

# Summary of the First Quarter Financial Results for FY2017 Ending March 2018

Disclaimer: This financial information, a digest of Obayashi Corporation's "Summary of the First Quarter Financial Results for FY2017 ending March 2018" ("Kessan Tanshin") disclosed at the Tokyo Stock Exchange on August 8, 2017 was translated into English and presented solely for the convenience of non-Japanese speaking users. If there is any discrepancy between Japanese "Kessan Tanshin" and this document, Japanese "Kessan Tanshin" will prevail. This document includes forward-looking statements based on the information available at the time of the release of Japanese "Kessan Tanshin". Due to various factors, the actual results may vary from the forward-looking statements contained herein. Obayashi Corporation (non-consolidated) is called the "Company" hereinafter.

(Rounded down to the nearest million yen)

## 1. Summary of the First Quarter Results for FY2017 ending March 2018 (April 1, 2017 - June 30, 2017)

### (1) Consolidated Business Results

(% shows the increase (decrease) from the results of the same quarter of the previous FY.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%
1st Quarter of FY2017	439,044	9.2	24,897	8.3	27,121	16.0	18,976	19.0
1st Quarter of FY2016	402,052	2.7	22,986	54.1	23,375	32.3	15,949	45.3

(Note) Comprehensive income: [1Q/FY2017] 36,659 million yen, —%; [1Q/FY2016] (10,342) million yen, —%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share Adjusted for Latent Shares
	(Unit: yen)	(Unit: yen)
1st Quarter of FY2017	26.44	_____
1st Quarter of FY2016	22.22	_____

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(Unit: million yen)	(Unit: million yen)	%
At June 30, 2017	1,990,351	646,554	31.1
At March 31, 2017	2,015,996	644,076	29.5

(For reference) Equity (Net assets less non-controlling interests): [At June 30, 2017] 618,096 million yen, [At March 31, 2017] 594,160 million yen

## 2. Dividends

	Dividend per share (Unit: yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
FY2016 ended Mar. 2017	(Unit: yen) _____	(Unit: yen) 9.00	(Unit: yen) _____	(Unit: yen) 19.00	(Unit: yen) 28.00
FY2017 ending Mar. 2018	_____	_____	_____	_____	_____
FY2017 ending Mar. 2018 (Forecast)	_____	14.00	_____	14.00	28.00

\* The consolidated forecasts for the full year were not revised in this first quarter.

\* The forecasts above were prepared on the basis of information available at the time of the release of Japanese "Kessan Tanshin". Due to various factors, the actual result may vary from the forecasts.

## 3. Consolidated Forecast for FY2017 ending March 2018 (April 1, 2017 - March 31, 2018)

(% shows the changes from the previous FY results for "Full Year" and from the previous 2Q results (cumulative) for "Half Year" respectively.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)		(Unit: yen)
Half Year	925,000	7.7	60,000	1.4	63,000	4.9	43,000	3.4	59.91
Full Year	1,915,000	2.3	134,500	0.6	140,000	(0.1)	95,000	0.5	132.35

\* The consolidated forecasts were not revised in this first quarter.

\* The forecasts above were prepared on the basis of information available at the time of the release of Japanese "Kessan Tanshin". Due to various factors, the actual result may vary from the forecasts.

Reference : Non-consolidated Forecasts for FY2017 Ending March 2018 (April 1, 2017 - March 31, 2018)

(% shows the changes from the previous FY results for "Full Year" and from the previous 2Q results (cumulative) for "Half Year" respectively.)

	Net Sales		Operating Income		Ordinary Income		Profit		Profit per share
	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: million yen)	%	(Unit: yen)
Half Year	641,000	4.1	48,000	2.2	52,000	4.9	37,000	(3.7)	51.55
Full Year	1,325,000	1.6	107,000	(1.1)	115,000	(1.3)	82,000	(2.5)	114.24

\* The consolidated forecasts were not revised in this first quarter.

\* The forecasts above were prepared on the basis of information available at the time of the release of Japanese "Kessan Tanshin".

