

## Independent Directors' Dialogue



## Expectations and Challenges in the Strategic Pursuit of Carbon Neutrality and Well-Being

**Q** How do you view the basic strategies laid out in Obayashi Group Medium-Term Business Plan 2022? And what is your opinion of the Group's sustainability-related initiatives, the strengths required to achieve those initiatives, and the challenges ahead?

**Izumiya** First, I believe that the Obayashi Group needs to make it clearer that construction is at the core of its business. As a company, it is important to increase the profitability and sustainability of the Group's core business. Another vital element is portfolio management. In other words, deciding in which areas to invest limited capital. I believe businesses should consider venture capital as a way to hedge the risk of investing in an uncertain future. On the other hand, I feel that the Group is making steady progress on its sustainability-related initiatives. Social demands are intensifying, however, and the Obayashi Group has to clearly indicate the path it intends to follow to achieve specific numerical targets in a way that links the Group's efforts to resolve social challenges and ensure the sustainability of its business. In such an environment, the Group needs to aspire to improving corporate value

through the comprehensive pursuit of financial value and non-financial value.

**Kobayashi** Obayashi Corporation has focused on ensuring full internal awareness of the 2022 medium-term plan through briefings conducted at main offices and branches nationwide and other means. The aim was to encourage each and every employee to consider the plan's goals as their own. I am looking forward to seeing operational reforms emerge spontaneously from the frontlines in FY2023 as a result of such efforts. It is also vital to expand production capacity in order to strengthen the Company's business foundation, and I believe the technology-focused Obayashi Corporation will be able to secure a competitive advantage by pursuing DX as an engine for technological advancement. At the same time, there is an urgent need to develop and strengthen the human resources required to fuel that engine. I really hope the Company will be able to achieve its performance indicator targets by pursuing these initiatives. Meanwhile, the Obayashi Group's approach to sustainability issues remains consistent, smooth, and clear. For instance, its LOOP50\* concept is more than just a theoretical concept; it is fueling concrete initiatives at each step of the circular use cycle. Forests can lose their ability to retain water if maintained poorly by people, and that can cause major



disasters. However, Japan now faces the serious problem of a decline in its forestry industry—which traditionally carries out such maintenance—due to falling demand for domestic timber and a shortage of workers. To address these issues, Obayashi Corporation is promoting wooden structure and interior projects that use large amounts of forest resources and invigorate the forestry industry. Indeed, Port Plus®, Japan's first fully wooden, fire-resistant high-rise structure is attracting considerable attention. I also admire the Company's consistency in all its efforts, be it strengthening the supply chain in order to promote the circular use of forest resources or exploring the potential for using wood from thinning and wood scraps as energy resources in biomass power generation.

\* Obayashi Corporation's future concept of a city in the highlands and mountainous areas that uses and recycles the rich forest resources in the most effective ways, as well as provide both sustainability and an attractive lifestyle

**Orii** I also feel that the 2022 medium-term plan was carefully conveyed and instilled throughout the Company. For that reason, I view very seriously the fact that consolidated operating income fell below the minimum level stated in the medium-term plan in FY2022, and is expected to do the same in FY2023. It is true that at times, Obayashi has been directly impacted by soaring prices in the wake of unstable social conditions and rising personnel costs, but my understanding is that strengthening the business foundation and accelerating Company-wide transformation is exactly what the Company needs to do to overcome this situation. But I hope the Obayashi Group will not try to strengthen its business foundation first and then tackle transformation. Instead, it should accelerate the implementation of change unfettered by convention, based on a strong awareness that change itself actually strengthens business foundations.

The pursuit of sustainability lies at the core of the Obayashi Philosophy as well as the Obayashi Group's vision and medium-term plan, and the Group is proud to play its part in the building of social infrastructure. In addition to the low-carbon concrete that it pioneered, the Group has been leveraging its advanced technological capabilities for various projects, such as the creation of wooden structures and interiors, WELCS Place®, and the production of green hydrogen. The ability to marry principles and technology is one of the Obayashi Group's major strengths, and I would like to see the whole Group

striving to achieve growth by positioning carbon neutrality and well-being as the sources of value creation and inter-business synergies in each segment.

Obayashi Corporation is also working to promote the active participation of women by appointing three women to senior leadership positions for the first time this spring. When I interact with female employees at the Obayashi Group, I always feel reassured by their ambition and their determination to drive change, and I hope they will demonstrate that power even more effectively going forward. I would also like to see D&I efforts further strengthened under the direction of the Diversity & Inclusion Promotion Department, which was established in 2021. I believe that the active participation of diverse personnel serves as a major driving force for corporate transformation.

**Kato** The Obayashi Group has built a very strong business foundation in the construction business, but technological advancement and innovation never cease. Optimizing the Obayashi Group's overall business portfolio is extremely important for sustainable growth. However, optimizing the order portfolio in the core construction business is also essential for the Group's sustainable growth. It is important to separate construction projects into various categories according to the scale of the work, the degree of difficulty, and any particular characteristics relating to the client or other aspects of the project, and to consistently pursue the optimal solution. However, these factors can alter depending on the external environment, so I would like to discuss them more deeply.

Creating spaces that promote well-being is one of the Obayashi Group's most important missions, so the most desirable outcome would be to use as much carbon-free energy in these spaces as possible. The Obayashi Group's ability to recognize these challenges as important management issues is a strength in itself. The Group is building a pioneering track record in the construction of mid- to high-rise wooden structures, the renewable energy business, and other fields, and I expect its corporate value to increase as it pursues these initiatives.

**Kuroda** FY2022 was a difficult year for the Obayashi Group on the profitability front in light of sharp rises in the price of raw materials and other products. Equally tough profitability-related challenges continue in FY2023, but





## Independent Directors' Dialogue

I feel that this environment has propelled the Group to further strengthen the foundation of its construction business. Specifically, the Group has pursued initiatives to ensure the profitability of each individual project and reduce costs across the entire Group. I hope that these determined efforts will continue, even when inflation subsidies. Meanwhile, in the green energy business, hydrogen production and sale in New Zealand is progressing. Although the scale of the business is still small, it can be expected to both expand the Group's business portfolio and help protect the global environment.

I was selected as a member of the Sustainability Committee, which was newly established in FY2022. In addition to the already identified priority areas of decarbonization, safety and security, the Committee also recognized biodiversity, human rights, and other issues as being key. This enabled me to confirm the comprehensive nature of the Group's sustainability-related initiatives. We also reviewed the KPIs and target values for each issue and recommended the adoption of more effective indicators, which were duly implemented. In today's era, all companies are advocating sustainability initiatives as a matter of course, so the Obayashi Group needs to bear in mind the fact that stakeholders will start questioning the effectiveness of those measures more earnestly going forward.

### Q How do you assess Obayashi Corporation's current efforts to ensure the board's effectiveness?

**Izumiya** The mission of the Board of Directors is to achieve sustainable business growth and improve medium- to long-term corporate value as entrusted by shareholders. On the governance front, governance involves the defensive guarantee of transparency and fairness and the offensive pursuit of aggressive and bold action. Achieving results through the pursuit of both defensive and offensive governance will increase the effectiveness of the Board of Directors. To achieve these aims requires extensive discussion. In fact, you could say that this act of extensively discussing issues is what the monitoring and supervisory functions of the Board of Directors are all about.

**Kobayashi** With respect to composition of the board, the majority of the independent directors are women, but I believe diversity is ensured not only in terms of gender, but also in terms of the variety of expertise and experience represented. Furthermore, discussions at advisory bodies to the board, such as the Recommendation Committee and the Remuneration Committee, are extremely active. Following major revisions to the remuneration system in FY2021, in FY2022 the committees clarified the criteria for the appointment and dismissal of the president and the selection of successor candidates. Directors are given multiple training opportunities. I find the annual training that I receive together with executive officers on compliance with Japan's Antimonopoly Act to be

particularly detailed and extremely thorough, and I feel that I am still able to grow through my work.

**Orii** If we look at the board's effectiveness evaluation over time, I think that the PDCA cycle of identifying issues, forming countermeasures, and confirming their implementation and effectiveness in the next fiscal year's evaluation is working well. I also feel that everyone who is actually involved in the Board of Directors is invested in making this system function better as time goes on. However, expectations and the responsibility to demonstrate the functioning of the board are growing all the time. I would like to utilize the newly established Directors' Roundtable Meeting and other venues to facilitate in-depth discussions of vital themes in Board of Directors' meetings. With that aim in mind, I would like to increase contact points with construction sites and with employees.

**Kato** I feel that the Board of Directors is always working to increase its effectiveness. Discussion on essential challenges toward improving corporate value and achieving sustainable growth for the Obayashi Group is now being pursued in a much more open and in-depth way than ever before. The Directors' Roundtable Meeting has only been in existence for a few months, so I hope that it will become a key venue going forward. The most important thing is that each director maintains his or her own unique perspective and discusses any issue in a sincere and determined manner. I will always discuss what is best from the perspective of the Obayashi Group's stakeholders.



**Kuroda** I have served as an independent director at a number of companies, and I feel that Obayashi Corporation explains things carefully in advance so that more time can be spent on discussions rather than explanations at board meetings. In that respect, the operation of the board is well balanced. I also think the establishment of the Directors' Roundtable Meeting is a unique way of enabling us to fully discuss themes relating to the improvement of medium- to long-term corporate value. The roundtable nature of the gathering enables us to have free and open discussions. However, measures for improving medium- to long-term corporate value should

also be discussed in Board of Directors' meetings, so this point should be considered when setting the agenda for future board meetings.

