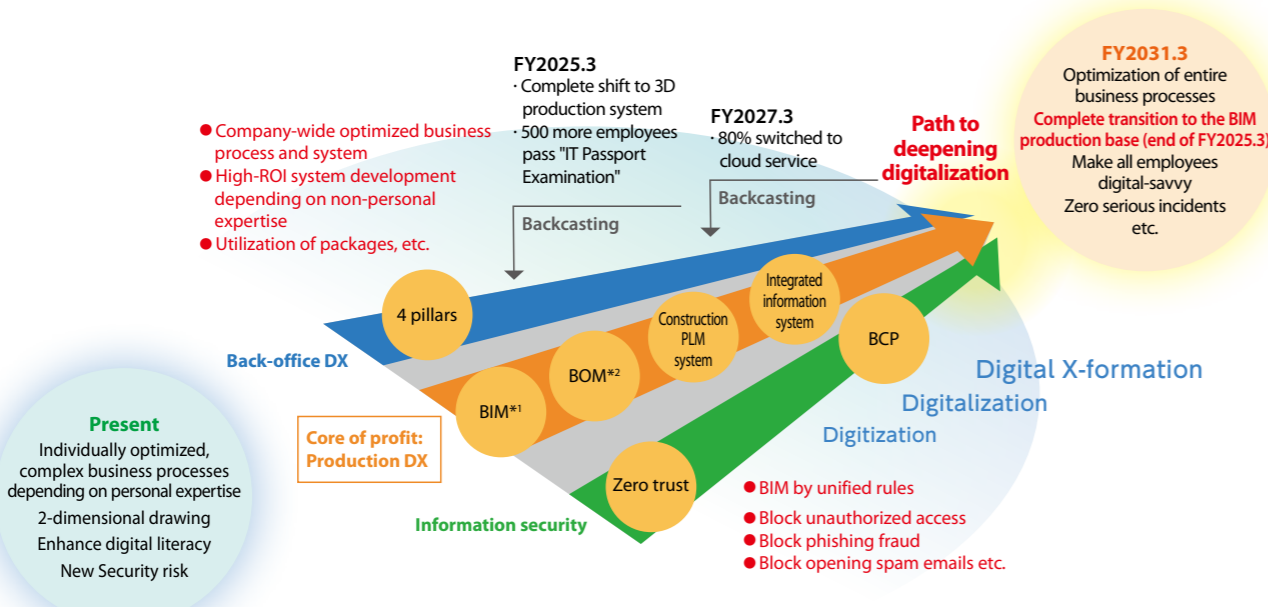
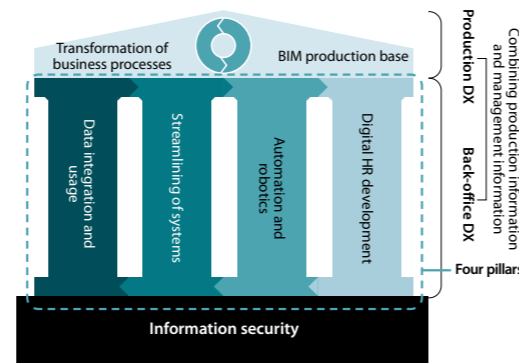
The Obayashi Group established the "DX Division" in February 2022, as a Head Office organization closer to the management than before and under the President's direct control, to practice measures based on DX strategy at the entire Company and Group companies, thereby promoting digital transformation effectively and swiftly. The DX Division is a Company-wide organization that makes decisions optimal to the entire Group and with swiftness, ranging from the drafting, promotion and supervision of digital strategies based on management strategies and visions. We will push ahead with our Group's DX in cooperation with Group member Oak Information System Corporation.

DX Sought by Obayashi Group & Digital Strategy Geared to Transformation of Profit Structure

The Group's digital strategy envisions two categories: "Production DX" and "Backoffice DX." The strategy calls for the "four pillars" of Back-office DX to underpin "Production DX," or sweeping transformation of business processes by BPR and enhancement of the information infrastructure of the construction business through a complete shift to the BIM production base.

The four pillars are: (1) Data integration and usage, (2) Streamlining of systems, (3) Automation and robotics, (4) Digital HR development. We make "Information security" the foundation in ensuring that transformation based on production DX and Back-office DX is sustainable and solid.

DX being pursued by the Obayashi Group is to be realized by looking ahead to what a near-future social environment and construction business would look like, and bring into shape through a backcasting method a near-future business flow in which digital technology is indispensable. We will promote a deepening of digitalization, using Production DX as a linchpin of profit.



*1 BIM (Building Information Modeling): Creating a building information model that combines information on the three-dimensional shape and attributes of the building on a computer
*2 BOM (Bill of Materials): A chart listing components made by picking out information on components such as the pillars, beams, walls, fixtures, and windows from the BIM model

Combination of Production Information & Management Information ~ Construction of Next-generation Digital Infrastructure ~

The Obayashi Group has built next-generation digital infrastructure, tentatively dubbed an "Integrated PM System," combining production information and management information, and already launched its gradual operation. The system is digital business infrastructure that interrelates and centrally manages every bit of business information ranging from marketing to completion of construction work and after-sales service. It enables all people involved in business to make use of identical data, known as SSOT*1.

We have also in place the "Construction PLM *2 System," which is a construction industry version of PLM, a way of

thinking on information management in the manufacturing industry. The Construction PLM System is a digital infrastructure that centrally manages information including BOM extracted from BIM models, from designing to estimation/ cost estimation, construction, and completion, guaranteeing integrity and consistency. It is in place on the premise that it will completely shift to the future BIM production base.

The DX Division realizes the fusion of production information and management information by linking both the Construction PLM System and the Integrated Information System, thus combining the BIM information and cost information.

*1 Single Source of Truth *2 Product Lifecycle Management

Sustainable DX Promotion

To promote DX on a sustainable basis, it becomes a challenging task to enhance information security as well as developing and securing digital talent.

In enhancing information security, we have completely switched over from the conventional "perimeter defense" to a zero-trust security environment, in which security measures are taken based on the principle of "no confidence in anything." However, cyberattacks are evolving fast, becoming increasingly diversified, shrewd and complicated, and making it impossible to avoid security risk with a zero-trust security framework alone. The DX Division will seek to ramp up security precautions

through information security education for employees in addition to a continuous review of our security system against new threats.

In developing and securing digital talent, we will provide different training for different generations of employees with a view to improving motivation and awareness over digitalization, and enhancing the Company-wide level of digital literacy. Moreover, we will encourage all employees to change their mindset over digital transformation through continuous human resource exchange within the Company, eventually leading to development of sustainable DX for the whole supply chain.

DX Division which leads DX promotion of the Obayashi Group and Oak Information System that supports it



Strengthening information infrastructure of the construction business

Managing Executive Officer
Head of DX Division
Eiichiro Okano

It is vital that the DX strategy is formulated through backcasting, looking ahead to what a near-future social environment and construction business would look like. Based on this belief, Obayashi has continuously worked on the drastic business process transformation through BPR and the complete transition to the BIM production base even before the DX Division was established, with efforts starting to yield results. Going forward, to help enhance digital literacy among those who actually use the system, we will strengthen initiatives for push technology and take the lead in DX for the Obayashi Group.



Vigorously promoting DX in partnership with the DX Division

Executive Officer
Representative Director and President of Oak Information System Corporation, and Senior General Manager of DX Division of Obayashi Corporation
Koji Furuse

Keys to DX promotion are "standardization" and "partnership." Progress in digital technology has been bringing about changes in the business environment at a tremendous speed. Taking advantage of knowledge and know-how cultivated together with Obayashi since our foundation, Oak System Information will support Obayashi Group's sustainable DX promotion to contribute to creating new value and solving social challenges.

Technologies



Going beyond the technologies to reinforce Obayashi Group's construction business foundation, we are committed to developing a technology portfolio with technologies that will lead to solution of social issues and business expansion in order to capture market needs and achieve competitive advantage. We will also develop an ecosystem encompassing public sector/academics, competitors and suppliers/subcontractors, to achieve technologies through collaboration, M&A, and open innovation.

Technological Development to Improve Quality and Its Management

Quality is the foundation that supports the Obayashi Group's business. Our quality policy is to provide buildings and infrastructures that customers feel confident, satisfied, and proud to use. To that end, we practice consistent quality control and continual improvement.

Quality Management System

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

TOPIC Superimposing BIM data over construction site data to facilitate smooth information sharing and efficient operations

As Obayashi promotes construction DX for integrated information management with BIM data at its core, we are working to further enhance our quality management capability and increase productivity by proactively developing and introducing new technologies.

Utilizing Mixed Reality (MR) technology, we developed a construction management app "holonica" which superimposes BIM data over work locations at construction sites in April 2021. With this app, users can capture inspection results on BIM data allowing them to easily see any site location with issues at a glance. It also lets users centrally manage information on recorders' viewpoint location and subjected materials contained in the BIM data ensuring effective and reliable execution of corrective and verification activities. Experimentally introducing this app in our finishing inspection during the development demonstrated that it shows users design differences and information in detail which helps us manage constructions with high accuracy while preventing communication failures among those involved. It has also cut our operation time by about 30% compared to the conventional paper-based inspection.

Besides the finishing inspection, the app is expected to be adopted in a wide range of operations going forward including verification of performed work and post-completion maintenance operations, and we will utilize it to prevent serious quality flaws and

further increase productivity as well as in advanced construction management.



Conducting finishing inspection utilizing devices in the shape of glasses and in tablet form

Development of an MR construction management app "holonica," which superimposes BIM data over construction location data

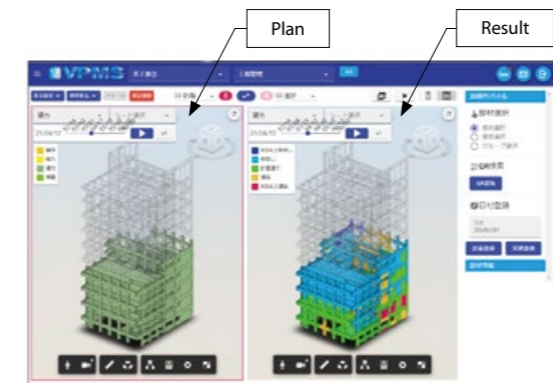
https://www.obayashi.co.jp/en/news/detail/news20210419_2_en.html

TOPIC Real-time management of work-specific progress for the overall construction project

Visual process management system "ProMIE" is a web application developed by the Obayashi for managing work process of construction materials such as steel beams in real time. Utilizing a BIM model interfaced with a cloud service, users can visually check and manage progress of subjected constructions as 3D data allowing them to share information in real time with relevant parties such as clients, suppliers and subcontractors. Also, using material's attribute data such as mass or weight included in a BIM model facilitates calculation of performed work volume based on construction records in the system, and this will reduce time and human error compared to conventional operations.

While ProMIE has been repeatedly upgraded to address issues and requests from the sites since being experimentally introduced at sites in 2018, it is now updated to a visual project management system with BIM as its information base which can be used for managing entire construction projects.

Updated now with a multi-screen feature, the system displays a BIM model and material list side by side allowing users to check information or compare progress of results against the plan. By selecting screens from among "3D Standard," "3D Plan," "3D Result," "3D Progress," and "List Table," angles or selected materials are displayed in two interfacing and synced screens.



Simultaneously replay progress of the result and plan chronologically

The upgraded ProMIE can also calculate quantities of performed work based on quantitative data and results data of the BIM model and display them in a

graph or chart. The calculated quantity of performed work can be shared with suppliers and subcontractors, and a bookkeeping function can generate performed work forms for monthly invoice processing. With this system streamlining construction work management, the time required for calculating performed work quantity during the invoicing process has been cut by about 20% in the sites introducing it experimentally.

Moreover, it comes with a feature to automatically determine presence by superimposing a BIM model over point cloud data which is then reflected as an actual result for the date when the point cloud data is acquired. As the BIM model contains a certain amount of point cloud data, the system recognizes when materials have been positioned at their specified location and determines the work as a result, and this helps users efficiently and reliably capture and reflect the result data.



Determining presence by superimposing BIM model over point cloud data

With ProMIE as the core of the BIM-utilized construction management platform, we will continue expanding features while streamlining and promoting improvement of operational efficiency and increasing productivity. At the same time, we will externally promote ProMIE to help more BIM users utilize this system.

Visual process management system "ProMIE" has been upgraded

https://www.obayashi.co.jp/en/news/detail/news20220516_1_en.html

Technologies

Technological Development of Robotics toward Realizing Fully Unmanned Construction

The Obayashi Group is aiming to realize fully unmanned construction sites by combining robotics technology with IoT, AI, xR*, and 5G. We will realize innovative construction systems by developing technologies like automatic and autonomous construction systems and special machines that differentiate us and by working to increase productivity and save labor.

* Technologies that create spaces fusing the real and virtual worlds, such as VR (virtual reality), AR (augmented reality), and MR (mixed reality)

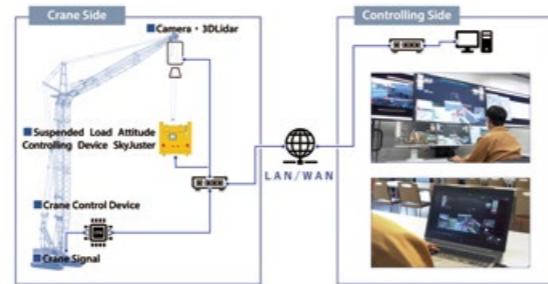
TOPIC Promoting construction DX through remote operation as well as automation and automation of construction machinery

Obayashi has developed an autonomous crane operating system that autonomously operates cranes on optimal transport routes automatically created by AI. All users need to do is to specify the location of their transport destination point.

This system recognizes conditions of a crane's surrounding area as 3D map data by combining captured point cloud data of the entire site, real-time point cloud data from 3D Light Detection and Ranging (3D-LiDAR)*1 mounted on a crane, and BIM or CIM data which will provide an as-built drawing. And the operator only has to specify his or her destination point, and the system will automatically generate an optimal transport route based on map information accounting shapes of suspended loads and presence of obstructions. The system also captures point cloud data of the surroundings in real time during operation as a safety feature and will slow down or stop when the load approaches an obstruction and even re-generate a new transport route before resuming autonomous operation. Operator's safety and operational efficiency are also significantly improved through automation of control functions of swinging and direction of suspended loads during transport as well as a set of cargo handling and lifting processes during slinging cable removal after unloading.