Due to various factors, the actual result may vary from the forecasts.

## **Qualitative information on business performance and financial position for the first quarter of FY2017 ending March 2018**

### **1. Overview of consolidated business performance**

With regard to consolidated business performance of the Obayashi Group for the first quarter (from April 1, 2017 to June 30, 2017) of this fiscal year, net sales amounted to 439.0 billion yen, increased by 36.9 billion yen (9.2%) from the same quarter of the previous fiscal year primarily due to an increase in net sales of the construction business of the Company and of its subsidiaries.

On the earnings front, consequent to an increase in gross profit on completed construction contracts as a result of an increase in net sales of the construction business, operating income increased by 1.9 billion yen (8.3%) to 24.8 billion yen, ordinary income increased by 3.7 billion yen (16.0%) to 27.1 billion yen, and profit attributable to owners of parent increased by 3.0 billion yen (19.0%) to 18.9 billion yen from the same quarter of the previous fiscal year.

### **2. Overview of consolidated financial position**

Total assets at the end of the first quarter of this fiscal year decreased by 25.6 billion yen (1.3%) to 1,990.3 billion yen compared with the balance at the end of the previous fiscal year mainly due to a decrease in trade receivables related to construction contracts which is the sum of “Notes and accounts receivables from completed construction contracts and other” and “electronically recorded monetary claims” while an increase in “Investment securities” as a result of an increase in market value as well as an increase in “Land” as a result of purchase of real estate for business.

Total liabilities at the end of the first quarter of this fiscal year decreased by 28.1 billion yen (2.0%) to 1,343.7 billion yen compared with the balance at the end of the previous fiscal year primarily due to a decrease in trade payables related to construction contracts which is the sum of “Notes and accounts payable for construction contracts” and “Electronically recorded obligations”.

Consolidated balance of interest-bearing debt at the end of the first quarter of this fiscal year increased by 15.1 billion yen (5.5%) to 288.5 billion yen.

Total net assets at the end of the first quarter of this fiscal year increased by 2.4 billion yen (0.4%) to 646.5 billion yen compared with the balance at the end of the previous fiscal year mainly because “Retained earnings” increased due to the recognition of profit attributable to owners of parent and “Valuation difference on available -for-sale securities” increased while “Non- controlling interests” decreased as a result of additional acquisition of common shares of Obayashi Road Corporation through a tender offer.

As a result, equity ratio at the end of the first quarter of this fiscal year was 31.1%, up 1.6 percentage points from the end of the previous fiscal year.

### **3. Consolidated forecasts**

Based on the review at the time of the release of this document, the consolidated and non-consolidated forecasts of the financial performance for the fiscal year ending March 2018 were not revised from the ones announced on May 10, 2017 when financial results for FY2016 were presented.

## Consolidated quarterly balance sheets

(Unit : million yen)

	March 31, 2017	June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	194,585	177,361
Notes and accounts receivable from completed construction contracts and other	720,361	661,799
Electronically recorded monetary claims	21,075	12,987
Short-term investment securities	2,519	2,273
Real estate for sale	16,739	17,802
Costs on uncompleted construction contracts	39,881	46,024
Costs on real estate business	24,200	23,832
Inventories for PFI and other projects	42,406	40,731
Other inventories	7,872	10,000
Deferred tax assets	17,443	18,190
Accounts receivable-other	78,009	71,806
Other	16,694	24,390
Allowance for doubtful accounts	(142)	(119)
Total current assets	1,181,645	1,107,081
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	92,587	93,042
Machinery, vehicles, tools, furniture and fixtures, net	29,554	41,723
Land	308,241	329,558
Lease assets, net	228	226
Construction in progress	28,986	24,302
Total property, plant and equipment	459,597	488,854
Intangible assets	6,558	5,026
Investments and other assets		
Investment securities	346,245	368,268
Long-term loans receivable	2,024	1,981
Assets for retirement benefits	68	68
Deferred tax assets	1,987	2,020
Other	18,118	17,299
Allowance for doubtful accounts	(249)	(247)
Total investments and other assets	368,194	389,390
Total noncurrent assets	834,350	883,270
Total assets	2,015,996	1,990,351

