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OBAYASHI CORPORATION
Summary of the Financial Results Briefing Conference
for FY2025 (April 1, 2025 to March 31, 2026)

Date: Thursday, May 14, 2026, from 10:30 to 11:55
Respondents: Toshimi Sato, President and CEO
Yoshihito Sasaki, Executive Vice President
Yasuo Morita, Executive Vice President
Mitsuaki Sadatoshi, Senior Managing Executive Officer
Naoya Iba, General Manager of Accounting Department
Attendees: 145 securities analysts, institutional investors and others

1. Presentation on Financial Results for FY2025, Forecasts for FY2026, Overview of Each Business Segment, Progress in Addendum to Medium-Term Business Plan 2022 and Capital Policy and Other Topics

An explanation was provided by the President and CEO, based on the Presentation on Financial Results for FY2025 (April 1, 2025 to March 31, 2026).

2. Main Questions and Answers

(1) Domestic Building Construction Business

Q. Regarding the reason for the difference between the revised forecast and actual results for operating profit in FY2025, you stated that profit improvement in the non-consolidated building construction business was weaker than expected (page 7 of the Presentation on Financial Results for FY2025). Does this indicate that the overall environment has changed in a way that makes profit improvement more difficult?

A. In the second- and third-quarter financial results announcements, we revised the forecast upward based on expectations of profit improvement from cost reductions on large projects and other projects in the final stages of the construction period, as well as from additional claim approvals and change orders. In the fourth quarter, we conducted a project-by-project cost review and aggregated the results, but the profit improvement ultimately fell slightly short of our expectations.

Q. The forecast for the gross profit margin on completed construction contracts for FY2026 is 13.0%. Taking into account potential upside going forward and trends in profitability at the time of receiving new orders, how should we view the profitability improvement trend from FY2027 onward?

A. In FY2026, we expect gross profit on completed construction contracts to decrease due to a lower proportion of projects in the final stages of the construction period, resulting in relatively limited profit improvement from additional claim approvals, change orders, and construction cost reductions, among other factors. Meanwhile, profitability at the time of receiving new orders has been improving over the past several years and remains at a high level. In FY2026, we will continue to focus on profitability in receiving new orders to maintain a similar level.

Q. Regarding the gross profit margin on completed construction contracts from FY2027 onward, you have said that projects with high profitability at the time of receiving orders have been secured and will contribute to future profit improvement. Other than the impact of the situation in the Middle East, are there any factors that could negatively affect this profit improvement trend?

A. With respect to the order environment from FY2027 onward, excluding the impact of the situation in the Middle East, we currently expect robust construction demand to continue. There is also no change in our approach of continuing to focus on profitability in receiving new orders and working to improve the gross profit margin on completed construction contracts. Based on a comprehensive assessment of factors, including our current construction capacity and productivity, we believe we can maintain profitability at least at the level forecast for FY2026.

Q. Regarding the gross profit margin on completed construction contracts from FY2027 onward, you have indicated that you will aim to maintain a level of around 13.0%, in line with the forecast for FY2026. However, given that unprofitable construction projects have now been completed and supply-demand conditions remain tight, how should we view the potential for achieving an even higher level? Or should we understand that profitability at the time of receiving new orders is already around that level?

A. In FY2026, many projects in hand are expected to be in the early stages of construction. In addition, as projects become larger in scale, performed work volume tends to increase more gradually, particularly during the first year or so after the start of construction. The forecast gross profit margin on completed construction contracts of 13.0% is based on a project-by-project calculation that takes into account such composition and progress of projects in hand. At the same time, while profitability at the time of receiving new orders has continued to improve, there is a time lag between receiving new orders and starting construction. Therefore, we expect it will take some time before these highly profitable projects make a full-fledged contribution to profit.

Q. Over the past 15 years or so, renovation projects have accounted for around 15% of orders received. Do you intend to increase orders for renovation projects in order to further improve profitability?

A. Renovation projects need to be secured to a certain extent within our portfolio of orders received, including from the perspective of employee training. However, at this point, we do not expect to significantly revise our order composition. Due to rising construction costs, some customers are

choosing to switch from new construction to renovation, and renovation demand is expected to continue. That said, we will continue to pursue renovation projects at an appropriate level, taking into account the balance of our portfolio and business operations.

Q. I understand that in recent years you have been receiving new orders strategically in alignment with your current construction capacity of around ¥1.1 trillion to ¥1.2 trillion. However, as construction costs continue to rise, I assume that the actual volume of orders received is declining. Do you expect this downward trend in volume to continue?

A. With respect to costs attributable to price hikes, we conduct cost pass-through negotiations with clients. As a result, even if the underlying volume of orders received remains constant, net sales tend to increase in line with price hikes. Given tight supply-demand conditions and the need to manage construction capacity carefully, we will advance initiatives to improve productivity at construction sites, including the use of AI.

Q. Up to around when do you currently have visibility on new projects, and what construction start timing are you mainly targeting in your marketing activities?

