> **Disclaimer:**
> This document has been translated from the Japanese original for reference purpose only. If there is any discrepancy between the Japanese original and this English translation, the former will prevail. This document includes forward-looking statements based on the information available at the time the Japanese and English documents were released. Actual results may vary from the forward-looking statements contained herein due to various factors.

OBAYASHI CORPORATION

Summary of the Financial Results Briefing Conference for FY2024 3rd Quarter (April 1, 2024 to December 31, 2024)

Date:	Monday, February 10, 2025, from 16:00 to 17:10
Respondents:	Takayuki Tomioka, Executive Officer
	Yoshiaki Takata, General Manager of Accounting Department
Attendees:	113 securities analysts, institutional investors and others

---

1. Presentation on Revision to Full-Year Financial Results Forecasts, Determination of Matters Related to Acquisition of Own Shares, Financial Results for FY2024 3rd Quarter, and Forecasts for FY2024

An explanation was provided by the Executive Officer, based on the Presentation on Financial Results FY2024 3rd Quarter (April 1, 2024 to December 31, 2024).

2. Main Questions and Answers

(1) Domestic Building Construction Business and Domestic Civil Engineering Business

Q. The provision for loss on construction contracts decreased by almost 10.0 billion yen - was there a reversal made to the provision recorded in the past? If such a reversal boosted profits, won't there be a corresponding drop-off in the next fiscal year? Does this mean that you recorded revenues from additional claim approvals that were close to the amount of profit rather than a reduction in losses?

A. There were no reversals that would cause any reactionary drop-off effect during the next fiscal year.

Q. During the third quarter, did you secure revenue from additional claim approvals, including those in previous fiscal years, or secure additional design changes in the late stages of the construction period in the domestic civil engineering business? Did you revise the full-year forecast upward because you also anticipate such revenue in the fourth quarter? Although profit margins have improved dramatically, could this lead to a reactionary drop-off effect in the next fiscal year? I would appreciate any additional color, including what you view as a sustainable profit margin.

A. Although we cannot give details of our plans for the next fiscal year as they are currently being formulated, we expect sales in the domestic construction business to decrease due to construction projects on hand. Although profits will decrease slightly in line with this, the impact of so-called “zero-margin construction projects” will also shrink, and we are currently studying the overall effect of these changes. With regard to the domestic civil engineering business, as mentioned at the time of our second quarter results announcement, these results were accumulated without any uncertain factors. On the other hand, the increase in profits in the domestic construction business was due to the timing of negotiations with clients on several projects, which enabled us to secure price increases in line with inflation. Although volumes were higher in the third quarter, we have also factored price increases secured into our latest forecast for the fourth quarter. We also secured additional claim approvals for design changes in the late stages of the construction period in the civil engineering business during both the third and fourth quarters.

Q. Regarding the explanation of the 12.6 billion yen increase in profit shown in the waterfall chart for the non-consolidated domestic building construction business on page 16 of the financial results presentation, what percentage of this is due to additional claim approval for price hikes, and what percentage is due to construction cost reductions?
A. Some cases fall under both categories, while others have price hikes labeled differently, making it difficult to categorize them strictly.

Q. Do you consider the increase in profits from securing additional claim approvals for price hikes a temporary gain? Or do you expect this to translate into higher profit margins in the next fiscal year and beyond?
A. The percentage of construction projects affected by price increases in the coming fiscal year will decrease compared to the fiscal year under review. In addition, as an increasing number of projects are signed with a contract condition that price increases are to be discussed on a case-by-case basis, we do not anticipate a sharp increase in profits as we saw in the fiscal year under review.

Q. To what extent have you been able to pass on cost increases for price hikes? How long do you expect passing on cost increases to impact your financial results? Will this impact last until the next or the following fiscal year?
A. Although it is difficult to give a definitive answer as this varies from project to project, my perception is that in the past, only 20-30% of our claim amount was approved, whereas this has risen to around 50% recently and is gradually rising further. Although we will continue to have some projects contracted before 2021 in hand, the volume will decrease. At the same time, we do not believe that the impact on our financial results will be zero, as individual projects may be affected by price hikes - for example, in cases where price rises apply to only certain mechanical & electrical equipment components.

Q. There have been media reports of delays to large-scale construction projects due to a supply shortage of lightweight concrete. Do you anticipate any other risks in the domestic construction business in the next fiscal year?
A. We have some projects that have been affected by this shortage. While we cannot comment on the specific impact on individual projects, some construction sites have been adapting their processes to minimize any impact on their operations. At present, we are not in a situation

where our business performance will be significantly impacted. However, we carefully explain any rush construction costs incurred to our clients and discuss terms.

Q. Why did you accept orders ahead of schedule despite limited construction capacity? I would like to confirm that you have secured sufficient profit margins for the orders you accepted in both the civil engineering and building construction businesses.

