

Obayashi Group Medium-Term Business Plan 2022

“Strengthening the Business Foundation and Accelerating Company-wide Transformation” (FY2022–FY2026)

In March 2022, the Obayashi Group formulated Medium-Term Business Plan 2022 and is now working to strengthen its business foundation and accelerate Company-wide transformation based on three strategic pillars. The business environment of the Company has changed significantly since Medium-Term Business Plan 2022 was formulated due to soaring prices of construction materials as well as the heightened geopolitical risks caused by the Russia-Ukraine situation. However, the Group intends to improve corporate value by building a business foundation that can generate stable profits, and by promoting business transformation to help secure medium- to long-term growth.

Measures for Strengthening the Foundation of Construction Business (Through FY2023)

In FY2022 and FY2023, we will prioritize the recovery and stabilization of earnings with consolidated operating income of ¥100.0 billion as the bottom line.¹

Measures for Accelerating Transformation (Through FY2026)

From FY2024, we will establish a path to medium- to long-term growth through Company-wide transformation. It is the phase to work toward future growth.

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”

- Strategize work portfolio creation
- BPR (business process re-engineering)²
- 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

- Strengthen the construction value chain and expand construction service domains
- Improve productivity through implementing innovative construction production systems

Fundamental Strategy 2: Innovate Technologies and Businesses

Capture growth opportunities generated from social demand for carbon neutrality and well-being by creating new value with in-depth integration of innovative technologies and our business model

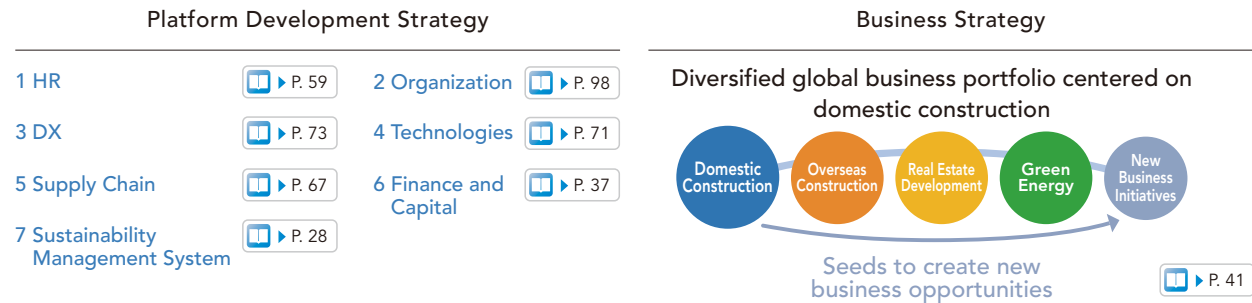
- Develop innovative construction production systems
- Generate new value for customers in new business domains
- Develop business models and technologies that will lead to resolving social issues, such as carbon neutrality and well-being

Fundamental Strategy 3: Expand Business Portfolio for Sustainable Growth

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

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

1. Target based on prevailing conditions in March 2022, when Medium-Term Business Plan 2022 was formulated; current business estimates have been reduced to reflect subsequent changes in the business environment, including the sharp rise in construction prices
2. A review of existing organizations and systems, and re-designing the business flows, etc. from a process perspective toward the intended objective of the business



Background at the Time of Formulating Medium-Term Business Plan 2022

Changes in Society and Economy	Business Environment	Efforts Carried Over from Medium-Term Business Plan 2017
<ul style="list-style-type: none"> Changes in behavior and values due to the outbreak of COVID-19 Exposed 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, renewal and 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 	<ul style="list-style-type: none"> Strengthening of the business foundation of the domestic construction business <ul style="list-style-type: none"> Expansion of proposal and production capacity, enhancement of procurement capability Continuation of 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 and civil information modeling (CIM), and implementation of next-generation technologies such as construction technologies and robotics

Responding to Soaring Construction Materials Prices and Other Changes in the Business Environment

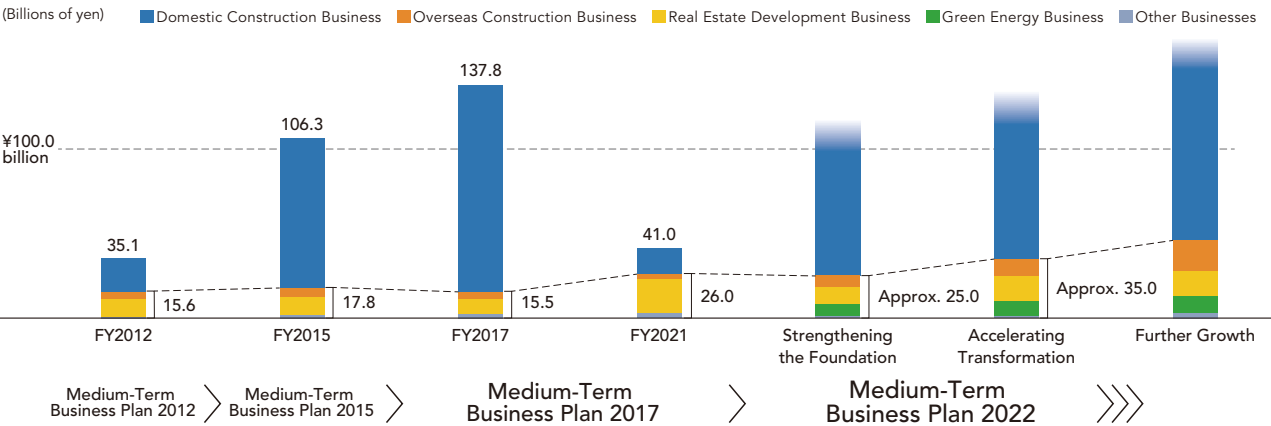
The Group is striving to improve profitability in the wake of soaring construction materials prices and other changes in its business environment by pursuing the following measures.

Changing Business Environment	The Obayashi Group's Initiatives
<div>Soaring construction materials prices</div>	<ul style="list-style-type: none"> Secure orders that reflect the rapidly increasing prices of construction materials in estimates and contract conditions Strengthen procurement capabilities by promoting centralized procurement both in Japan and internationally for all branches to leverage economies of scale Ensure thorough profit and loss management of construction projects in hand <p>⇒As a result of these efforts, profit margins at the point of orders received after the sharp rise in materials prices were secured above a certain level</p>
<div>Moves to return production bases to Japan due to heightened geopolitical risks and other factors</div>	<ul style="list-style-type: none"> Optimize the order portfolio to help improve the profitability of construction projects and create other benefits Promote measures to improve productivity and construction capacity using DX and ICT
<div>Increased demand for carbon-neutral structures and for wooden structures and interiors</div>	<ul style="list-style-type: none"> Strengthen solution framework for responding to increased demand for carbon-neutral structures and wooden structures and interiors, including the establishment and enhancement of specialized departments

⊕ : Positive factors ⊖ : Negative factors

In addition to improving profitability by strengthening the foundation of the domestic construction business, we aim to develop a solid and resilient corporate structure earning over 30% of operating income in diversified profit sources other than the domestic construction businesses.

Consolidated Operating Income



Financial Review



Toshimi Sato
Director
Executive Vice President

FY2022 Review and Outlook for FY2023 Business Environment

In March 2022, the Obayashi Group formulated Medium-Term Business Plan 2022. The plan declared the Group's intention to secure stable earnings, and set securing a minimum of ¥100 billion in consolidated operating income as one of the performance targets for the five years from FY2022 to FY2026. In FY2022, the first year of the plan, consolidated operating income fell short of that target at ¥93.8 billion. However, we did achieve our targets for earnings per share (EPS), equity ratio, and return on invested capital (ROIC), which was newly adopted as a management indicator for Medium-Term Business Plan 2022.