(Unit : million yen)

	March 31, 2017	June 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable for construction contracts and other	485,408	455,721
Electronically recorded obligations	150,289	134,880
Short-term loans payable	89,498	83,459
Current portion of nonrecourse loans	6,832	6,313
Commercial papers	—	20,000
Current portion of bonds	25,000	25,000
Lease obligations	85	83
Income taxes payable	30,533	9,266
Deferred tax liabilities	402	390
Advances received on uncompleted construction contracts	106,541	112,719
Deposits received	102,707	104,869
Provision for warranties for completed construction	3,048	3,106
Provision for loss on construction contracts	7,751	6,910
Other	70,585	77,373
Total current liabilities	1,078,684	1,040,094
Noncurrent liabilities		
Bonds payable	30,000	20,000
Long-term loans payable	55,836	61,282
Nonrecourse loans	66,192	72,465
Lease obligations	126	131
Deferred tax liabilities	46,956	54,122
Deferred tax liabilities for land revaluation	21,091	21,082
Provision for stock payments for directors	301	301
Provision for loss on real estate business and other	993	993
Provision for environmental measures	616	613
Liability for retirement benefits	51,029	51,469
Other	20,091	21,240
Total noncurrent liabilities	293,235	303,702
Total liabilities	1,371,919	1,343,797
<b>Net assets</b>		
Shareholders' equity		
Capital stock	57,752	57,752
Capital surplus	41,752	43,188
Retained earnings	334,957	340,293
Treasury stock	(1,964)	(1,966)
Total shareholders' equity	432,497	439,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	140,246	157,279
Deferred gains (losses) on hedges	(283)	(37)
Revaluation reserve for land	20,435	20,432
Foreign currency translation adjustments	(365)	(561)
Retirement benefit asset and liability adjustments	1,629	1,715
Total accumulated other comprehensive income	161,662	178,828
Non-controlling interests	49,916	28,457
Total net assets	644,076	646,554
Total liabilities and net assets	2,015,996	1,990,351

## Consolidated quarterly statements of income

(Unit : million yen)

	1Q / FY2016 From April 1, 2016 to June 30, 2016	1Q / FY2017 From April 1, 2017 to June 30, 2017
Net sales		
Net sales of completed construction contracts	386,129	<b>423,101</b>
Net sales of real estate business and other	15,922	<b>15,943</b>
Total net sales	<u>402,052</u>	<u><b>439,044</b></u>
Cost of sales		
Cost of sales on completed construction contracts	345,738	<b>379,520</b>
Cost of sales on real estate business and other	11,265	<b>10,960</b>
Total cost of sales	<u>357,003</u>	<u><b>390,481</b></u>
Gross profit		
Gross profit on completed construction contracts	40,391	<b>43,580</b>
Gross profit on real estate business and other	4,656	<b>4,982</b>
Total gross profit	<u>45,048</u>	<u><b>48,563</b></u>
Selling, general and administrative expenses	<u>22,061</u>	<u><b>23,665</b></u>
Operating income	<u>22,986</u>	<u><b>24,897</b></u>
Non-operating income		
Interest income	471	<b>440</b>
Dividends income	2,408	<b>2,543</b>
Other	225	<b>317</b>
Total non-operating income	<u>3,106</u>	<u><b>3,301</b></u>
Non-operating expenses		
Interest expenses	632	<b>528</b>
Subsidiary stock acquisition-related cost	—	<b>351</b>
Other	2,085	<b>196</b>
Total non-operating expenses	<u>2,717</u>	<u><b>1,076</b></u>
Ordinary income	<u>23,375</u>	<u><b>27,121</b></u>
Extraordinary income	219	<b>80</b>
Extraordinary loss	56	<b>462</b>
Income before income taxes	<u>23,539</u>	<u><b>26,740</b></u>
Income taxes-current	6,138	<b>8,530</b>
Income taxes-deferred	557	<b>(1,297)</b>
Total income taxes	<u>6,695</u>	<u><b>7,232</b></u>
Profit	<u>16,843</u>	<u><b>19,507</b></u>
Profit attributable to non-controlling interests	893	<b>530</b>
Profit attributable to owners of parent	<u>15,949</u>	<u><b>18,976</b></u>