A. Although it depends on factors such as project scale and region, we generally have visibility on anticipated projects through around 2028. The projects for which we are currently conducting sales activities vary widely in terms of expected construction start timing depending on scale, construction period, and other factors, but they include projects scheduled to start construction in or after 2029.

(2) Domestic Civil Engineering Business

Q. You recorded a provision for loss on construction contracts in the fourth quarter. What were the factors behind this?

A. The provision for loss on construction contracts was mainly due to revisions to construction plans for certain projects.

Q. The forecast gross profit margin on completed construction contracts for FY2026 is 18.9%, which is higher than the usual initial forecast level. What is the background to this? Does this forecast incorporate design changes?

A. The forecast gross profit margin on completed construction contracts for FY2026 incorporates the impact of design changes. It also assumes the impact of an increase in the deflator and factors in profit contributions from the substantial volume of projects in hand, productivity improvements, and other factors.

(3) Overseas Construction Business

Q. Net sales in the overseas construction business are expected to increase significantly in FY2026,

while operating profit is expected to increase only modestly. What is the reason for this? For instance, in FY2024, net sales were lower than the forecast for FY2026, but operating profit was higher.

A. In FY2024, profit in the overseas building construction business was boosted by one-time factors. In addition, profit in the overseas construction business tends to fluctuate relatively significantly from year to year, mainly due to the characteristics of the overseas civil engineering business; unlike in Japan, price adjustment through indexation is not accepted in the same way overseas, so we factor a certain level of contingency into estimates at the time of bidding. The key point is that profitability is not declining overall. At the beginning of the fiscal year, however, we need to take a more conservative approach to planning than in the domestic business, factoring in a higher level of risk, after which we seek to improve profit toward the end of the fiscal year. Although profitability in the overseas construction business is relatively low compared with the domestic construction business, we believe there is ample strategic rationale for continuing and expanding this business over the medium to long term. In particular, the North American building construction business mainly uses cost-plus-fee contracts, which limit risk. In addition, from the perspective of capital efficiency, it is an asset-light business model with favorable payment terms. Furthermore, the composition ratio of the relatively high-margin civil engineering business has been increasing recently, and we expect this to support a certain improvement in profitability. In Asia, we also expect steady profit contributions, mainly from Singapore and Thailand.

Q. Regarding the North American business, you explained that you will closely monitor inflation trends in the region. Which business domain do you believe would be most affected?

A. With respect to the potential impact of U.S. interest rates remaining elevated, our building construction subsidiary Webcor, for example, has been reviewing its portfolio of orders received in recent years by placing greater emphasis on receiving new orders for public-sector projects, whereas its orders were previously centered on private-sector developers. Based on initiatives such as these, we currently believe the impact on business performance would be limited.

(4) Real Estate Development Business

Q. You have long identified improvement of asset efficiency as a challenge in the real estate business. However, profit levels have not shown stable growth, while book value and unrealized gains have both increased, giving the impression that there has been no significant change. What is the background to the slow progress in improving asset efficiency?

A. Under the Addendum to the Medium-Term Business Plan 2022, we planned new investments of ¥300.0 billion and property sales of ¥140.0 billion, and property sales are progressing steadily, as are investments. From the current fiscal year onward, including during the period of the next medium-term business plan, we expect profit from both leasing and property sales to gradually increase. At present, we recognize that this has not yet led to a significant improvement in asset

efficiency. However, we remain disciplined in making new investments and avoid any investments that would undermine the asset efficiency of the Obayashi Group as a whole. While we do not intend to realize all unrealized gains on assets held, in the next medium-term business plan, we would like to present the medium- to long-term direction for improving asset efficiency, including further utilization of private funds and a review of the structure of the Real Estate Development Division.

- Q. As major developers do, would setting performance indicators for the real estate business, such as cash-flow-based yield on invested capital or ROA, make it easier to measure the degree of improvement in asset efficiency? Are you considering this?
- A. We recognize that preparing a hypothetical balance sheet solely for the real estate development business and measuring asset efficiency is a matter for future consideration. At present, we mainly use ROE and ROIC as efficiency indicators. However, with a view to the next medium-term business plan, we are considering the future use of ROA to evaluate profitability across the Group's businesses, including the real estate business.

