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**OBUYASHI CORPORATION**  
**Summary of the Financial Results Briefing Conference**  
**for FY2023 3rd Quarter**  
**(April 1, 2023 to December 31, 2023)**

Online conference held on Monday, February 5, 2024, from 14:00 to 14:35

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**1. Financial Results for Third Quarter and Full-Year Forecast for FY2023**

An explanation was provided, based on the "FY2023 3rd Quarter Financial Results (April 1, 2023 to December 31, 2023)

**2. Main Questions and Answers**

**(1) Financial Results for Third Quarter**

Q: Provision for loss on construction contracts significantly declined in the third quarter. Was this decline as a result of progress in construction, or were there unusual factors, such as reversals due to recovery in profitability of projects for which provision had been recorded? The profitability of completed construction contracts in the domestic construction business stood at around 8% in the third quarter. Can we consider it as a normal level?

A: Provision for loss on construction contracts decreased not because of exceptional reversals, but as a consequence of progress in construction. The profitability of completed construction contracts of 8% is the current profit level. I would like to refrain from commenting on whether this is a normal level or not.

Q: How do you evaluate each business' performance in the third quarter compared with the plan?

A: As for the domestic civil engineering business, the profit level in the plan is the bottom line. It is expected to surpass the plan due to some additional changes to construction projects in hand and the progress of cost reduction. The domestic building construction business is progressing as initially planned except for the impact of the accident in Yaesu. The real estate development business is also going as initially planned. With regard to group subsidiaries, profit is growing in the overseas building construction business. Group subsidiaries both in North America and Asia are progressing better than initially planned.

**(2) Full-year Forecast**

Q: Regarding to the impact of the accident in Yaesu, may I ask you to confirm once again the reason why consolidated forecasts for the full year ending March 31, 2024 have not been

revised? Is it because you have made a decision that it is not necessary to revise them as a result of comprehensive consideration of other factors of the Company's business that may change, or is it because you do not know the size of the impact yet?

A: The former. Due to the uncertainty about the impact of the accident in Yaesu on our results, it is difficult to factor a precise amount into our forecasts at this point. However, as a result of the consideration', we have determined that we do not have to revise the full-year forecasts. Except for the impact of the accident in Yaesu, there are more positive factors than negative ones, such as increase in profit in the domestic civil engineering business and gain on sale of cross-shareholdings.

Q: You have said that the full-year consolidated forecasts remain unchanged as you factor in gain on sale of cross-shareholdings. Are we supposed to take into account factors, including the loss recognized in the third quarter in the overseas civil engineering business, and suspect that there is a risk that the operating income may fall short of the plan?

A: It is not easy to answer questions about operating income for the current fiscal year due to the uncertainty about the size of the impact of the accident in Yaesu. However profit in the domestic civil engineering business and the overseas building construction business is increasing than planned. After considering a comprehensive range of factors, including gain on sale of cross-shareholdings, we have made the decision not to revise the forecasts at this point.

Q: Operating income in the overseas building construction business for the third quarter amounted to 11.0 billion yen, showing strong performance compared to the full-year plan of 4.5 billion yen. Is it all right to think that the progress in construction by WEBCOR and the improved profitability in Singapore are the main contributors? Or do you expect any negative factors in the fourth quarter? Also, can we expect to continue to see this level of income in the next fiscal year?

A: Operating income in the overseas building construction business for the third quarter exceeded the full-year forecast. We anticipate no negative factors in the remaining three months and thus expect this business to end the fiscal year with operating income larger than the forecast. We are not able to give you forecasts for the next fiscal year at this point, but will work to aim for this level.

Q: Do the concerns over the collection of accounts receivable at a group subsidiary in the overseas civil engineering business, which resulted in the recording of the allowance for doubtful accounts, have impact on the third quarter only? How likely are they to have impact on the fourth quarter?

A: Though the level of the concerns may fluctuate somewhat, you may understand that they have been allowed for in the third quarter.

Q: General and administrative expenses significantly increased by the end of the third quarter. Do you expect them to exceed the full-year plan?

A: On a non-consolidated basis, general and administrative expenses are rising at a slightly higher pace as investment in technical development, in particular, was made ahead of schedule. However, we expect them to eventually be just as planned.

### **(3) Outlook for FY2024**

Q: Will the impact of the accident in Yaesu be a risk factor to reduce profit margins in the next fiscal year? If it will not be a risk factor, can we expect the profit margins of the domestic building construction business to recover in the next fiscal year?

A: Though the impact of the accident in Yaesu on profit and loss, and on construction period is still unknown, it is not necessary to assume that there will be a significant impact on the results of the next fiscal year. As for profit margins in the domestic building construction business in the next fiscal year, as we have explained before, a certain percentage of the projects for which we have recorded a provision for loss on construction contracts are in progress. We would thus appreciate it very much if you could wait until FY2025 to see profit margins recover.

Q: Regarding the response to the cap on overtime work hours, the achievement ratio of the KPI as of September 30, 2023 was 98.1%. What factors, if any, do you expect to increase cost from April 2024 onward?

A: We do not expect to suddenly incur a substantial cost in the next fiscal year as a result of our response to the revised Labor Standards Act of Japan. However, we think that it is necessary to closely monitor the increase in labor costs as the workers of suppliers and subcontractors are getting busier.

### **(4) Business Environment**

Q: May I ask you about the current competitive environment and profitability at the time of receiving orders?

A: As we continue to focus on profitability, profitability at the time of receiving orders is trending higher. It has recovered to pre-COVID levels. However, it has not yet reached the levels of 2016 to 2017.

Q: Orders received in the non-consolidated building construction business declined 8.2% year on year. Is my understanding correct that you are receiving orders with profitability considering the rise in construction cost as well?

A: We are continuing with order-taking efforts that focus on profitability. Partly due to the limitation of the construction capacity, the order progress rate in the third quarter was slightly less than 70%. Orders received for the full year are expected to be just the same as the forecast figure announced.

### **(5) Others**

Q: I believe that the resumption of the construction in Yaesu has given you a somewhat clearer view of the cost. What are the factors that still make it difficult to estimate the impact?"

A. The biggest reason for the uncertainty is the fact that the construction period is still undetermined. A delay in construction period will increase personnel expenses, lease expenses, and waiting costs. In addition, compensation for the delay will vary depending on the construction period. The construction period cannot be determined by us alone; we need to consult with the clients, suppliers, and subcontractors. At this stage, it is not even determined yet whether the construction period will be extended or not.

Q: Which will the impact of the accident in Yaesu be accounted for, as construction cost or as extraordinary loss?

A: We are considering to account through construction profit. However, it is not determined as we will be consulting the audit firm about it.

Q: What will be the agenda for the review of the Medium-Term Business Plan?

A: Since the formulation of the Medium-Term Business Plan, the business environment has changed dramatically, including rising prices and the accident in Yaesu. Despite these changes, we plan to maintain the current framework of the Medium-Term Business Plan. We are separately considering our capital policy as well.