### Q How do you view the expectations and challenges that the Obayashi Group is facing?

**Kobayashi** I think one of the issues at Obayashi Corporation is that there are very few women in management positions in core business operations. The proportion of female managers is one of the highest in the industry and there are a number of senior female leaders, but I think there is still some way to go. I have spoken to many female employees, and I feel that the female employees at Obayashi Corporation are not only extremely talented, but are also very passionate about their work. I was impressed to see so many women with strong communication skills, which is considered a vital attribute for a future leader regardless of gender. When it comes to empowering women, it is important not only to help support the balance between work and family life, but also to provide systemic career support tailored to each individual and to increase the number of female leaders appointed internally because I expect that will help revitalize the Company as a whole in the long run.

**Orii** I participated in OBAYASHI VISION SHOWCASE 2022\* held in the fall. I witnessed numerous technological developments designed to support social infrastructure and human and environmental health as well as the extraordinary enthusiasm displayed by all employees involved in the development. This heightened my expectation that the implementation of these advanced initiatives would drive sustainability. If the whole Group unites behind its aspirations and avidly commits both thought and action to creating value that contributes to societal sustainability, then the Obayashi Group will naturally grow toward realization of its long-term vision and enhance its own sustainability.

\* An event held to commemorate the 130th anniversary of the founding of Obayashi Corporation. It showcased Obayashi Group technologies and initiatives in various fields spanning construction and peripheral areas to realms further afield into the future, both in the event venue and online.



**Kuroda** I also participated in OBAYASHI VISION SHOWCASE and felt the strong client interest in wooden structures. I expect this interest will enable Obayashi to build new architectural standards through co-creation with clients, contribute to resolving environmental issues, and establish a competitive advantage at the same time.

**Kato** I expect great things to come from the Group's dedication to increasing social value, their efforts to improve technical capabilities, and their attentive approach to the treatment and training of people. However, I do get the impression that they tend to align themselves with their peers and that something is lacking in their desire to beat competitors, in their determination to pass on even a little of the increase in costs to the client, and in their commitment to profits and the Company share price. Everyone needs to remain acutely aware of what needs to be changed and what needs to stay the same, and to debate those issues.

**Izumiya** Obayashi Corporation's technical prowess and commitment as a contracting company are clear strengths that never disappoint a client's expectations. TOKYO SKYTREE® and ES CON FIELD HOKKAIDO exemplify that. However, with competition intensifying, it would be unwise to ignore the fact that the Company's profitability has declined significantly due to issues such as construction capacity, cost increases, and the insufficient commitment to increasing market share. Obayashi Corporation might need to review its management KPIs to enhance the sustainability of its own business.

Furthermore, the value that the Obayashi Group's core construction business provides lies in the creation of environment-conscious, enriching spaces. That value is created by technology, so the Group must be strong in technology. That's why the Company is expected to improve its technological capabilities by investing in human resources, intellectual property, DX, and other areas, and to establish corporate value creation processes that improve future orders and profitability. There are many challenges that need to be addressed, but I am confident that the Obayashi Group has the power to overcome any difficulties and achieve success.

## Directors and Officers

(As of July 1, 2023)

### Directors



**Takeo Obayashi**  
Chairman of the Board

Apr. 1977 Joined the Company  
Jun. 1983 Director  
Jun. 1985 Managing Director  
Jun. 1987 Senior Managing Director  
Jun. 1989 Executive Vice President  
Jun. 1997 Vice Chairman  
Jun. 2003 Chairman  
Jun. 2007 Director  
Jun. 2009 Chairman  
Apr. 2023 Representative Director  
Chairman of the Board (incumbent)



**Kenji Hasuwa**  
Representative Director  
President and CEO

Apr. 1977 Joined the Company  
Apr. 2010 Executive Officer  
Oct. 2012 Managing Executive Officer  
Oct. 2014 Head of Technology Business Development Division  
Jun. 2015 Director  
Apr. 2016 Senior Managing Executive Officer  
Mar. 2018 Representative Director (incumbent)  
Apr. 2023 President and CEO (incumbent)



**Atsushi Sasagawa**  
Representative Director

Apr. 1980 Joined the Company  
Apr. 2015 Executive Officer  
Apr. 2015 Head of Yokohama Branch Office  
Mar. 2018 Managing Executive Officer  
Head of Building Construction Division at Osaka Main Office  
Apr. 2019 Senior Managing Executive Officer  
Jan. 2021 Head of Marketing Division (incumbent)  
Apr. 2021 Executive Vice President (incumbent)  
Jun. 2021 Head of Tokyo Main Office (incumbent)  
Jun. 2021 Director  
Apr. 2023 Representative Director (incumbent)



**Hiroyuki Kato**  
Independent Director<sup>1</sup>

Apr. 1979 Joined Mitsui & Co., Ltd.  
Apr. 2010 Managing Officer of Mitsui & Co., Ltd.  
Apr. 2012 Executive Managing Officer of Mitsui & Co., Ltd.  
Jun. 2014 Representative Director, Senior Executive Managing Officer of Mitsui & Co., Ltd.  
Apr. 2016 Representative Director, Executive Vice President of Mitsui & Co., Ltd.  
Apr. 2018 Director of Mitsui & Co., Ltd.  
Jun. 2018 Counselor of Mitsui & Co., Ltd.  
Jul. 2020 Advisor of Mitsui & Co., Ltd.  
Jun. 2021 Independent Director of the Company (incumbent)

Significant concurrent position:  
Non-Executive Director of Sims Limited (Australia)



**Yukiko Kuroda**  
Independent Director<sup>1</sup>

Apr. 1986 Joined Sony Corporation  
Jan. 1991 Representative Director of People Focus Consulting Co., Ltd.  
Jun. 2010 Outside Audit & Supervisory Board Member of Astellas Pharma Inc.  
Mar. 2011 Outside Director of CAC Holdings Corporation  
Apr. 2012 Managing Director/Founder of People Focus Consulting Co., Ltd. (incumbent)  
Jun. 2013 Outside Director of Marubeni Corporation  
Jun. 2015 Outside Member of the Board of Mitsui Chemicals, Inc.  
Jun. 2018 Outside Director of Seven Bank, Ltd. (incumbent)  
Independent Director of Terumo Corporation (incumbent)  
Jun. 2022 Independent Director of the Company (incumbent)  
Aug. 2022 Outside Director of Oracle Corporation Japan (incumbent)

Significant concurrent positions:  
Managing Director/Founder of People Focus Consulting Co., Ltd.  
Outside Director of Seven Bank, Ltd.  
Independent Director of Terumo Corporation  
Outside Director of Oracle Corporation Japan

1. An Outside Director as per Article 2, Section 15 of Japanese Companies Act



**Akinobu Nohira**  
Representative Director

Apr. 1980 Joined the Company  
Oct. 2010 Senior General Manager of Nagoya Branch Office  
Apr. 2016 Executive Officer  
Apr. 2019 Managing Executive Officer  
Senior General Manager of Civil Engineering Construction Division  
Apr. 2020 Senior Managing Executive Officer  
Head of Civil Engineering Construction Division  
Apr. 2022 Executive Vice President (incumbent)  
Jun. 2022 Director  
Apr. 2023 Representative Director (incumbent)  
Head of Safety Division (incumbent)



**Toshihiko Murata**  
Director

Apr. 1977 Joined the Company  
Apr. 2012 Executive Officer  
Apr. 2015 Senior General Manager-in-Charge of Building Construction Division at Osaka Main Office  
Senior Managing Executive Officer  
Senior General Manager of Building Construction Division at Osaka Main Office  
Apr. 2017 Head of Building Construction Division  
Mar. 2018 Senior Managing Executive Officer  
Director (incumbent)  
Apr. 2019 Head of Tokyo Main Office  
Apr. 2021 Executive Vice President (incumbent)  
Apr. 2021 Head of Osaka Main Office (incumbent)



**Toshimi Sato**  
Director

Apr. 1985 Joined the Company  
Jan. 2011 Senior General Manager of North American Regional Headquarters at Overseas Business Division  
Apr. 2013 General Manager of Finance Department at Head Office  
May 2015 General Manager of Corporate Management Planning Department at Head Office  
Apr. 2017 Executive Officer  
Jun. 2018 Director (incumbent)  
Apr. 2019 Managing Executive Officer  
Apr. 2022 Senior Managing Executive Officer  
Apr. 2023 Executive Vice President (incumbent)



**Naoki Izumiya**  
Independent Director<sup>1</sup>

Apr. 1972 Joined ASAHI BREWERIES, LTD.  
Mar. 2000 Corporate Officer of ASAHI BREWERIES, LTD.  
Mar. 2003 Director of ASAHI BREWERIES, LTD.  
Mar. 2004 Managing Director of ASAHI BREWERIES, LTD.  
Mar. 2006 Managing Director, Managing Corporate Officer of ASAHI BREWERIES, LTD.  
Mar. 2009 Senior Managing Director, Senior Managing Corporate Officer of ASAHI BREWERIES, LTD.  
Mar. 2010 President and Representative Director of ASAHI BREWERIES, LTD.  
Jul. 2011 President and Representative Director, COO of Asahi Group Holdings, Ltd.  
Mar. 2014 President and Representative Director, CEO of Asahi Group Holdings, Ltd.  
Mar. 2016 Chairman and Representative Director, CEO of Asahi Group Holdings, Ltd.  
Mar. 2018 Chairman and Representative Director of Asahi Group Holdings, Ltd.  
Jun. 2018 Independent Director of the Company (incumbent)  
Mar. 2019 Chairman of the Board of Asahi Group Holdings, Ltd.  
Mar. 2021 Special Advisor of Asahi Group Holdings, Ltd. (incumbent)

Significant concurrent positions:  
Outside Director of New Otani Co., Ltd.  
External Board Director of Recruit Holdings Co., Ltd.



