

Investor Presentation



**Financial Results for FY2014
and
Forecasts for FY2015**

May 14, 2015

OBAYASHI CORPORATION

Disclaimer

This investor presentation, an English translation of the presentation made at the investor meeting at Obayashi Corporation (Tokyo, Japan) on May 14, 2015 as a digest of Obayashi Corporation's "Summary of the Financial Results for FY2014 ended March 2015" ("Kessan Tanshin") disclosed at the Tokyo Stock Exchange on May 13, 2015, is presented solely for the convenience of non-Japanese speaking users. If there is any discrepancy between Japanese "Kessan Tanshin" and this presentation, Japanese "Kessan Tanshin" will prevail. This investor presentation is not to solicit any individuals or entities to buy or sell stocks of Obayashi Corporation. This investor presentation contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The unit used is 100 million yen or Japanese "oku-yen" unless otherwise specified.

Financial Results for FY2014 and Forecasts for FY2015



1 Overview of Financial Results for FY2014 (in comparison with FY2013 results)

(1) Non-consolidated results

(2) Consolidated results

Refer to the upper table of the quick review of consolidated and non-consolidated FY2014 results on page 35 of “Kessan Tanshin.”

**1 Overview of Financial Results for FY2014
(in comparison with FY2013 results)**

(3) Non-consolidated results of orders received

(4) Consolidated results of orders received

Refer to the middle table of the quick review of consolidated and non-consolidated FY2014 results on page 35.

**1 Overview of Financial Results for FY2014
(in comparison with FY2013 results)**

(5) Results of interest-bearing debt (non-consolidated and consolidated)

Refer to the below table of the quick review of consolidated and non-consolidated FY2014 results on page 35.

With regard to the forecasts for FY2015, refer to the below table on page 37.

2 Breakdown per Segment of Financial Results for FY2014 (in comparison with FY2013 results)

(1) Non-consolidated results of net sales

(2) Non-consolidated results of gross profit

Refer to the below table of the quick review of consolidated and non-consolidated FY2014 results on page 39.

With regard to the “Provision for loss on construction contracts”, refer to the non-consolidated balance sheets on page 30.

**2 Breakdown per Segment of Financial Results for FY2014
(in comparison with FY2013 results)**

(3) Consolidated results of net sales

(4) Consolidated results of operating income

Refer to the upper table on page 39.

Obayashi Group Medium Term Business Plan 2015

(FY2015 - FY2017)

~ Toward social safety, security and
further stable management ~

Evolution 2015

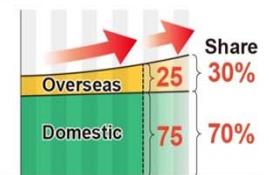
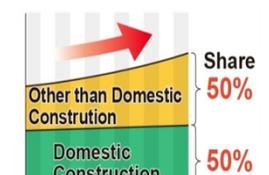


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Report from Medium Term Business Plan 2012 (FY2012 to FY2014)

- Net sales were well over initial target because of the increase of net sales in construction business primarily due to the recovery of private capital expenditures and reconstruction from Great East Japan Earthquake.
- Consolidated operating margin did not reach the target level, however, construction gross margin shows a recovery trend due to the reduced influence of increased construction costs.

(Unit: 100 million yen)

[Consolidated]	FY2012 Result	FY2013 Result	FY2014 Result	[Reference] FY2014 Initial target*	Beyond 2015
Net sales	Conso 14,483 Non-conso 10,851	Conso 16,127 Non-conso 12,086	Conso 17,739 Non-conso 12,598	15,000	Net sales (Construction business) 
Construction business	13,431	15,210	16,730	14,000	FY 2014 →
Domestic	82%	80%	76%	80%	
Overseas	18%	20%	24%	20%	
Real estate business	666	516	638	520	300 or more
Other businesses (of the above, New businesses)	384	400 (8)	370 (28)	480 (100)	
Operating income	Conso 351 (2.4%) Non-conso 142 (1.3%)	Conso 319 (2.0%) Non-conso 27 (0.2%)	Conso 483 (2.7%) Non-conso 189 (1.5%)	450 (3.0%)	Operating income 
(Operating margin)					FY 2014 →
Domestic construction business (Amount)	55% (194)	52% (165)	58% (281)	60% (270)	
<Ref. Gross margin on completed construction contracts>	<6.9%>	<6.1%>	<6.7%>	<7.0%>	
Other than above (Overseas construction, real estate, new businesses)	45% (156)	48% (154)	42% (202)	40% (180)	

* Initial target of FY2014 when Medium-term Business Plan 2012 was formulated (March in 2012)

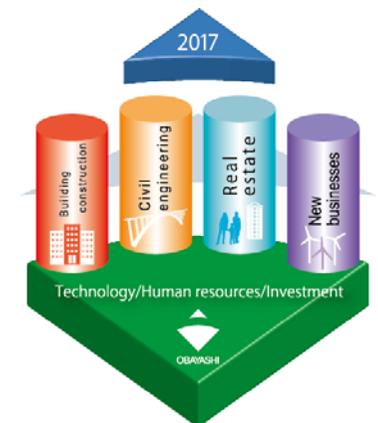
Medium Term Business Plan 2015

Market Trend

- In Japan, construction investment is likely to be maintained at a certain level due to infrastructure development aiming for national resilience and industrial competitiveness as well as the demands for urban reconstruction in the Tokyo metropolitan area and regional revitalization. However, the market is not expected to expand in the medium and long term. In the construction industry, where decreasing workforce is a concern, enhancing productivity is imperative by securing and training human resources as well as innovating a production system fusing manpower and technology.
- Overseas, especially in Southeast Asia, North America and Oceania, our priority region, construction investment is expected to expand due to infrastructure and urban development.