Operators can remotely instruct and monitor operations from a PC or tablet computer without having to constantly operate cranes. In addition, operating monitors are consolidated into one screen, and wherever the operator might be, he or she can check and share crane operation statuses and operate the machinery as long as there is an internet connection available.

In embankment work for an environmental restoration project in Iitate Village, Soma District,



Overview of autonomous crane operating system

<https://youtu.be/TBc0FnBPqE4>

Fukushima Prefecture, we conducted a field demonstration of construction machineries with advanced remote control and automatic/autonomous operation functions.

An autonomous excavator operating system was used for soil loading, a crawler carrier dump's autonomous operation was used for transport within the site, and a bulldozer's automatic operation was used for leveling and rolling compaction.

We have developed a fleet management system (FMS)*2 for a single system administrator to integrally manage multiple construction machineries with automatic and autonomous operation capabilities, and the multiple machineries work in a ganged manner following commands given by the administrator via FMS. Work areas or off-limits areas can be set from the system according to work conditions on the day to prevent collision between construction machineries or operators contributing to improved safety.

Also, the system utilizes position information from Global Navigation Satellite System (GNSS)*3

and surrounding topographic data by 3D-LiDAR and machine control function to achieve accurate construction works, and automatically captures operation history and performed work data in each construction stage acquired continuously facilitating management of construction progress and machinery operation status for optimized construction plan.

*1 A sensor device emits laser light to measure accurate distance from the object to recognize the surrounding or distant environment as real-time and three-dimensional point cloud data

*2 Control system to integrally manage multiple construction machineries for optimal operations

*3 A satellite positioning system covering the entire Earth among systems measuring current ground positions with a satellite



Overview of construction with remote, automatic, and autonomous operation of construction machinery

https://youtu.be/Qo-quiXUj_U

Acquisition of Technologies Leading to Solving Social Issues and Expanding Business Domains

While aiming to acquire technologies to contribute to solving social issues and creating business models, we promote creation of added values and expansion of business areas in new business domains using our technologies as a core.

TOPIC Succeeded in a demonstration test toward realization of space agriculture

Since Japan announced its intention to join the international space exploration project Artemis program proposed by the U.S., there is an increasing number of lunar development projects. While water and food are essential for manned activities on the Moon, utilization and recycling of resources on the Moon are thought to be needed for long-term activities.

In collaboration with TOWING Co., Ltd., we have developed a technology to fertilize lunar soil to enable plant cultivation. Obayashi and JAXA along with others are working together to develop a technology to use lunar soil as construction materials using microwaves or laser, and by combining expertise including TOWING's technology to design inorganic porous material, we have successfully cultivated Japanese mustard spinach on the porous material produced from simulated lunar soil* in a demonstration experiment.

Bringing this plant cultivation technology into use on the Moon would significantly reduce material transport from the Earth and improve QOL for space

activities, and this is expected to contribute to sustainable space development in the future.



Plant (Japanese mustard spinach) cultivation using porous material manufactured from simulated lunar soil

*Very fine-grained geologic material consisting mainly of igneous rock or clay mineral

https://www.obayashi.co.jp/en/news/detail/news20220207_2_en.html

Technologies

Efforts at ES CON FIELD HOKKAIDO



Special Contents: Construction of baseball field ES CON FIELD HOKKAIDO with giant openable roof
https://www.obayashi.co.jp/en/special/project71_en.html

ES CON FIELD HOKKAIDO, a new baseball park for the professional baseball team HOKKAIDO NIPPONHAM FIGHTERS, is being built in Kitahiroshima City in Hokkaido in the rich natural environment of Hokkaido and expected to open in March 2023.

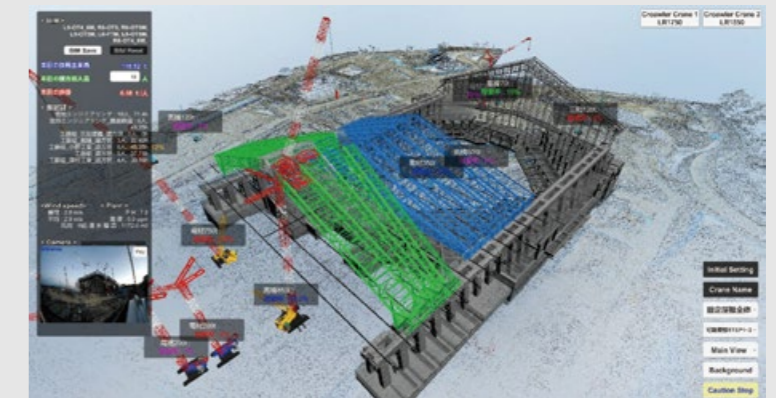
This baseball park of a 35,000 capacity will have a unique appearance with one of the largest retractable roofs in Japan and glass walls with a height of 70 m at the highest part letting natural light through. It is designed with various features including a 360-degree circuit-style concourse and seats in the close vicinity of the natural turf field offering a great sense of presence.

Obayashi's technological strength and know-how are at work throughout the project, which has entered its climax stage of the construction.

Various state-of-art technologies are being put to full use at this construction site

4D Construction Management Assistant System

4D Construction Management Assistant System, undergoing field testing, takes a BIM 3D model in digital space and reflects information onto it such as surrounding terrain, crane position, and operation status of workers in real time to create a digital twin. Through consolidation and visualization of construction site operation status, which would be checked at the site conventionally, we have reduced efforts required for collecting necessary information for managing constructions while enabling users to remotely check the status without having to go to the site.



Users can also utilize feedbacks from the digital space and analyze collected information which can be used to calculate performed work and simulate construction plans.

https://www.obayashi.co.jp/en/news/detail/news20220222_2_en.html

Progress and As-Built Management with Point Cloud Data

Using images captured by drone, Site Scan for ArcGIS automatically creates point cloud data in a cloud allowing the data to be shared. The service has proven its value in construction management over vast sites. The point cloud data helps users three-dimensionally grasp construction site status which changes every day, and this data is shared among employees for activities such as site status check, preliminary survey, and calculation of cut-and-fill soil volume. The system has been utilized for work plan briefing of stock yard and cranes as well as during construction site tours.



Facial Recognition-Based Access Control

We have adopted a site access control system with facial recognition for smooth access management of employees and construction workers. Collecting log data of access status for construction workers has also made it easier to grasp total attendance, shift in headcounts and total working hours. In addition, by interfacing with Construction Career Up System, which captures and pools working history data across the entire industry, it can also simplify the registration process of workers' working history and prevent data entry errors.

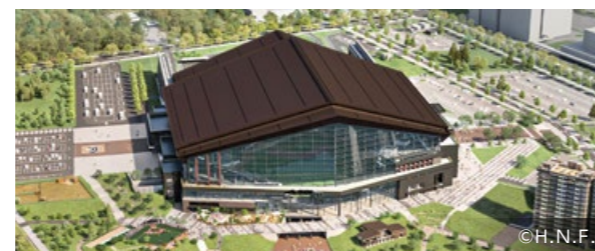


Key Circulation Management System for Construction Machinery

Keys to construction machinery such as mobile scissor lift or snowplow are interfaced with Key Circulation Management System for Construction Machinery which also uses a facial recognition system for unified management. When a key is lent out, the facial recognition system mounted on the key box recognizes the user's face and links the information with data registered in the system. Adopting this system not only saved workload for leasing administrators but also significantly enhanced the convenience in the management as well as security making it easy to keep track of machinery operation status.

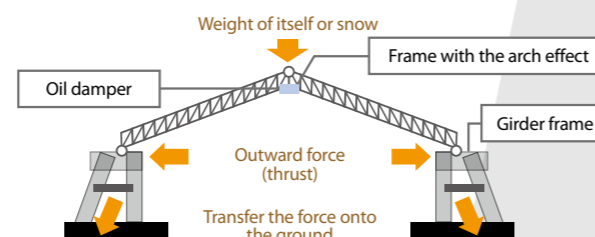
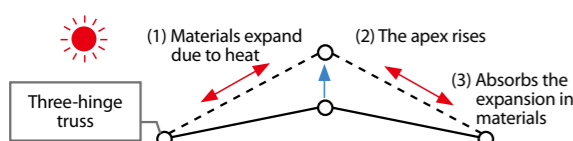


Dynamic Retractable Roofs and Girder Frames Supporting the Roof



Using frames with an expected arch effect, a 166 m pillarless space can be supported with beams with a trace height of 6.5 m realizing the compact roof. The apex of the frame is designed with a three-hinge truss with pin joints. This allows the roof apex to adjust its height and absorb expansion and contraction of steel materials with a thickness of about 100 mm which is caused by large temperature differences in Hokkaido. This roof can be opened or closed over a distance of 130 m in 25 minutes with 24 bogies (18 motor bogies and 6 trailer bogies).

Then using frames with the expected arch effect creates an outward force, or thrust, at the roof footing. Up to 730 tons of this force can apply per moving bogie. To steadily transfer this large force onto the ground, numerous girder frames of a size of 4.5 m x 2.5 m each are provided consecutively in a row on both the left and right sides of the field.



Supply Chain Management



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

Toward a Sustainable Supply Chain

The Obayashi Group has set out, in the Obayashi Sustainability Vision 2050, co-creation of a sustainable supply chains as one of the targets for 2040-2050. To achieve this target, it is urgent that we strengthen competitiveness in the supply chain overall and secure skilled workers for the future. The newly established Supply Chain Management Expert Committee will formulate policies and strategies, and advance initiatives to improve the working environment for skilled workers at construction sites, as well as to increase productivity including of suppliers and subcontractors through construction DX, and to deal with various issues related to supply chains both in Japan and abroad based on the CSR Procurement Policy.

Obayashi Rin-yu-kai/ Obayashi Rin-yu-kai Vocational Training School

Obayashi Rin-yu-kai, comprised of Obayashi suppliers and subcontractors from across Japan, counts about 1,100 member companies doing various types of work and industries, who are positioned as valuable stakeholders of the Company. We periodically monitor member companies to ensure their soundness. Obayashi Rin-yu-kai holds liaison meetings regularly. Participants share information about revisions to safety laws and hosting foreign technical trainees.

In 2014, we opened a vocational training school* to nurture skilled workers at our suppliers and subcontractors and pass on expert skills to future generations. The school offers three courses (in scaffolding, ferro-concrete reinforcement, and formwork) as well as a short course that focuses on Computer-Assisted Design (CAD). Employees of Obayashi and its suppliers and subcontractors serve as instructors. Through this training, trainees acquire the knowledge and technical skills needed at construction sites. These include construction tasks, safety management, and CAD. So far, 368 persons have completed courses (as of March 31, 2022) and are now working at construction sites. Additionally, we have an incentive system for graduates with certain certifications who work on our construction sites. The program gives financial incentives and rewards both to the graduate and the supplier or subcontractor. This helps workers shape their careers and increases their wages.

* 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.

Obayashi Group CSR Procurement Policy

The Obayashi Group CSR Procurement Guidelines were established 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, and notified our suppliers and subcontractors of the revisions

Training and Education for Successor Management

The construction industry has an aging workforce and is facing a shortage of skilled workers. Fostering successor management by suppliers and subcontractors is also a major issue. Even within the Obayashi Rin-yu-kai, the number of business closures and dissolutions on the rise due to factors including the aging of management is an issue, and addressing it is an urgent matter.

In December 2021, Obayashi held its first Successor Management Training Session in collaboration with Obayashi Rin-yu-kai. It provided an opportunity for prospective successor candidates recommended by Rin-yu-kai to learn the skills required of management and the importance of fostering human resources. We will continue to work together with Rin-yu-kai to promote initiatives aimed to resolve various issues, such as the successor problem and strengthening supply chains.



Discussion on the theme of human resource development

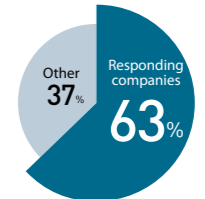
[Obayashi Group CSR Procurement Policy](https://www.obayashi.co.jp/en/sustainability/suppliers/csr_procurement.html)
https://www.obayashi.co.jp/en/sustainability/suppliers/csr_procurement.html

Specific Initiatives Regarding CSR Procurement

Implementation of a CSR procurement questionnaire

Every year we notify and propagate the Obayashi Group CSR Procurement Guidelines throughout the supply chain and conduct a questionnaire to confirm status regarding compliance. In January 2022, the questionnaire was conducted with approximately 1,300 companies, including companies having a continuous transaction history with us, an expansion from the previous applicable companies which were solely Obayashi Rin-yu-kai member companies (response rate was 90.9%). Going forward, we plan to increase engagement with suppliers and subcontractors based on the results of questionnaires.

Percentage of procurement from companies responding to the questionnaire out of the total amount of domestic procurement



Implementation of CSR procurement training

Online training was conducted for all executives and employees of Obayashi and of domestic Group companies with the aim to share basic awareness regarding CSR procurement, essential as an initiative to conduct responsible supply chain management set out in ESG materialities and to spread it throughout the entire group.

In addition, an external instructor was invited to provide more detailed training regarding supply chain management to individuals in charge of procurement operations at Obayashi and domestic Group companies.



Training with an external instructor

Traceability* survey

In recent years, social awareness is rising regarding human rights violations and environmental destruction along supply chains. With this in mind, a survey was conducted regarding traceability of wood products and solar panel components procured overseas because it is thought the risk of human rights violations is high in these materials used in construction work. From the survey results, traceability is seen to be largely achieved for each of the materials, and evidence of human rights violations and environmental destruction were not found as of this time, but we will continue conducting surveys going forward to remain aware of conditions and take measures to improve understanding of the CSR Procurement Guidelines along the supply chains.

*Disclosure of production processes for products (raw material procurement, production, consumption, disposal) and distribution channels

TOPIC NAIGAI TECHNOS CORPORATION Promotion of sustainability-conscious and responsible procurement of wood

In 2017, Naigai Technos, a member of the Obayashi Group, became the first wooden decor company in Japan to receive international forest certifications* FSC® CoC certification (FSC-C134356) and PEFC CoC certification (SAPEFC-COC-005586).

In recent years, clients and other stakeholders are emphasizing sustainable procurement, therefore the feasibility of raw material traceability is an indispensable element in gaining the trust of stakeholders.