**Yoko Kobayashi**  
Independent Director<sup>1</sup>

Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation (the predecessor of NTT)  
Jun. 2008 Member of the Board of Directors of NTT Communications Corporation  
Jun. 2010 President and CEO of NTT Com CHEO CORPORATION  
Jun. 2014 Audit & Supervisory Board Member of NTT Communications Corporation  
Jun. 2018 Outside Director, Audit and Supervisory Committee Member of Mitsubishi UFJ Trust and Banking Corporation (incumbent)  
Sep. 2018 General Auditor of Japan Aerospace Exploration Agency (incumbent)  
Jun. 2020 Independent Director of the Company (incumbent)

Significant concurrent positions:  
Outside Director, Audit and Supervisory Committee Member of Mitsubishi UFJ Trust and Banking Corporation  
General Auditor of Japan Aerospace Exploration Agency



**Masako Orii**  
Independent Director<sup>1</sup>

Apr. 1983 Joined Suntory Limited  
Apr. 2012 Executive Officer of Suntory Holdings Limited  
Apr. 2016 Senior Managing Director, Member of the Board of Suntory Wellness Limited  
Apr. 2019 Advisor of Suntory Holdings Limited (incumbent)  
Executive Director of Suntory Hall, Suntory Foundation for the Arts (incumbent)  
Jun. 2020 Independent Director of the Company (incumbent)  
May 2021 Outside Director, Audit and Supervisory Committee Member of TOHO CO., LTD. (incumbent)

Significant concurrent positions:  
Executive Director of Suntory Hall, Suntory Foundation for the Arts  
Outside Director, Audit and Supervisory Committee Member of TOHO CO., LTD.

### Members of the Audit & Supervisory Board



**Masahiro Saito**  
Standing Audit & Supervisory Board Member

Apr. 1981 Joined the Company  
Apr. 2014 Senior General Manager of Building Construction Division at Tokyo Main Office (responsible for marketing)  
Apr. 2016 Executive Officer  
Senior General Manager of Real Estate Development Division  
Mar. 2018 Representative Director and President of OBAYASHI-SHINSEIWA REAL ESTATE CORPORATION  
Apr. 2020 Advisor at the Company  
Jun. 2020 Standing Audit & Supervisory Board Member (incumbent)



**Eiji Mizutani**  
Outside Audit & Supervisory Board Member<sup>2</sup>

Oct. 1981 Joined Shinwa Audit Corporation (currently KPMG AZSA LLC)  
Mar. 1985 Registered as Certified Public Accountant  
May 2003 Partner at Asahi & Co. (currently KPMG AZSA LLC)  
Sep. 2010 Board Member of KPMG AZSA LLC  
Apr. 2011 Chairperson of Senior Review Board of KPMG AZSA LLC  
Apr. 2014 General Manager of Quality Control Division of KPMG AZSA LLC  
Jun. 2021 Retired from KPMG AZSA LLC  
Audit & Supervisory Board Member of J-OIL MILLS, INC. (incumbent)  
Jul. 2021 Representative of Eiji Mizutani CPA Firm (incumbent)  
Jun. 2022 Outside Audit & Supervisory Board Member of the Company (incumbent)

Significant concurrent positions:  
Audit & Supervisory Board Member of J-Oil Mills, Inc.  
Representative of Eiji Mizutani CPA Firm



**Isao Watanabe**  
Standing Audit & Supervisory Board Member

Apr. 1982 Joined the Company  
Dec. 2008 General Manager of General Administration Department at Tohoku Branch Office  
Jan. 2011 General Manager of Public Relations Department, CSR Division  
Apr. 2013 General Manager of CSR Division  
May 2015 General Manager of Secretariat Department  
Apr. 2020 Senior General Manager of Kanto Branch Office  
Apr. 2022 Advisor at the Company  
Jun. 2022 Standing Audit & Supervisory Board Member (incumbent)



**Shinya Kuwayama**  
Outside Audit & Supervisory Board Member<sup>2</sup>

Apr. 1977 Joined the Ministry of International Trade and Industry  
Jan. 2000 Director of Economic Cooperation Division, Economic Cooperation Department at Trade Policy Bureau at Ministry of International Trade and Industry  
Jan. 2001 Director of Trade Finance and Economic Cooperation Division, Trade and Economic Cooperation Bureau at Ministry of Economy, Trade and Industry  
Jul. 2002 Director of Personnel Division, Minister's Secretariat at Ministry of Economy, Trade and Industry  
Aug. 2004 Deputy Director-General for Trade and Economic Cooperation Bureau at Ministry of Economy, Trade and Industry  
Sep. 2005 Counselor at Cabinet Secretariat (assistant to Assistant Chief Cabinet Secretary)  
Jul. 2008 Director-General for Regional Economic and Industrial Policy at Ministry of Economy, Trade and Industry  
Jul. 2009 Retired from the Ministry of Economy, Trade and Industry  
Aug. 2009 Executive Officer of Sohgo Security Services Co., Ltd. (ALSOK)  
Apr. 2010 Managing Executive Officer of ALSOK  
Jun. 2011 Director and Managing Executive Officer of ALSOK  
Apr. 2014 Representative Director and President of ALSOK Stationed Security Co., Ltd.  
Apr. 2016 Advisor at ALSOK  
Jun. 2016 President of the Association for Overseas Technical Cooperation and Sustainable Partnerships (incumbent)  
Jun. 2023 Outside Audit & Supervisory Board Member of the Company (incumbent)

Significant concurrent position:  
President of the Association for Overseas Technical Cooperation and Sustainable Partnerships



**Yoshihiro Yamaguchi**  
Outside Audit & Supervisory Board Member<sup>2</sup>

Apr. 1980 Joined the Ministry of Construction  
Apr. 1991 First Secretary of the Mission of Japan to the European Community at the Ministry of Foreign Affairs of Japan  
Jul. 2002 Director of Regional Development Division, City and Regional Development Bureau at the Ministry of Land, Infrastructure, Transport and Tourism "MLIT"  
Apr. 2004 Director of First Development and Promotion Division, Okinawa Development and Promotion Bureau at Cabinet Office  
Apr. 2005 Counselor for First Development and Promotion at Cabinet Office  
Jul. 2006 Director General of Business Development Department at Metropolitan Expressway Co., Ltd.  
Jul. 2009 Executive Director of Research Institute of Construction and Economy "RICE"  
Aug. 2012 President of Policy Research Institute for Land, Infrastructure, Transport and Tourism at the Ministry of Land, Infrastructure, Transport and Tourism "PRI"  
May 2013 Chief Executive Director of the Overseas Construction Association of Japan, Inc. "OCAJI"  
Nov. 2019 Vice-president and Chief Executive Director of the Overseas Construction Association of Japan, Inc. "OCAJI"  
Jun. 2022 Advisor of the Overseas Construction Association of Japan, Inc. "OCAJI"  
Outside Audit & Supervisory Board Member of the Company (incumbent)

2. An Outside Company Auditor as per Article 2, Section 16 of Japanese Companies Act



Executive Officers

President and CEO

Kenji Hasuwa

Executive Vice Presidents

Toshihiko Murata	Head of Osaka Main Office Head of Yumeshima Development Division
Atsushi Sasagawa	Responsible for overall building construction Head of Marketing Division Head of Tokyo Main Office
Akinobu Nohira	Responsible for overall civil engineering construction Head of Safety Division
Toshimi Sato	Responsible for overall administration

Senior Managing Executive Officers

Naoki Kajita	Head of Technology Division
Seiji Nagai	Head of Building Construction Division at Osaka Main Office, Senior General Manager of Marketing Division, and Senior General Manager of Yumeshima Development Division

Managing Executive Officers

Yuichi Yamamoto	Head of Nagoya Branch Office
Goichi Kamochi	Head of Architectural Design & Engineering Division
Nobuyuki Wakuni	Head of Hiroshima Branch Office
Hironobu Kawakami	Head of Kobe Branch Office
Yoshihito Sasaki	Head of Civil Engineering Construction Division
Akihiro Higashide	Head of Civil Engineering Construction Division at Tokyo Main Office, Senior General Manager of Marketing Division, and General Manager of Renewable Energy Marketing & Development Department of Civil Engineering Construction Division
Kazuyuki Goto	Senior General Manager of Building Construction Division (responsible for mechanical & electrical, and renovation), and Senior General Manager of Building Construction Division at Tokyo Main Office (responsible for mechanical & electrical, and renovation)
Eiichiro Okano	Head of Digital Transformation Division
Kenichi Ando	Head of Green Energy Division, and Responsible for PPP Division
Hiromitsu Kato	Head of North American Regional Headquarters
Futoshi Takahashi	Head of Real Estate Development Division
Yasuo Morita	Head of Building Construction Division, and Responsible for Environmental Management Division
Motoi Yano	Head of Building Construction Division at Tokyo Main Office, and Senior General Manager of Marketing Division
Toshiro Kito	Senior General Manager of Building Construction Division at Osaka Main Office (responsible for business development)
Mitsuaki Sadatoshi	Senior General Manager of Marketing Division

Executive Officers

Hideo Katsumata	Kyoji Ikeda	Kimihiko Sato	Yutaka Taneda
Kojiro Nitta	Yoshikatsu Imazuka	Shigeru Edatsune	Hitoshi Shibuya
Atsushi Takeuchi	Shinobu Yamanaka	Koji Kohirata	Osamu Yoshizaki
Hajime Onojima	Ryuji Kitaoka	Hiroshi Kondo	Kazutoshi Mitsui
Ryuichi Yanagawa	Tetsuo Ueda	Shigeru Kojima	Kazuhisa Sugiyama
Toshio Suzuki	Takayuki Tomioka	Koji Furuse	Ikuo Okuwaki
Takayuki Akiyama	Tsuyoshi Ito	Akio Inoue	Takuji Imagawa
Yasuyuki Onishi	Kenji Okamura	Naoyuki Suzuki	Hidefumi Takenaka
Jun Nakamura	Shinji Nishikawa	Katsunori Hanato	Masato Yanou

Management Structure

<https://www.obayashi.co.jp/en/company/governance/statement.html>

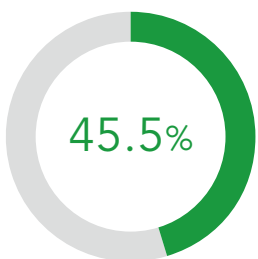
Obayashi believes that transparency and sound management, along with a strong corporate governance framework, are critical to maintaining society's trust. By enhancing corporate governance, we are also able to achieve sustainable growth and greater corporate value over the medium-to long-term. One specific aspect is to engage in transparent, fair, rapid, and resolute decision-making. Such decision-making is always based on the principles of Japan's Corporate Governance Code as set out by the Tokyo Stock Exchange, laws and regulations, and society's expectations.

