



OBAYASHI CORPORATE REPORT **2019**

Fiscal Year Ended March 31, 2019

Greeting

Since its founding, the Obayashi Group has held to the spirit of the Obayashi Three Pledges: Quality, Value, and Efficiency. We have played our part in society by exercising honest craftsmanship and employing superior technologies.

Society has diverse needs that will continue to change. The Obayashi Group will face these needs head on as we work sincerely to solve social challenges. Reaching beyond the framework of our existing business, we will continue to move forward unwaveringly as we aim to realize a sustainable society and enhance our corporate value.



Takeo Obayashi
Chairman
Representative Director



Kenji Hasuwa
President
Representative Director

Obayashi Basic Principles

Obayashi Philosophy

Obayashi's Vision and Mission in Society

A Leading Sustainability Company

- 1 Exercise honest craftsmanship with superior technologies and create new value in every space.
- 2 Care for the global environment and create solutions to social challenges as a good corporate citizen.
- 3 Value each person with a stake in our business.

By keeping these promises, Obayashi Corporation contributes to realizing a sustainable society.

Obayashi Code of Conduct

These guidelines help us realize the Obayashi Philosophy and continue being an enterprise trusted by all stakeholders

Fulfill our social mission

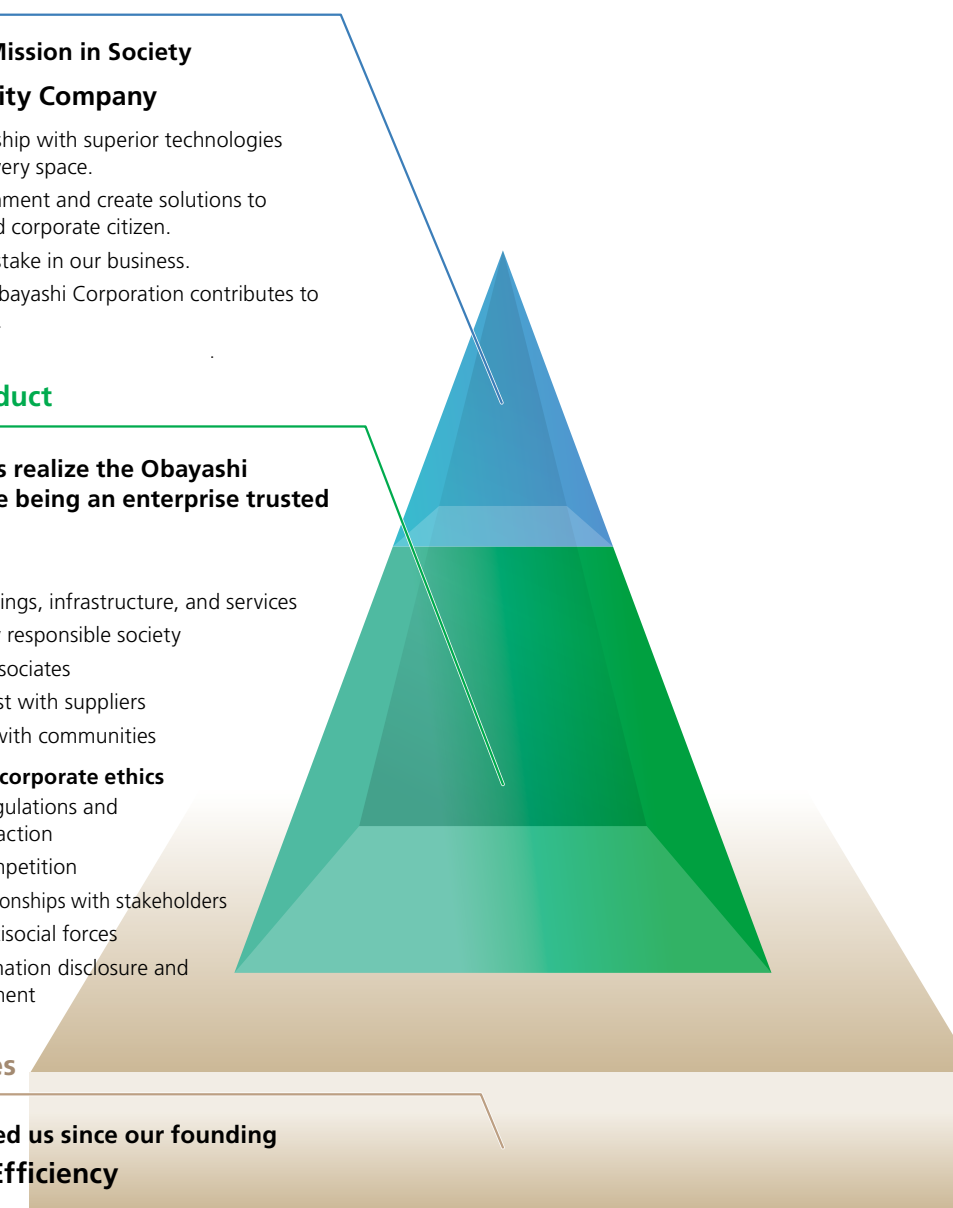
- (1) Provide high-quality buildings, infrastructure, and services
- (2) Foster an environmentally responsible society
- (3) Value every one of our associates
- (4) Build stronger mutual trust with suppliers
- (5) Build good relationships with communities