The environment facing the Japanese economy has changed dramatically since the current medium-term plan was drawn up. In fact, we have seen raw materials and energy prices soar due to the Russia-Ukraine situation and other factors, as well as disruption in global supply chains, and rising import prices caused by the rapid depreciation of the Japanese yen. We are also witnessing unprecedented price increases on a wide range of materials in the construction market. The projects for the Obayashi Group that have been most affected by these developments are those in the domestic construction business for which we obtained priority negotiation rights in bids conducted up to FY2021, and this is one of the reasons why the Group's FY2022 performance came in lower than originally anticipated. Results of the domestic construction business are expected to be even more severely impacted in FY2023 than in FY2022 for several reasons. The prices of raw materials for construction are expected to remain high. Significant progress is being made on the construction of several large-scale properties for which we recorded provisions for loss on construction contracts, but those projects are not contributing to profits. Finally, labor costs for skilled workers are expected to increase and, at this point in time, there is little prospect of an improvement in profits from civil engineering construction projects in hand either. We are, however, currently taking steps in the domestic construction business such as reviewing contract terms to address material price rises, so we expect earnings will improve

toward the latter half of the current medium-term plan. Domestic construction demand is holding steady and we expect construction demand to increase in multiple manufacturing fields, including semiconductors, storage batteries, machine tools, general machinery, and electrical machinery, as production bases are brought back to Japan and the government designates more commodities as specific critical products. We also expect capital expenditure for electric vehicle (EV)-related facilities and for data centers to rise as decarbonization and digitalization efforts pick up speed. In non-manufacturing sectors, we expect to see continued demand for large-scale urban redevelopment projects and the building of distribution facilities. In the civil engineering field, we foresee continued long-term demand for expressways and other infrastructure development, including repairs and renewal, and we expect construction demand to increase as the government strives to build national resilience and promote renewable energy policies.

In our overseas business, construction investment has been recovering in Asia as economies start to recover from the COVID-19 pandemic, while uncertainty surrounding construction investment in the office market and other non-manufacturing sectors persists in North America due in part to monetary policies and the performance slowdown of GAFAM,* and other factors.

* The acronym for Google, Amazon, Facebook (currently Meta), Apple, and Microsoft, which are major technology companies in the U.S.A.

Medium-Term Business Plan 2022: Performance Indicators and Targets

	FY2022 Results	Medium-Term Business Plan 2022
Performance Indicators		
Consolidated net sales	¥1,983.8 billion	Around ¥2 trillion
Consolidated operating income	¥93.8 billion	¥100 billion or more
Profit attributable to owners of parent per share (EPS)	¥108.34	¥100 or more
Stability Indicators		
Equity ratio	38.2%	Around 40%
Efficiency Indicators		
Return on invested capital (ROIC)	4.9%	5% or more in the medium term
Reference: Return on equity (ROE)	8.0%	8% or more in the medium term

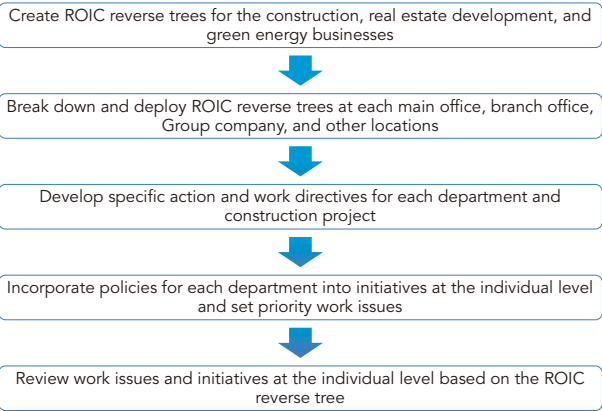
Pursuing ROIC Management

We need to address performance in various parameters in order to ensure sustainable development for the Group. Naturally, we must seek to improve the value we offer customers and to improve profitability while maintaining a firm commitment to safety and quality. However, we also need to improve capital efficiency by enhancing our management resources and conducting optimal investment in order to secure a level of earnings that exceeds the cost of capital. With that in mind, we adopted return on invested capital (ROIC) as one of performance indicators in Medium-Term Business Plan 2022, and set a minimum ROIC target of 5% or more over the medium term based on the cost of capital for the Group. In the previous plan (Medium-Term Business Plan 2017), we used return on equity (ROE) as a performance indicator. However, we decided to review the performance indicators because we wanted to evaluate the efficiency not only of equity but also of overall invested capital. We also wanted to further optimize working capital and improve the effectiveness of our investments, and at the same time ensure solid investment in intangible assets, such as human resources, digital systems, and technology, which we believe will strengthen our competitiveness in the future.

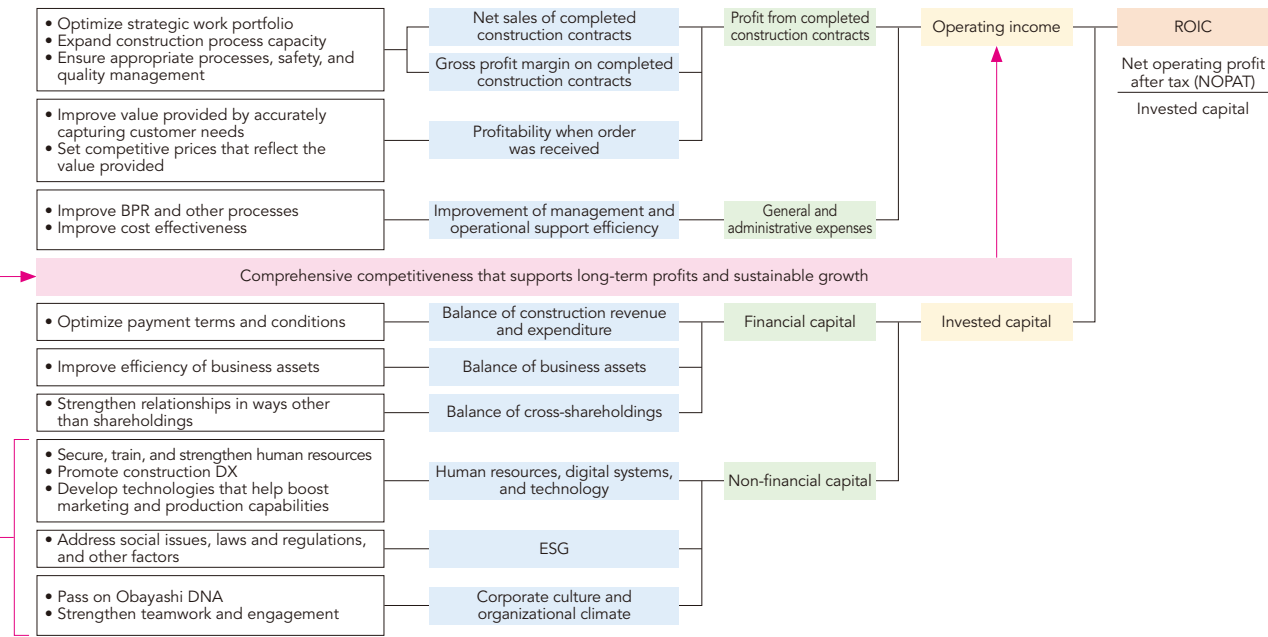
To improve ROIC for the entire Group, we must maximize and efficiently utilize management resources and improve individual ROIC in each of the Group's businesses from domestic construction, our core business, to the overseas construction business in North America and Asia, real estate development business, and green energy business. Given the different risks for each business and varying expected yields in each market, we intend to make clear the weighted average cost of capital (WACC) level for, and evaluate the significance of, each business. The Obayashi Group will strive to increase its corporate value by strengthening its business portfolio based on the WACC and the target ROIC level for each core business.