Main Initiatives to Enhance Corporate Governance

		FY2004	FY2005	FY2007	FY2013	FY2015	FY2018	FY2020	FY2021	FY2022
Members of the Board	Number of Directors		Up to 50 → Up to 15							
	Term			2 years → 1 year						
	Independent directors				0 → 1	1 → 2	2 → 3	3 → 5		
Separation of supervision and business execution			Introduction of the executive officer system							
Outside Audit & Supervisory Board members		2 → 3 persons								
Officers' remuneration						Introduction of performance-linked stock remuneration system			Revision of system in general	
Committees, etc.	Recommendation Committee and Remuneration Committee		Newly established				Reconfigured so that independent directors make up a majority of members and an independent director chairs each committee			
	Sustainability Committee									Newly established
	Directors' Roundtable Meeting									Newly established

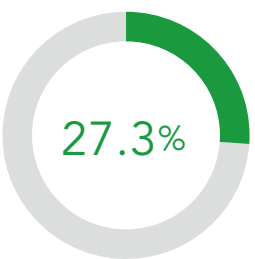
Ratio of independent directors on Board of Directors

5/11 members



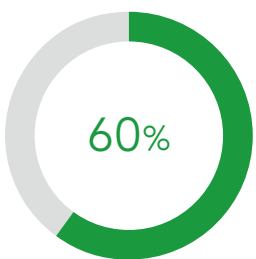
Ratio of female directors on Board of Directors

3/11 members



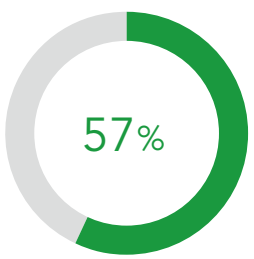
Ratio of independent directors on the Recommendation Committee

3/5 members



Ratio of independent directors on the Remuneration Committee

4/7 members



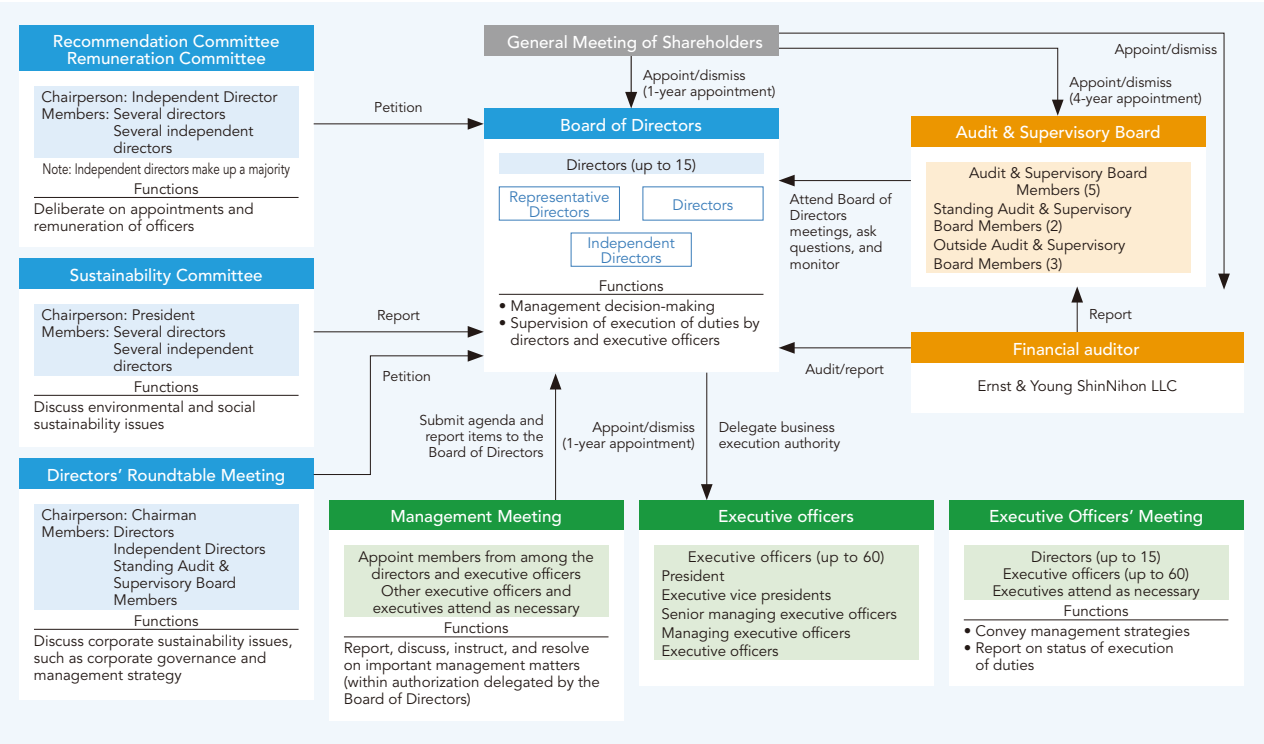
Management Structure

Corporate Governance Framework

Obayashi has a General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, financial auditor, and other statutory bodies. Additionally, we have established systems for making management decisions and conducting appropriate audits. We practice precise and swift decision-making through our executive officer system and Management Meeting. The latter is composed of members appointed from among the directors and executive officers.

The Company has appointed five independent directors and three outside Audit & Supervisory Board members, none of whom has any conflicts of interest with general shareholders. The independent directors offer advice to improve management efficiency and supervise overall business management from a standpoint that is independent of the Company. Outside Audit & Supervisory Board members conduct third-party checks independent of management. Both have a role to play in ensuring effective corporate governance.

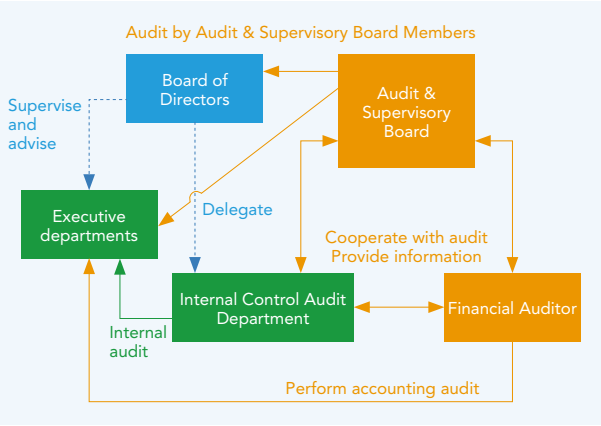
Management Structure (As of July 1, 2023)



Audits by Audit & Supervisory Board Members, Financial Auditor, and Internal Audit Arm (Three-Way Auditing)

The Audit & Supervisory Board members and financial auditor each conduct audits from their independent standpoints. Audit & Supervisory Board members receive reports and briefings as required from the financial auditor. The two parties also share information and opinions as appropriate to help further increase the effectiveness of audits. Meanwhile, the Internal Control Audit Department, Obayashi's internal audit arm, is responsible for audits to monitor the effectiveness of internal control and the execution of duties by each department. Such audits are performed according to Obayashi's Internal Audit Regulations and are separate from audits by the Audit & Supervisory Board members and financial auditor. The Audit & Supervisory Board members and the Internal Control Audit Department also share information and opinions as appropriate to improve the effectiveness of audits.

Three-Way Auditing



Recommendation Committee and Remuneration Committee

■ Recommendation Committee

The Recommendation Committee is chaired by an independent director and comprises five members: two directors and three independent directors including the chair. The Recommendation Committee deliberates on the selection of directors and submits the results of its deliberations to the Board of Directors. This structure is intended to clarify the officer selection process, while ensuring transparency and objectivity.

With particular regard to the appointment or dismissal of the president, the Recommendation Committee regularly evaluates the succession plan (appointment and dismissal criteria, selection criteria and training policy for successor candidates, and other elements) and whether that plan is being properly implemented, and submits the results of its deliberations to the Board of Directors.

The Recommendation Committee suggests people with a thorough knowledge of the business fields in which the Group is involved as candidates for executive director. It also recommends people with insight and considerable experience in corporate management as candidates for independent director, and people with diverse expertise as candidates for outside Audit & Supervisory Board member. The selection of directors is based on an individual's attributes in terms of their character, their insight, and their talent, and whether they are capable of significantly contributing to the Company's business development. Diversity-related factors, such as gender and internationality, are also taken into consideration.

Operating guidelines for the Recommendation Committee stipulate the criteria and procedure for appointing and dismissing Company directors other than the president. If an

officer is considered to be potentially unfit for the job, the committee will discuss whether that officer should be dismissed in accordance with stipulated guidelines.

The Recommendation Committee met six times in FY2022.