Initiatives under “Evolution 2015”

- Provide social **security, safety and comfort** responding to diverse needs including preparation for imminent great disasters and environmental and energy measures.
- Create new sources of earnings in addition to building construction, civil engineering and real estate businesses. Promote diversification of earnings base by taking **“New businesses”** as 4th pillar of income.
- Improve profitability of subsidiaries by implementing **solid group management** utilizing Obayashi’s technology and financial capabilities.



Principal Management Indicators

Medium Term Business Plan 2015

(Consolidated)		(Unit: billion yen, %)				
		FY2015	FY2016	FY2017	FY2018	FY2019
Net sales		About 1,700.0				
Construction business		About 1,600.0 (Ratio of overseas sales: 25%)				
Real estate business		50.0 to 60.0				
New businesses		22.0	22.0	28.0	34.0	37.0
Others		About 10.0				
Operating income		(Stably) About 45.0				
Domestic construction		60% → 55%				
Other than above (Overseas construction, real estate, new businesses)		40% → 45%				
		Development of diversification of earnings base				
EBITDA *		59.0	61.0	63.0	67.0	69.0
Domestic construction		55%	53%	51%	48%	43%
Other than above		45%	47%	49%	52%	57%
Ordinary income		About 50.0				
Interest-bearing debt		About 400.0 (End of March in 2018)				
D/E ratio		About 0.9 times				
ROE		(Medium- to long term) About 8%				
Dividend payout ratio		20% to 30%				

*EBITDA = operating income+depreciation and amortization (Earnings Before Interest, Taxes, Depreciation and Amortization)

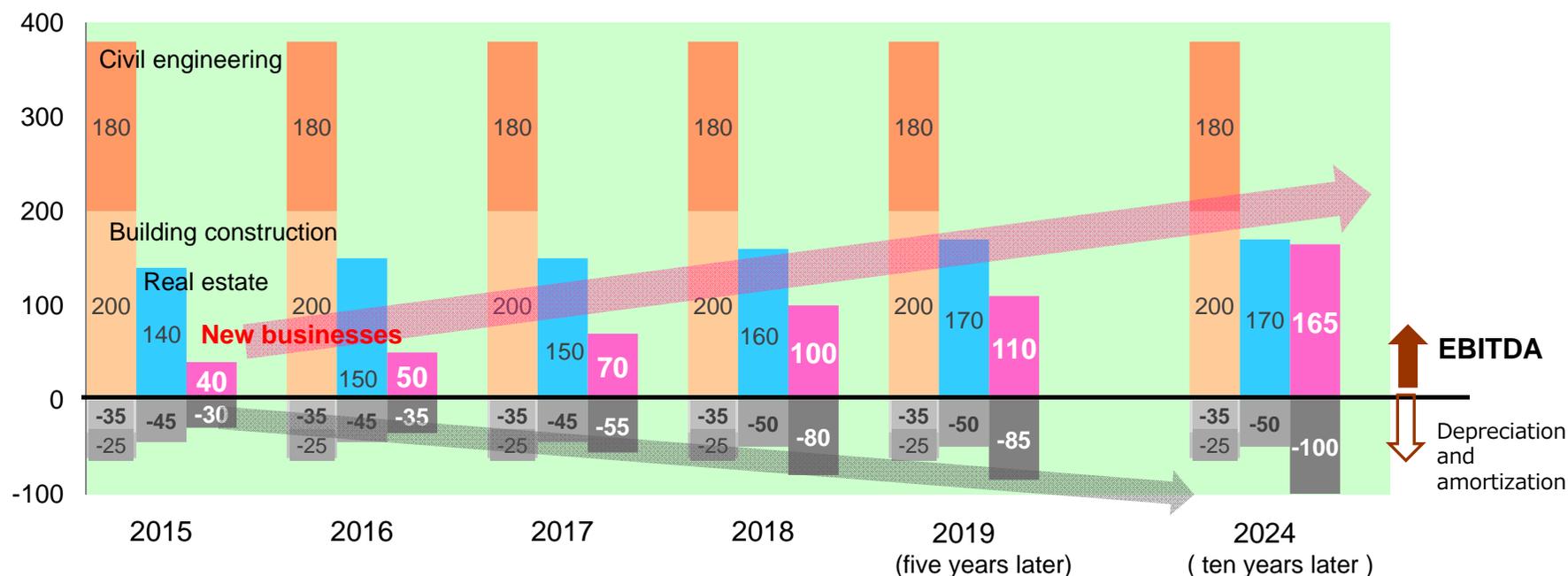
Principal Management Indicators ("EBITDA" is newly adopted) Medium Term Business Plan 2015

Due to capital investment in new businesses (renewable energy business etc.), depreciation and amortization increase.

"EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)" is adopted as a management indicator to evaluate profitability on a cash flow basis.

Unit: 100 million yen

*A model case is shown for reference in building and civil construction businesses.



Changes of "EBITDA" by business unit

(Unit: 100 million yen)

FY	2015	2016	2017	2018	2019	2024
Building construction	200	200	200	200	200	200
Civil engineering	180	180	180	180	180	180
Subtotal	380	380	380	380	380	380
Real estate	140	150	150	160	170	170
New businesses	40	50	70	100	110	165
Others	30	30	30	30	30	30
Total	590	610	630	670	690	745

1 Investment in diversification of earnings base

- Research and development for construction technology
- Real estate and new businesses (renewable energy business etc.)