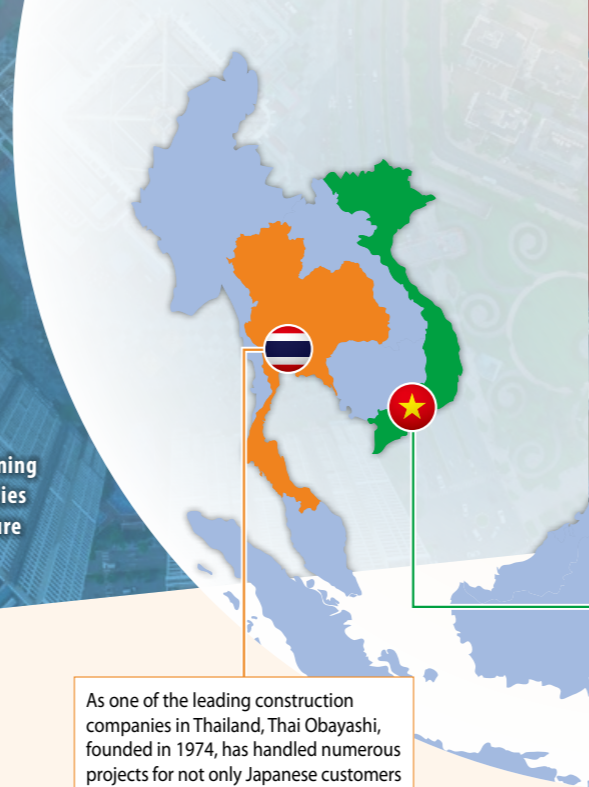
Naigai Technos' initiatives are important in efforts toward the developing a sustainable supply chain.



*A program for the protection and sustainable use of forests by certifying wood produced from forests managed in line with environmental, social, and economic perspectives. There are two certifications, the FSC, managed by the Forest Stewardship Council which was founded by the World Wildlife Fund (WWF), and the PEFC, run by the Programme for the Endorsement of Forest Certification which was founded by certification boards of 11 European countries.

Toward a Sustainable Society in Asia

The Obayashi Group has expanded its overseas business for more than 50 years since the opening of its first overseas representative office in Bangkok, Thailand. Currently, our Group companies headquartered in Asia and North America are helping build life-enriching social infrastructure through their business activities with a strong environmental and social consciousness. We introduce independent ESG projects of our Group companies in Asia—Thai Obayashi and Obayashi Vietnam.



THAI OBAYASHI



"Create perfect harmony between human beings and nature, along with preparing areas and environments that promote social, cultural, and economic growth and creating fertility for Thailand's natural resources so that all of us will be living the best lives during the next decade and forever." To achieve this company goal, Thai Obayashi has identified and worked on 12 challenges based on the Group's ESG Materialities since FY2021.3.

As one of the leading construction companies in Thailand, Thai Obayashi, founded in 1974, has handled numerous projects for not only Japanese customers but also local customers including Thailand's royal family. It began the real estate development business in 2018 and is diversely expanding it, such as with the March 2022 opening of O-NES TOWER in Bangkok, Thailand, the largest for-lease property owned singly by the Obayashi Group.

After Obayashi opened its representative office in Vietnam in 1992, Obayashi Vietnam was founded in 2006 as a Group company to strengthen local business in response to the growing construction demand. The company has expanded its business mainly through projects with Japanese companies. It is now recognized as one of the leading foreign-owned Vietnamese construction companies.

OBAYASHI VIETNAM



With an awareness that ESG management is essential for further corporate growth, Obayashi Vietnam has been working to create and embed an ESG management structure since FY2020.3 based on the Group's management policy. The company established its materiality and KPIs in FY2021.3 with the support of external consultants. In the following year, it established the Sustainability Committee to build a structure to periodically discuss concrete measures concerning ESG challenges.

Committed to the Thai Construction Industry as a Whole Passing Down Its Technologies

With the concept that people are the foundation of the construction industry, Thai Obayashi develops human resources with an eye on the future. The company established the Thai Obayashi Training Center in 2015 where it works on passing down technologies mainly to the younger employees. The Center enables learning through "touching" and "trying" and constantly updates its facilities to match the content of its training programs, and is serving as an optimum tool for better human resource development. To help develop the entire Thai construction industry, the company allows not only its own employees but also its suppliers and subcontractors, students, public institutions, and other general companies to use the Center as a place for training.



Thai Obayashi Training Center

Waste Reduction Efforts

Thai Obayashi has implemented various initiatives mainly in its construction sites to appropriately manage and reduce waste materials. To reduce general waste, the company uses bio-composts*1 installed in construction sites to turn food waste into compost and recycle it in gardens, in addition to practicing the 3Rs*2 of waste management centered on refuse segregation. Furthermore, the company proactively organizes recycling events and others. For industrial waste, the company ensures that waste materials are appropriately segregated and disposed of in compliance with laws and regulations. The company proactively recycles materials such as concrete and waste iron materials to reduce waste.

*1 A device to dissolve food waste using microorganism to create compost
*2 Reduce, Reuse, and Recycle



A bio-compost turning food and other organic waste into compost, which is used to grow melons within the premises of the construction site office

Environmental Preservation Efforts

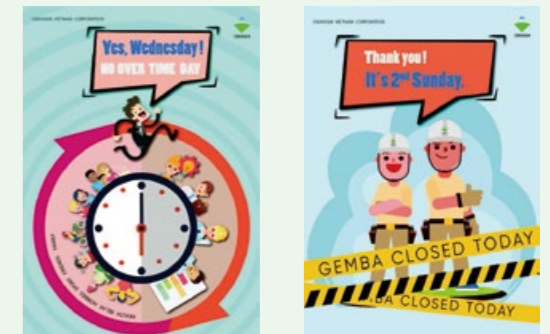
Obayashi Vietnam's environmental preservation efforts center on reducing waste and CO₂ emissions. For the former, the company has established KPIs as its reduction targets and is working on rigorous waste management and segregation as a matter of priority. All waste materials generated in construction sites are segregated into one of the three categories of "construction waste," "hazardous waste," and "residential waste," depending on their source, for their appropriate disposal and recycling. To reduce waste, the company promotes recycling in construction sites as well as paperless operations in the entire company through the digital transformation of its operations. To reduce CO₂ emissions, the company has identified the use of solar power to achieve the Vietnamese government's goal of achieving carbon neutrality by 2050 as its priority and is promoting the installation of solar panels in its construction site offices.



Solar panels installed on the roof of a construction site office

Promoting Work Style Reforms

Obayashi Vietnam began promoting work style reforms in FY2020.3 to manage the wellness of its employees and to increase productivity. As part of its efforts, every Wednesday is designated as a No Overtime Day and once a month as a Gemba Closing Day (when construction sites are closed all day). The ratio of offices and construction sites observing these days are designated as a KPI. In addition, the company has created a KPI to rectify long working hours by establishing the target maximum overtime hours. It also works to raise operational efficiency by introducing ICT tools and by presenting good work style reform examples in its internal magazine.



Posters advertising a No Overtime Day (left) and Gemba Closing Day (right)



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.

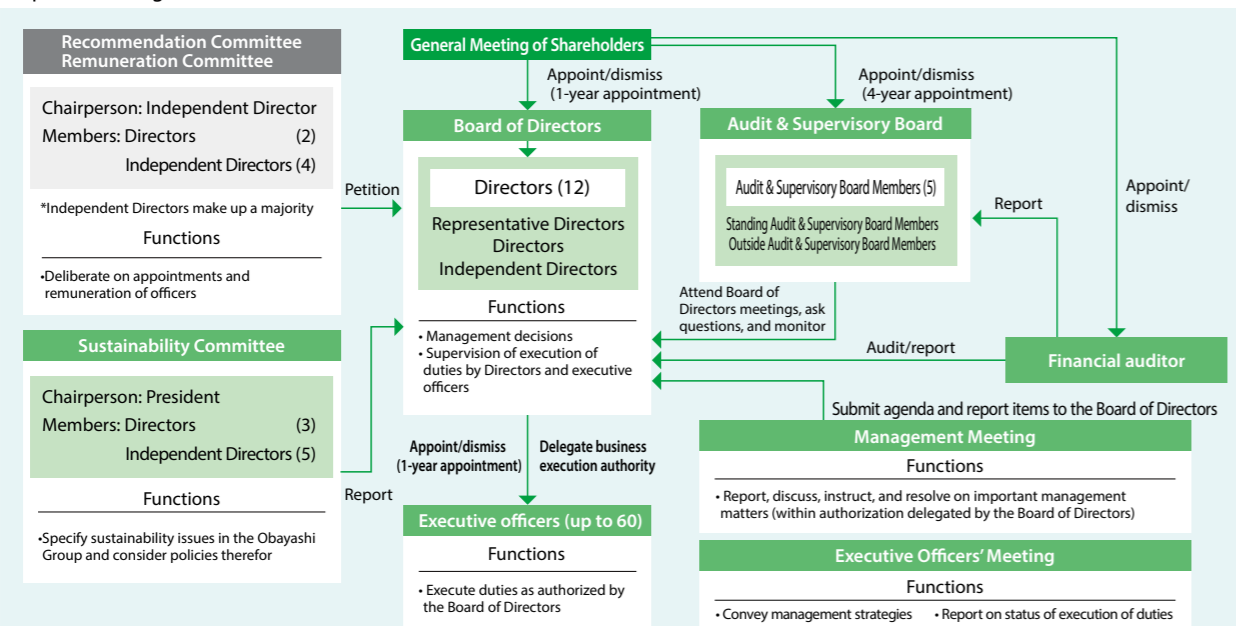
Corporate Governance Framework

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.

Obayashi has 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 a position independent of the Company. Outside Audit & Supervisory Board Members conduct third-party checks independent of management. Both are responsible for ensuring effective corporate governance through playing their respective roles.

Corporate Management Structure (As of June 23, 2022)



- Overview of the Corporate Governance Framework**
- Form of organization: Company with Audit & Supervisory Board
 - Members of the Board: 12 persons
 - 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 performance-linked monetary and stock remuneration
 - Audit & Supervisory Board Members: 5 persons
 - Actual number: 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

[Corporate Governance Report \(Japanese only\)](https://www.obayashi.co.jp/company/upload/img/corporategovernance20220624.pdf)
[Requirements for Selection as an Independent Officer Candidate](https://www.obayashi.co.jp/en/company/governance/statement.html#section1-2)

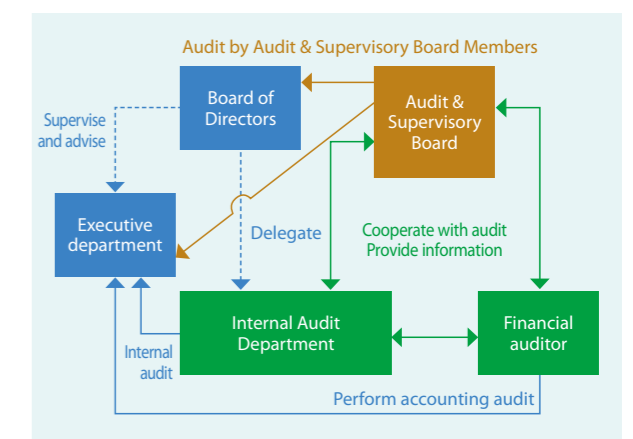
Main Recent Initiatives to Enhance Corporate Governance

	2005.3	2006.3	2008.3	2014.3	2016.3	2019.3	2021.3	2022.3	2023.3 (FY)	
Members of the Board	Directors	Up to 50 members → Up to 15 members								
	Appointment term	2 years → 1 year								
Independent Directors	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		Revision of system in general		
	Recommendation Committee	Newly established					Reconfigured so that Independent Directors make up a majority of members and an Independent Director be the chairperson of each committee			
Committees	Remuneration Committee	Newly established					Reconfigured so that Independent Directors make up a majority of members and an Independent Director be the chairperson of each committee			
	Sustainability Committee									Newly established

Audits by Audit & Supervisory Board Members, Financial Auditor, and Internal Audit Arm (Three-Party Auditing)

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 Internal Audit Department 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 Internal Audit Department also share information and opinions to raise the effectiveness of audits.

Three-Party Auditing



Sustainability Committee

The Sustainability Committee (established on April 1, 2022) is chaired by the President and consists of nine members, including four Directors and five Independent Directors.

The committee, under the Board of Directors, identifies sustainability issues (risks and business opportunities) and considers measures responding to the identified sustainability issues. Based on the results of the committee's consideration, the issues are discussed at the Board of Directors. We will thus realize effective and efficient monitoring, supervision, and involvement by the Board of Directors regarding sustainability issues, as well as decision-making on management policies that accurately meet our business environment.

Establishment and Implementation of Internal Control System

Obayashi has 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.

Once a year, related departments conduct self-examination of the operational status of the internal control system. The Board of Directors deliberates the results of the self-examination, thereby overseeing appropriate operation of the system.

Management Structure

Recommendation Committee and Remuneration Committee

The Recommendation Committee and Remuneration Committee are both chaired by an Independent Director. There are seven members in each, including two Directors and five Independent Directors. The committees discuss appointments and remuneration of Directors and officers and report their results to the Board of Directors. This helps ensure that the process of appointing officers and deciding their remuneration is clear, transparent, and objective. In particular, the Board of Directors periodically oversees appointments and dismissals of the President to make sure they are being conducted appropriately and in keeping with a succession plan (which includes appointment and dismissal standards, successor candidate standards, successor development policy, and the like). The Board of Directors consists of Executive Directors who are thoroughly familiar with Obayashi's business fields and Independent Directors who have abundant experience and insight related to corporate management. When selecting Directors, Obayashi reviews candidates to ensure they have outstanding character, discernment, and capabilities and can make significant contributions to the development of the Company's business. Selection of individual candidates also considers diversity, including gender and international background.

Recommendation Committee

At its meetings, it recommends individuals who are thoroughly familiar with business fields as candidates to be Executive Directors and individuals with diverse knowledge as candidates for Independent Directors and Outside Audit & Supervisory Board Members. The committee also establishes Director dismissal procedures and standards to use as its own operating guidelines. If for example it has been determined that there is a problem with a Director's fitness for the job, it follows those guidelines to deliberate whether that Director should be dismissed. In FY2022.3, the Recommendation Committee's meeting was held once, at which it discussed the matters related to candidates for Directors and Audit & Supervisory Board Members, etc.

Remuneration Committee

At its meetings, the members constantly examine the necessity for revision of the remuneration system and discuss a plan for the revision. It also determines the remuneration of individual Directors and executive officers for the next fiscal year based on its evaluation of their level of achievement of performance indicators and other factors. In FY2022.3, the Remuneration Committee's meeting was held four times, at which it discussed such matters as key performance indicators (KPI) for the officers' remuneration and revision of the method for individual evaluation, associated with the establishment of Medium-Term Business Plan 2022.