**Key agenda items in FY2022**

- Review of criteria for appointing and dismissing the president, and of succession plan
- Evaluation of the president's reappointment based on the above criteria (discussion conducted without the president in attendance)
- Evaluation of candidate training for president
- Recommendation of FY2023 candidates for director and Audit & Supervisory Board member

■ Remuneration Committee

The Remuneration Committee is chaired by an independent director and comprises seven members: three directors and four independent directors including the chair. The committee deliberates on issues relating to officer remuneration and submits the results of its deliberations to the Board of Directors. This structure is intended to clarify the process for determining the amount of officer remuneration, while ensuring transparency and objectivity.

The Remuneration Committee considers the need to continuously review the remuneration system, debates potential revision proposals, and determines remuneration amounts for the upcoming fiscal year after evaluating such factors as the level of achievement of performance indicator targets by individual directors and executive officers.

The Remuneration Committee met twice in FY2022.

**Key agenda items in FY2022**

- Performance-linked remuneration based on FY2021 corporate results and individual performance
- FY2022 performance indicators for individual officers
- FY2023 basic remuneration for officers
- FY2023 performance-linked remuneration system for officers

Sustainability Committee and Directors' Roundtable Meeting

The Sustainability Committee is chaired by the president and comprises five members: the president, two directors, and two independent directors. The Directors' Roundtable Meeting is headed by the chairman of the Board and comprises 13 members: the chairman, five directors, five independent directors, and two standing Audit & Supervisory Board members. The Sustainability Committee examines and discusses environmental and social sustainability issues as an advisory body to the Board of Directors.

The Directors' Roundtable Meeting is a body that sits under the Board of Directors and examines and discusses corporate sustainability issues, such as corporate governance and management strategy. Discussing sustainability-related

issues at Board meetings based on the deliberations conducted in both the committee and roundtable helps ensure the effective and efficient monitoring, supervision, and involvement of the Board in sustainability issues, and assists with the formation of management policies that accurately capture the business environment.

**Key items examined in FY2022**

**Sustainability Committee**

- Determination of the material issues for the Obayashi Group
- Review of achievement of KPIs for each material issue in the first half of FY2022
- Monitoring of efforts to reduce greenhouse gas emissions

**Directors' Roundtable Meeting**

- Business portfolio strategy

Establishment and Operation of an Internal Control System

Obayashi has established and operates an internal control system based on Japan's Companies Act and Ordinance for Enforcement of the Companies Act. The purpose of the system is to ensure appropriate business operations throughout the

Group. The relevant departments conduct an annual self-inspection of the operational status of this system. The Board of Directors discusses the results of these inspections and monitors the system to ascertain its appropriate operation.

Management Structure

Director Expertise and Experience (Skill Matrix) and Committee Participation and Attendance

Name	Tenure	Expertise and experience related to business areas			Expertise and experience related to management administration and executive supervision									Committee participation and attendance <sup>1</sup>				Reasons for appointment and expected role
		Building construction	Civil engineering construction	New business	ICT/Digital	Business development	Public relations	Finance and accounting	Legal affairs Compliance Risk management	Global knowledge	ESG Sustainability	Corporate management		Recommendation Committee	Remuneration Committee	Sustainability Committee	Directors' Roundtable Meeting <sup>2</sup>	
Takeo Obayashi	40 years									●		●		○	○	○	◎	Since assuming the director position in 1983, Mr. Obayashi has been involved in the management of the Company as a member of the Board of Directors. He plays an important role for corporate governance, prompting members of the Board of Directors including independent directors to discuss freely and striving to manage meeting agendas to have constructive discussions, and other as chairman of the board. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Kenji Hasuwa	8 years		●	●		●						●		○	○	◎	○	Since assuming the executive officer position in 2010, Mr. Hasuwa has held the positions of senior general manager-in-charge of Civil Engineering Construction Division at Tokyo Main Office, senior general manager of Technology Division, and head of Technology Business Development Division (responsible for overseeing new businesses including renewable energy business), and has been responsible for the Group's construction, technology, and new business divisions. He has demonstrated strong leadership as representative director and president since March 2018, contributing to improving the Group's corporate value. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Atsushi Sasagawa	2 years	●				●				●		●					○	Since joining the Company, Mr. Sasagawa has engaged in building construction business. Ever since assuming the executive officer position in 2015, he has held the positions of head of the Yokohama Branch Office and head of the Building Construction Division at the Osaka Main Office. He is currently responsible for overall building construction as executive vice president, and is serving as head of the Marketing Division and the Tokyo Main Office. He also assumed the director position in 2021 and has participated in the Company's management as representative director since April 2023. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Akinobu Nohira	1 year		●			●						●					○	Since joining the Company, Mr. Nohira has engaged in the civil engineering construction business. Ever since assuming the executive officer position in 2016, he has held positions of head of Civil Engineering Construction Division, and others. He is currently responsible for overall civil engineering construction business as executive vice president, and is serving as head of Safety Division. He also assumed the director position in 2022 and has participated in the Company's management as representative director since April 2023. (Status of attendance at Board of Directors meetings in FY2022: 13/13 Attendance rate: 100%)
Toshihiko Murata	5 years	●				●						●					○	Since joining the Company, Mr. Murata has engaged in building construction business. Ever since assuming the executive officer position in 2012, he has held the positions of head of Building Construction Division, head of Tokyo Main Office, and others. He is currently serving as executive vice president, and head of the Osaka Main Office, among others. He also has participated in the Company's management as director since 2018. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Toshimi Sato	5 years			●	●		●	●	●	●	●	●			○	○	○	Since the joining of the Company, Mr. Sato has engaged in overseas administrative work. Ever since assuming the executive officer position in 2017, he has been responsible for corporate management planning, human resources, finance and accounting, and others. He is currently serving as executive vice president, responsible for overall administration. He also has participated in the Company's management as director since 2018. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Naoki Izumiya Independent Director <sup>3</sup>	5 years			●			●					●		◎	○		○	Mr. Izumiya has considerable experience, excellent capabilities, knowledge, and character gained through many years of involvement in the management of the Asahi Group. Obayashi has appointed him in the expectation that he can provide advice and suggestions important for the decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with corporate management experience, such as serving as CEO, and based on his abundant knowledge of business strategy formulation, and others. He is expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors, chairperson of the Recommendation Committee, and a member of the Remuneration Committee. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Yoko Kobayashi Independent Director <sup>3</sup>	3 years			●	●	●	●		●			●		○	◎		○	Ms. Kobayashi has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of the NTT Group. Obayashi has appointed her in the expectation that she can provide advice and suggestions important for the decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with experience in managing a company-building a social infrastructure, and based on her abundant knowledge about entry into new businesses and ICT strategies, and others. She is also expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors, chairperson of the Remuneration Committee, and a member of the Recommendation Committee. (Status of attendance at Board of Directors meetings in FY2022: 14/15 Attendance rate: 93%)
Masako Orii Independent Director <sup>3</sup>	3 years			●			●		●		●	●		○		○	○	Ms. Orii has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of the Suntory Group. Obayashi has appointed her in the expectation that she can provide advice and suggestions important for the decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from the Company, and based on the abundant knowledge about ESG management, and others. She is expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors, Recommendation Committee, and Sustainability Committee. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Hiroyuki Kato Independent Director <sup>3</sup>	2 years			●						●		●			○		○	Mr. Kato has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of Mitsui & Co., Ltd. Obayashi has appointed him in the expectation that he can provide advice and suggestions important for the decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from the Company, and based on his abundant knowledge in the energy field, and others. He is also expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors and Remuneration Committee. (Status of attendance at Board of Directors meetings in FY2022: 15/15 Attendance rate: 100%)
Yukiko Kuroda Independent Director <sup>3</sup>	1 year			●						●	●	●			○	○	○	Ms. Kuroda has considerable experience, excellent capabilities, knowledge, and character gained through involvement in the management of People Focus Consulting Co., Ltd., which she founded. Obayashi has appointed her in the expectation that she can provide advice and suggestions important for the decision-making regarding Obayashi's management policy and business strategy, from the viewpoint of a person with corporate management experience in a business area different from the Company, and based on her abundant knowledge in sustainability and organizational development, and others. She is also expected to contribute to the operation and supervision of the Company's corporate governance from a third-party standpoint as a member of the Board of Directors, Remuneration Committee, and Sustainability Committee. (Status of attendance at Board of Directors meetings in FY2022: 13/13 Attendance rate: 100%)

1. For each committee, ◎ Indicates the chair and ○ Indicates members  
2. Comprised of 13 members including two standing Audit & Supervisory Board members  
3. An Outside Director as per Article 2, Section 15 of Japanese Companies Act

Note: The above categories of expertise and experience required of the Board of Directors have been set based on the following two perspectives:

- Expertise and experience related to business areas (from Building construction through New business)
- Expertise and experience related to management administration and executive supervision (from ICT/digital through Corporate management)

For independent directors, particular emphasis is placed on expertise and experience related to management administration and decision-making pertaining to business expansion and withdrawal (New business and Corporate management).

Training of Directors and Audit & Supervisory Board Members

The Company's directors make important management decisions and supervise the management of business. Audit & Supervisory Board members audit the execution of duties by directors, executive officers, and employees. Members of both bodies continually update their relevant knowledge and skills.

All directors, Audit & Supervisory Board members, and executive officers take a training course each year led by outside instructors. The course covers corporate governance, business

risk management, sustainability, and other topics. We provide other training opportunities for directors and Audit & Supervisory Board members as necessary. Such training may include participation in external seminars. Audit & Supervisory Board members regularly participate in external workshops to increase their understanding of their role and duties and to acquire the knowledge they need to perform those functions.