[Capital Expenditure Plan]

(Unit: 100 million yen)

	2012 to 2014 Plan (cumulative)	Average per year	2012 to 2014 Result (cumulative)	Average per year	2015 to 2017 Plan (cumulative)	Average per year
Construction machinery and business facilities	150	50	240	80	250	83
R&D and ICT	400	133	400	133	400	133
Real estate business*	600	200	1,010	337	550	183
New businesses	200	67	250	83	600	200
Total	1,350	450	1,900	633	1,800	600

* New investment in real estate for lease (excluding real estate for sale)

2 Maintain balance between investment and financial soundness

- Improve cash flow and ensure financial soundness by the effective use of assets.

3 Steadily execute business (building construction, civil engineering, real estate and new businesses), technology and human resource strategies.

【Consolidated】

(Unit: 100 million yen)

	FY2012 Result	FY2013 Result	FY2014 Result	FY2015	Midium Term Business Plan 2015 (FY2015~FY2017)
Net Sales	Conso. 14,483	Conso. 16,127	Conso. 17,739	Conso. 17,700	About 17,000
	Non-Conso. 10,851	Non-Conso. 12,086	Non-Conso. 12,598	Non-Conso. 11,950	
Construction business	13,431	15,210	16,730	16,880	About 16,000
Domestic	82%	80%	76%	73%	75%
Overseas	18%	20%	24%	27%	25%
Real estate business	666	516	638	490	500~600
New business	384	400	370	225	220~280
Others				105	About 100
Operating income	Conso. 351	Conso. 319	Conso. 483	Conso. 500	(Stably) About 450
	Non-Conso. 142	Non-Conso. 27	Non-Conso. 189	Non-Conso. 250	
Domestic construction	55%	52%	58%	69%	60% → 55% 40% → 45%
Other than above (Overseas construction, real estate, new business)	45%	48%	42%	31%	
Ordinary income	446	401	599	560	About 500
Net income	131	216	286	300	—

※Of which foreign exchange gains (FY2013 : 3.4 billion yen, FY2014 : 4.9 billion yen)

■ Consolidated operating income targets of 45 billion yen is bottom line

■ Aim for additional profit in accordance with business environment (unit : 100 million yen)

	FY2012 Result	FY2013 Result	FY2014 Result	FY2015 Forecast	Medium Term Business Plan 2015 (FY2015-FY2017)
Consolidated operating income (Operating income except for special factors)	351	319	※ 483 (383)	500	(Stably) About 450

【Breakdown by non-consolidated / subsidiaries】

Non-consolidated	142	27	189	250	210
Gross profit	727 (6.7%)	608 (5.0%)	772 (6.1%)	845 (7.1%)	800 (6.7%)
Construction business	661 (6.3%)	560 (4.7%)	665 (5.4%)	790 (6.7%)	740 (6.3%)
Building construction	466 (5.7%)	393 (4.3%)	421 (4.4%)	525 (5.9%)	480 (5.3%)
Civil engineering	195 (8.7%)	167 (6.2%)	244 (9.1%)	265 (9.1%)	260 (9.3%)
Real estate, new business, others	65 (18.8%)	47 (21.2%)	106 (32.2%)	55 (27.5%)	60 (30.0%)
Subsidiaries	209	292	294	250	240

【Breakdown by business segment】

Construction business	241	191	279	385	320
Building construction	174	113	119	225	165
Civil engineering	66	78	160	160	155
Real estate business and other	109	128	203	115	130

※Gain on sales of large-scale properties (about 10 billion yen) are included

Background to increase dividend (Annual dividend 8 yen per share to 10 yen per share)

- 1 Consolidated operating income for the FY2014 was 48.3 billion yen. And the company expects to earn 45.0 billion yen stably.
- 2 The company has proceeded the write-down of fixed assets, and soundness of financial condition has been confirmed.
- 3 Construction gross margin shows a recovery trend and cash flow from construction business will cover investment for real estate business and renewable energy business, while the balance of interest-bearing debt will decline.

For these reasons, the company decided to increase dividends following the policy stated below.

This matter is formally decided upon resolution of the ordinary general meeting of shareholders.

【Trend of performance and dividends】

(Unit : million yen)