We use the ROIC reverse tree to help people within the Company understand and pursue ROIC management and work to improve productivity through operational reforms. Instilling ROIC management in the construction business, for example, doesn't just involve the pursuit of measures to improve profits on completed construction projects and reduce general and administrative expenses in order to generate higher operating income, but also involves considering the need to optimize financial capital and invest in non-financial capital. In FY2022, we launched ROIC reverse trees for the construction, real estate development, and green energy businesses that are tailored to the specific business characteristics of each main office, branch office, and domestic and overseas Group companies. We then took into account specific actions in each department and construction project as well as any issues and initiatives at the individual level and reviewed the status of implementation at the end of the fiscal year. We will continue to promote investment in important management resources such as human resources and technology, which support the sustainable growth of the Group. We will also continue to use the ROIC reverse tree to promote operational reforms that will help improve ROIC.

Deployment of ROIC Reverse Tree Method



Example ROIC Reverse Tree for the Construction Business



Investment Progress under Medium-Term Business Plan 2022

Regarding cash allocations in Medium-Term Business Plan 2022, we use cash inflows from business income based on performance targets, the sale of cross-shareholdings, and other items as our source of funds.

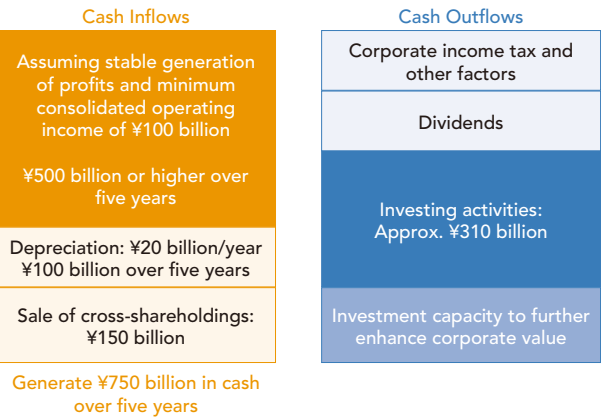
We plan our cash outflows after thoroughly considering the balance between the following three elements:

- 1. The scale of equity capital required to ensure corporate stability in an uncertain era
- 2. The amount of growth investment required to maintain a company's competitive advantage and further enhance its corporate value
- 3. Stable shareholder returns over the medium to long term

We plan to invest a total of ¥600 billion to improve corporate value over the five years of Medium-Term Business Plan 2022, and we invested ¥166.7 billion toward that end in FY2022, the first year of the plan. With regard to human resource-related investment, we formulated the Obayashi Group Human Resource Management Policy in December 2022, and we

are now working to expand our training systems, develop personnel systems that facilitate diverse work styles, secure and train human resources, and improve employee engagement. Regarding investment in digital systems, technology, construction machinery and business facilities, and other relevant areas, we are implementing investments designed to improve productivity in anticipation of the application of regulations to cap overtime work in the revised Labor Standards Act of Japan from FY2024. In the real estate development business, we are looking to diversify asset types by expanding the scope of our business from offices to distribution and other facilities, and to globalize our business portfolio by developing and acquiring properties in London and developing properties in Thailand. We are also using the private fund established by the Group to refresh our asset portfolio and improve the efficiency and profitability of our investments. On the M&A front, we formed a capital alliance with timber manufacturer and distributor Cypress Sunadaya Co., Ltd. This alliance is designed to help strengthen supply chains in the construction market for non-residential wooden structures and timber interiors, an issue that the Group needs to address in promoting the Circular Timber Construction® recycling-oriented business model.

The Medium-Term Business Plan 2022 Cash Allocation



* The above cash allocation plan dates from the formulation of Medium-Term Business Plan 2022. The current estimates for cash inflows have decreased following subsequent changes in the business environment (sharp rise in construction prices and other factors).

Investment Plan for Medium-Term Business Plan 2022 (FY2022 to FY2026)

(Billions of yen)

	FY2022		Medium-Term Plan 2022 (FY2022-FY2026)
	Plan	Actual	
Intangible asset investment for platform development			
Human resource-related investment	5	5.1	25
Digital-related investment	14	16.0	70
Technology-related investment	16	16.1	80
Ongoing tangible asset investment with a focus on strengthening the foundation of the construction business			
Construction machinery and business facilities	10	14.8	50
Growth investment toward expanding business portfolio			
Real estate development business ¹	100	101.1	300
Green energy business	10	3.2	50
M&A and other areas ²	5	10.3	25
Total investment	160	166.7	600

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

Breakdown of Cash Flows from Investing Activities

Item	Investment plan
Human resource-related investment	25
Digital-related investment	70
Technology-related investment	80
Construction machinery and business facilities	50
Real estate development business	300
Green energy business	50
M&A and other areas	25
Investment plan	600
Deduction of amount not included in cash flows from investing activities	(150)
Recovery from the sale of assets in real estate development business	(140)
Investing activities	310

Breakdown of ¥600 Billion Investment from ESG Perspective

Breakdown from ESG perspective				Other business investments
E: Environment	S: Human capital	S: Productivity	S: New areas	
	25	70		
20		50	10	
	5	45		
100				200
50			25	
170	30	165	35	200

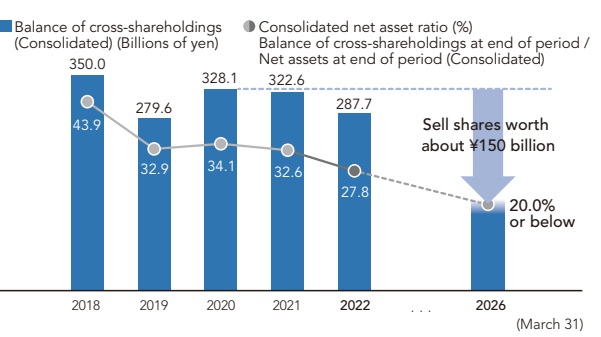
Reducing Cross-Shareholdings

Obayashi Corporation holds shares in customers' businesses (hereinafter, "cross-shareholdings") for the purpose of maintaining and strengthening business relationships. We consistently verify the medium- to long-term economic rationale of these cross-shareholdings and sell holdings whose significance has diminished from a business perspective based on a comprehensive consideration of capital costs, business returns, and valuation risks. We use the cash generated from the sale of cross-shareholdings to increase corporate value by effectively investing in vehicles that offer stable income and in areas that contribute to sustainable growth.

We instigated a further review of the significance and efficiency of cross-shareholding investments as part of Medium-Term Business Plan 2022. We committed to selling a total of around ¥150 billion in cross-shareholdings, starting in FY2021, to reduce cross-shareholdings to 20% or less of consolidated net assets as soon as possible before the end of March 2027. We sold a cumulative ¥41.5 billion in cross-shareholdings on a consolidated and market price basis over FY2021 and FY2022, which represents 27.7% of the targeted sales amount. As of the end of March 2023, the value of cross-shareholdings totaled ¥287.7 billion, or 27.8% of consolidated net assets. If we include cross-shareholdings that we have already agreed to sell, cumulative sales of cross-shareholdings would be ¥56.3 billion, or 37.5% of targeted sales.

Achieving the targeted cross-shareholding sales requires the understanding of the business partners that we hold shares in, so we will continue to participate in careful dialogue to carry out those sales.