Ensure strict adherence to corporate ethics

- (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

Obayashi Three Pledges

The spirit that has guided us since our founding
Quality, Value, and Efficiency



CONTENTS

01 About Obayashi Group

- 01 Greeting
- 02 Obayashi Basic Principles
- 03 Our History
- 05 Our Business
- 07 Performance at a Glance
- 11 President's Message
- 15 Our Value Creation
- 17 Financial Review
- 19 Material Issues and KPIs

21 Business Report

- 21 Building Construction Business
- 25 Civil Engineering Business
- 29 Real Estate Development Business
- 31 New Businesses
- 33 Engineering Business
- 34 Nuclear Facilities Business / Robotics Business
- 35 Technology Development
- 37 Major Awards and Commendations

39 Sustainability Report

- 39 Sustainability Management
- 41 A Dialogue on Governance
- 45 Corporate Officers
- 47 Corporate Governance
- 54 Ensure Strict Adherence to Corporate Ethics
- 57 Provide High-Quality Buildings, Infrastructure, and Services
- 59 Foster an Environmentally Responsible Society
- 61 Value Every One of Our Associates
- 69 Build Stronger Mutual Trust with Suppliers
- 71 Build Good Relationships with Communities

73 Corporate Data

- 73 Consolidated Financial Summary
- 75 Group Network
- 77 Corporate Information / Stock Information
- 78 Editorial Policy

Our History

Founded in 1892, Obayashi's members have handed down its DNA of honest craftsmanship and technology. It has relied on that DNA to complete numerous projects emblematic of their era, including Tokyo Central Station (currently Tokyo Station), Kansai International Airport, Tokyo Bay Aqua-Line, and TOKYO SKYTREE®. Obayashi supported Japan's modernization and post-war reconstruction and helped build the infrastructure for the nation's growth into an economic powerhouse. Today the Obayashi Group aims to be increasingly active on the world stage. These pages trace the Obayashi Group's history over more than 120 years.



1914 Tokyo Central Station (currently Tokyo Station)



1931 The Main Tower of Osaka Castle under construction

1933 Construction of Osaka Subway



1956 Nukabira Dam Power Generation Development on the Tokachi River system in Hokkaido



1970 The Japan World Exposition (Theme Pavilion). Exposition theme: "Progress and Harmony for Mankind"



1964 Yoyogi National Stadium 2nd Gymnasium

1892–1945

Supporting Japan's Modernization and Laying the Cornerstone of the Construction Industry