Directors' and Officers' Remuneration

The basic policy on remuneration for each Director and executive officer is to provide basic remuneration, a fixed amount that is determined in advance commensurate to the responsibilities of each position, and in addition determine the amount of performance-linked cash remuneration (bonus) and performance-linked stock remuneration for each fiscal year in accordance with each person's actual contribution to business performance. The purpose is to secure outstanding human resources and provide incentive to each Director and executive officer to improve earnings and enhance corporate value.

Specifically, for basic remuneration (fixed cash remuneration), the Board of Directors, following deliberation by the Remuneration Committee (chaired by an Independent Director, and of which Independent

Directors make up a majority of the membership), has set a remuneration table in accordance with position. At the end of each fiscal year, the Remuneration Committee determines the remuneration of each Director and executive officer for the next fiscal year by applying the table to each person.

The goal of performance-linked cash remuneration (bonus) is to incentivize contributions to improving business performance for each fiscal year and to enhancing corporate value. Individuals are evaluated based on pre-determined Group-wide performance indicators and targets for each individual. Cash bonuses are paid once a year to Directors and executive officers (excluding Independent Directors) based on the degree of achievement of the performance indicators and the individual's targets.

The cash remuneration given to Directors (i.e., the combined

amount of basic remuneration and bonuses) is capped at ¥720 million per year in keeping with a resolution made at the 117th Ordinary General Meeting of Shareholders on June 24, 2021.

The performance-linked stock remuneration system is intended to incentivize contributions to improving business performance mainly over the medium to long term and to enhancing corporate and shareholder value. The system distributes Obayashi shares to Directors and executive officers (excluding Independent Directors and individuals residing overseas) based on the duties associated with each position and the degree of achievement of pre-established performance indicators. There are both fixed provision stock remuneration, meaning that the individual receives a pre-determined number of shares commensurate to the duties associated with their position, and variable stock remuneration, wherein the number of shares received depends on the degree of achievement of performance indicators. Variable stock remuneration is itself divided into two parts: short-term performance-linked stock remuneration (number of shares based on the degree of achievement of short-term performance indicators) and medium- to long-

term performance-linked stock remuneration (number of shares based on the degree of achievement of medium- to long-term performance indicators).

We have stipulated in our rules that, if it is found that a Director or executive officer who has the right for delivery of the stock remuneration vested upon retirement, etc. committed an act of material violation including material breaching of the duties of his/her position and material violation of our internal rules, Obayashi may require the person to return the remuneration.

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 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.

Officers' Remuneration

Category of remuneration	Fixed remuneration	Short-term performance-linked remuneration		Medium- to long-term performance-linked remuneration	
	Monthly basic remuneration (fixed remuneration only for Independent Directors)	Short-term performance-linked cash remuneration (bonus)	Short-term performance-linked stock remuneration	Medium- to long-term performance-linked stock remuneration	Fixed provision stock remuneration*2
Ratio of Remuneration *1 (Example: President)	About 60%	About 15%	About 10%	About 15%	0%

*1 Assuming a 100% achievement of every KPI

*2 Stock remuneration is delivered at retirement. Fixed provision stock remuneration is positioned as performance-linked remuneration because the share price fluctuates in accordance with medium-to long-term performance, and therefore, the value received at retirement increases or decreases. Only executive officers not concurrently serving as directors are eligible for this remuneration.

Performance Indicators for Performance-linked Remuneration (Example: President)

Category of remuneration	Key performance indicators (KPI)
Short-term performance-linked cash remuneration (bonus)	Consolidated operating income; EPS (profit attributable to owners of parent per share)
Short-term performance-linked stock remuneration	Consolidated operating income; EPS (profit attributable to owners of parent per share)
Medium- to long-term performance-linked stock remuneration	Consolidated operating income; TSR (total shareholder return); ESG indicators (CO ₂ emission reduction; number of fatal accidents and serious injuries; employee satisfaction)

Total Remuneration of Members of the Board of Directors and Audit & Supervisory Board (FY2022.3)

Position	Total remuneration and other compensation (millions of yen)	Total remuneration and other compensation, by category (millions of yen)			Number of officers in category (persons)
		Basic remuneration (cash remuneration)	Performance-linked cash remuneration (cash remuneration)	Performance-linked stock remuneration (non-cash remuneration)	
Directors (of which, Independent Directors)	507 (61)	463 (61)	14 (—)	29 (—)	14 (6)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	96 (33)	96 (33)	— (—)	— (—)	5 (3)

Note: The above includes the amount received by two Directors who stepped down upon the conclusion of the 117th Ordinary General Meeting of Shareholders on June 24, 2021.

Remuneration for Financial Auditor (FY2022.3)

Category	Compensation paid for audit certification activities (millions of yen)	Compensation paid for non-audit activities (millions of yen)
Obayashi Corporation	109	1
Consolidated subsidiaries	86	—
Total	196	1

Name of the financial auditor: Ernst & Young ShinNihon LLC

Management Structure

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

Members of the Board of 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. Members of both bodies continually update their knowledge and skills relevant to these roles.

All Directors, Audit & Supervisory Board Members, and executive officers take a training course each year led by

external instructors. The course covers corporate governance, business risk management, sustainability, and other topics. As necessary, we also provide other training opportunities for Directors and Audit & Supervisory Board Members. Such training may, for example, include external seminars. Audit & Supervisory Board Members regularly participate in external workshops to increase their understanding of their role and duties and acquire knowledge they need.

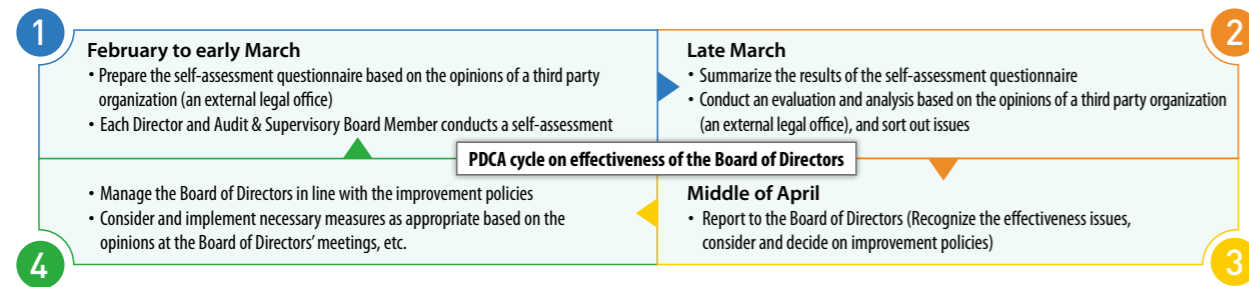
Evaluating Effectiveness of the Board of Directors

Once a year, Obayashi conducts an evaluation and analysis of the effectiveness of the Board of Directors as a whole. The results are reported to the Board of Directors and reflected in subsequent operations.

Specifically, each Director and Audit & Supervisory Board Member makes a self-assessment using a questionnaire, and taking account of the results of the questionnaire, we conduct an evaluation and analysis of the effectiveness of the Board of Directors as a whole while obtaining advice from an external legal office. The self-assessment questionnaire evaluates the Board of Directors' size, composition, management methods, state of deliberation, support systems, and more. Items evaluated are reviewed every year based on opinions of an external legal office as well as changes in roles to be assumed by the Board of Directors and other factors.

Evaluation and analysis were conducted again in FY2022.3, and we confirmed that the Board of Directors continued to be effective as a whole. Based on the results of the evaluation and analysis, we have made improvements such as further enhancing opportunities for deliberation and discussion pertaining management strategies and management policies on which discussions should focus at the Board of Directors' meetings.

With regard to the role of the Board of Directors and its management methods, in addition to making improvements based on the results of the effectiveness evaluation, we will continue to improve effectiveness of the Board of Directors by considering and implementing necessary measures as appropriate based on the opinions of individual Directors and Audit & Supervisory Board Members.



Stakeholder Engagement

Obayashi conducts its business activities within the framework of various relationships with stakeholders. To continue being an enterprise trusted by our stakeholders, we will put their

opinions and requests to work in our corporate management to ensure we are responding to the expectations and demands of society.

Stakeholders	Means of communication	Issues/expectations
Customers	Operating activities, regular inspection of structures, satisfaction questionnaires, websites	Provide high-quality buildings, infrastructure and services Develop advanced technologies meeting diverse needs
Shareholders and investors	General Meeting of Shareholders, Corporate Report, individual meetings, construction site tours, business briefings, financial results briefings, overseas IR	Disclose information in a fair and timely manner Provide returns commensurate with the Group's performance
Employees	Labor-management initiatives, various consultation desks, training programs, employee satisfaction surveys, health and safety meetings	Establish comfortable working environments Establish and improve systems Develop talent and treat people appropriately
Suppliers	Procurement activities, CSR procurement guidelines questionnaires, collaboration with Obayashi Rin-yu-kai, accident prevention meetings	Build fair business relationships Improve working environments Build co-creative relationships
Local communities	Construction site tours, participation in events, Obayashi Foundation scholarships program, Matching Gift Program	Conduct social initiatives to realize a sustainable society

Risk Management

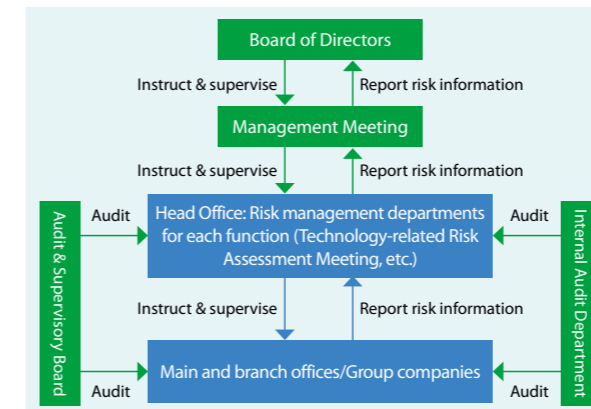
<https://www.obayashi.co.jp/en/company/governance/riskmanagement.html>

Risk Management Systems

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 Obayashi has 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 Internal Audit Department audits each department's risk management efforts.

Risk Management Systems



Information Security

Obayashi established an information security policy in FY2002.3 and has put security measures in place since then, but with advances in digital technology and work style reform, the ways in which people use information systems are changing. Added to that, outside attacks on information systems are becoming more sophisticated. We revised our policy into the Obayashi Group Information Security Policy in March 2021 in response to the growing information security risk. The revision expanded the scope of application to the entire Obayashi Group and brings the policy into conformity with the unified standards of the National center of Incident readiness and Strategy for Cybersecurity (NISC). It adds measures to deal with new information technologies and devices that did not exist when the policy was first established.

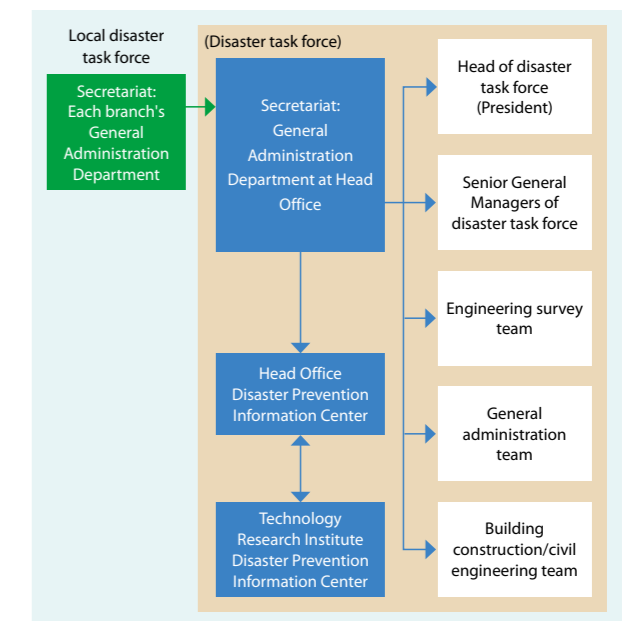
Under this unified framework, we conform to Japanese and overseas laws, regulations, and standards on information security systems, training, auditing, and safety management measures. The new policy sets concrete measure standards with which Obayashi Group companies need to comply. We

will work to raise the level of information security throughout the Group by implementing these practices.

Business Continuity Plan (BCP)

We formulated our business continuity plan (BCP) to prepare for anticipated risks in case of a large earthquake or other natural disasters. Under the plan, we draft and implement measures for business interruptions prevention and quickly business recovery in case they do occur. If an earthquake causes a disaster, for example, emails are automatically sent out to inquire on the damage at construction sites, as well as facilities of the Company and Group companies. Since we can learn the damage right away, we can take prompt recovery action. To prepare for the high risk of a major earthquake anticipated to occur in the coming years, Obayashi has decided on setting up a disaster task force in accordance with the severity of the damage, should such an event occur. Also, we conduct disaster prevention drills under a variety of scenarios with attendance of all officers and employees at all main offices and branches. In FY2022.3, we conducted an online earthquake preparation drill under an assumption that a major earthquake happened during an infectious disease pandemic, etc.