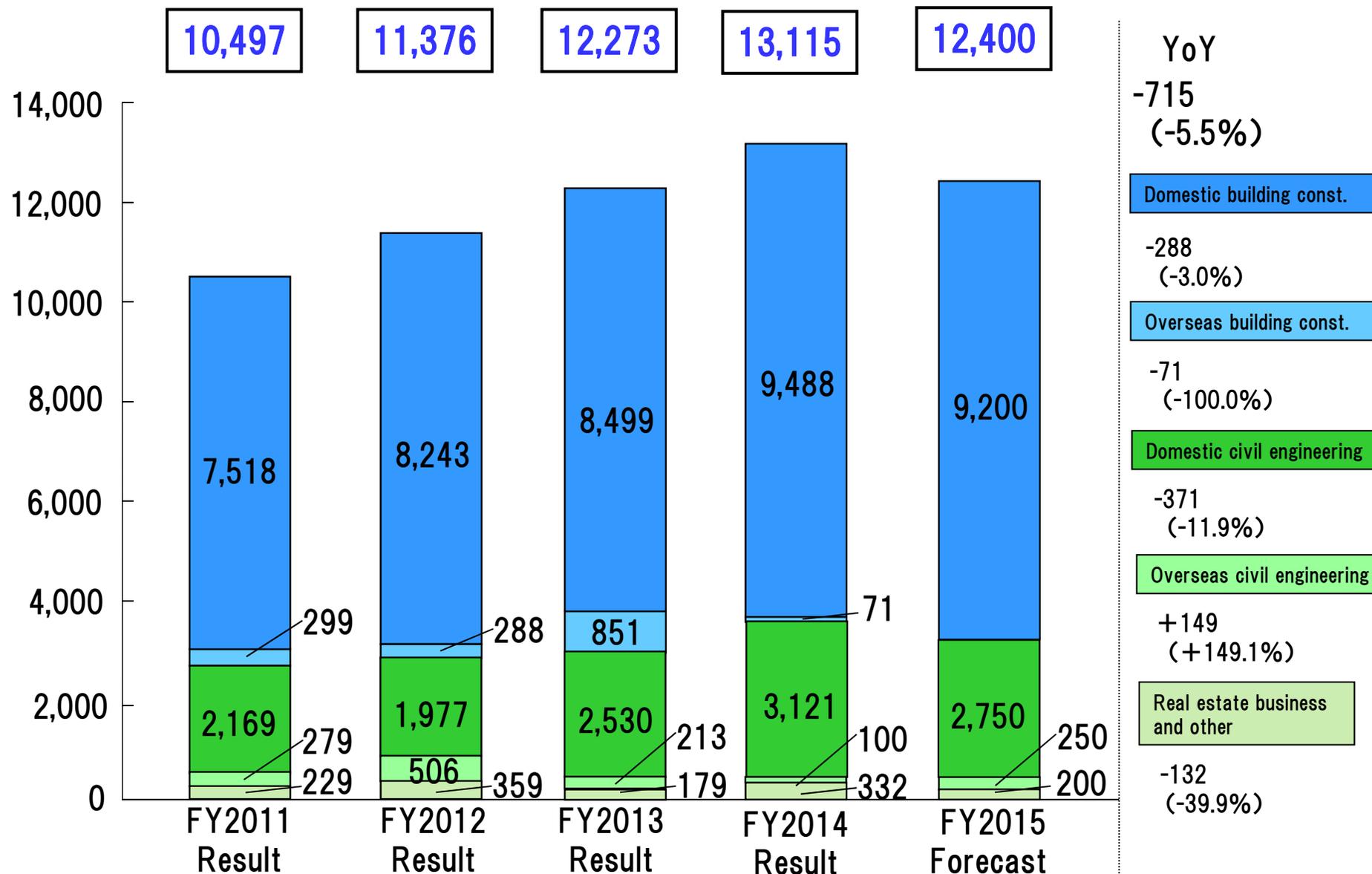
		FY2010	FY2011	FY2012	FY2013	FY2014	Plan for FY2015
Performance	Net Sales	1,131,864	1,245,772	1,448,305	1,612,756	1,773,981	1,770,000
	Operating Income	23,174	31,145	35,153	31,991	48,388	50,000
	Ordinary Income	22,207	35,241	44,690	40,135	59,913	56,000
	Net Income	15,423	5,142	13,195	21,627	28,695	30,000
	Net Income per Share (Unit : yen)	21.46	7.16	18.37	30.11	39.96	41.78
Dividends	Dividend per Share (Unit : yen)	8	8	8	8	10	10
	Consolidated Dividend Payout Ratio	37.3%	111.7%	43.5%	26.6%	25.0%	23.9%

【Basic policy regarding the allocation of profits and dividend payout plan】

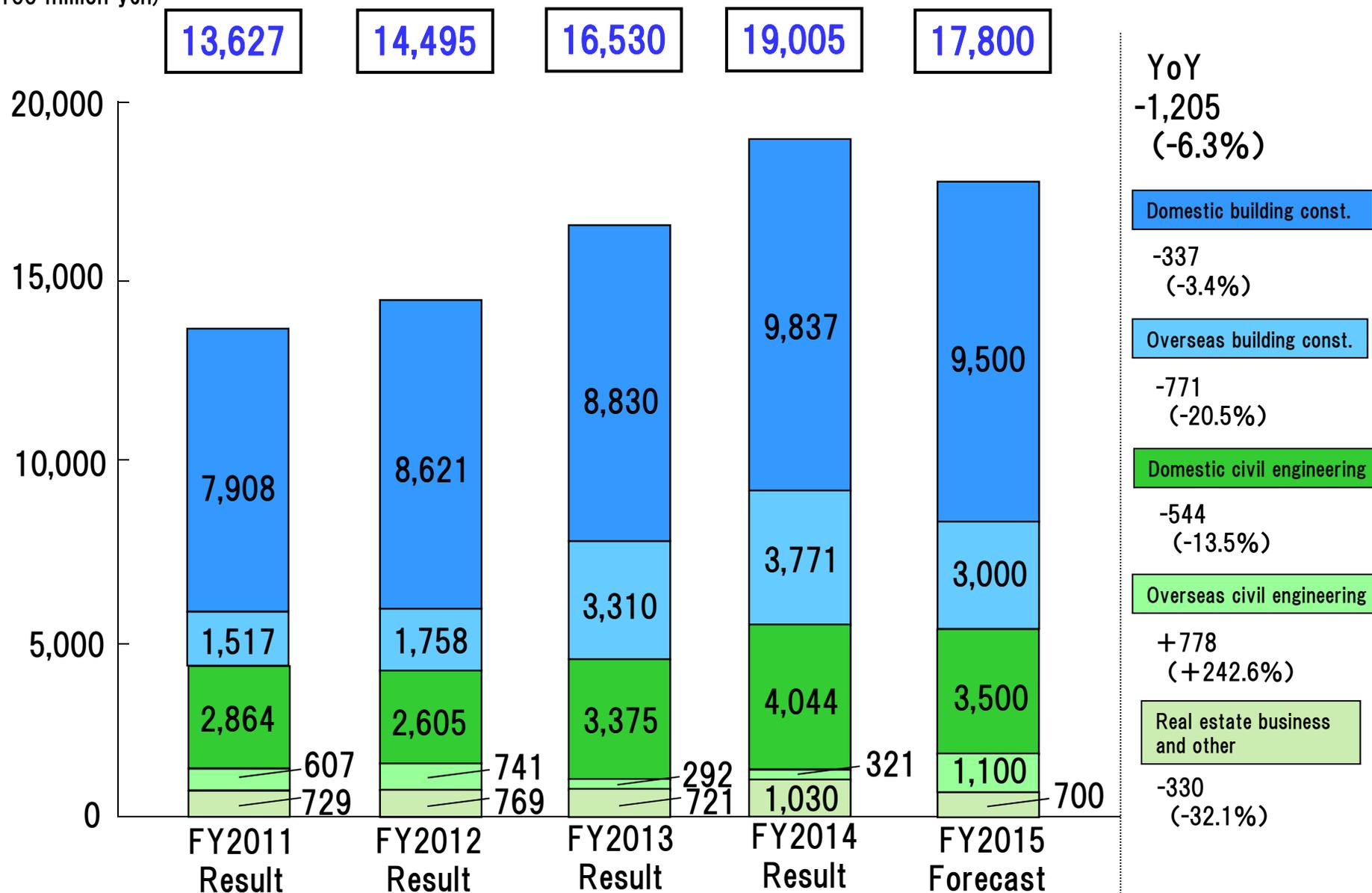
The Company's profit allocation policy is to sustain stable dividend payouts to its shareholders over the long term and provide shareholders with returns commensurate with the Group's performance, taking into account the need to enhance internal reserves so as to further strengthen its financial base, develop technologies and make capital investments for the future.