A. One example of an instance in which we might accept an order ahead of schedule is when we initially planned to conclude separate contracts for demolition and new construction, but these orders are instead combined into a single contract. There are also an increasing number of projects where it takes slightly longer for the majority of the construction work planned to proceed. In addition, in the civil engineering business, an increasing number of projects employ an ECI approach, where actual construction begins after a planning period and upon agreement on the contract price, meaning that the bulk of construction work is still to come. We conclude contracts on the condition that we are able to negotiate price hikes, which means that we are now able to accept orders while ensuring profitability at the time of receiving orders.

Q. You revised full-year orders received in the domestic construction business upward by 200.0 billion yen. Excluding large projects that were ordered ahead of schedule, has profitability at the time of receiving orders changed in the past three months? You previously mentioned that you were targeting a 10% profit margin in the domestic building construction business in the final year of the Medium-Term Business Plan - are you now aiming to achieve even higher than this?

A. There have been no significant changes in profitability at the time of receiving orders in the past three months. This improvement has continued throughout the fiscal year, and while we previously stated that the target of drawing level with our 2017-2018 peak was just within reach, we now feel that we have almost matched this level. Please understand that on a fiscal year basis, profitability at the time of receiving orders is gradually rising.

Q. Is the 10% profit margin for the domestic building construction business a “must achieve” or a “hope to exceed” target? This quarter, your profit margin recovered on the back of additional claim approvals. Am I correct in understanding that your outlook remains unchanged from your previous view?

A. Your understanding is correct. We consider this target the level we should aim for and recognize that the current environment is favorable for achieving this.

(2) Other Businesses

Q. You forecast orders received in the overseas construction business at approximately 300.0 billion yen in the fourth quarter - could you outline your approach, targets, etc. with regard to profitability at the time of receiving orders?

A. Although this varies from country to country in the overseas business, it is not possible to make a direct comparison because the contract format, such as “cost-plus-fee”, differs from the so-called “contracting agreements” commonly concluded in Japan. Similarly, the competitive environment and supply-demand balance differ from those in Japan, making it difficult to compare them by the same measure. For example, MWH specializes in a relatively niche water treatment business and has comparatively high profit margins. We aim to target such sectors and further enhance our areas of strength.

OBAYASHI

Q. Please provide a breakdown of the factors behind the 16.0 billion yen variance in the subsidiaries' construction business shown in the waterfall chart on page 16 of the financial results presentation. This represents an increase over your previous forecast, but factoring out the impact of foreign currency translation, what does improved profitability in construction projects in hand refer to? And what kind of companies and what types of improvements? Also, the 19.0 billion yen change versus the previous year shown on page 17 is described as being due to the consolidation of MWH, but were there any other factors?

A. The breakdown of the difference versus the previous forecast of 16.0 billion yen is that in addition to MWH, other subsidiaries whose results are trending toward improvement include JE Roberts (North American subsidiary).. In Asia, while Obayashi Vietnam and Jaya Obayashi were also slightly improved, the individual amounts involved were not significant. In Japan, Obayashi Road Corporation was also improved. The same trends apply to the year-on-year comparison.

(3) Outlook for FY2025 and Performance Indicator Targets in the Medium-Term Business Plan 2022

Q. You mentioned that profits in the domestic building construction business will decrease slightly as a result of the lower sales forecast for the next fiscal year, but won't the amount of profit move in the positive direction as a result of improved profit margins?

A. Although we are still studying the details, we believe that the profit margins will not be the same level in the third quarter of FY2024.

Q. Do you anticipate a further boost to your revised profit margin of 9% in the domestic building construction business in the fiscal year as ratio of unprofitable construction projects decline? In addition, you raised the FY2024 full year forecast for gross profit on completed construction/ratio in the civil engineering business to 19%- do you expect a similar level in the next fiscal year?

A. We are currently studying the current forecast of slightly under 9% to determine whether this can be increased further. In the civil engineering business, the revised figure of 19% is the result of factors such as approval for additional claim, and it is difficult to incorporate such factors into our original plans during formulation.

Q. You have already achieved your targets for each management KPI, such as EPS, ROIC, and ROE, and I understand that the business environment is more favorable than anticipated. Do you expect to be able to further improve your performance in the next fiscal year or the year after next? While there is the possibility that profits do not grow and may decrease, there are other means of achieving this target, such as selling investment securities and real estate. However, is it possible to increase profits from business operations to or above the targets set in the Medium-Term Business Plan 2022?

A. The construction industry is characterized by a tendency to be impacted by individual projects, and it is, therefore, difficult to say that this year's strong performance will continue in future fiscal years. Although we can visualize the construction projects ahead to a certain extent, we do not believe it is prudent to increase our management KPI targets at this point in time. We will consider this as we study the next medium-term business plan.

Q. Can I anticipate an improvement trend in business performance after the final year of the Medium-Term Business Plan 2022, as new, more profitable projects contribute to profit levels? Or are profit margins already approaching their peak, with further improvement not expected in the next three to five years?