(5) Overall Business Performance

- Q. The forecast for SG&A expenses for FY2026 shows a significant increase year on year. What are the factors behind this? If increases of a similar scale continue, could it become more difficult to absorb them through increases in gross profit?
- A. Both personnel expenses and other expenses are expected to increase. The increase in personnel expenses is mainly due to base salary increases and higher bonuses. These increases reflect our policy of maintaining compensation at an appropriate level within the construction industry, including in comparison with peers, and we believe our compensation levels remain within an appropriate range. As for other expenses, the main factors include increases in technology development investment, ICT-related expenses, and expenses related to events such as GREEN×EXPO 2027, as well as some one-time factors. For FY2026, we forecast a decline in operating profit. However, during the period of the next medium-term business plan from FY2027 onward, while there are uncertainties in market conditions, we believe that we can appropriately control increases in SG&A expenses and fully absorb them through improved profitability.
- Q. Is there a possibility that operating profit will again exceed the FY2025 level in the future? If so, would that be in FY2027, or is it expected to take longer?
- A. FY2027 onward will fall under the next medium-term business plan. At present, we expect operating profit to exceed the FY2025 level, and we believe we are currently on a path toward profit growth. On the other hand, with respect to profit attributable to owners of parent, we are currently recording extraordinary income of around ¥50.0 billion annually from the sale of cross-shareholdings. After the end of March 2027, we expect it will take some time to generate profit equivalent to this amount. Nevertheless, throughout the period of the next medium-term business plan, we will also work to

secure profit attributable to owners of parent at the same level as in FY2025.

(6) Capital Policy

Q. What is the status of discussions on reviewing the necessary equity level? The forecast for FY2026 is ¥1.29 trillion, which has diverged from the ¥1 trillion level. What level do you consider appropriate? Also, is it correct to understand that the expansion of the North American construction business is the main factor that could lead to a higher necessary equity level, or are there other factors?

A. We recognize that setting the necessary equity level is one of the key matters to be addressed in the next medium-term business plan, and discussions are currently underway. In expanding the North American construction business, it is essential to expand bonding capacity. As a result, the necessary equity level of ¥1 trillion set out in the Addendum to the Medium-Term Business Plan 2022 may no longer be sufficient. That said, we do not intend to raise the level beyond what is reasonably necessary. After holding thorough discussions with bond surety companies, we would like to present a new level in the next medium-term business plan. At present, we do not envisage any specific businesses other than the North American construction business that would require us to accumulate additional equity. However, if further expansion of the business portfolio requires additional enhancement of equity, we will provide a careful explanation.

Q. How do you view the forecast equity of ¥1.29 trillion for FY2026, which is substantially above the ¥1 trillion level? Also, do you consider the ¥1.29 trillion level to be sufficient going forward?

A. At present, we meet the underwriting standards of bond surety companies. However, we have received a letter from bond surety companies stating that if the North American construction business expands further and we seek to expand bonding capacity, we would need to enhance our overall creditworthiness, with the accumulation of equity being the most important factor in that assessment. Therefore, there is a possibility that even the ¥1.29 trillion level may no longer be sufficient in the future. That said, our decision to accumulate additional equity will not be based on the receipt of these letters alone. We will proceed with our review, carefully balancing the need to secure sufficient equity to maintain necessary bonding capacity with the importance of preserving a financial position that does not impair capital efficiency.

(7) Growth Investment

Q. Regarding your participation in the toll road concession business in Jakarta, while this is currently the only concession business in which you are involved, should we understand this participation as indicating that you intend to expand concession businesses as a focus area going forward?

A. PT JTD JAYA PRATAMA, which holds the concession rights for this project, is ultimately owned by PT Pembangunan Jaya. PT Pembangunan Jaya was established under the leadership of the Jakarta provincial government and has maintained a relationship with us for over 50 years as a

shareholder of PT. JAYA ODAYASHI. Given this relationship and the recent strong momentum in infrastructure development in Jakarta, we had been exploring opportunities to participate in PPP projects. Our participation in this business came about when PT JTD JAYA PRATAMA secured this business opportunity. In deciding whether to participate, we examined the expected synergies between the parties, as well as factors such as the cost of shareholders' equity, land acquisition risk, and inflation risk, taking into account precedent cases. As a result, although the project period is long at 50 years, we determined that these risks were controllable and decided to proceed. More broadly, our view is that business opportunities should ultimately be created by starting from social issues, including water, energy, social infrastructure, and food. In considering such opportunities, a key criterion is whether they will contribute to enhancing the corporate value of the Obayashi Group, including from the perspective of capital efficiency. Therefore, our participation in this business does not suggest that we will make a major shift toward expanding concession businesses going forward.

Q. Regarding M&A, will you continue to focus mainly on North America, or will other regions also be targets? Are there any deals currently under consideration?

A. Our policy remains unchanged: we will continue to explore M&A opportunities, regardless of whether they are in Japan or overseas, in fields that contribute to solving social issues and are expected to generate synergies with the Obayashi Group's existing businesses. We have prepared a long list of potential deals and are reviewing them on an ongoing basis. In the construction business, we will continue to pursue M&A where there are clear benefits, such as resolving constraints on growth or expanding growth potential by becoming part of the Obayashi Group, as illustrated by our North American construction subsidiaries, whose bonding capacity has expanded through our acquisitions.* In addition, if we identify business opportunities in a region where we do not yet have a presence, we may pursue M&A in the relevant business area as a foothold.

* For projects that require the submission of a bond, or performance guarantee, at the time of bidding, a company can secure large projects by leveraging the creditworthiness of the Obayashi Group.