

Obayashi Group

Medium Term Business Plan'12

FY2012 - FY2014



Obayashi Group Medium Term Business Plan '12

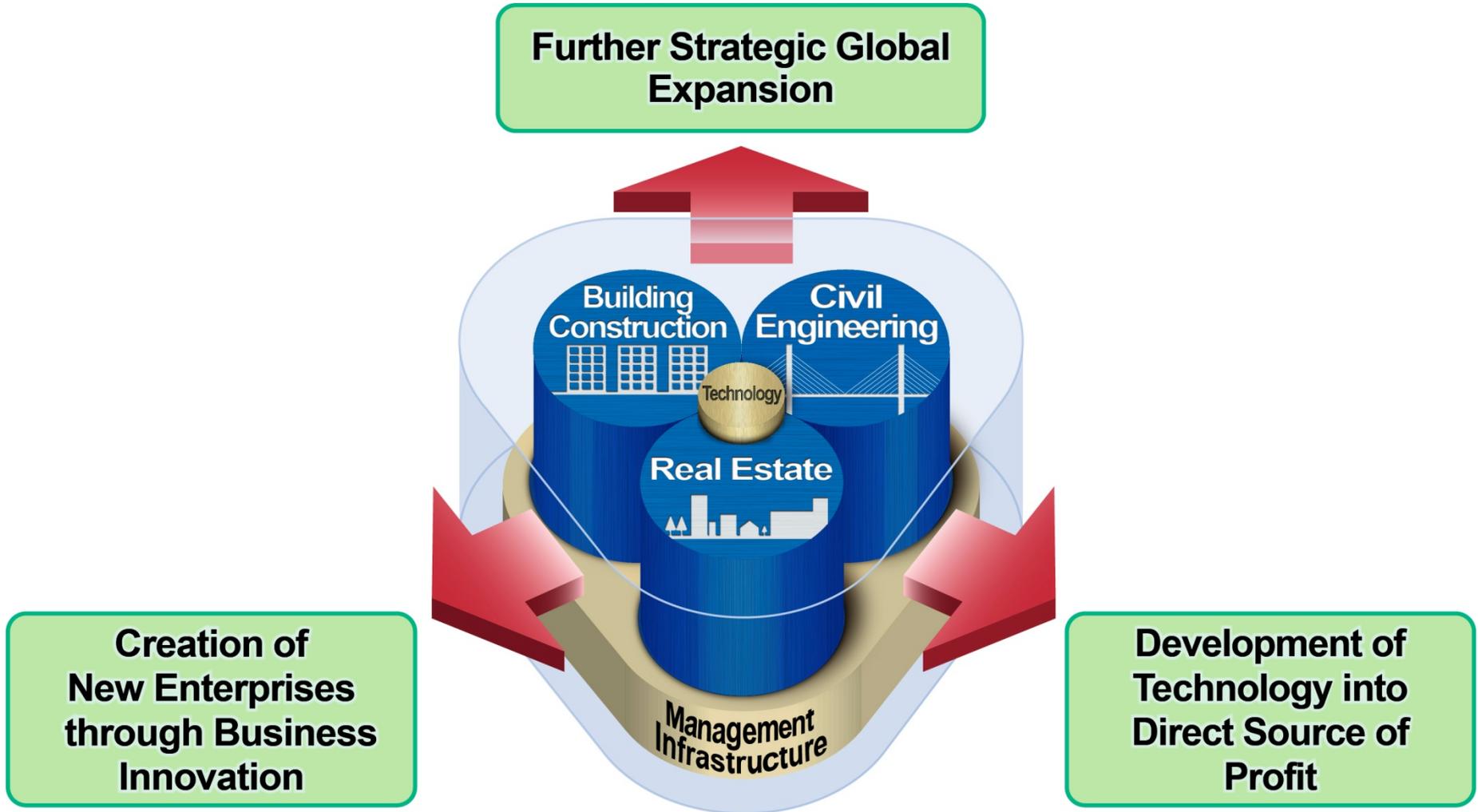
The Japanese economy faces unprecedented difficulties - fiscal reconstruction, spillover from the financial crisis in Europe, design of a new growth strategy, and recovery and reconstruction from the Great East Japan Earthquake.

Looking at the domestic construction market, demand has been sluggish and more and more capital investment by Japanese corporations – especially in the manufacturing sector – has been shifted out of Japan. Obayashi Group recognizes this market trend as one of the most challenging we have ever experienced.

Under these circumstances, Obayashi Group aspires to maintain its leading position in the construction industry. Moving forward, it is critical for Obayashi Group to implement new growth strategies, including advancing into new business areas in a swift and steady manner.

Obayashi Group, in commencing the 121st year from its foundation, launches this new Medium Term Business Plan '12(FY2012-2014).

Obayashi Group Medium Term Business Plan '12



In addition to **further growth** in its core businesses, Obayashi Group pursues **diversification of revenue structure**.

Obayashi Group strives to maintain and strengthen profitability in its core businesses – Building Construction, Civil Engineering and Real Estate – as well as to realize diversification of its revenue structure in the medium to long term.