## Consolidated quarterly statements of comprehensive income

(Unit : million yen)

	1Q / FY2016 From April 1, 2016 to June 30, 2016	<b>1Q / FY2017</b> <b>From April 1, 2017</b> <b>to June 30, 2017</b>
Profit	16,843	<b>19,507</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,406)	<b>17,013</b>
Deferred gains (losses) on hedges	(283)	<b>246</b>
Foreign currency translation adjustment	(2,573)	<b>(201)</b>
Retirement benefit adjustment	84	<b>84</b>
Share of other comprehensive income of associates accounted for using equity method	(7)	<b>9</b>
Total other comprehensive income	<u>(27,186)</u>	<u><b>17,152</b></u>
Comprehensive income	<u>(10,342)</u>	<u><b>36,659</b></u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(10,260)	<b>36,145</b>
Comprehensive income attributable to non-controlling interests	(82)	<b>514</b>

## Segment Information

### 1. Reporting segment information (net sales and income (loss))

1Q / FY2016 Results (April 1, 2016 - June 30, 2016)

(Unit: million yen)

	Reporting Segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Subtotal		
Net sales								
Sales to third parties	214,439	79,827	76,463	15,399	8,256	394,386	7,666	402,052
Intersegment sales or transfers	8,168	9	3,950	—	304	12,432	1,964	14,397
Segment sales	222,607	79,837	80,413	15,399	8,560	406,818	9,630	416,449
Operating Income (loss)								
Operating Income (loss) from sales to third parties (Note 2)	13,591	1,110	6,640	(557)	1,666	22,450	536	22,986
Intersegment operating income or transfer	(64)	(5)	246	(1)	(0)	174	(17)	157
Segment income (loss)	13,526	1,105	6,887	(558)	1,665	22,625	518	23,143

Note 1: Businesses that cannot be classified into the company's reporting segments are shown as "Others."

This includes PFI (Private Finance Initiative), renewable energy business, finance, operation of golf courses, and other businesses.

Note 2: "Operating income (loss) from sales to third parties" was computed by subtracting "Intersegment operating income or transfers" from "Segment income (loss)."

The total "Operating income (loss) from sales to third parties" equals to "Operating income" as shown in the quarterly consolidated statements of income.

1Q / FY2017 Results (April 1, 2017 - June 30, 2017)

(Unit: million yen)

	Reporting Segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate development	Subtotal		
Net sales								
Sales to third parties	241,378	86,721	75,945	19,056	7,470	430,571	8,472	439,044
Intersegment sales or transfers	12,747	25	4,083	—	283	17,139	1,954	19,094
Segment sales	254,125	86,746	80,028	19,056	7,753	447,711	10,426	458,138
Operating Income (loss)								
Operating Income (loss) from sales to third parties (Note 2)	14,969	1,226	6,344	(102)	1,213	23,652	1,245	24,897
Intersegment operating income or transfer	422	(5)	45	(0)	(0)	461	(18)	442
Segment income (loss)	15,392	1,220	6,389	(102)	1,213	24,113	1,226	25,340

Note 1: Businesses that cannot be classified into the company's reporting segments are shown as "Others."

This includes PFI (Private Finance Initiative), renewable energy business, finance, operation of golf courses, and other businesses.

Note 2: "Operating income (loss) from sales to third parties" was computed by subtracting "Intersegment operating income or transfers" from "Segment income (loss)."

The total "Operating income (loss) from sales to third parties" equals to "Operating income" as shown in the quarterly consolidated statements of income.