Disaster Task Force Communication System



Risk Management

Countermeasures for Business Risks and Other Risks

Risks	Domestic Construction	Overseas Construction	Real Estate Development	Green Energy	New Businesses Initiatives	Countermeasures
Legal restrictions on business	○	○	○	○	○	<ul style="list-style-type: none"> Grasping the movement in establishment, revision, and abolition of legal restrictions by individual business divisions, the Legal Department, and other relevant divisions Appropriately reflecting the expenses in response to the risk into the estimated costs and cash flow forecasts
Trend in the construction market	○	○				<ul style="list-style-type: none"> Manpower planning in anticipation of the market trend Strengthening marketing and procurement capabilities Increasing productivity and expanding construction capabilities through technological development Diversifying the sources of earnings by expanding our business domains Building a solid financial base
Defects of construction work, etc. and serious incidents	○	○				<ul style="list-style-type: none"> Building a strict quality management system Thorough management systems led by the Safety Division Risk hedge by insuring
Credit risk of customers	○	○	○	○	○	<ul style="list-style-type: none"> Ensuring checking the credit status before and during the transactions Receiving and paying the construction costs in proportion to the amount of work completed in the construction business
Change in the price of construction material and the labor prices	○	○				<ul style="list-style-type: none"> Maintaining the level of order receipt by grasping the construction capacities including those of suppliers and subcontractors Ensuring early purchasing Calculating the estimated costs by grasping accurate costs with future forecasts taken into account Building stable supply chains Developing automation technologies and machinery for labor saving
Change in the price of assets held			○			<ul style="list-style-type: none"> Formulating a capital expenditure plan taking account of the balance with the financial base Tightening the preliminary review by the Investment Committee Conducting a periodic check on the operational and management status as well as the market value of the investments after acquisition
Risk in long-term business				○	○	<ul style="list-style-type: none"> Formulating a capital expenditure plan taking account of the balance with the financial base Tightening the preliminary review by the Investment Committee Making appropriate risk allocation among business partners and outsourcing contractors Risk hedge by insuring Monitoring the management status
Risk in overseas business		○	○			<ul style="list-style-type: none"> Developing our business in politically stable countries and regions Grasping and responding to the situations by Asia-Pacific Regional Headquarters and North American Regional Headquarters Receipts and payments in local currencies Risk hedge by making exchange contracts
Leakage of confidential information	○	○	○	○	○	<ul style="list-style-type: none"> Establishing the information management systems based on the Personal Information Protection Regulations and the Information Security Policy Reforming the security base based on the concept of zero trust Continuously implementing personnel management measures including education and edification
Risk related to the spread of COVID-19	○	○	○			<ul style="list-style-type: none"> Implementing the Basic Plan of Action to Prevent the Spread of the Novel Coronavirus, to protect the infection and minimize the impacts when infected persons are found Making flexible allocation of management resources to the technological development that will meet the construction demands in the fields with growth potential even in the with- and after-COVID-19 society as well as contribute to solving the social challenges
Risk related to large-scale disasters	○	○	○	○	○	<ul style="list-style-type: none"> Establishing the BCP by disaster category Conducting continuous education and training
Risk related to climate change	○	○	○	○	○	<ul style="list-style-type: none"> Promoting initiatives for reducing environmental impacts to realize "decarbonization" stated in the Obayashi Sustainability Vision 2050 Supporting the TCFD recommendations and implementing measures based on the results of the scenario analysis

Implement Rigorous Compliance



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

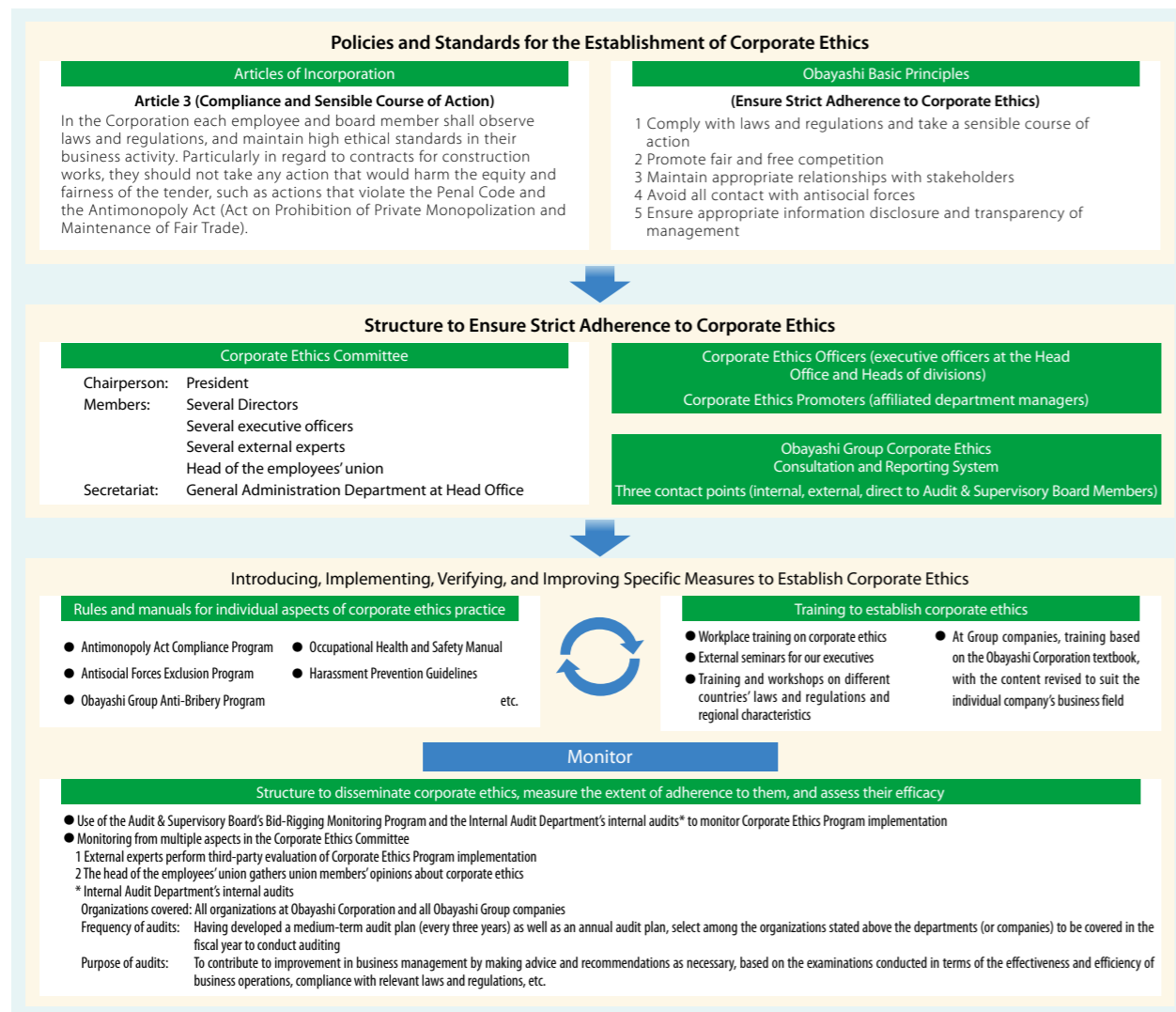
Basic Policy

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.

Promote 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.



Obayashi Group Anti-Bribery Program

Obayashi established the Obayashi Group Anti-Bribery Program in April 2013 to prevent bribery to public officials, etc. both domestic and overseas. We have been providing education for our officers and employees (including online training available in languages of individual countries where overseas offices are located) and performing appropriate procedures to select JV and other business partners. We have also established consultation desks to prevent misconduct. [Number of corruption and bribery cases since FY2018.3: None]

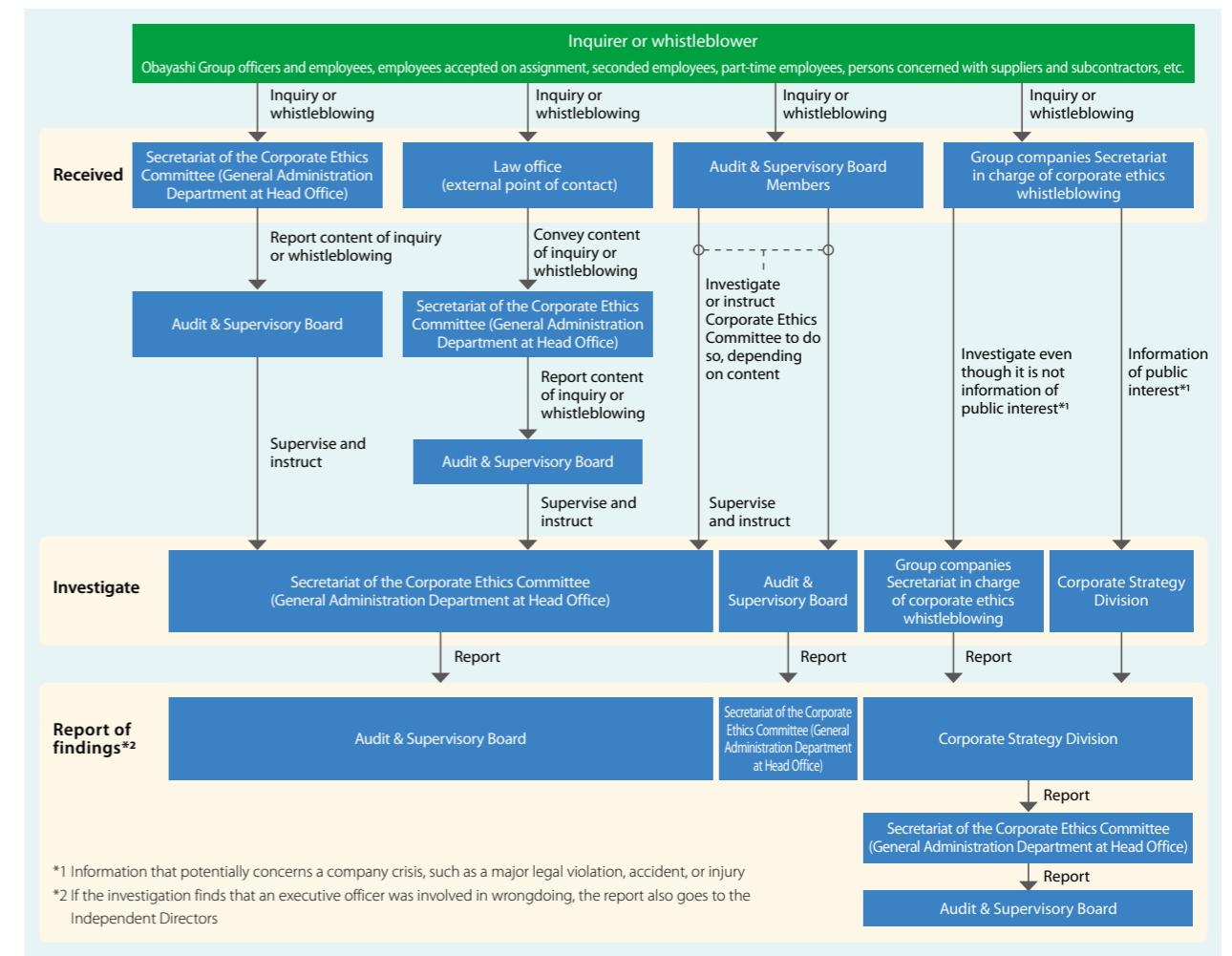
Workplace Training on Corporate Ethics

Workplace training on corporate ethics takes place in April and May each year for all officers and employees (including employees accepted on assignment, seconded employees, and part-time employees). The training uses a textbook produced by the Secretariat of the Corporate Ethics Committee. At the training using a format of discussion within each department, participants look at specific cases that could potentially happen in their contexts. Example themes include compliance with laws and regulations such as the Antimonopoly Act of Japan, avoiding all contact with antisocial forces, and stamping out illegitimate accounting practices, based on Obayashi's Articles of Incorporation and the Obayashi Code of Conduct for ensuring strict adherence to corporate ethics. We will continue to give workplace training on corporate ethics to ensure that every officer and employee not only complies with the laws and regulations but acts with a high sense of ethics and sound judgment.

Corporate Ethics Consultation and Reporting System

The Obayashi Group Corporate Ethics Consultation and Reporting System is the hotline for inquiries relating to workplace wrongdoing, harassment, legal violations, corruption, bribery, and other corporate ethics problems. It is available for use by persons concerned with the business of the Obayashi Group (regular employees, employees accepted on assignment, seconded employees, part-time employees, suppliers, etc.). When a report comes in, the situation is immediately investigated, the findings are reported, and any necessary actions are taken.

Reporting Process through Each Contact Point



Directors and Officers

(As of June 23, 2022)

Director



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)
Representative Director (incumbent)



Kenji Hasuwa
Representative Director

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



Yasuo Kotera
Representative Director

Apr. 1977 Joined the Corporation
Apr. 2010 Executive Officer
General Manager of Accounting Department at Head Office
Apr. 2012 Managing Executive Officer
Apr. 2015 Senior Managing Executive Officer
Apr. 2017 Head of Real Estate Development Division
Jun. 2018 Director
Apr. 2020 Executive Vice President (incumbent)
Apr. 2022 Representative Director (incumbent)



Hiroyuki Kato
Independent Director*1

Apr. 1979 Joined Mitsui & Co., Ltd.
Apr. 2010 Managing Officer of Mitsui & Co., Ltd.
Apr. 2012 Executive Managing Officer of Mitsui & Co., Ltd.
Jun. 2014 Representative Director, Senior Executive Managing Officer of Mitsui & Co., Ltd.
Apr. 2016 Representative Director, Executive Vice President of Mitsui & Co., Ltd.
Apr. 2018 Director of Mitsui & Co., Ltd.
Jun. 2018 Counselor of Mitsui & Co., Ltd.
Jul. 2020 Advisor of Mitsui & Co., Ltd. (incumbent)
Jun. 2021 Independent Director of the Corporation (incumbent)

Significant concurrent position:
Non-Executive Director of Sims Limited (Australia)



Yukiko Kuroda
Independent Director*1

Apr. 1986 Joined Sony Corporation
Jan. 1991 Representative Director of People Focus Consulting Co., Ltd.
Jun. 2010 Outside Audit & Supervisory Board Member of Astellas Pharma Inc.
Mar. 2011 Outside Director of CAC Holdings Corporation
Apr. 2012 Managing Director/Founder of People Focus Consulting Co., Ltd. (incumbent)
Jun. 2013 Outside Director of Marubeni Corporation
Jun. 2015 Outside Member of the Board of Mitsui Chemicals, Inc.
Jun. 2018 Outside Director of Seven Bank, Ltd. (incumbent)
Independent Director of Terumo Corporation (incumbent)
Jun. 2022 Independent Director of the Corporation (incumbent)

Significant concurrent positions:
Managing Director/Founder of People Focus Consulting Co., Ltd.
Outside Director of Seven Bank, Ltd.
Independent Director of Terumo Corporation



Toshihiko Murata
Director

Apr. 1977 Joined the Corporation
Apr. 2012 Executive Officer
Senior General Manager-in-Charge of Building Construction Division at Osaka Main Office
Apr. 2015 Managing Executive Officer
Senior General Manager of Building Construction Division at Osaka Main Office
Apr. 2017 Head of Building Construction Division
Mar. 2018 Senior Managing Executive Officer
Jun. 2018 Director (incumbent)
Apr. 2019 Head of Tokyo Main Office
Apr. 2021 Executive Vice President (incumbent)
Head of Osaka Main Office (incumbent)



Atsushi Sasagawa
Director

Apr. 1980 Joined the Corporation
Apr. 2015 Executive Officer
Head of Yokohama Branch Office
Mar. 2018 Managing Executive Officer
Head of Building Construction Division at Osaka Main Office
Apr. 2019 Senior Managing Executive Officer
Jan. 2021 Head of Marketing Division (incumbent)
Apr. 2021 Executive Vice President (incumbent)
Head of Tokyo Main Office (incumbent)
Jun. 2021 Director (incumbent)



Akinobu Nohira
Director

Apr. 1980 Joined the Corporation
Oct. 2010 Senior General Manager of Nagoya Branch Office
Apr. 2016 Executive Officer
Apr. 2019 Managing Executive Officer
Senior General Manager of Civil Engineering Construction Division
Apr. 2020 Senior Managing Executive Officer
Head of Civil Engineering Construction Division (incumbent)
Apr. 2022 Executive Vice President (incumbent)
Jun. 2022 Director (incumbent)



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
Apr. 2022 Senior Managing Executive Officer (incumbent)



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, Managing Corporate Officer of ASAHI BREWERIES, LTD.
Mar. 2009 Senior Managing Director, 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.
Mar. 2021 Special Adviser of Asahi Group Holdings, Ltd. (incumbent)
Significant concurrent positions:
Outside Director of New Otani Co., Ltd.
External Board Director of Recruit Holdings Co., Ltd.