A. We do not expect profit margins to continue rising at their current rate. In certain cases, the client may cancel plans if their business performance deteriorates, and in the past, we have had projects that were ultimately revised or canceled. At the same time, we are becoming more disciplined in our approach to order intake, and we believe that profits will improve given that provisions for losses are expected to remain within a normal range, although not completely reduced to zero.

Q. Given that you have committed to a share buyback totaling 100.0 billion yen, what is your projection for your targeted investment cash flow of 750.0 billion yen, as outlined in the addendum to the Medium-Term Business Plan 2022?

A. The announcement meant a share buyback worth around 100.0 billion yen is necessary in order to control our equity. Regarding our current investment status, we are steadily discussing each investment project in accordance with the addendum to the Medium-Term Business Plan 2022 announced in May 2024. Some projects are proceeding smoothly while others are not. Please understand that it is difficult for us to comment at the current stage.

Q. Other companies have announced that they are taking steps such as selling their cross-shareholdings earlier than originally planned, raising their target for reducing cross-shareholdings to 10% or less of consolidated net assets, or selling off their real estate holdings. Do you plan to give any update on these matters in the future?

A. We indicated in our revised forecast that we plan to sell more cross-shareholdings than originally planned. We are proceeding with the sale of cross-shareholdings as soon as discussions with business partners have been completed, and we believe we have made considerable progress in reducing the number of cross-shareholdings we own.

Q. You have already achieved your Medium-Term Business Plan 2022 targets. Going forward will you consider selling cross-shareholdings earlier than originally planned, raising ROE, or other measures?

A. We do not plan to revise these targets during the Medium-Term Business Plan 2022 period. Regarding the next fiscal year, we expect a slight decline in profits due to lower sales in the domestic building construction business versus the current fiscal year. Meanwhile, we do not anticipate any impact from the significant exchange rate fluctuations that we experienced in the overseas construction business, with the US dollar ranging between the 135 yen and 158 yen level during the current fiscal year.

(4) Share buybacks

Q. What kind of discussion led to your decision to conduct a share buyback? Additionally, why did you select this timing, given the possibility of future changes in your business portfolio, such as the hotel business in Thailand?

A. The announcement was made at this timing as a result of a comprehensive review of the

Obayashi Group's performance, investment plans, and other factors. We elected to conduct a share buyback as, among other factors, there was a possibility that issuing a special dividend would reduce the annual dividend per share when the dividend was paid at a DOE of 5%, and we placed emphasis on a stable dividend.

Q. As profit levels are higher than in the past, wouldn't a share buyback of 100.0 billion yen further inflate equity?
A. While we understand that this is a possibility on a calculation basis, there are also factors over which we have no control, such as fluctuations in our share price. We will, therefore, monitor the situation carefully and make a comprehensive decision, including factors such as the progress of our investment plans.

Q. Am I correct in understanding that there is the potential for a buyback of more than 100.0 billion yen depending on business performance, progress of investments, share price, etc.? Additionally, what is behind the decision to buy back 30.0 billion yen of shares by the end of June, and when will the remaining 70.0 billion yen be implemented?
A. The figure of 100.0 billion yen was provided as a guide to the scale of a potential buyback, taking into account the possibility that this amount may fluctuate. We will make a decision based on the circumstances. We set the end of June for the buyback as this amount of time is necessary to purchase 30.0 billion yen worth of shares, and we believe that this time frame is generally appropriate. We will make a decision on the timing of the remaining 70.0 billion yen, taking into account the status of our profits and investment plans.

Q. What factors may cause the amount of shares repurchased to fluctuate? Does this mean the size of the buyback may change? There may be a range of factors that could potentially impact your decision, such as mergers and acquisitions or share price. What will you place the highest priority on?
A. We consider a 100.0 billion yen share buyback the amount necessary to achieve our required equity, which we have set at approximately one trillion yen. Equity below one trillion yen is not desirable, including due to share price fluctuations, and as you pointed out, the buildup of necessary equity may be affected if we expand the scale of our business through mergers and acquisitions. We intend to make a decision after taking into consideration our profit level and share price level.

(5) Dividends

Q. You have set the annual dividend at 5% DOE, so I do not expect any downside, but since you have set a target for equity at the 1 trillion yen level, am I correct in assuming that there is no potential for an increase in the dividend? At the same time, if business performance continues to improve, this will likely lead to a buildup in equity. In such a case, will there be a special dividend?
A. As the dividend is based on DOE, the amount is not influenced by the increase or decrease in profit in each fiscal year. However, if our business performance improves further in the future, some consideration should be given to this issue. Although we have indicated that we will conduct a share buyback to the value of 100.0 billion yen by the end of FY2026, if we can anticipate a certain level of profit in the construction and other businesses beyond this period,

we would consider this issue in the future, including reviewing the DOE ratio.

Q. Am I correct in understanding that if you judge that profit attributable to owners of parent, excluding gains on sales of investment securities, have increased significantly, you would consider increasing the dividend?

A. That is correct. Currently, profits from the sale of cross-shareholdings are boosting our profit attributable to owners of parent, but going forward, we recognize that the challenge is to be able to finance shareholder returns through business profits.