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



Changes in Sale of Cross-Shareholdings

	FY2018	FY2019	FY2020	FY2021	FY2022
Amount sold	5.4	9.2	7.7	16.9	24.6

Cumulative Amount Sold from FY2021 (Progress Rate vis-à-vis the Target of ¥150 Billion)

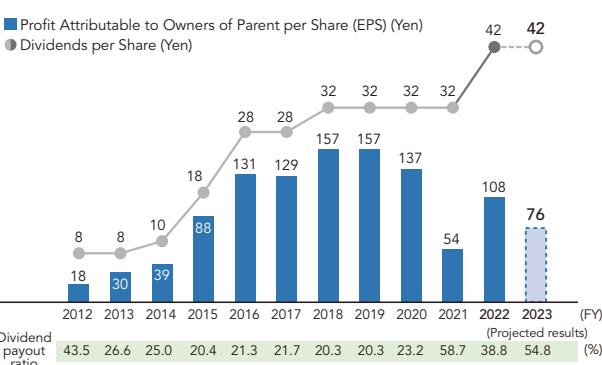
Cumulative amount sold	¥41.5 billion (27.7%)
Cumulative amount sold + Agreed sale amount	¥56.3 billion (37.5%)

Shareholder Returns

We stipulated a dividend policy in Medium-Term Business Plan 2022 that involved achieving a dividend on equity (DOE) ratio of approximately 3%. Maintaining stable long-term dividends is a top priority. With that priority in mind, we stipulated the policy to provide stable shareholder returns over the medium to long term by using profits accumulated primarily during Medium-Term Business Plan 2017 to enhance equity capital. That policy also considers the business plan and the growth investment strategy for increasing corporate value for the five-year term of Medium-Term Business Plan 2022. Based on that policy, we increased the annual dividend for FY2022 by ¥10 year on year to ¥42 per share. The Company is committed to strengthening its earnings base through growth investments and efforts to increase corporate value over the medium-to long-term, while also providing shareholders with stable dividends based on DOE to appropriately reflect equity levels.

However, given the significant changes in the business environment envisaged in the current medium-term plan, we believe it is necessary to restate the Group's growth strategy and planned steps for improving corporate value. As part of that effort, we will explore the best capital policy, which would include the consideration of various options, such as dividend increases and share buy-backs, taking into account market requests relating to the price-to-book ratio (PBR) of our shares.

Earnings Per Share (EPS) and Dividend Per Share



Improving Corporate Value

Through Medium-Term Business Plan 2022, the Obayashi Group will contribute to creating a sustainable society according to its vision for 2050 and the Obayashi Philosophy. To that end, the Obayashi Group strives to strengthen its business foundation and accelerate Company-wide transformation based on three fundamental strategies: (1) strengthen and expand the foundation of the construction business, (2) innovate technologies and businesses, and (3) expand the business portfolio for sustainable growth. The entire Group is getting behind the effort to view the dramatic changes in our business environment as a growth opportunity, as we seek to respond flexibly and decisively to change, work tirelessly to strengthen our management foundation, and strive to increase corporate value through continuous growth.

The Five Business Domains

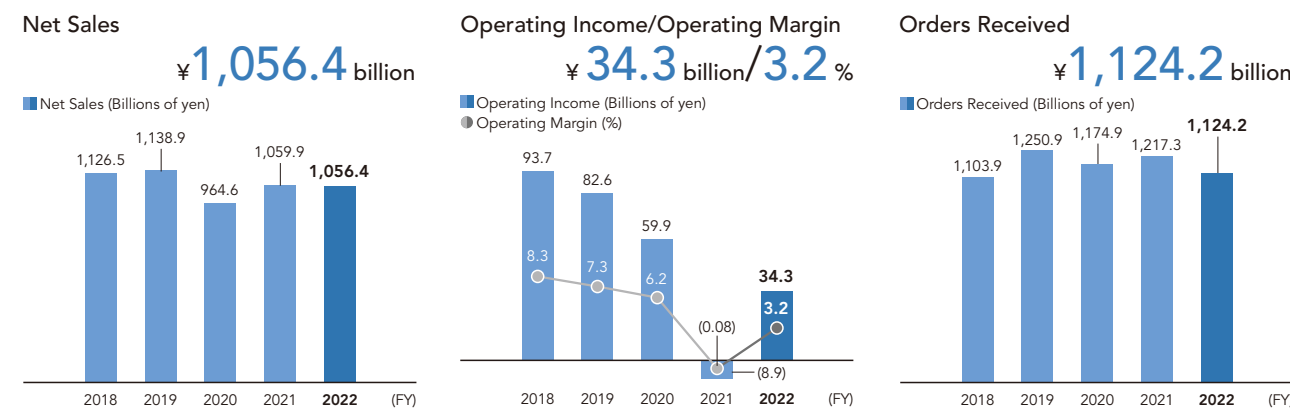
As part of Obayashi Group Medium-Term Business Plan 2022, we have been building a portfolio of diverse businesses globally centered on its five business domains: the core domestic construction business, as well as the overseas construction business, real estate development business, green energy business, and new business initiatives. It is establishing a business foundation capable of generating stable profits with consolidated operating income of ¥100.0 billion as the bottom line and aims to further improve by strengthening its competitiveness and expanding business opportunities.

Consolidated Financial Highlights

Domestic Construction Business (Building Construction)

Net sales exceeded ¥1 trillion on a non-consolidated basis for the second consecutive fiscal year due to steady progress in numerous ongoing construction projects. Despite the sharp rise in construction costs, operating income increased in FY2022 compared to the previous year when gross profit on completed construction contracts declined significantly due to the recording of provisions for loss on construction contracts. The segment received an estimated ¥1 trillion in orders on a non-consolidated

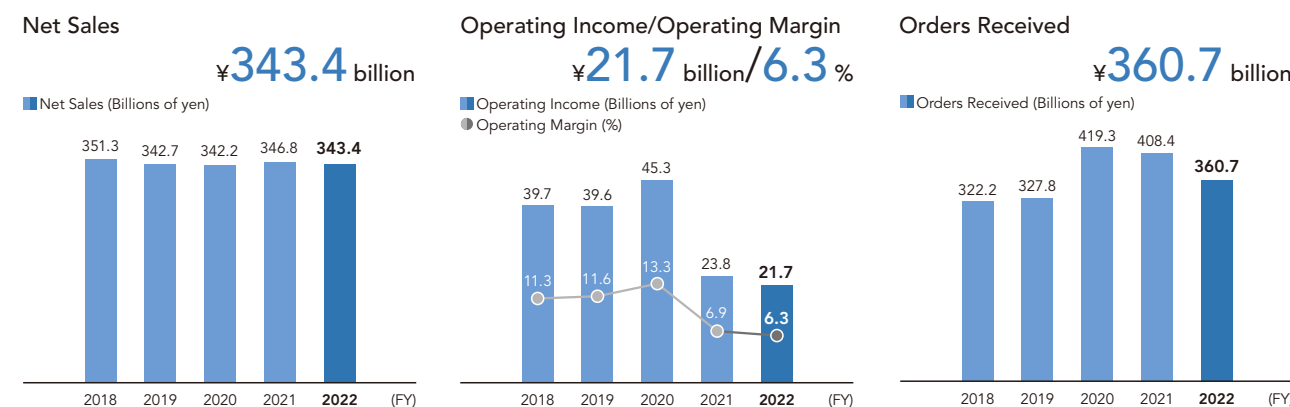
basis due to our design and construction capacity and our amassed carryover orders after having acquired construction projects worth over ¥1.1 trillion in the previous three fiscal years. However, actual orders received exceeded that estimate due to an increase in contract fees associated with rising costs, additional or change requests on construction contracts in hand, and the recording of orders for projects whose order dates had been unconfirmed.



Domestic Construction Business (Civil Engineering)

This segment reported net sales (non-consolidated basis) on a similar level to that of the previous few years due to steady progress in numerous construction contracts in hand. Profit increased significantly due to Obayashi's acquisition of higher-than-expected additional contract fees on multiple projects, efforts to reduce construction costs, and other factors. However, operating income declined overall, primarily due to soaring costs

related to the sale of composite materials at Obayashi Road Corporation. Orders received (non-consolidated basis) decreased year on year in FY2022 as we accepted orders based on our construction capacity and carryover orders following the acquisition of projects worth over ¥300 billion in the previous two fiscal years.



Overseas Construction Business

Building Construction

Sales and profits increased year on year in FY2022. While sales from North American subsidiaries did not increase as expected following a delay in the signing of contracts due to issues on the client side, Thai Obayashi and Obayashi Vietnam reported steady progress on construction. When translated into yen, the results were also boosted by the depreciation in the Japanese yen.