In line with its commitment to stable dividend payouts to shareholders, the Company will endeavor to maintain a dividend payout ratio of 20% to 30%.

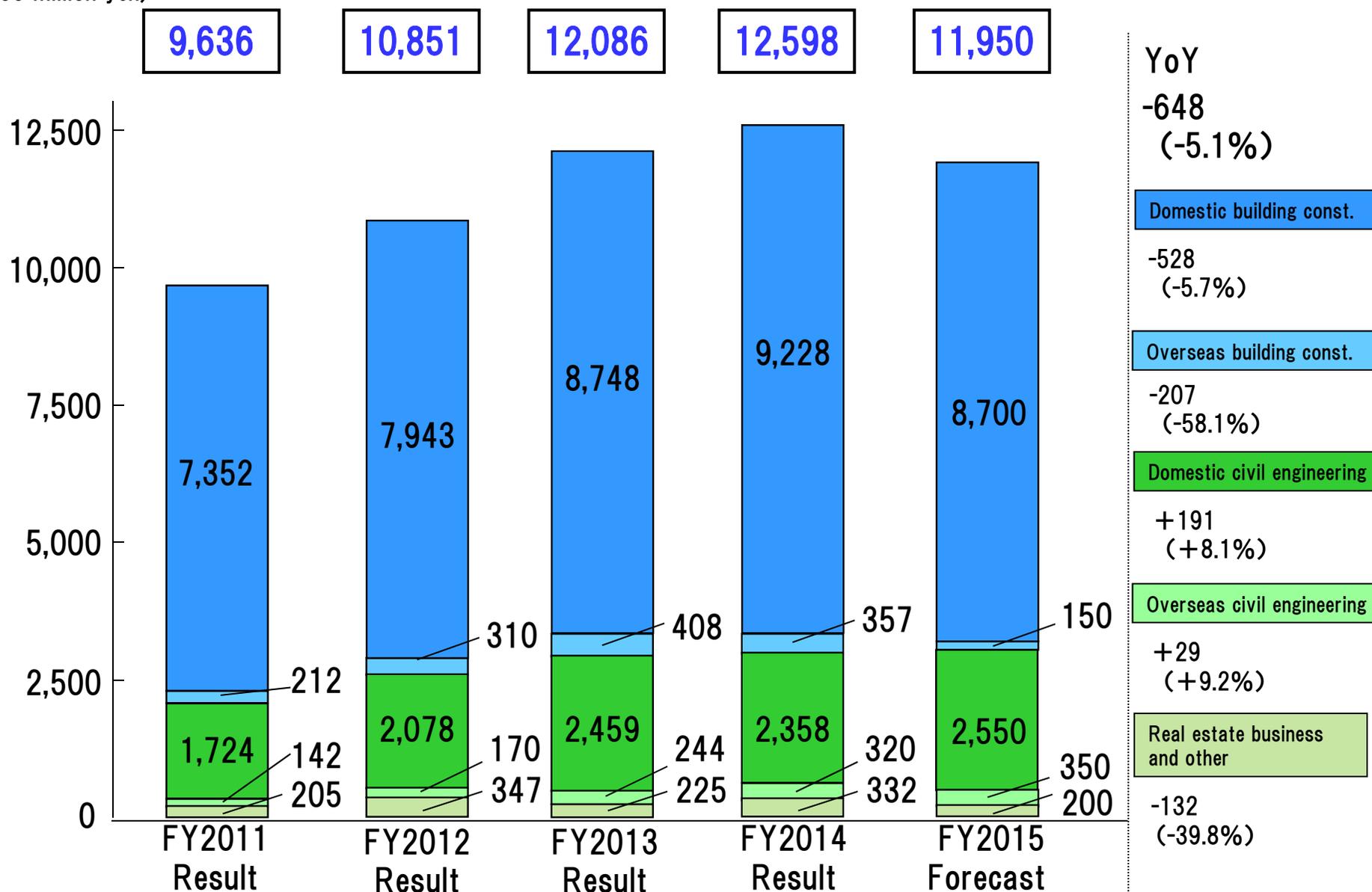
(100 million yen)



(100 million yen)