Obayashi was founded as the "Obayashi Store," a civil engineering and building construction contractor, in 1892. The demand for factory construction with the yarn spinning boom of the time gave a big boost to Obayashi's business in the early years. Subsequently, Obayashi entered the market to construct large factories and offices as well as infrastructure construction projects like ports and railroads. Having grown into one of Osaka's premiere construction companies, Obayashi went on to establish a foothold in Tokyo. This period started with the construction of Tokyo Central Station, completed in 1914. It constructed numerous concrete buildings after the Great Kanto Earthquake of 1923, thereby contributing to Tokyo's recovery. Obayashi's track record in public works and other projects grew in the 1930s and beyond, building it into a nationwide construction company.

1892 Yoshigoro Obayashi founds the "Obayashi Store" in Osaka

1904 Tokyo Office opened

1918 Obayashi Corporation founded

1946–1990

Business Expands with Construction of Infrastructure as a Foundation for Post-War Economic Development

During the post-war reconstruction era, the focus was on rebuilding government office buildings, schools, and hospitals. The 1950s and 1960s also brought Obayashi numerous projects for the public good, such as dams, power generation facilities, railroad networks, and station buildings. During these years, Obayashi endeavored to meet society's needs. Later, as construction technology progressed, more high-rise buildings were constructed. The Osaka Obayashi Building, completed in 1973, was the first high-rise tower in western Japan. Together with other projects, it kicked off an era in which Obayashi constructed many such towers in Tokyo and Osaka. In 1964, the same year as the Tokyo Olympics, Obayashi started expanding globally with the opening of its first overseas representative office in the Kingdom of Thailand. Then in 1970, the Tokyo Branch Office became the Tokyo Head Office and began overseeing business activities for all of Obayashi.

1949 First registration under Japan's Construction Business Act

1958 Listed on Osaka Securities Exchange (currently Osaka Exchange)

1960 Listed on Tokyo Stock Exchange

1965 Technical Research Institute opened in Kiyose City, Tokyo



1997 Tokyo Bay Aqua-Line



2012 TOKYO SKYTREE®



2011 Dubai Metro Project

1991–2016

Obayashi Increasingly Becomes a Global Company as It Takes on More Large-Scale Projects in Japan and Abroad

In the years following 1991, just as Obayashi was approaching its 100th anniversary, Japan's era of powerful economic growth was coming to an end. In spite of the slump in private demand, Obayashi still won a number of domestic landmark projects, including Kansai International Airport, Roppongi Hills Mori Tower, and TOKYO SKYTREE®. Outside Japan, the Company participated in large-scale projects like Taiwan's high-speed rail, the Hoover Dam Bypass bridge over the Colorado River, and the Dubai Metro. This era also saw increasing public interest in protecting the environment. In 1992, Obayashi established its Environmental Protection Action Plan and began initiatives designed both to pursue business and protect the environment.

1991 100th anniversary of founding

1995 Tokyo Head Office and Osaka Head Office Building Construction Division have earned ISO 9001 quality assurance certification

1999 All branches and organizations have earned ISO 14001 certification



2019 Shin-Aomori Prefectural Comprehensive Athletic Park Athletics Stadium



2018 Otsuki Biomass Power Plant



2018 Waterview Connection Tunnels and Great North Road Interchange (New Zealand)

2017 to the present

Aiming to Realize a Sustainable Society and Enhance Corporate Value

Today, the Obayashi Group continues to demonstrate its strengths with large-scale project construction in Japan and abroad, including Akasaka Intercity AIR and New Zealand's Waterview Connection Tunnels. Under the Medium-Term Business Plan 2017, the Obayashi Group is focusing on technological innovation with IoT, AI, and robotics and stepping up our renewable energy generation business to help achieve a smart society. We currently operate solar, wind, and biomass power plants. The Obayashi Group will continue to strengthen our four business areas (building construction, civil engineering, real estate development, and new businesses), deepen and expand our business domains, and accelerate our global expansion while responding to society's increasingly diverse needs, such as reducing environmental impact and mitigating and preventing disasters.