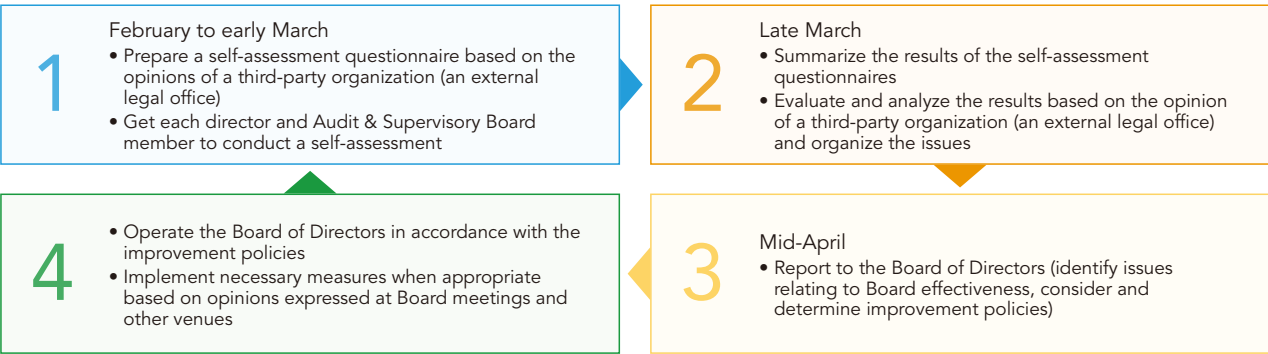
Management Structure

Evaluating the Effectiveness of the Board of Directors

Method

Once a year, Obayashi conducts an evaluation and analysis of the effectiveness of the Board of Directors as a whole. The results are reported to the Board of Directors and reflected in subsequent operations. Specifically, each director and Audit & Supervisory Board member fills out a self-assessment questionnaire. We take the results of the questionnaires into account when conducting analysis and evaluation of the effectiveness of the Board of Directors as a whole with the advice

PDCA Cycle



FY2022 Results

In FY2022, we confirmed that the Board of Directors continued to function effectively as a whole. Based on the results of the evaluation and analysis, we have made improvements, such as further enhancing opportunities for deliberation and discussion pertaining to the management strategies and management policies that should be focused on in Board meetings.

With regard to the role of the Board of Directors and the

of an external legal office. The self-assessment questionnaire evaluates the Board of Directors’ size, composition, method of operation, status of deliberations, support systems for effectiveness evaluations, and more. The questionnaire is reviewed every year based on the opinions of an external legal office as well as changes in the role that the Board of Directors is expected to play and other factors.

method of its operation, in addition to making improvements based on the results of the effectiveness evaluation, we will continue to improve the effectiveness of the Board of Directors by considering and implementing necessary measures as appropriate based on the opinions of individual directors and Audit & Supervisory Board members.

Issues Identified in the Evaluation of Board Effectiveness and Measures Taken

Identified issues	Measures taken and improvement policies
Need to review the proportion of remuneration linked to medium-to long-term business performance to provide a better incentive for executive directors to strive to improve business performance (FY2020)	Introduced remuneration KPIs linked to the management indicators included in Medium-Term Business Plan 2022 and increased the proportion of performance-linked remuneration to create better incentives for improving business performance and increasing corporate value (FY2021)
Not enough time for thorough discussion due to the increased number of business execution matters to be discussed as business scale expanded (FY2020, FY2021, FY2022)	<ul style="list-style-type: none"><li>Revised the number of Board meetings from 14 to 15 times a year (FY2021)</li><li>Revised the standards for the referral of items for discussion to the Board of Directors (FY2022)</li><li>Expanded time for discussing management strategies and other issues by establishing the Directors’ Roundtable Meeting (FY2022)</li></ul>
Need to improve the transparency and objectivity of succession plans for the chief executive officer and other positions (FY2021)	Reviewed the operating procedures for the appointment and dismissal of the president and successor planning (FY2022)
Need to strengthen board supervision of intangible assets, such as human capital and intellectual property (FY2022)	Discussion planned on this issue going forward in the Board of Directors and Directors’ Roundtable Meeting
Need to improve board effectiveness in addressing environmental and social sustainability issues (FY2022)	Sustainability Committee expected to identify environmental and social sustainability issues (risks and business opportunities) and to deliberate on how best to respond, followed by Board of Directors discussion based on the results of those deliberations

Officer Remuneration

Our basic policy on remuneration for each director and executive officer is to provide basic remuneration, a fixed amount that is determined in advance commensurate to the responsibilities of each position, and in addition determine the amount and other aspects of performance-linked cash remuneration (bonus) and performance-linked stock remuneration for each fiscal year in accordance with each person’s actual contribution to business performance. The purpose of this basic policy is to secure

outstanding human resources and provide an incentive to each director and executive officer to improve earnings and enhance corporate value.

Specifically, for basic remuneration (fixed cash remuneration), the Board of Directors sets forth a table of remuneration for each position following deliberation by the Remuneration Committee (chaired by an independent director, and of which independent directors make up a majority of the

membership). At the end of each fiscal year, the Remuneration Committee uses that table to determine the remuneration of each director and executive officer for the next fiscal year. The goal of performance-linked cash remuneration (bonus) is to incentivize contributions to improving business performance for each fiscal year and enhancing corporate value. Individuals are evaluated based on predetermined Group-wide and individual performance indicator targets. Cash bonuses are paid once a year to directors and executive officers (excluding independent directors) based on the degree of achievement of the performance indicator targets.

The cash remuneration given to directors (the combined amount of basic remuneration and bonuses) is capped at ¥720 million per year in accordance with a resolution of the 117th Ordinary General Meeting of Shareholders held on June 24, 2021.

The performance-linked stock remuneration system is intended to incentivize contributions to improving business performance mainly over the medium to long term, as well as corporate and shareholder value. The system distributes Obayashi shares to directors and executive officers (excluding independent directors and individuals residing overseas) based on the duties associated with each position and the degree of achievement of predetermined performance indicator targets. The system covers both fixed provision stock remuneration, in which the individual receives a predetermined number of shares commensurate to the duties associated with their position, and

variable stock remuneration, in which the number of shares received depends on the degree of achievement of performance indicator targets. Variable stock remuneration is itself divided into two parts: short-term performance-linked stock remuneration (number of shares based on the degree of achievement of short-term performance indicator targets) and medium- to long-term performance-linked stock remuneration (number of shares based on the degree of achievement of medium- to long-term performance indicator targets).

Obayashi has stipulated in its internal rules that, if a director or executive officer with the right to receive the stock remuneration vested upon retirement is found to have committed an act of material violation, including a material breach of the duties of their position or the Company’s internal rules, that person may be required to return the said remuneration.

The basic policy on Audit & Supervisory Board member remuneration is to set an amount required to secure outstanding talent. The ultimate aim of this policy is to ensure the effective functioning of corporate governance. Remuneration standards are established in advance through discussions by Audit & Supervisory Board members. They are set separately for standing (full-time) members and outside (part-time) members. Remuneration is determined in line with those standards, capped at ¥10 million per month in accordance with a resolution of the 101st Ordinary General Meeting of Shareholders held on June 29, 2005.

Example Breakdown of Officer Remuneration

Category of remuneration	Fixed remuneration	Short-term performance-linked remuneration		Medium-to long-term performance-linked remuneration	
	Monthly cash remuneration (Independent directors: fixed remuneration only)	Short-term performance-linked cash remuneration (Bonus)	Short-term performance-linked stock remuneration	Medium-to long-term performance-linked stock remuneration	Fixed provision stock remuneration <sup>2</sup>
Proportion of remuneration <sup>1</sup> (Example: President)	Approx. 60%	Approx. 15%	Approx. 10%	Approx. 15%	0%

1. Assuming 100% achievement of each KPI  
2. Stock-based remuneration is paid at the time of retirement. Fixed-provision stock remuneration is positioned as performance-linked remuneration because the share price fluctuates in accordance with medium-to long-term performance and, as such, the value received at the time of retirement will increase or decrease. This remuneration is reserved for executive officers who do not also serve as directors.

Performance Indicators for Performance-Linked Remuneration (Example: President)

Category of remuneration	Key performance indicators (KPI)
Short-term performance-linked cash remuneration (Bonus)	Consolidated operating income, profit attributable to owners of parent per share (EPS)
Short-term performance-linked stock remuneration	Consolidated operating income, profit attributable to owners of parent per share (EPS)
Medium-to long-term performance-linked stock remuneration	Consolidated operating income, total shareholder return (TSR), ESG indicators (Reduction in CO <sub>2</sub> emissions, number of fatal accidents and serious injuries, employee satisfaction rate)

Total Remuneration for Directors and Audit & Supervisory Board Members (FY2022)

Position	Total amount of remuneration (Millions of yen)	Total amount by type of remuneration (Millions of yen)			Number of eligible officers
		Basic remuneration (Cash remuneration)	Performance-linked cash remuneration (Cash remuneration)	Performance-linked stock remuneration (Non-cash remuneration)	
Directors (Independent directors)	724 (61)	509 (61)	80 (—)	135 (—)	14 (6)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	98 (34)	98 (34)	— (—)	— (—)	8 (5)

Note: The above includes two directors (including one independent director) and three Audit & Supervisory Board members (including two outside Audit & Supervisory Board members) who stepped down at the conclusion of the 118th Ordinary General Meeting of Shareholders held on June 23, 2022.

Remuneration for Financial Auditor (FY2022)

Category	Remuneration for audit certification services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Obayashi Corporation	113	38
Consolidated subsidiaries	85	—
Total	199	38

Stakeholder Engagement

Obayashi’s business activities are conducted based on a variety of different relationships with stakeholders. To continue operating as an enterprise that enjoys the trust of its

stakeholders, we seek to incorporate the opinions and requests that we receive from them into our corporate management in order to fulfill the expectations and demands of society at large.