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 CORPORATION
Jun. 2014 Audit & Supervisory Board Member of NTT Communications Corporation
Jun. 2018 Outside Director, Audit and 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)
Significant concurrent positions:
Outside Director, Audit and Supervisory Committee Member of Mitsubishi UFJ Trust and Banking Corporation
General Auditor of Japan Aerospace Exploration Agency



Masako Orii
Independent Director*1

Apr. 1983 Joined Suntory Limited
Apr. 2012 Executive Officer of Suntory Holdings Limited
Apr. 2016 Senior Managing Director, Member of the Board of Suntory Wellness Limited
Apr. 2019 Advisor of Suntory Holdings Limited (incumbent)
Executive Director of Suntory Hall, Suntory Foundation for the Arts (incumbent)
Jun. 2020 Independent Director of the Corporation (incumbent)
May 2021 Outside Director, Audit and Supervisory Committee Member of TOHO CO., LTD. (incumbent)
Significant concurrent positions:
Executive Director of Suntory Hall, Suntory Foundation for the Arts
Outside Director, Audit and Supervisory Committee Member of TOHO CO., LTD.

Members of the Audit & Supervisory Board



Masahiro Saito
Standing Audit &
Supervisory Board
Member

Apr. 1970 Joined the Corporation
Apr. 2014 Senior General Manager of Building Construction Division at Tokyo Main Office (responsible for marketing)
Apr. 2016 Executive Officer
Senior 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)



Isao Watanabe
Standing Audit &
Supervisory Board
Member

Apr. 1982 Joined the Corporation
Dec. 2008 General Manager of General Administration Department at Tohoku Branch Office
Jan. 2011 General Manager of Public Relations Department, CSR Division
Apr. 2013 General Manager of CSR Division
May 2015 General Manager of Secretarial Department
Apr. 2020 Senior General Manager of Kanto Branch Office
Apr. 2022 Advisor at the Corporation
Jun. 2022 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 Executive Vice President of Osaka Gas Co., Ltd.
Jun. 2009 Representative Director, 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)

Significant concurrent position:
Chairman of Foundation of Global Life Learning Center



Yoshihiro Yamaguchi
Outside Audit &
Supervisory Board
Member*2

Apr. 1980 Joined the Ministry of Construction
Apr. 1991 First Secretary of the Mission of Japan to the European Community at the Ministry of Foreign Affairs of Japan
Jul. 2002 Director of Regional Development Division, City and Regional Development Bureau at the Ministry of Land, Infrastructure, Transport and Tourism "MLIT"
Apr. 2004 Director of First Development and Promotion Division, Okinawa Development and Promotion Bureau at Cabinet Office
Apr. 2005 Counselor for First Development and Promotion at Cabinet Office
Jul. 2006 Director General of Business Development Department at Metropolitan Expressway Co., Ltd.
Jul. 2009 Executive Director of Research Institute of Construction and Economy "RICE"
Aug. 2012 President of Policy Research Institute for Land, Infrastructure, Transport and Tourism at the Ministry of Land, Infrastructure, Transport and Tourism "PRI"
May 2013 Chief Executive Director of the Overseas Construction Association of Japan, Inc. "OCAJI"
Nov. 2019 Vice-president, Chief Executive Director of the Overseas Construction Association of Japan, Inc. "OCAJI"
Jun. 2022 Outside Audit & Supervisory Board Member of the Corporation (incumbent)



Eiji Mizutani
Outside Audit &
Supervisory Board
Member*2

Oct. 1981 Joined Shinwa Audit Corporation (currently KPMG AZSA LLC)
Mar. 1985 Registered as Certified Public Accountant
May 2003 Partner at Asahi & Co. (currently KPMG AZSA LLC)
Sep. 2010 Board Member of KPMG AZSA LLC
Apr. 2011 Chairperson of Senior Review Board of KPMG AZSA LLC
Apr. 2014 General Manager of Quality Control Division of KPMG AZSA LLC
Jun. 2021 Retired from KPMG AZSA LLC
Audit & Supervisory Board Member of J-OIL MILLS, INC. (incumbent)
Jul. 2021 Representative of Eiji Mizutani CPA Firm (incumbent)
Jun. 2022 Outside Audit & Supervisory Board Member of the Corporation (incumbent)
Significant concurrent positions:
Audit & Supervisory Board Member of J-OIL MILLS, INC.
Representative of Eiji Mizutani CPA Firm

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

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

Directors and Officers

Reasons for Appointment of Independent Directors and Outside Audit & Supervisory Board Members, etc.

Independent Directors: Reasons for Appointment	
Naoki Izumiya (Tenure: 4 years)	Mr. Naoki Izumiya has considerable experience, excellent capabilities, knowledge, and character gained through many years of involvement in the management of the Asahi Group. Obayashi has appointed him in the expectation that he can provide advice and suggestions important for decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with corporate management experience, such as serving as CEO, and based on abundant knowledge of business strategy formulation, etc. (Status of attendance to Board of Directors meeting in FY2022.3: 15/15)
Yoko Kobayashi (Tenure: 2 years)	Ms. Yoko Kobayashi has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of the NTT Group. Obayashi has appointed her in the expectation that she can provide advice and suggestions important for decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with experience in managing a company building a social infrastructure, and based on abundant knowledge about entry into new businesses and ICT strategies, etc. (Status of attendance to Board of Directors meeting in FY2022.3: 15/15)
Masako Orii (Tenure: 2 years)	Ms. Masako Orii has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of the Suntory Group. Obayashi has appointed her in the expectation that she can provide advice and suggestions important for decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from the Corporation, and based on abundant knowledge about ESG management, etc. (Status of attendance to Board of Directors meeting in FY2022.3: 14/15)
Hiroyuki Kato (Tenure: 1 year)	Mr. Hiroyuki Kato has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of Mitsui & Co., Ltd. Obayashi has appointed him in the expectation that he can provide advice and suggestions important for decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from Obayashi, and based on abundant knowledge in the energy field, etc. (Status of attendance to Board of Directors meeting in FY2022.3: 13/13)
Yukiko Kuroda (Appointed in June 2022)	Ms. Yukiko Kuroda has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of People Focus Consulting Co., Ltd., which she founded. Obayashi has appointed her in the expectation that she can provide advice and suggestions important for decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from Obayashi, and based on abundant knowledge in sustainability and organizational development, etc.
Outside Audit & Supervisory Board Members: Reasons for Appointment	
Hiroshi Yokokawa (Tenure: 7 years)	After many years of involvement in economy, trade, and industry administration, Mr. Hiroshi Yokokawa has experience, excellent capabilities, knowledge, and character gained through involvement in the management of Osaka Gas, Co., Ltd. Obayashi has appointed him in the expectation of having his considerable experience and extensive knowledge reflected in audits of Obayashi. (In FY2022.3, Status of attendance to Board of Directors meeting: 15/15; Audit & Supervisory Board meeting: 17/18)
Yoshihiro Yamaguchi (Appointed in June 2022)	After many years of involvement in land, infrastructure, transport, and tourism administration, Mr. Yoshihiro Yamaguchi has considerable experience, excellent capabilities, knowledge, and character, as demonstrated in his efforts to support overseas business development in the construction industry as the Vice-president, Chief Executive Director of the Overseas Construction Association of Japan, Inc. Obayashi has appointed him as an Outside Audit & Supervisory Board Member in the expectation of having his considerable experience and extensive knowledge reflected in audits of Obayashi.
Eiji Mizutani (Appointed in June 2022)	As a certified public accountant who is an accounting expert, Mr. Eiji Mizutani has specialized knowledge and considerable experience in corporate accounting, as well as excellent capabilities, knowledge, and character. Obayashi has appointed him in the expectation of having his considerable experience and extensive knowledge reflected in audits of Obayashi.

Director Skill Matrix

Name	Building construction	Civil engineering construction	Real estate development	New business	ICT/Digital	Business development	Public relations	Finance and accounting	Legal affairs Compliance Risk management	Global knowledge	ESG Sustainability	Corporate management
Takeo Obayashi										○		○
Kenji Hasuwa		○		○		○						○
Yasuo Kotera			○				○	○	○		○	○
Toshihiko Murata	○					○						○
Atsushi Sasagawa	○					○				○		○
Akinobu Nohira		○				○						
Toshimi Sato				○	○		○	○	○	○	○	○
Naoki Izumiya				○			○					○
Yoko Kobayashi				○	○	○	○		○			○
Masako Orii				○			○		○		○	○
Hiroyuki Kato				○						○		○
Yukiko Kuroda				○						○	○	○

Executive Officers

(As of June 23, 2022)

President				
Kenji Hasuwa				
Executive Vice Presidents				
Yasuo Kotera Responsible for overall administration	Toshihiko Murata Head of Osaka Main Office, and Head of Yumeshima Development Division	Atsushi Sasagawa Responsible for overall building construction, Head of Marketing Division, and Head of Tokyo Main Office	Akinobu Nohira Responsible for overall civil engineering construction, and Head of Civil Engineering Construction Division	
Senior Managing Executive Officers				
Jiro Otsuka Head of Real Estate Development Division, and Responsible for PPP Division	Makoto Hidetaka Head of Building Construction Division at Osaka Main Office, Senior General Manager of Marketing Division, and Senior General Manager of Yumeshima Development Division	Katsuyoshi Okawa Head of Building Construction Division, and Responsible for Environmental Management Division		
Naoki Kajita Head of Technology Division	Koji Murakami Head of Safety Division	Toshimi Sato Responsible for Corporate Strategy, Business Innovation Divisions, Corporate Communications, Legal, Human Resources, Finance, Accounting Departments, General Manager of Corporate Strategy Division, and Senior General Manager at Tokyo Main Office (responsible for project administration)		
Managing Executive Officer				
Hirokazu Onozaki Head of North American Regional Headquarters	Shin Matsumoto Head of Civil Engineering Technology Division	Yoshimi Sekoguchi Head of Yokohama Branch Office	Yuichi Yamamoto Head of Nagoya Branch Office	Nozomu Taoda Head of Kanto Branch Office
Kazunari Nomura	Seiji Nagai Head of Hiroshima Branch Office	Goichi Kamochi Head of Architectural Design & Engineering Division	Nobuyuki Wakuni Head of Building Construction Division at Tokyo Main Office, and Senior General Manager of Marketing Division	
Hironobu Kawakami Head of Kobe Branch Office	Yoshihito Sasaki Head of Shikoku Branch Office	Akihiro Higashide Senior General Manager of Civil Engineering Construction Division, Senior General Manager of Marketing Division, and General Manager of Renewable Energy Marketing & Development Department of Civil Engineering Construction Division	Kazuyuki Goto Senior General Manager of Building Construction Division (responsible for mechanical & electrical, and renovation), and Senior General Manager of Building Construction Division at Tokyo Main Office (responsible for mechanical & electrical, and renovation)	
Eiichiro Okano Head of Digital Transformation Division	Kenichi Ando Head of Green Energy Division	Isao Sano Head of Civil Engineering Construction Division at Tokyo Main Office		
Executive Officers				
Susumu Kawaguchi	Hideo Katsumata	Kyoji Ikeda	Hiromitsu Kato	Kimihiko Sato
Futoshi Takahashi	Yutaka Taneda	Kojiro Nitta	Yasuo Morita	Motoi Yano
Yoshikatsu Imazuka	Shigeru Edatsune	Hitoshi Shibuya	Atsushi Takeuchi	Katsuhiko Matsuda
Masaaki Yasui	Toshiro Kito	Shinobu Yamanaka	Koji Kohirata	Osamu Yoshizaki
Hajime Onojima	Ryuji Kitaoka	Hiroshi Kondo	Mitsuaki Sadatoshi	Kazutoshi Mitsui
Ryuichi Yanagawa	Tetsuo Ueda	Shigeru Kojima	Kazuhisa Sugiyama	Toshio Suzuki
Takayuki Tomioka	Koji Furuse			