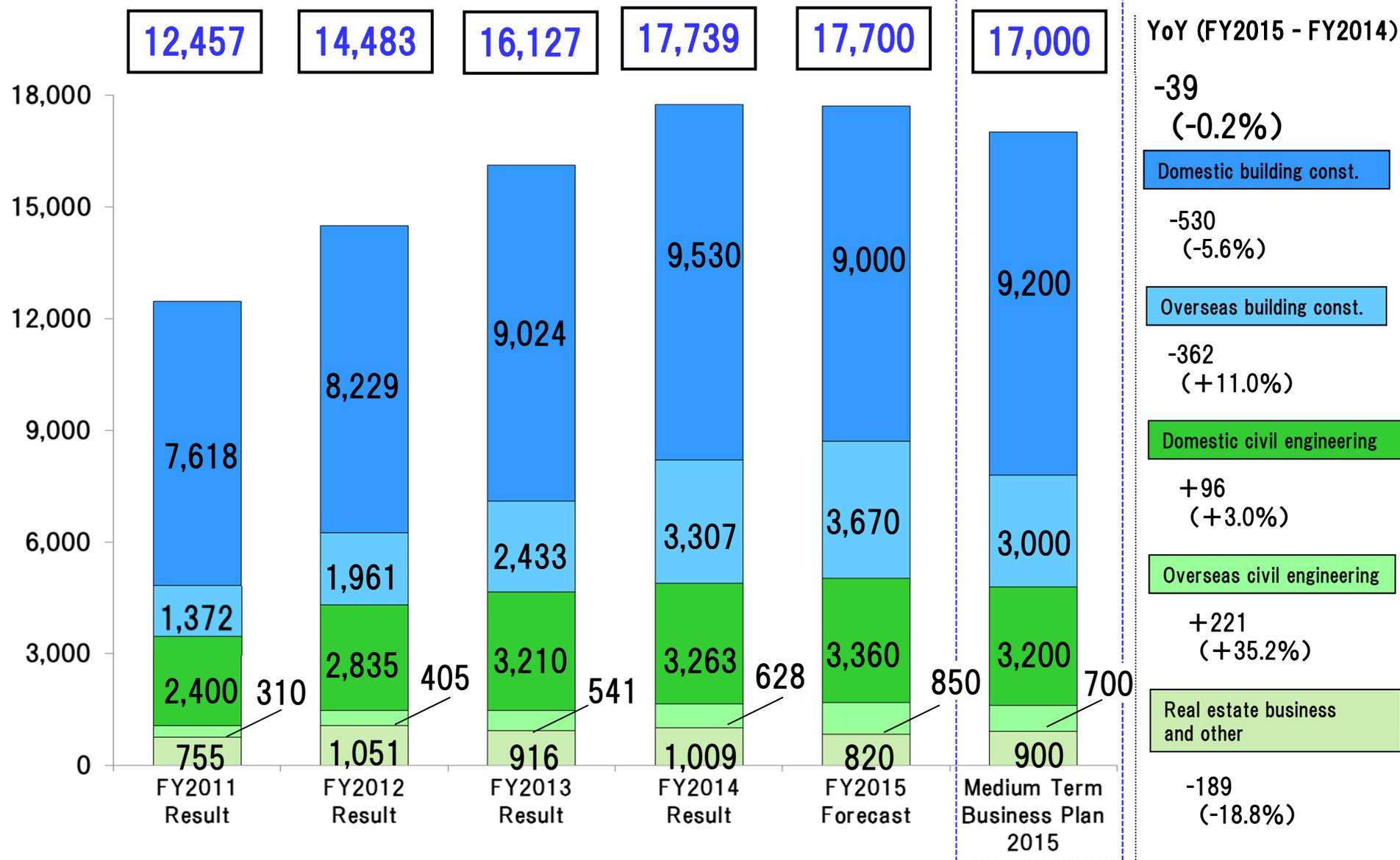
(100 million yen)