Specific Communication Tools for Each Type of Stakeholder

For stakeholders	Main methods of engagement
<b>Clients</b> <ul style="list-style-type: none"><li>Provision of quality buildings, infrastructure, and services that satisfy our clients through consistent quality control based on a quality management system</li><li>Development of cutting-edge technologies and provision of solutions to help meet the various needs of our clients</li><li>Provision of comprehensive support in the event of a disaster, from the compilation of business continuity plans (BCPs) to recovery construction</li></ul>	<ul style="list-style-type: none"><li>Marketing activities</li><li>Regular building inspections</li><li>Client satisfaction surveys</li><li>Website communication</li><li>Publication of the Obayashi Corporate Report</li><li>Management of information in accordance with the Customer Information Guidelines</li></ul>
<b>Shareholders and investors</b> <ul style="list-style-type: none"><li>Building of an effective corporate governance system</li><li>Payment of shareholder returns that reflect business performance, giving top priority to maintaining stable dividends over the long term</li><li>Timely and fair disclosure of information relating to our business</li><li>Creation of opportunities for honest and close communication with our stakeholders</li></ul>	<ul style="list-style-type: none"><li>Ordinary General Meeting of Shareholders</li><li>Publication of the Obayashi Corporate Report and disclosure of the Corporate Governance Report (Japanese only)</li><li>Financial results briefings for institutional investors and analysts</li><li>Individual meetings with institutional investors and analysts</li><li>Meetings with international institutional investors at investor conferences</li><li>Overseas investor relations activities</li><li>Construction site tours for institutional investors and analysts</li></ul>
<b>Employees</b> <ul style="list-style-type: none"><li>Development of work environments and systems based on respect for human rights and diversity that enable employees to play an active role and make the most of their individual characteristics and capabilities</li><li>Offering of skills development opportunities through various training programs and other means</li><li>Creation of comfortable work environments that protect the health and safety of our employees and establishment of frameworks to support their physical and mental health</li></ul>	<ul style="list-style-type: none"><li>Labor-management consultation</li><li>Intranet</li><li>Corporate Ethics Consultation and Reporting System</li><li>Hotlines for employees seeking advice on mental health, nursing care, and other issues</li><li>Various training programs</li><li>Occupational Health and Safety Management System</li></ul>
<b>Suppliers</b> <ul style="list-style-type: none"><li>Adherence to fair transactions and strengthening of the bonds of trust as a partner that seeks to grow and develop with its suppliers</li><li>Respect for the human rights of workers and the creation of comfortable working environments that protect their health and safety</li></ul>	<ul style="list-style-type: none"><li>Procurement activities</li><li>Training materials on the CSR Procurement Guidelines</li><li>Questionnaires on the CSR Procurement Guidelines</li><li>Cooperation with Obayashi Rin-yu-kai</li></ul>
<b>Local communities</b> <ul style="list-style-type: none"><li>Proactive participation by individual employees in social contribution activities with the aim of bringing about a sustainable society</li></ul>	<ul style="list-style-type: none"><li>Tours of facilities and construction sites</li><li>Environmental education</li><li>Obayashi Foundation Scholarship Program</li><li>Fair and equitable tax payment</li><li>Matching Gift Program</li><li>Support for disaster-stricken areas</li></ul>

Status of Participation in External Initiatives

- TCFD Consortium
  - TNFD Forum
  - Japan Climate Initiative (JCI)
  - Japan Climate Leaders’ Partnership (JCLP)
  - Science Based Targets initiative
  - 30by30 Alliance for Biodiversity
- Human Capital Management Consortium
  - UN Global Compact
  - Japan Business Federation
  - Japan Federation of Construction Contractors
  - Japan Construction Occupational Safety and Health Association



The Obayashi Group is a participant in the UN Global Compact, a global framework for realizing a sustainable international community

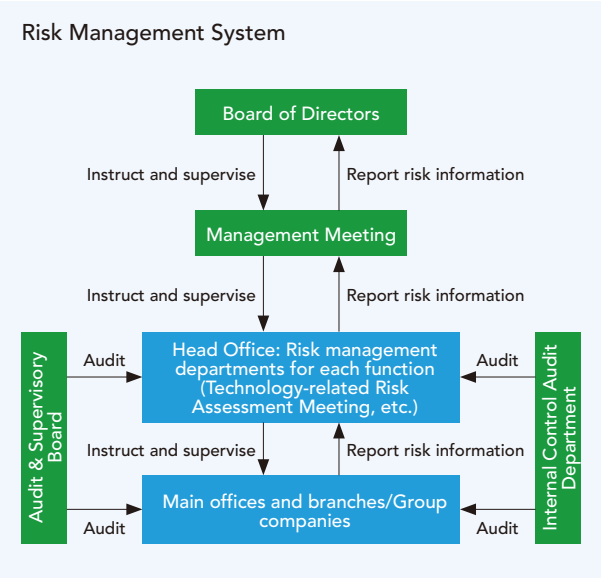
Risk Management

<https://www.obayashi.co.jp/en/company/governance/riskmanagement.html>

Risk Management System

Important decisions are referred to the Board of Directors and Management Meeting for discussion. These bodies determine and evaluate the risks related to each agenda item. They discuss whether the determined response to the potential manifestation of a particular risk is appropriate and make decisions accordingly.

In addition, each department assesses the risks inherent in its business processes and builds any necessary avoidance and mitigation measures into those processes. The Internal Control Audit Department, which is Obayashi’s internal audit arm, audits each department’s risk management efforts.



Information Security

Obayashi established an information security policy in FY2001 and started developing more detailed security measures. However, the way in which people use information systems is changing as digital technology advances and work style reforms progress, and external attacks on information systems are becoming increasingly sophisticated. Consequently, the Company’s policy was revised to become the Obayashi Group Information Security Policy in March 2021 to better deal with growing information security risk. The revision expands the scope of application to the entire Obayashi Group and ensures that the policy conforms with the unified standards of the National center of Incident readiness and Strategy for Cybersecurity (NISC). It adds measures to deal with new information technologies and devices that did not exist when the policy was first established.

This unified framework ensures the Group conforms with Japanese and overseas laws, regulations, standards, and other rules on information security frameworks including computer security incident response teams (CSIRT), training, auditing, and safety management measures. The new policy sets concrete standard measures with which Obayashi Group companies must

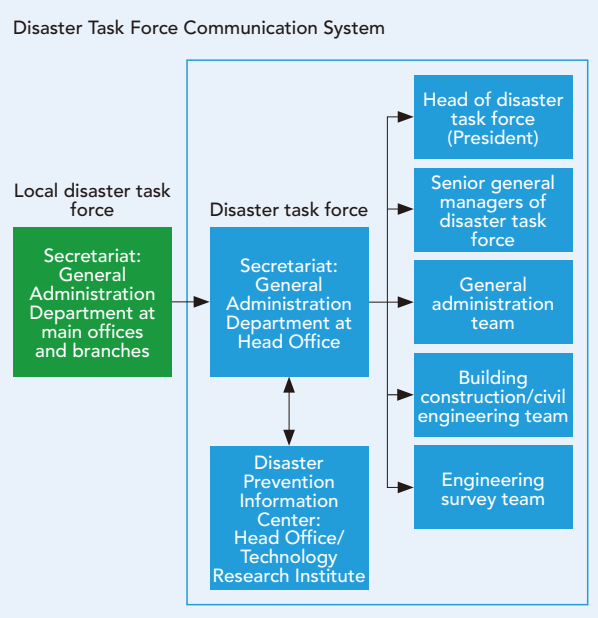
comply. We will work to raise the level of information security throughout the Group by implementing these practices.

Business Continuity Plan

The Obayashi Group has formulated a BCP to anticipate disaster risks, such as large-scale earthquakes, and is drafting and implementing measures to prevent business interruptions and to recover quickly in the event of a disruption. For example, in the event of an earthquake-related disaster, our computerized disaster response system automatically sends a request for information to all relevant parties to confirm the safety of employees as well as the extent of damage at construction sites, Company facilities, Group companies, suppliers, and subcontractors. Those parties then report back on the situation. These practices make it easier to swiftly grasp the extent of any damage and implement measures to restore infrastructure at the earliest possible opportunity.

To ensure that the Company is prepared to set up a disaster task force and carry out recovery activities on an organizational basis in the event of a large-scale disaster, it conducts drills based on a variety of damage scenarios with the participation of all employees of the Group, suppliers and subcontractors, and other relevant parties.

Based on the assumption that a major inland earthquake might occur in the Tokyo Metropolitan area, in FY2022 we conducted initial response training for the purpose of establishing a disaster task force in main offices and branches outside Tokyo. We also practiced contacting clients through new communication methods.