Consolidated Financial Summary

Fiscal years ended March 31	Millions of yen											Thousands of U.S. dollars*3	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022	
Orders received	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	1,948,682	2,146,326	17,536,778	
Orders received (construction business)	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	1,857,688	2,042,487	16,688,352	
Net sales	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	1,766,893	1,922,884	15,711,126	
Gross profit	110,678	114,687	112,059	131,707	193,052	224,933	234,303	254,023	255,547	225,784	154,339	1,261,050	
Gross profit margin (%)	8.9	7.9	6.9	7.4	10.9	12.0	12.3	12.5	12.3	12.8	8.0	-	
Selling, general and administrative expenses	79,532	79,534	80,067	83,318	86,671	91,191	96,502	98,542	102,675	102,622	113,288	925,636	
Operating income (loss)	31,145	35,153	31,991	48,388	106,380	133,742	137,800	155,480	152,871	123,161	41,051	335,414	
Operating margin (%)	2.5	2.4	2.0	2.7	6.0	7.1	7.3	7.6	7.4	7.0	2.1	-	
Ordinary income (loss)	35,241	44,690	40,135	59,913	111,208	140,106	143,951	163,054	159,005	128,784	49,844	407,260	
Profit (loss) attributable to owners of parent*1	5,142	13,195	21,627	28,695	63,437	94,501	92,662	113,155	113,093	98,780	39,127	319,692	
Profit (loss) attributable to owners of parent per share (EPS) (yen/U.S. dollars)	7.16	18.37	30.11	39.96	88.36	131.66	129.09	157.65	157.59	137.64	54.55	0.44	
Net assets	365,492	414,650	448,108	549,483	561,658	644,076	711,525	798,149	850,498	961,979	988,913	8,080,018	
Equity (net assets less non-controlling interests)	340,463	384,730	412,456	507,670	516,098	594,160	684,836	768,944	817,892	931,008	955,691	7,808,574	
Retained earnings	152,278	161,666	178,665	199,296	255,750	334,957	404,840	498,195	587,012	661,512	677,559	5,536,066	
[The ratio of retained earnings to equity]	[44.7%]	[42.0%]	[43.3%]	[39.3%]	[49.6%]	[56.4%]	[59.1%]	[64.8%]	[71.8%]	[71.1%]	[70.9%]	-	
Total assets	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	2,272,628	2,422,085	19,789,896	
Property, plant and equipment	358,186	376,489	415,089	408,848	441,604	459,597	526,270	544,558	572,190	609,256	623,306	5,092,790	
Investment securities	264,365	317,386	323,858	415,541	342,021	346,245	372,308	360,627	290,719	340,079	337,976	2,761,475	
[Sales result of investment securities]	[14,427]	[9,066]	[12,089]	[4,541]	[4,497]	[4,495]	[8,710]	[5,454]	[9,263]	[7,702]	[16,973]	138,679	
Net assets per share (BPS) (yen/U.S. dollars)	474.01	535.67	574.32	706.94	719.01	827.77	954.05	1,071.49	1,139.69	1,297.25	1,333.10	10.89	
Equity ratio (%)	21.0	23.2	22.7	25.4	26.4	29.5	32.2	34.7	36.7	41.0	39.5	-	
Return on equity (ROE)	1.5	3.6	5.4	6.2	12.4	17.0	14.5	15.6	14.3	11.3	4.1	-	
Price-earnings ratio (PER) (times)	50.4	24.5	19.3	19.5	12.6	7.9	9.0	7.1	5.9	7.4	16.5	-	
Dividends per share (yen/U.S. dollars)	8	8	8	10	18	28	28	32	32	32	32	0.26	
Dividend payout ratio (%)	111.7	43.5	26.6	25.0	20.4	21.3	21.7	20.3	20.3	23.2	58.7	-	
Net cash provided by (used in) operating activities*2	65,755	31,496	37,962	74,646	124,980	158,892	114,034	44,203	237,628	24,803	69,697	569,473	
Net cash provided by (used in) investing activities*2	(1,919)	(29,151)	(47,328)	(7,442)	(48,029)	(37,884)	(71,289)	(45,302)	(47,318)	(79,075)	(49,833)	(407,171)	
Net cash provided by (used in) financing activities*2	(48,949)	(28,977)	27,587	(34,523)	(68,967)	(89,165)	(54,548)	(24,823)	(49,397)	(8,483)	(12,457)	(101,786)	
Cash and cash equivalents at end of period	121,682	99,690	121,177	162,607	164,802	194,195	184,783	157,699	298,945	236,474	249,317	2,037,073	
Number of personnel	12,870	12,838	12,856	13,432	13,688	14,094	14,359	14,739	14,993	15,267	15,470	-	
[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]	[3,791]	[3,497]	-	
Interest-bearing debt (except nonrecourse loans)	320,798	306,323	351,592	327,802	266,465	200,334	184,724	183,061	172,928	196,357	197,376	1,612,682	
Nonrecourse loans	84,316	81,845	76,851	83,017	79,874	73,024	92,004	89,156	75,624	69,596	83,060	678,654	
Total amount of interest-bearing debt and nonrecourse loans	405,115	388,168	428,444	410,820	346,339	273,359	276,728	272,218	248,552	265,953	280,436	2,291,337	
Debt-equity ratio (times)	1.19	1.01	1.04	0.81	0.67	0.46	0.40	0.35	0.30	0.29	0.29	-	
Capital expenditure	17,017	35,084	69,110	42,308	56,231	31,410	76,383	39,586	47,573	52,539	55,415	452,775	
Research and development expense	9,093	8,742	8,927	9,391	10,081	10,553	10,602	12,312	13,734	13,661	15,841	129,431	
Depreciation	11,954	10,916	12,103	14,392	14,476	14,981	14,659	17,672	19,880	20,038	20,691	169,065	

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

*3 U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥122.39 to US\$1, the prevailing exchange rate on March 31, 2022

Group Network

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

Major Group Companies in Japan

Name (major business)	Group interest	FY	Financial data (millions of yen)			
			Net sales	Operating income	Profit attributable to owners of parent	Net assets
NAIGAI TECHNOS CORPORATION ¹ (Building construction, construction fitting, interior and exterior, and manufacturing/ sales of materials, etc.)	100.0%	2021.3	91,637	939	558	7,679
		2022.3	7,629	436	249	7,924
OBAYASHI FACILITIES CORPORATION (Overall property and facilities management, building construction, and contracted administrative operations)	100.0%	2021.3	27,858	1,424	949	14,859
		2022.3	31,020	2,364	1,552	16,156
OAK SETSUBI CORPORATION (M&E design and construction such as air conditioning/ cleanrooms/ sanitary fire extinguishers)	100.0%	2021.3	20,309	704	526	4,854
		2022.3	30,969	1,833	1,211	6,065
OBAYASHI ROAD CORPORATION (Civil engineering construction including road construction, building construction, and manufacturing/ sales of materials, etc.)	100.0%	2021.3	100,059	7,021	4,774	57,565
		2022.3	106,708	4,825	3,337	59,458
OBAYASHI-SHINSEIWA REAL ESTATE CORPORATION (Ownership/ sale & purchase/ lease/ management/ appraisal/ brokering of property, and non-life insurance agency business)	100.0%	2021.3	32,087	8,614	5,371	64,636
		2022.3	50,805	16,190	10,830	75,466
OBAYASHI CLEAN ENERGY CORPORATION ² (Energy generation, electricity sales, operation, maintenance and management of generation facilities with renewable energy, and investigation and research into such energy)	—	2021.3	9,482	2,051	741	7,945
		2022.3	11,075	983	900	9,858
OAK INFORMATION SYSTEM CORPORATION (Development and sales of computer software and sales and lease of electronic equipment)	100.0%	2021.3	8,244	234	165	2,072
		2022.3	7,744	193	128	2,147
OC FINANCE CORPORATION (Monetary lending, debt guarantee, ownership and management of securities, and debt purchasing)	100.0%	2021.3	531	428	306	6,723
		2022.3	627	527	374	7,098
31 PFI subsidiaries (PFI-related services)	—	2021.3	26,239	1,084	840	5,112
		2022.3	46,996	1,254	712	6,187

*1 From FY2022.3 net sales for the commercial division decreased due to implementation of the Accounting Standard for Revenue Recognition, but a majority of it are transactions within the Group

*2 Includes its own subsidiary in the renewable energy business

Major Overseas Group Companies

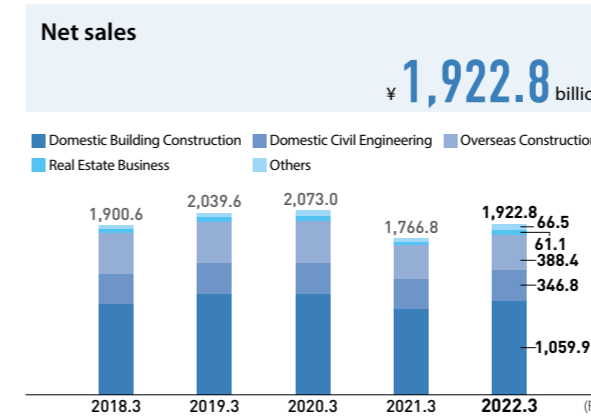
Name (major business)	Group interest	FY	Financial data (millions of yen)			
			Net sales	Operating income	Profit attributable to owners of parent	Net assets
E.W. HOWELL CO., LLC ³ (Building construction and civil engineering)	92.0%	2021.3	30,450	384	344	2,611
		2022.3	32,065	86	73	2,699
WEBCOR, L.P. ³ (Building construction and civil engineering)	100.0%	2021.3	151,769	1,771	1,829	13,799
		2022.3	117,815	70	54	14,720
JAMES E. ROBERTS-OBAYASHI CORPORATION ³ (Building construction and civil engineering)	51.0%	2021.3	25,915	909	338	2,097
		2022.3	28,021	1,115	410	2,905
KRAEMER NORTH AMERICA, LLC ³ (Civil engineering and building construction)	56.0%	2021.3	34,789	1,464	816	3,811
		2022.3	40,088	2,055	1,172	4,961
KENAIDAN GROUP LTD. ⁴ (Civil engineering and building construction)	60.0%	2021.3	17,022	182	92	1,887
		2022.3	14,254	675	347	2,320
THAI OBAYASHI CORPORATION LIMITED (Building construction, civil engineering, sales of materials, etc., and ownership/ sale & purchase/ lease/ management/ brokering of property)	50.0%	2021.3	31,795	1,614	741	50,019
		2022.3	35,215	1,463	627	50,909
PT. JAYA OBAYASHI (Building construction and civil engineering)	85.0%	2021.3	8,960	245	56	1,713
		2022.3	12,918	391	103	2,034
TAIWAN OBAYASHI CORPORATION (Building construction, civil engineering construction, and sales of materials, etc.)	100.0%	2021.3	8,099	(755)	(747)	2,956
		2022.3	9,685	(1,832)	(1,830)	1,511
OBAYASHI SINGAPORE PRIVATE LIMITED (Building construction and civil engineering)	100.0%	2021.3	24,288	616	669	6,947
		2022.3	50,654	1,643	1,444	9,027
OBAYASHI VIETNAM CORPORATION (Building construction and civil engineering)	100.0%	2021.3	15,874	618	626	5,415
		2022.3	6,081	(241)	(102)	5,995
OBAYASHI PROPERTIES UK LIMITED (Acquisition/ ownership/ disposal/ lease management of real estate, real estate development business, and acquisition/ ownership/ disposal of real estate trust beneficial interest)	100.0%	2021.3	812	489	358	45,049
		2022.3	2,258	1,580	801	52,544

*3 Consolidated subsidiary of Obayashi USA, LLC

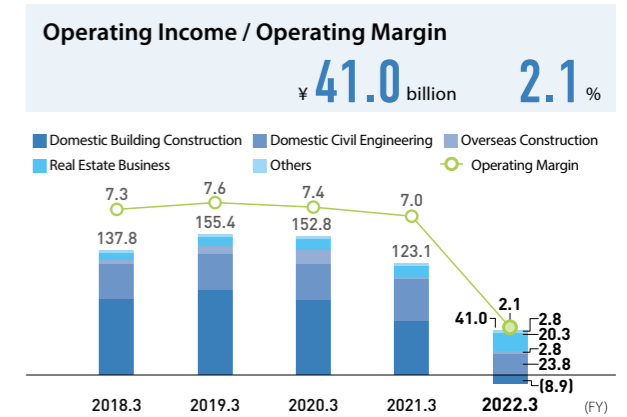
*4 Consolidated subsidiary of Obayashi Canada Holdings Ltd.

Performance at a Glance

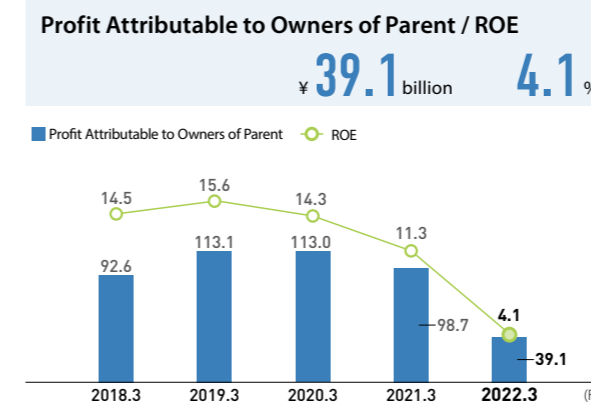
Consolidated Financial Highlights



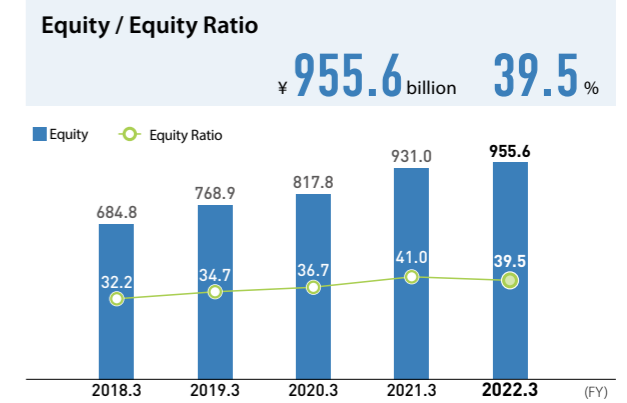
Net sales increased mainly because large projects made steady progress in the domestic building construction business compared to the previous fiscal year, when many large construction projects had been in the early stages and with slow progress.



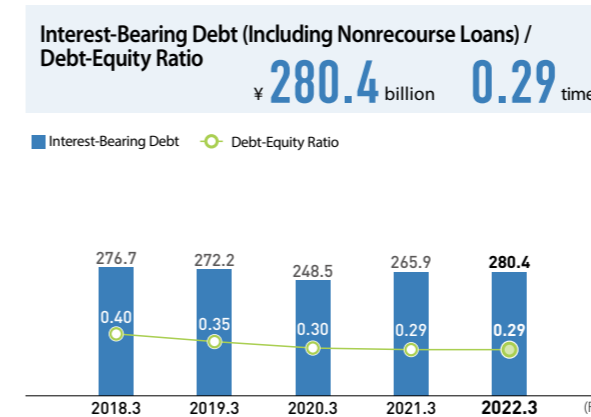
Operating income significantly decreased because gross profit on completed construction contracts declined due to a recording of provision for loss on construction contracts for multiple projects of large-scale construction in the domestic building construction business and other factors.



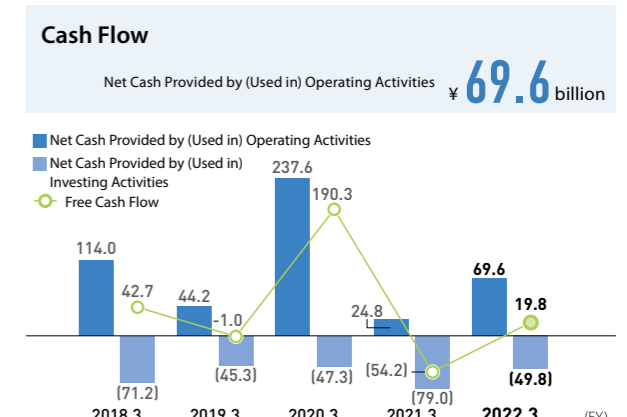
Profit attributable to owners of parent significantly decreased because of the lower operating income in the domestic construction business. ROE was also down 7.2 points to 4.1% because of a significant decrease in profit.