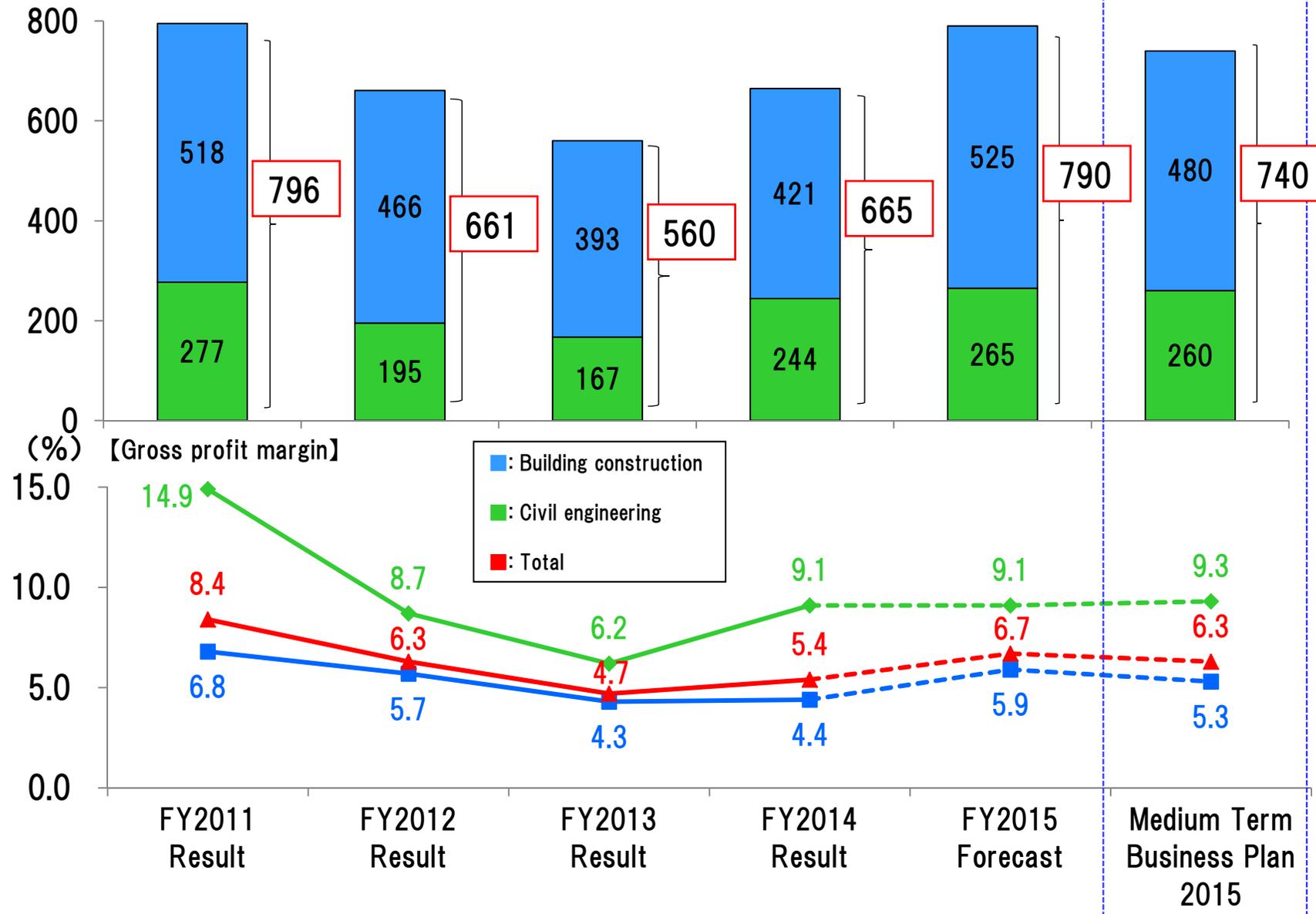
【Consolidated】 Transition of Net Sales

Medium Term Business Plan 2015

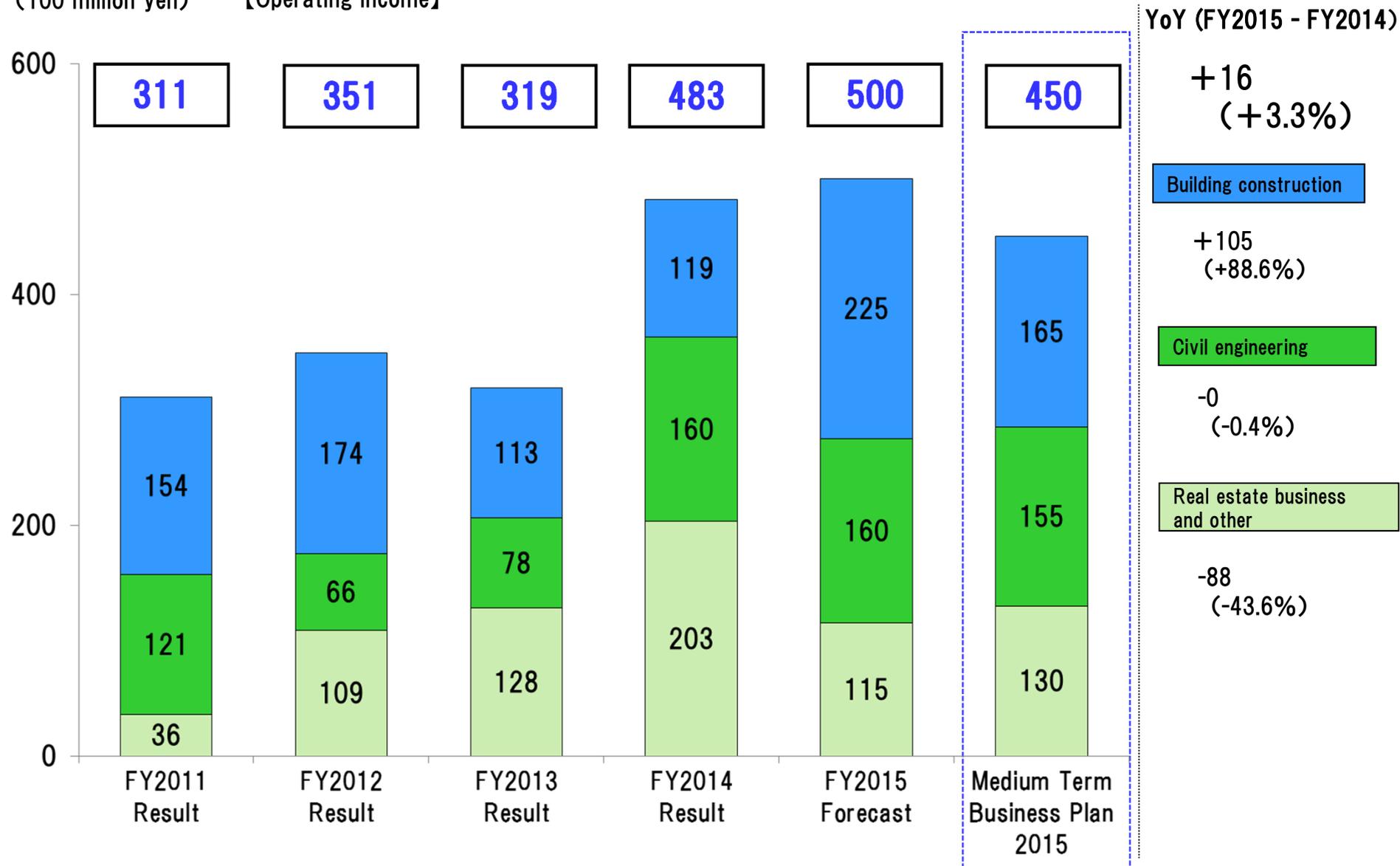
100 million yen



(100 million yen) 【Gross profit on completed construction contracts】

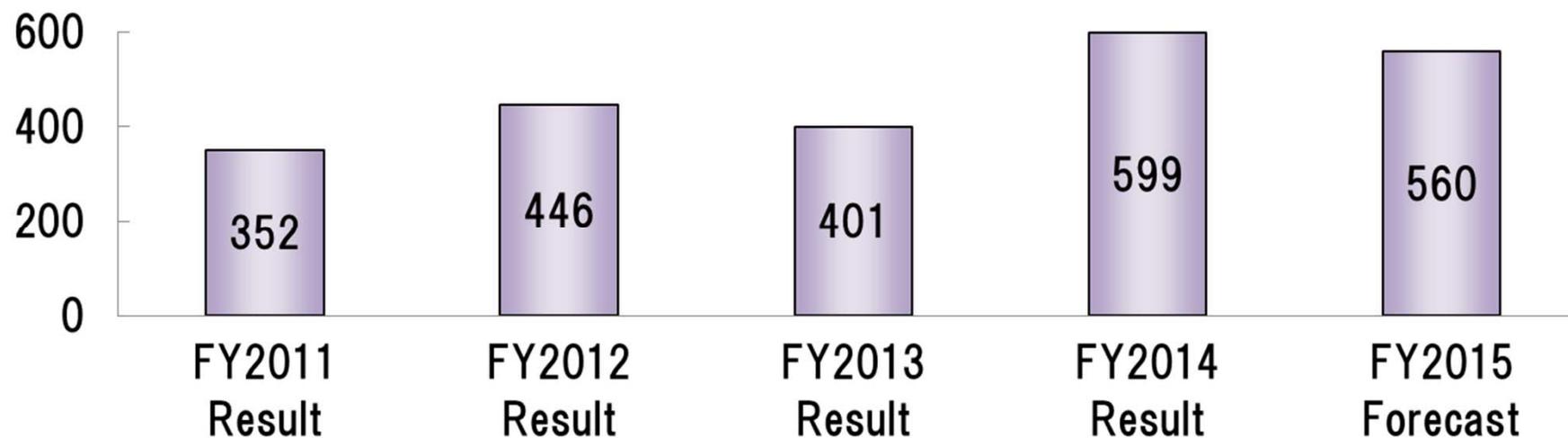