## Risk Management

### Responding to Business and Other Risks

	Risks	Domestic Construction	Overseas Construction	Real Estate Development	Green Energy	New Business Initiatives	Response
Impact of legal regulations on business	Impact including potential costs incurred in responding to the amendment, abolition, establishment of laws and regulations, or changes in applicable standards and others	○	○	○	○	○	<ul style="list-style-type: none"> <li>Encourage each business department, the Legal Department, and other internal organizations to continually monitor trends in the establishment, amendment, and abolition of legal regulations</li> <li>Appropriately reflect the accompanying costs in estimated costs and revenue and expenditure forecasts</li> </ul>
Construction market trends	Decrease in construction orders and other effects when an economic recession or other event causes the construction market to shrink	○	○				<ul style="list-style-type: none"> <li>Formulate human resource plans that anticipate market trends</li> <li>Strengthen marketing and procurement capabilities</li> <li>Improve productivity and expand construction capabilities through technological development</li> <li>Diversify revenue sources by expanding business domains</li> <li>Build a solid financial position</li> </ul>
Construction work defects, serious accidents, and others	Deterioration in business performance and corporate reputation caused by serious defects or accidents	○	○				<ul style="list-style-type: none"> <li>Establish a strict quality management system</li> <li>Operate a thorough safety management system through the Safety Division</li> <li>Use insurance to hedge risk</li> </ul>
Client/supplier credit risk	Difficulty collecting funds or delay in business due to uncertain credit of a client, supplier, subcontractor, or other business partner	○	○	○	○	○	<ul style="list-style-type: none"> <li>Conduct thorough credit checks before and during transactions</li> <li>Receive payment and pay subcontractors for construction work in proportion to the amount of work completed in the construction business</li> </ul>
Changes in construction material prices and labor unit prices	A decline in profit margins caused by a sudden rise in material prices or labor costs, or a delay in construction due to difficulties with procuring materials or shortage of skilled workers, and any associated damage compensation	○	○				<ul style="list-style-type: none"> <li>Maintain a level of orders that accurately reflect the construction capacity of the Group, including suppliers and subcontractors</li> <li>Ensure early purchase of materials</li> <li>Calculate estimated costs by determining accurate costs that include future predictions</li> <li>Build a stable supply chain</li> <li>Develop labor-saving automation technologies and machinery</li> </ul>
Fluctuation of asset prices	The recognition of valuation or impairment losses and others caused by a significant decline in the market value of real estate holdings, investment securities, and other assets			○			<ul style="list-style-type: none"> <li>Formulate investment plans considering the balance with the financial base</li> <li>Conduct stricter advance screening by the Investment Committee and other bodies</li> <li>Regularly check the operation, business conditions, and market price of any entity acquired through investment</li> </ul>
Long-term business risks	A deterioration in earnings, loss and others due to costs incurred, or other issue resulting from a significant change in the business environment or a serious accident at a PPP project or a renewable energy project, which tend to have long time spans				○	○	<ul style="list-style-type: none"> <li>Formulate investment plans considering the balance with the financial base</li> <li>Conduct stricter advance screening by the Investment Committee and other bodies</li> <li>Appropriately share risks with business partners and subcontractors</li> <li>Use insurance to hedge risk</li> <li>Monitor the operational status of projects</li> </ul>
Risks in overseas businesses	A significant change in the business environment, such as political instability due to terrorism, conflict and others, fluctuation in economic conditions, sudden fluctuations in exchange rates, or changes in legal systems in countries where we do business		○	○			<ul style="list-style-type: none"> <li>Operate business in countries and regions with stable political climates</li> <li>Grasp conditions and respond in a timely manner at the North American and Asia-Pacific Regional Headquarters</li> <li>Receive payment for contracted work and pay subcontractors in the local currency</li> <li>Use forward exchange contracts to hedge risk</li> </ul>
Leakage of confidential information	Loss of social trust or payment of damages resulting from the leak of personal information or confidential information due to an external attack, fraud by employees, or other events	○	○	○	○	○	<ul style="list-style-type: none"> <li>Establish an information management system based on the Rules on Protection of Personal Information and the Information Security Policy</li> <li>Update security infrastructure based on the zero-trust concept</li> <li>Consistently implement training, awareness-building, and other human resource management measures</li> </ul>
Risks relating to large-scale natural disasters and infectious diseases	Damage to ongoing construction projects and functional paralysis at the head and main offices and branches, or other impacts of earthquakes, tsunامي, storms, floods, or other large-scale natural disasters, or the spread of a highly contagious infectious disease	○	○	○	○	○	<ul style="list-style-type: none"> <li>Formulate a BCP for each type of risk</li> <li>Offer consistent education and training</li> <li>Ensure a solid financial base that enables the Group to continue business even when business activities are significantly impacted</li> </ul>
Climate change risks	The introduction of a carbon tax, a rise in summer temperatures, intensification of natural disasters, or other such events	○	○	○	○	○	<ul style="list-style-type: none"> <li>Promote initiatives designed to reduce environmental impact as the Group strives to achieve the decarbonization target proclaimed in Obayashi Sustainability Vision 2050</li> <li>Support the recommendations of the TCFD and implement measures based on scenario analysis</li> </ul>

# Compliance

Obayashi constantly strives to ensure thorough awareness of corporate ethics and compliance and has declared its determination to uphold laws and regulations in the Company's Articles of Incorporation, which form the bedrock upon which to build a sound corporate culture. The Obayashi Code of Conduct also stipulates guidelines for ensuring strict adherence to corporate ethics, and the Company's senior management lead by example when promoting those corporate ethics.

## Promoting Our Corporate Ethics Program

Obayashi has established the Corporate Ethics Program to help prevent all forms of corruption. In doing so, the Company first formulated policies and standards, and established an organizational system. With this foundation in place, it introduced specific measures and now constantly verifies and improves the program, mainly by regularly checking the implementation of the policies and standards.

### – Policies and Standards for the Establishment of Corporate Ethics –

Articles of Incorporation	Obayashi Basic Principles
<b>Article 3 (Compliance and Sensible Course of Action)</b> In the Corporation each employee and board member shall observe laws and regulations, and maintain high ethical standards in their business activity. Particularly in regard to contracts for construction works, they should not take any action that would harm the equity and fairness of the tender, such as actions that violate the Penal Code and the Antimonopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade).	<b>(Ensure Strict Adherence to Corporate Ethics)</b> 1 Comply with laws and regulations and take a sensible course of action 2 Promote fair and free competition 3 Maintain appropriate relationships with stakeholders 4 Avoid all contact with antisocial forces 5 Ensure appropriate information disclosure and transparency of management

### – Structure to Ensure Strict Adherence to Corporate Ethics –

Corporate Ethics Committee	Corporate Ethics Officers (executive officers at the Head Office and Heads of main offices and branches) Corporate Ethics Promoters (affiliated department managers)
<b>Chairperson:</b> President <b>Members:</b> Several Directors Several executive officers Several external experts Head of the employees' union <b>Secretariat:</b> General Administration Department at Head Office	<b>The Obayashi Group Corporate Ethics Consultation and Reporting System</b> Three contact points (internal, external, direct to Audit & Supervisory Board members)

### – Introducing, Implementing, Verifying, and Improving Specific Measures to Establish Corporate Ethics –

Rules and Manuals for Individual Aspects of Corporate Ethics Practice	Training to Establish Corporate Ethics
<ul style="list-style-type: none"> <li>Antimonopoly Act Compliance Program</li> <li>Antisocial Forces Exclusion Program</li> <li>Obayashi Group Anti-Bribery Program</li> <li>Occupational Health and Safety Manual</li> <li>Harassment Prevention Guidelines</li> <li>etc.</li> </ul>	<ul style="list-style-type: none"> <li>Workplace training on corporate ethics</li> <li>External seminars for executives</li> <li>Training and workshops on different countries' laws and regulations and regional characteristics</li> <li>At Group companies, training based on the Obayashi Corporation textbook, with the content revised to suit the individual company's business field</li> </ul>
<b>Structure to Disseminate Corporate Ethics Standards, Measure the Extent of Adherence to Them, and Assess Their Efficacy</b> <ul style="list-style-type: none"> <li>Use of the Audit &amp; Supervisory Board's Bid-Rigging Monitoring Program and the Internal Control Audit Department's internal audits* to monitor Corporate Ethics Program implementation</li> <li>Monitoring from multiple aspects by the Corporate Ethics Committee                             <ol style="list-style-type: none"> <li>External experts perform third-party evaluation of Corporate Ethics Program implementation</li> <li>The head of the employees' union gathers union members' opinions about corporate ethics</li> </ol> </li> </ul> <p>* Internal Control Audit Department's internal audits                      Organizations covered: All organizations at Obayashi Corporation and all Obayashi Group companies                      Frequency of audits: Departments (or companies) to be audited in a particular fiscal year are selected from the above list based on a three-year medium-term audit plan and an annual audit plan.                      Purpose of audits: To contribute to improvement in business management by providing advice and recommendations as necessary, based on the examinations conducted in terms of the effectiveness and efficiency of business operations, compliance with relevant laws and regulations, etc.</p>	

## The Obayashi Group Anti-Bribery Program

Obayashi set up the Obayashi Group Anti-Bribery Program in April 2013 to prevent the bribery of public officials and other persons, both inside and outside Japan. The program encompasses the education of officers and employees. This includes, for example, conducting e-learning in local languages at bases overseas,

conducting appropriate selecting procedures at joint venture partners and other companies, and establishing consultation desks to help prevent fraudulent activities. No incidents of corruption or bribery have been identified since FY2017.

## Corporate Ethics Training in the Workplace

Obayashi conducts corporate ethics training in the workplace from April to May each year. The training, which uses textbooks prepared by the Corporate Ethics Committee Secretariat, is provided to all employees, including employees accepted on assignment, seconded employees, and part-time employees. The training is based on the Company's Articles of Incorporation and the Obayashi Code of Conduct for ensuring strict adherence to corporate ethics. The discussion-driven training is conducted by individual departments and uses specific incidents that could

occur in an employee's immediate environment relating to thorough compliance with Japan's Antimonopoly Act and other laws and regulations, the elimination of antisocial forces, the eradication of fraudulent accounting, and other issues. Going forward, we will continue to conduct corporate ethics training in the workplace to both ensure legal and regulatory compliance and encourage each and every employee to act sensibly and ethically.

## Corporate Ethics Consultation and Reporting System

Obayashi has established a Corporate Ethics Consultation and Reporting System for all people involved in Obayashi Group business, including Group employees, employees accepted on assignment, seconded employees, part-time employees, and people linked to suppliers and subcontractors. The system serves as a hotline for seeking advice or for reporting all types of

corporate ethics-related issues, such as misconduct or harassment in the workplace, legal and regulatory violations, and corruption and bribery. Every report is swiftly investigated. The findings of those investigations are then reported to the appropriate departments and necessary action is taken.

### Flow of Reporting through Each Contact Point