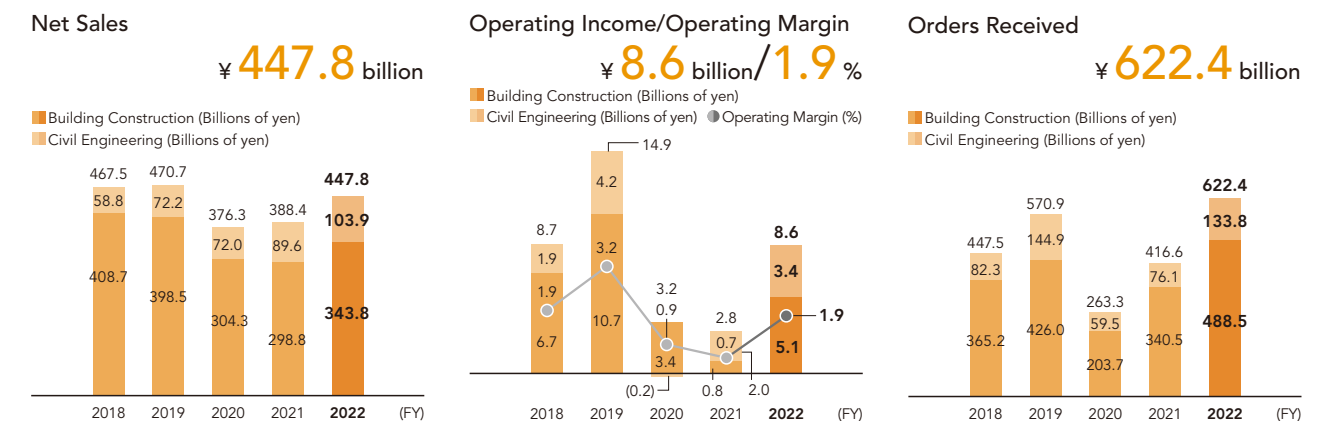
Orders received rose due to Obayashi's acquisition of a

large-scale contract in Australia and the boost from the weaker yen in order amounts at subsidiaries.

Civil Engineering

While non-consolidated net sales decreased year on year, revenue and profits both increased overall on the back of steady progress on extensive construction projects at subsidiaries in North America and Asia, as well as the boost from the weaker yen.

Orders received increased after Obayashi secured an order for a large-scale project in Singapore.

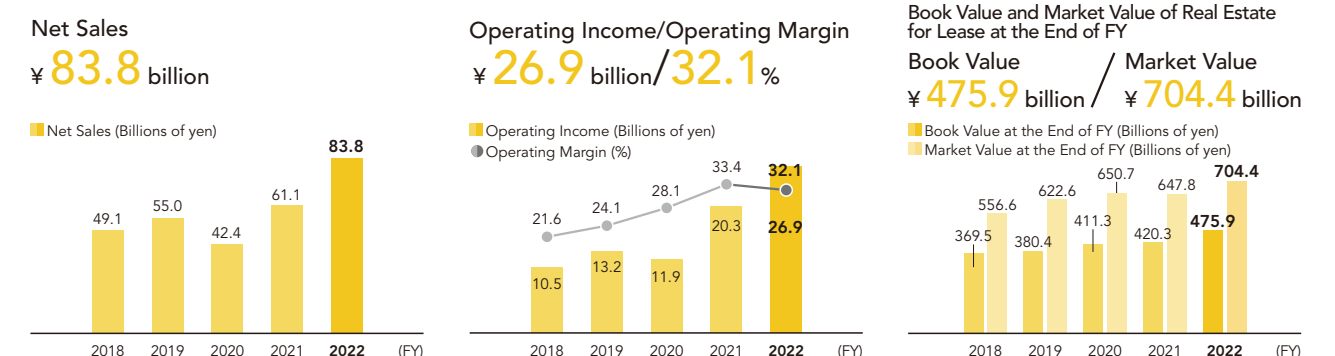


Real Estate Development Business

Revenue and profits increased on a non-consolidated basis on the back of various factors including the transfer of equity interest in a large-scale property undertaken for the purpose of boosting construction orders, the sale of properties to private funds to optimize Obayashi-Shinseiwa Real Estate's asset portfolio, and fresh rental income from 20 Gracechurch Street in

London, to which Obayashi Properties UK acquired rights.

Despite the above-mentioned sale of properties, both the book value and market value of real estate for lease increased due to continued investment in projects under development (Yokohama Symphostage, Grand Green Osaka, and others) and distribution facilities.



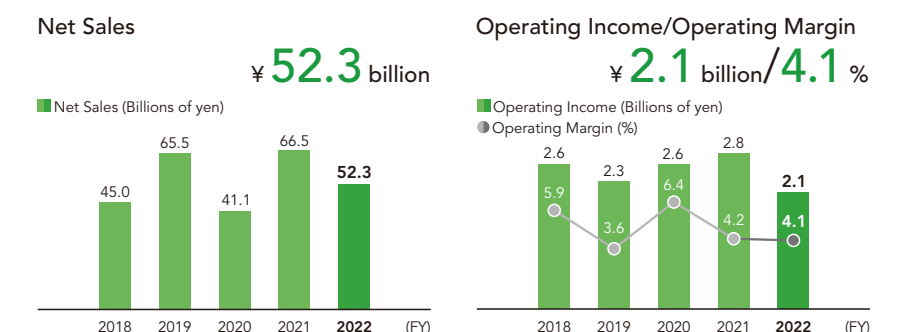
Other Businesses (Including Green Energy Business, New Business Initiatives, and others)

Green Energy Business

Revenue increased following the launch of commercial operations for the Obayashi Kamisu Biomass Power Plant and the Kamikita-Ogawara Wind Power Station. Operating income also improved year on year.

New Business Initiatives

In the PPP business, both revenue and profits decreased year on year due in part to the decline in recorded sales resulting from progress on facility development.

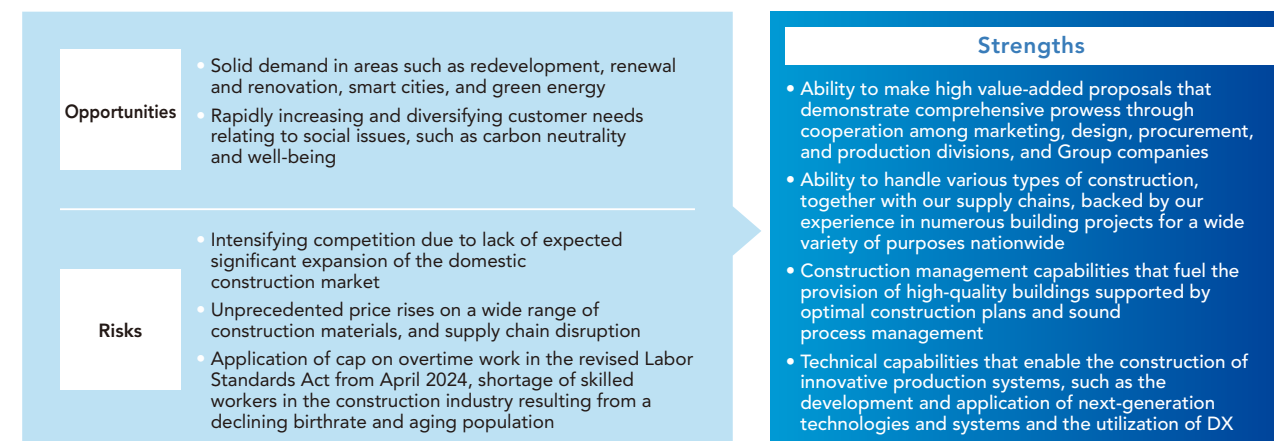


The Five Business Domains

Domestic Construction Business (Building Construction)



ES CON FIELD HOKKAIDO



Business Strategies and Measures under Medium-Term Business Plan 2022

The domestic construction business aims to consistently generate ¥1 trillion or more in completed construction contracts each year, taking its design and construction capacity into account. The marketing, design, procurement, and production divisions all work together to increase price competitiveness and ensure thorough risk management, while also seeking to balance the order portfolio and secure stable earnings.