(100 million yen) 【Operating income】



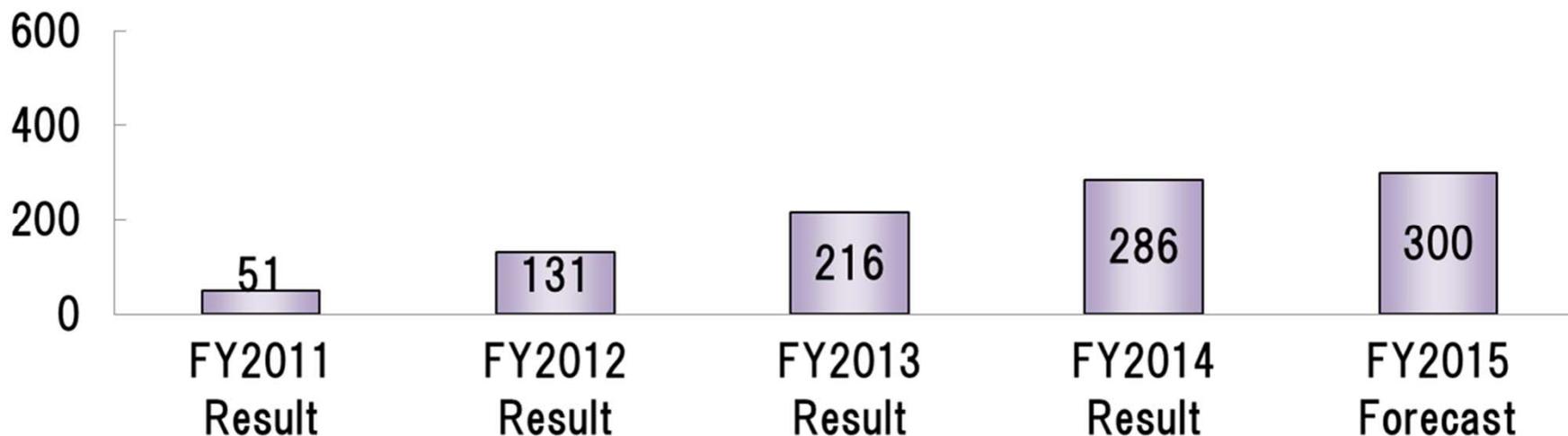
【Ordinary Income】

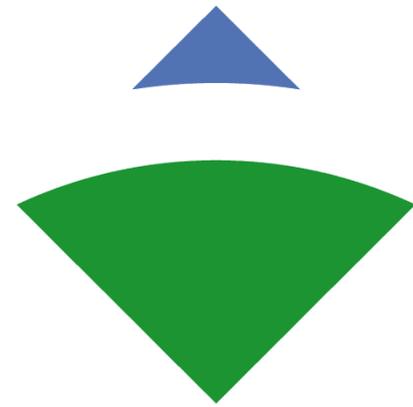
(100 million yen)



【Net Income】

(100 million yen)





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