Equity increased because of a rise in retained earnings and other factors. The equity ratio was down 1.5 points to 39.5% because liabilities increased due to a recording of provision for loss on construction contracts and other factors.



Interest-bearing debt rose because of factors that include procurement of working capital at subsidiaries. The debt-equity ratio was unchanged at 0.29 times from the previous fiscal year.



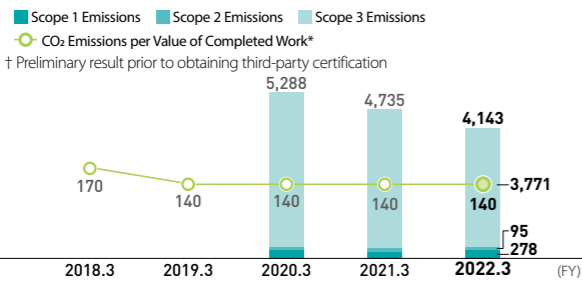
Net cash provided by (used in) operating activities increased mainly because earnings in the construction businesses improved. Net cash provided by (used in) investing activities decreased because of acquisitions of commercial real estate and other factors.

Performance at a Glance

Non-Financial Highlights

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

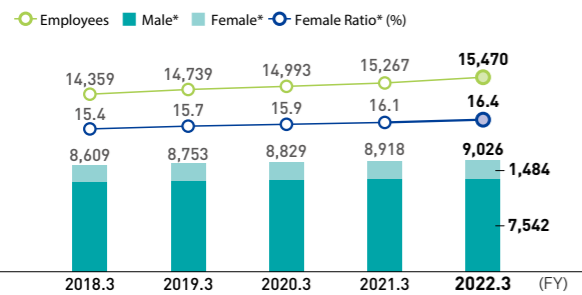
CO₂ Emissions[†] / CO₂ Emissions per Value of Completed Work^{*†}
4,143 thousand t-CO₂ **140** t-CO₂/billion yen



CO₂ emissions per value of completed work did not change for four consecutive years. CO₂ emissions decreased for the third consecutive year. This decrease is mainly in the Scope 3 Category 11 emissions (from operations of buildings already handed over).

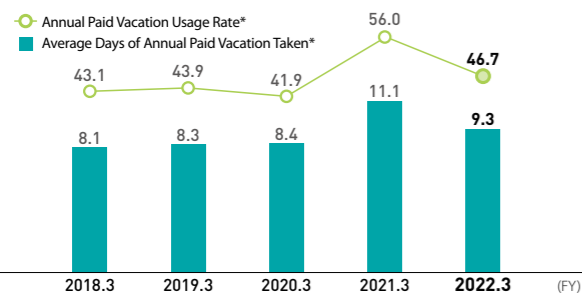
Employee Headcount

15,470 persons



The number of persons hired continues to be steady, and the employee headcount has been increasing year by year. The ratio of females in regular hiring of Obayashi exceeded 20%, and the number of female employees has been steadily increasing. The ratio of females employed was 16.4% in FY2022.3.

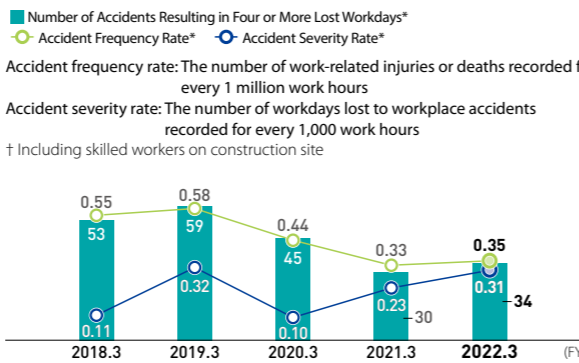
Annual Paid Vacation Usage Rate* / Average Days of Annual Paid Vacation Taken*
46.7 % **9.3** days



The annual paid vacation usage rate and the average days of annual paid vacation taken declined by 9.3 points and 1.8 days, respectively, as a reaction to a special factor in the previous fiscal year that Obayashi as a whole had suspended operations due to the outbreak of COVID-19. Excluding this factor, however, the annual paid vacation usage rate and the average days of annual paid vacation taken have been on the increase.

Occupational Accidents on Construction Sites^{*†}

Number of Accidents Resulting in Four or More Lost Workdays **34** Accident Frequency Rate **0.35** Accident Severity Rate **0.31**



The number of accidents resulting in four or more lost workdays and the accident frequency rate in FY2022.3 were the lowest next to those in the previous fiscal year, which were both at record lows. However, the accident severity rate rose because of an increase in the number of fatal accidents.

Human Resources-related Data^{*}

Items	FY2020.3	FY2021.3	FY2022.3
Personnel active	Number of new graduate hiring (persons)		
	275	302	304
	Of which, male		
	226	244	241
	Of which, female		
	49	58	63
	(female ratio)		
	(17.8%)	(19.2%)	(20.7%)
	Number of mid-career recruits (persons)		
	48	57	76
Of which, male			
45	50	65	
Of which, female			
3	7	11	
(female ratio)			
(6.3%)	(12.3%)	(14.5%)	
Number of rehired employees (persons)			
669	670	725	
Number of foreign national employees (persons)			
24	25	39	
(Of which, persons in management position)			
(7)	(9)	(15)	
Number of employees with disabilities			
223	238	238	
Turnover rate (%)			
1.1	1.2	1.2	
Childcare/nursing care	Number of employees taking childcare leave (persons)		
	49	56	51
	Number of employees taking nursing-care leave (persons)		
	16	18	29
	Number of employees taking spouse-giving-birth vacation (persons)		
207	197	201	
Number of employees taking child rearing leave (persons)			
84	59	58	

Non-Financial KPI Highlights

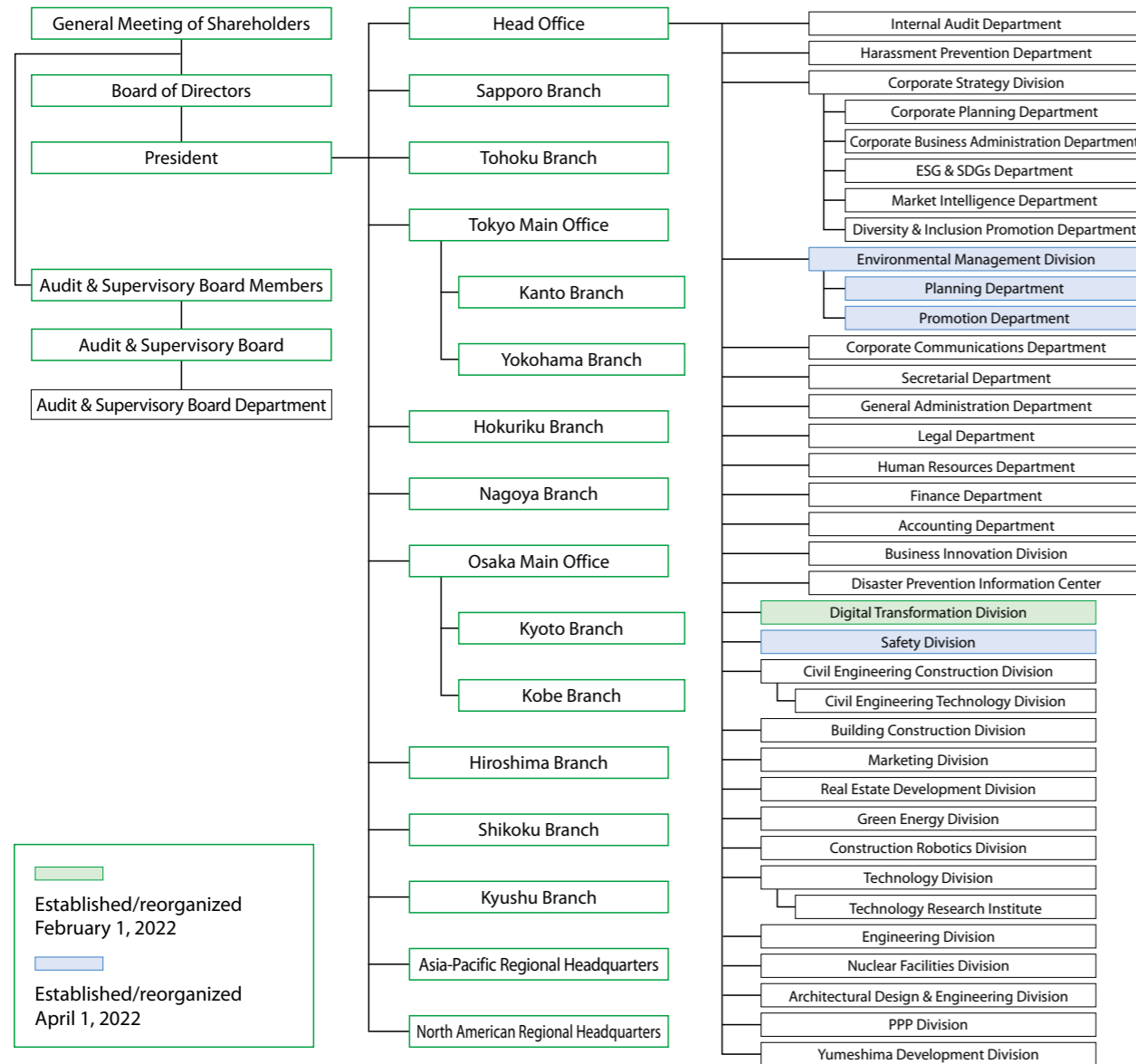
The Obayashi Group has established non-financial KPIs since FY2020.3. It has measured progress of their achievement and taken initiatives to make improvements every fiscal year. Efforts during the three years up to FY2022.3 have produced a certain level of results, but have also uncovered issues. In particular, we recognize that targets for number of fatal accidents not being achieved in any of the three years is a main concern to address. We will also take initiatives for reducing carbon emissions, increasing productivity, and closing construction sites eight days out of every four-week period as continuing challenges beyond FY2023.3.

Materialities	Action plan	KPI	Targets	FY2020.3 results	FY2021.3 results	FY2022.3 results
E Establish an Environmentally Responsible Society	Promote environmentally friendly businesses	Ratio of design and construction projects (of 2,000 m ² and up) with CASBEE ranking of A or higher	At least 70%	75%	64%	71%
	Promote renewable energy business	Ratio of sustainability-related capital expenditure to real estate leasing business capital expenditure	At least 90%	92.7%	93.6%	92.4%
		Electricity generated annually as a result of renewable energy business	At least 370,000 MWh	255,551MWh	267,202MWh	306,069MWh
	Promote decarbonization	Direct contribution of CO ₂ emissions reduction rate (vs. FY2014.3)	-85% by FY2031.3	-58%	-67%	-57%*
		Indirect contribution of CO ₂ emissions reduction rate (vs. FY2014.3)	-25% by FY2031.3	-21%	-21%	-26%*
Contribute to realizing a recycling-oriented society	Emissions of construction waste material per unit value of completed construction work	No more than 140t/billion yen	178t/billion yen	127t/billion yen	156t/billion yen	
S Enhance Quality Control and Technological Capabilities	Pursue reliable quality	Customer satisfaction rate	100%	85.4%	96.8%	95.9%
	Use technological capabilities to further enhance productivity	Construction business productivity increase rate (vs. FY2017.3)	At least 10%	2.0%	4.4%	5.2%
	Maintain good construction management system	Ratio of technical staff with important construction management credentials: professional engineer, registered first-class architect, and registered first-class construction management engineer (building construction, civil engineering, plumbing work, and electricity work)	Maintain at 80%	80.2%	80.5%	81.9%
S Ensure Occupational Health and Safety	Rigorously apply the Occupational Health and Safety Management System	Number of fatal accidents	0	1	2	3
		Degree of achievement of the Occupational Health and Safety Management System evaluation items	At least 90%	83.3%	85.3%	89.6%
G Develop and Retain Human Resources	Promote work style reform	Ratio of practice of closing construction sites eight days out of every four-week period	100%	23.4%	28.5%	38.2%
		Ratio of eligible male employees taking childcare leave or other leave for the purpose of childcare	100% by FY2025.3	13.5%	12.8%	67.0%
	Promote diversity	Ratio of employment of people with disabilities	At least 2.4%	2.2%	2.3%	2.3%
		Ratio of female managers	About 12% by FY2025.3	9.0%	9.3%	9.6%
	Ratio of female engineers	About 12% by FY2025.3	9.5%	9.8%	10.1%	
G Implement Rigorous Compliance	Promote the Corporate Ethics Program	Ratio of employees taking corporate ethics training	100%	100%	100%	100%
	Practice rigorous information security management	Ratio of employees taking information security training	100%	99.3%	100%	100%
G Conduct Responsible Supply Chain Management	Promote CSR procurement	CSR procurement guidelines comprehension questionnaire response rate	100%	73.0%	96.3%	90.9%
		Construction materials green procurement rate	At least 55%	43.1%	47.5%	57.5%
	Train and support skilled workers	Number of Certified Excellent Site Supervisors / Excellent Operators	More than previous fiscal year	456	458	481
Number of persons completing training at the Obayashi Rin-yu-kai Vocational Training School		More than previous fiscal year	74	44	51	

* Preliminary result prior to obtaining third-party assurance

Organization Chart

https://www.obayashi.co.jp/en/company/organization_chart.html



Inclusion in SRI Indexes / External Evaluations

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

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

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:	9,026 (as of March 31, 2022)
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, Japan
 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

Technology Research Institute (Kiyose, Tokyo)

Overseas Offices

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

Stock Information (As of March 31, 2022)	
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:	59,728
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, 2022)		
Name	Shareholdings	
	Shares held (Thousands)	Shareholding ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	122,229	17.02
Custody Bank of Japan, Ltd. (Trust Account)	58,906	8.20
Nippon Life Insurance Company	20,905	2.91
STATE STREET BANK AND TRUST COMPANY 505001	17,050	2.37
Takeo Obayashi	16,944	2.36
Obayashi Group Employee Shareholding Association	12,710	1.77
STATE STREET BANK WEST CLIENT – TREATY 505234	12,164	1.69
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	12,157	1.69
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	11,683	1.63
Sumitomo Realty & Development Co., Ltd.	9,159	1.28

* Shareholding ratios exclude treasury stock (3,465,148 shares).