We are working to secure skilled workers by improving working environments and on-site operations in cooperation with our supply chain, developing multiskilled and semi-multiskilled workers, supporting the capability improvement and training of skilled workers through the Obayashi Rin-yu-kai Vocational Training School,* and promoting work style reforms.

We are pressing ahead with efforts to expand production capacity by developing production systems that utilize next-generation technologies, including IoT, AI, and robotics,

pursuing DX, and promoting BPR and other business reforms.

With regard to safety, quality, and the environment, we are working to eradicate major disasters, defects, accidents, and other incidents by thoroughly raising the management awareness of each engineer and skilled worker and strengthening ICT-driven systems.

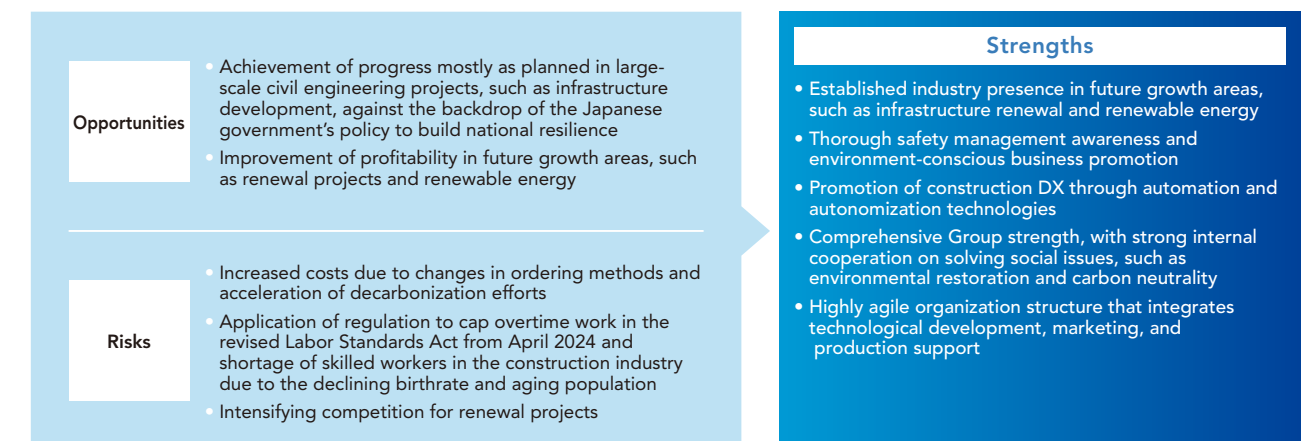
On the marketing front, we are strengthening initiatives toward growth areas, such as data centers, semiconductor and pharmaceutical plants, and the construction of wooden structures and interiors. We are also promoting initiatives utilizing external networks to strengthen the construction value chain and expand construction services domains in order to address social issues, such as the pursuit of carbon neutrality and well-being.

* A wide-area organization conducting vocational training under a program of Japan's Ministry of Health, Labour and Welfare.

Domestic Construction Business (Civil Engineering)



Kawakami Dam



Business Strategies and Measures under Medium-Term Business Plan 2022

All business activities are driven by safety, quality, and the environment, and we are pursuing even deeper and more thorough management of these factors by promoting occupational health and safety, quality management systems, and frameworks to minimize environmental impact. To comply with the cap on overtime hours in the revised Labor Standards Act that will be applied from FY2024, the segment is promoting the use of existing and new ICT tools to help streamline and standardize operations and offer engineers and skilled workers at construction sites at least eight days off every four weeks. We aim to improve productivity by promoting measures to reduce the number of workers required and reduce labor costs through the development of automation and autonomization technologies.

To help achieve stable construction orders going forward, the domestic civil engineering business is strengthening its capacity to adapt to ECI, DB, and various other contract models. We are also working to increase our competitiveness in the future growth fields of infrastructure renewal and renewable energy. In addition, we are seeking to differentiate ourselves by strengthening our advantages in competing for contracts and creating added value by developing technologies that meet customer needs.

With regard to decarbonization, which is attracting great interest from society in general, we will respond to customer needs by actively promoting the use of our Clean-Crete® low-carbon concrete and strengthening our understanding of market trends.

Expressway Renewal Initiative

Expressways are an important part of our social infrastructure that have been in service for several decades and therefore require large-scale renewal and repair work due to aging.

To help address this social issue, the Obayashi Group established a project team for large-scale infrastructure renewal in October 2018. Various divisions work closely together to implement a cycle of technology development, order receipt, on-site support, gathering of information on technology development needs, and, once again, technology development and improvement.

This has enabled us to present technical proposals that satisfy customer and construction site needs, resulting in a higher rate of orders received and in generating profits.

Size of the Renewal Contracts Market

- Japan's three NEXCO companies
2016–2030 (Phase 1): ¥5 trillion
- Metropolitan Expressway 2016–2030: ¥930 billion
- Hanshin Expressway 2017–2031: ¥570 billion

DAYFREE® https://www.obayashi.co.jp/en/news/detail/news20200617_2_en.html

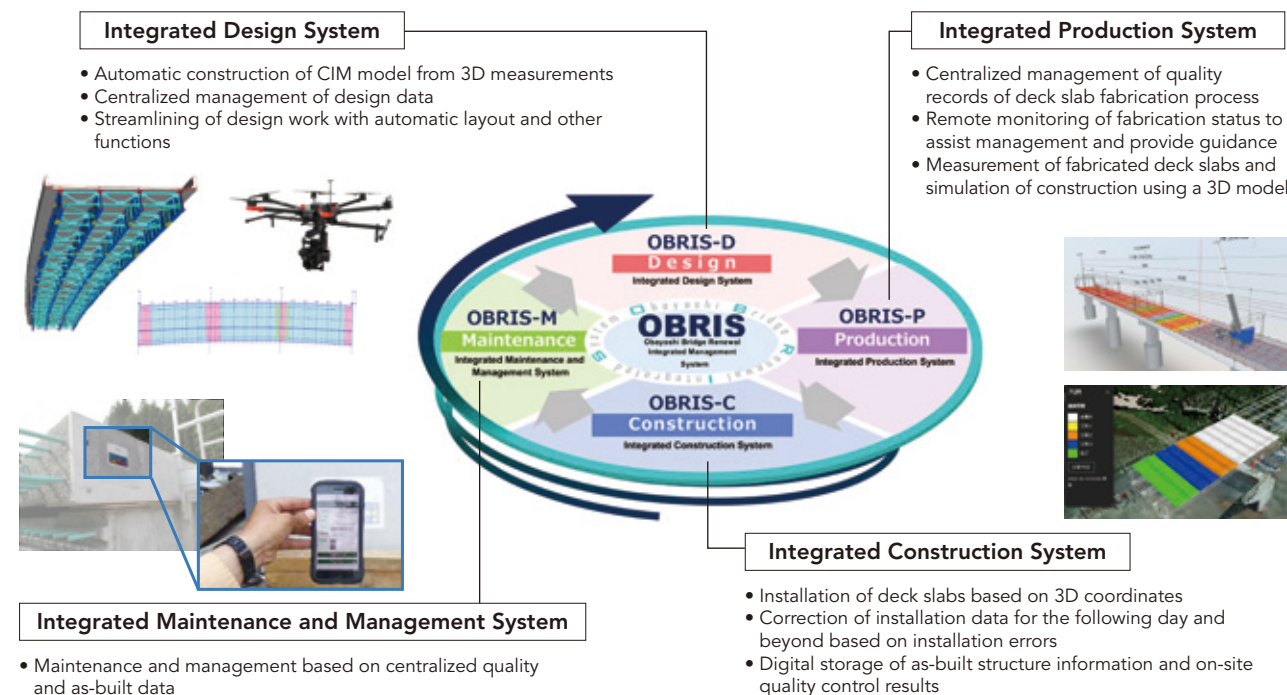
OBRIS®: Obayashi Bridge Renewal Integrated Management System

The Obayashi Group divides technological development for bridge renewal into three categories: materials and structures; machinery, equipment, and construction methods; and ICT and systems to enable it to respond to various needs, including greater structural durability, reduced social impact due to traffic restrictions, more efficient construction, and lower renewal costs. OBRIS® is a cloud-based integrated management system that streamlines operations through centralized management and

The Group expanded this framework to create the Large-scale Upgrade Project Promotion Department in April 2023 and is strengthening its initiatives to meet the needs of the expanding market going forward. We are also proactively forming joint ventures with subcontractors and local construction companies to promote technology transfer, with the aim of better responding to the rapid expansion in the market, the customers of which include national and local government authorities.