*Three courses of action for
diversification of revenue structure*

- Further Strategic Global Expansion
- Creation of New Enterprises through Business Innovation
- Development of Technology into Direct Source of Profit

Overview of Consolidated Business Plan

	FY2011	FY2014 Plan (in 3 years)	Beyond FY2014
Net sales	¥ 1,245.7 B	¥ 1,500 B	Construction
Construction	¥ 1,170.1 B	¥ 1,400 B	<p>Share 30% 70%</p>
Domestic	86%	80%	
Overseas	14%	20%	
Real estate, etc.	¥ 75 .6B	¥ 90 B	¥ 30 B or more
New businesses	-	¥ 10 B	
Operating income (Operating Margin)	¥ 31.1 B (2.5%)	¥ 45 B (3.0%)	Operating income
Domestic construction	66 %	60 %	<p>Share 50% 50%</p>
Other than the above (Overseas construction, real estate, new businesses etc.)	34 %	40 %	
	*FY2007 – 2011 Average (excluding FY2009)		

Consolidated Target Indices for FY2014

	Target
Net Sales	JPY 1,500 Billion
Operating Income (margin)	JPY 45 Billion (3.0%)
Ordinary Income (margin)	JPY 47 Billion (3.1%)
Interest-bearing loan balance	JPY 360 Billion or less
Debt/Equity ratio	0.9 or less
Return on equity	8.0% or more
Dividend payout ratio	20% to 30%

FY2012~FY2014 Capital Expenditure Plan

		FY2012~2014	Average per year
Construction machinery and business facilities		JPY 15Billion	JPY 5Billion
R&D and ICT		JPY 40Billion	JPY13.3Billion
Real Estate Investment	Property for leasing	JPY 60Billion	JPY 20Billion
	Property for sale	JPY 15Billion	JPY 5Billion
Subtotal		JPY 75Billion	JPY 25Billion
Domestic and overseas new businesses		JPY 20Billion	JPY6.7Billion
Total		JPY 150Billion	JPY 50Billion

- Enhance business system and organization to boost up order share in Tokyo Metropolitan Area where construction investment is concentrated
- Take necessary actions to improve profitability as a core business unit
- Expand further Building Construction activities outside of Japan, especially in markets with substantial size and/or growth potential
(Target area: South East Asia, North America and Middle East)



TOKYO SKY TREE®

- Transform business system and organization to one suitable for the ever-changing civil engineering market in Japan

(Pursue business opportunities across the lifecycle of public infrastructure - planning, design, construction, O&M and upgrade/replacement)

- Actively participate in public infrastructure projects for disaster prevention and mitigation which provide for a safe and secure environment

- Expand further Civil Engineering activities outside of Japan, and stabilize profitability in existing overseas activities

(Target area: North America, Oceania, Middle East and Eastern Europe)



■ Bolster real estate leasing business and make it a stable & solid source of revenue

	FY2014 Target
Gross Profit	JPY12Billion (FY2011 JPY 7.5Billion)
	Increase by 60% from FY2011

■ Improve performance of portfolio by effective utilization of properties owned by the Group

(Prospective utilization: Site for renewable energy business,
Site for residential development)

■ Collaborate with Building & Civil Divisions for pursuit of synergies among business units

(Prospective areas for collaboration: Urban development project,
Tenant leasing support, and real estate-related solutions to client)



Engineering Services

- Enhance profitability by concentrating resources on fields with high market potential
(Facilities for Pharmaceutical, Food and Electronics / ICT / Environment / Contaminated soil remediation etc.)

Energy

- Enter into renewable energy business such as mega solar power generation
- Monitor closely circumstances surrounding nuclear energy in and out of Japan and prepare for necessary contributions



Business Innovation

- Initiate green business and environment protection-related business
- Take advantage of accumulation of technology and know-how to create new business venture
- Pursue strategic alliance and M&A for starting up new enterprises
- Develop new revenue schemes under PPP/PFI formats
(Consider entry to concession business)

Action Plans to Strengthen Management Infrastructure

Technology and R&D

- Advance technology-oriented business activities
- Promote R&D that enhances competitiveness in global markets
- Give high priority to R&D that contributes to recovery and reconstruction from the earthquake disaster, and disaster prevention and mitigation
- Promote R&D that contributes to realization of an environmentally friendly society in future generation



Action Plans to Strengthen Management Infrastructure

Information Communication and Technology (ICT)

- Implement effective and efficient ICT investment

Human Resource Management

- Develop self-motivated employees especially suited to managing global expansion

CSR・Environment

- Adhere to “Obayashi’s Vision, Values, and Commitments” in day-to-day operation
- Take proactive approach to environmental protection
(Implement action plans based on Obayashi Green Vision 2050)

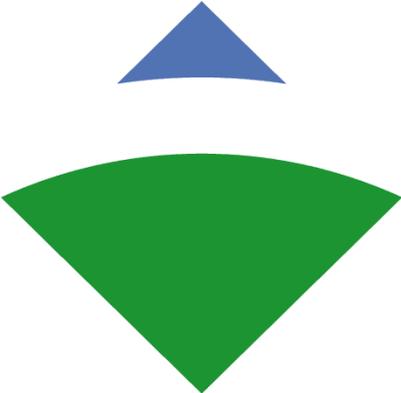
Risk Management

- Put effective risk management and BCP in place

Disclaimer

This Medium Term Business Plan, an English translation of the Japanese “Obayashi Group Chuki keiei keikaku ‘12”, contains predictions and forecasts regarding the future plans, strategies, and performance of Obayashi Corporation (hereinafter referred to as the “Company”) and the Obayashi Group. These statements are forward-looking statements based on assumptions and opinions made in light of information available to the Company at the time of release of the Japanese original on March 6, 2012, and are subject to risks and uncertainties related to economic trends, market demand, currency exchange rates, taxation and various other systems. Actual results may therefore differ materially from forecasts. If there is any discrepancy between this English translation and the Japanese original, the Japanese original will prevail.

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OBAYASHI

**Shaping the Times with
Care**