Deck slab replacement using DAYFREE®: Tomei Tamagawa Bridge



OBRIS® https://www.obayashi.co.jp/en/news/detail/news20221111_1_en.html

Overseas Construction Business (Building Construction/Civil Engineering)



Queen Sirikit National Convention Center (Thailand)



National Road No.5 (Cambodia)

■ Building Construction ● Civil Engineering ○ Both

Opportunities

- Business areas outside of construction, such as carbon neutrality, hydrogen, and other green energy businesses
- Changing markets in the wake of changing economies and corporate activities (globalization and DX)
- ECI projects involving preconstruction services in North America
- Multiple award construction contract project related to the U.S. military base in Guam
- Subway construction and other urban transportation infrastructure in Asia

Risks

- An increasingly uncertain global economy in light of rising prices caused by soaring energy prices and other factors, and tighter monetary policy
- Exposure of weakness in global supply chains as illustrated by semiconductor shortages
- Concerns about the economic security of Taiwan and other countries where we do business
- Risk of unavoidable events in a construction contract
- Securing of human resources to promote overseas business

Strengths

- Diverse global human resources nurtured through consistent training that includes our overseas trainee system, and our Group training sessions for locally hired staff
- Competitive advantage by utilizing the complementary technology, knowledge, and human resources of the Group, including from overseas subsidiaries (promoting Group-wide collaboration)
- Strong business foundation in our existing overseas markets
- Ability to gather information on global companies utilizing the Obayashi Group network and to respond quickly to potential orders
- Extensive construction portfolio in each country in which we operate
- Utilization of domestic technology divisions and development of overseas application of proprietary technologies
- The contribution of locally hired staff who have been with Obayashi Corporation for a long time and are actively working in a third country

Business Strategies and Measures under Medium-Term Business Plan 2022 (Building Construction)

The overseas construction business will work to strengthen the foundation of its construction business in our existing markets of North America, Asia, and Oceania, driven mainly by Group companies that boast a deep-rooted presence in each country and region. We intend to seize further growth opportunities in the global market. In North America, we are seeking to achieve consistent growth by diversifying our construction portfolio and

reforming our profit structure, and also expanding business through M&A. In Southeast Asia, we will strengthen the business foundation of each subsidiary by promoting construction DX and building a collaborative cross-border framework centered around each of our regional headquarters. We will also focus on the main target markets and implement entry strategies for each area, including M&A in fields other than the construction business.

Business Strategies and Measures under Medium-Term Business Plan 2022 (Civil Engineering)

The overseas civil engineering business is working to expand operations in North America and Asia. It aims to secure stable construction orders and improve sales and profits in these areas by encouraging independent and localized operations by the respective regional headquarters. It will also seize further growth opportunities by expanding the business foundations of overseas Group companies in new business areas.

In Asia, the overseas civil engineering business intends to

build a bidding strategy proposal framework led by the regional headquarters and strengthen its organizational marketing capabilities through utilization of locally hired staff. In North America, we will continue to adapt to ECI and other contract types and seek to strengthen cooperation across the Group through the exchange of human resources and technologies with overseas Group companies.

The Five Business Domains

Real Estate Development Business



Yokohama Symphostage (Rendering of completed building)

Opportunities

- Social demands surrounding carbon neutrality, well-being, and other sustainability-related issues
- Emergence of new growth areas that meet customer needs, such as distribution facilities and rental housing

Risks

- Changes in the real estate market caused by post-COVID changes in lifestyles and other factors and reviews of monetary policy
- Rising vacancy rates and falling rents for offices in central Tokyo and Osaka caused by a glut in office space

Strengths

- Reshuffling of our portfolio by making new investments in the amount of ¥300 billion with net investment of ¥160 billion after property sales worth ¥140 billion over five years
- Management of private funds by leveraging the Obayashi Group's real estate management and operational expertise
- Investment in overseas real estate, mainly in the United Kingdom (London) and Thailand (Bangkok) to globally diversify our leasing business portfolio and strengthen our earnings base

Business Strategies and Measures under Medium-Term Business Plan 2022

The real estate development business aims to promote further growth by leveraging customer relationships as well as its ability to judge construction risks cultivated through the construction business, and to create synergies with the construction business by, for instance, introducing our latest construction technologies to improve the value of real estate.

In addition to properties in Japan's urban centers, we will continue to develop and manage high-quality rental properties overseas, primarily in the United Kingdom and Thailand, and will refresh our portfolio by making new investments in the amount of ¥300 billion with net investment of ¥160 billion after property sales worth ¥140 billion. The real estate development business is looking to flexibly secure capital gains by selling development properties to a private fund established by the Company (REIT – real estate investment trust). We are also aiming to secure

stable earning by expanding our non-asset business, which involves the operation and management of real estate owned by the Obayashi Group.

We will proactively introduce energy-saving technologies cultivated in the construction business into newly developed properties, promote the acquisition of ZEB Ready, CASBEE, and other environmental certifications, and switch to electric power generated from 100% renewable sources at all the rental properties we own in Japan by 2030. Our real estate development business will also focus on developing IoT- and AI-driven smart buildings, providing safe and secure spaces that underpin the business continuity of tenant companies, and help develop environment-conscious, high value-added sustainable towns and communities.

Green Energy Business



Photo: Akita Offshore Wind Corporation

Offshore wind farm at Noshiro Port

Opportunities

- Stronger initiatives by national and local governments to turn renewable energy into a major power source and promote the social adoption of hydrogen
- Increasingly diverse customer needs in connection with decarbonization

Risks

- Increased development and operating costs due to rising prices and growing demand for renewable energy
- Power generation failures and equipment problems caused by abnormal weather conditions such as typhoons, heavy rains, and thunderstorms
- Ability to secure necessary personnel

Strengths

- Track record in the development and operation of solar power, onshore and offshore wind power, biomass, and geothermal power generation facilities, and the production, transportation, and sale of green hydrogen
- Ability to respond to various customer needs through synergies with the construction and real estate development businesses
- Track record in utilizing hydrogen in Japan and other countries

Business Strategies and Measures under Medium-Term Business Plan 2022

The social drive to realize carbon neutrality is accelerating and customer needs are becoming more diverse than ever before. In addition to expanding our portfolio in the renewable energy power generation business, the green energy business is also accumulating the expertise and knowledge to enable it to respond to various needs, while also focusing on initiatives designed to create synergies with the construction and real estate development businesses.

January 2023 saw the full launch of offshore wind farms in the ports of Akita and Noshiro in Akita Prefecture, projects in which Obayashi Corporation is participating. This marked the new addition of offshore wind power generation to the green energy business portfolio. Then, in March 2023, the green energy business installed solar panels at the new plant of Group company Naigai Technos Corporation and started a power purchase agreement (PPA) business to directly sell electricity. Going forward, we will continue to develop renewable energy in

Japan and overseas, while also expanding the scope of our business by developing PPA, renewable energy consulting, and other operations.

We have been focusing on the hydrogen business both in Japan and overseas, and intend to accelerate the construction of a supply chain for green hydrogen. In New Zealand, the green energy business will develop hydrogen production and supply facilities in locations including the suburbs of the nation's largest city of Auckland, and will prospect for customers in mobility and other sectors and encourage social adoption together with local companies.

Investment funds of ¥50 billion have been earmarked through FY2026 in Medium-Term Business Plan 2022 to help achieve these kinds of initiatives, because we believe that will help to steadily monetize the provision of green energy and help bring about a sustainable society.

The Five Business Domains New Business Initiatives

The Obayashi Group's New Business Initiatives

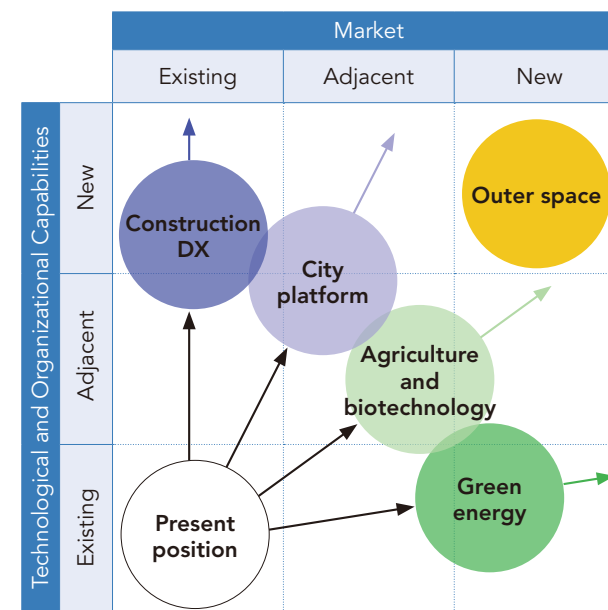
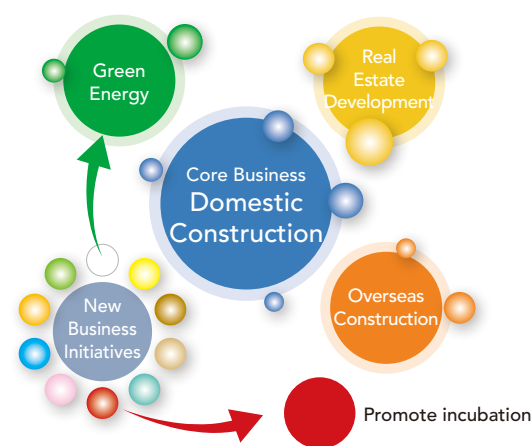
The Obayashi Group seeks to build a business portfolio with solid foundations and create an organization that enjoys consistent growth by boldly exploring new business initiatives beyond its core domestic construction business and its overseas construction, real estate development, and green energy businesses.

When embarking on new business initiatives, the Obayashi Group considers its most important missions in developing new businesses to be addressing social challenges such as carbon neutrality and well-being, as well as contributing to a sustainable society. This new business development is concentrated in five focus areas selected based on two criteria: whether the business enables the

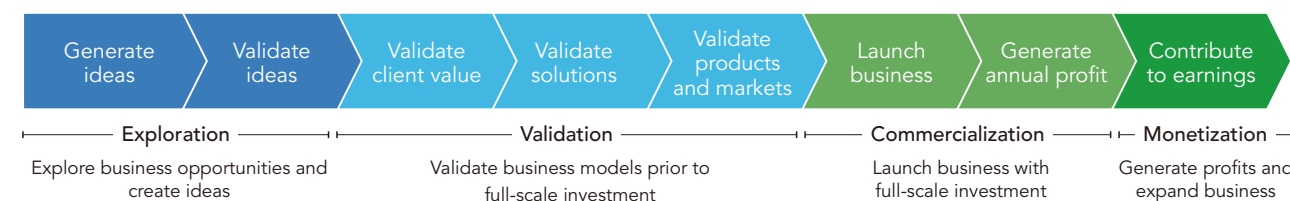
Group to demonstrate the power of its people, vision, and creation, and whether the market offers sufficient scale, business opportunities, and future growth potential.

The five focus areas are construction DX, city platforms (including smart-city related projects), agriculture and biotechnology, green energy, and space. Obayashi aims to develop new businesses that help resolve social challenges by using innovation to deliver new value along with consistent business models in these focus areas to markets and clients.

Diversified Global Business Portfolio Centered on Domestic Construction



New Business Development and Innovation



We believe our most important missions in developing new businesses are to contribute to the achievement of such societal goals as carbon neutrality and well-being, as well as to the creation of a sustainable society. To deliver on our missions, innovation is an essential factor that enables us to provide markets and clients with new value and consistent business models.

The Business Innovation Division was established in FY2021 as the organization tasked with developing new businesses. In addition to training personnel who can turn ideas into businesses and drive innovation, the division has formed a new business development process to help increase innovation accuracy based

on the international standard for innovation management systems (ISO 56002).

Part of this process includes the building of a management system that ensures the appropriate allocation of personnel, budgets, and other resources for new business development projects, which carry a high level of uncertainty. This involves defining the items to be validated for each phase in the exploration of clients' issues and the validation of solutions.

Two projects were successfully commercialized in FY2022 using this process, resulting in the birth of new Group companies PLiBOT Co., Ltd. and Oprizon, Ltd.

New Group Companies Carve a New Future

PLiBOT Seeking a Collaborative Future for Humans and Robots <https://www.plibot.co.jp/en/>



Services offered by PLiBOT Co., Ltd. are characterized by partnerships with various autonomous mobile robot (AMR) manufacturers in transportation, cleaning, security, and other fields, as well as the proposal of a variety of solutions backed by an integrated platform linked to clients' building facilities.

The market for logistics and transportation solutions is growing rapidly and the scale of the market is expanding. For companies looking to introduce AMR, the isolated business development and limited cooperative capability of individual robot manufacturers is proving a major challenge.

PLiBOT excels at creating links with a wide variety of building facilities in which the Obayashi Group is involved. The company's strength lies in its ability to provide optimal solutions for each client by linking AMRs together, irrespective of manufacturer or brand.

A Word from PLiBOT Co., Ltd.

The PLiBOT name embodies our desire to provide diverse and flexible solutions (pliability) by forming an ecosystem with innovative robotics technologies (robotics).

As of the end of March 2023, the number of PLiBOT partner companies had risen to 15, primarily in Japan and Europe. Going forward, we will strive to further increase the number of PLiBOT-linked companies and greatly boost PLiBOT growth in order to help resolve various social challenges and meet wide-ranging client requests.



Masaaki Sato
Representative Director
PLiBOT Co., Ltd.

Oprizon Introducing Exciting Daily Experiences through Building Environments

<https://oprizon.com/en/>



"Managed Build Environment Service" (M-BES)



The demand for smart buildings with advanced digital systems is increasing as work styles continue to diversify and interest in the SDGs continues to grow.

Water, electricity, and gas are the three conventional infrastructure services that buildings require. Oprizon provides services considered as the fourth category of infrastructure, such as network communication platforms and various applications for the full utilization of smart buildings, through the smart building platform WELCS Place®. Oprizon offers a new one-stop service that integrates construction, facilities, digital equipment, and systems, and helps create a society with a high degree of well-being.

A Word from Oprizon, Ltd.

We pursue two business strategies: the Open Strategy of collaborating with innovative services worldwide, and the Horizontal Integration Strategy of satisfying various client requests by horizontally integrating different service lines. Oprizon was established by two players in different industries, namely the Obayashi Group and Hitachi Solutions. As such, we are able to leverage the strengths of each company to transcend industrial boundaries and lead the smart building market into the future.



Hiroto Sato
Representative Director
CEO
Oprizon, Ltd.