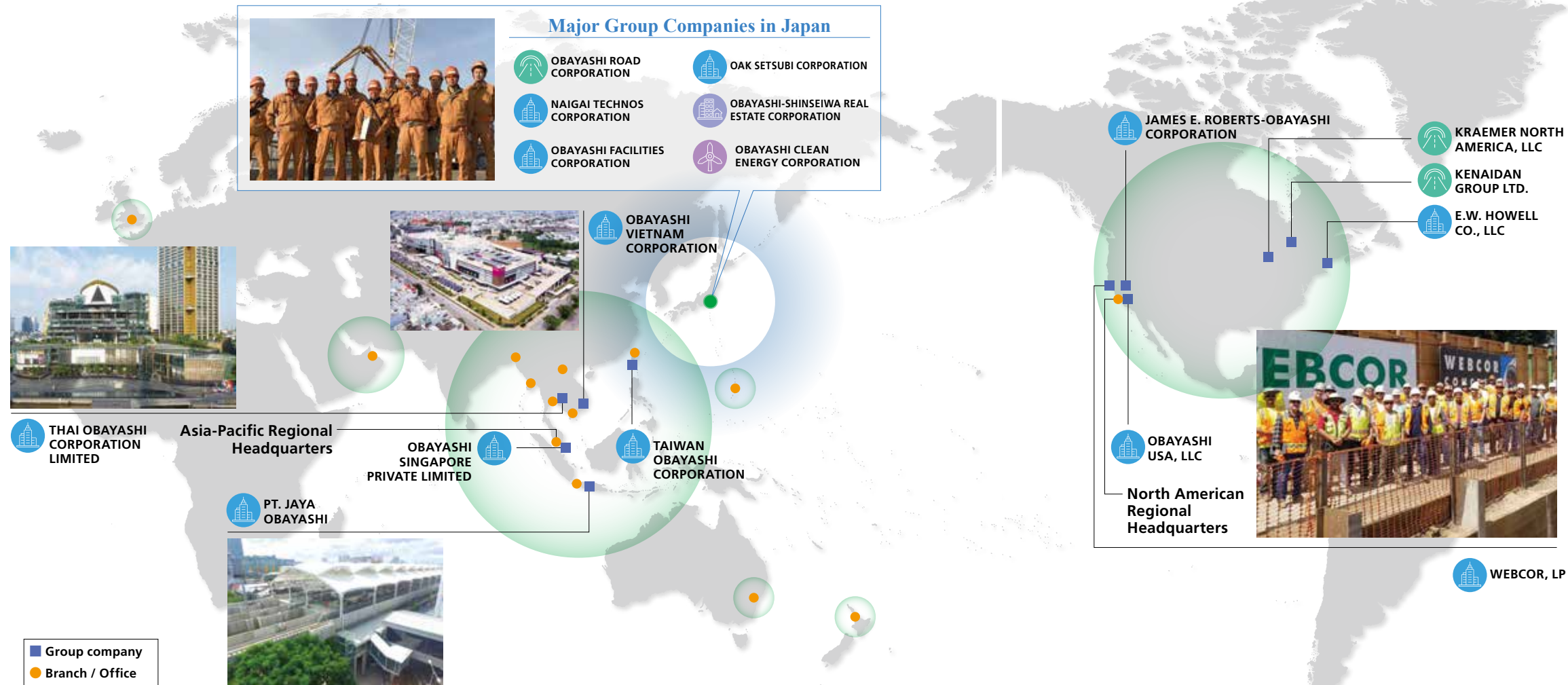
2017 Medium-Term Business Plan 2017 established

2019 Asia-Pacific Regional Headquarters and North American Regional Headquarters established

More Than **120** Years of History

Our Business

With building construction, civil engineering, real estate development, and new businesses as four pillars of business, the Obayashi Group is deepening and expanding its business domains and accelerating its globalization as we continue to grow beyond the framework of a general contractor.



Building Construction Business

Orders received* (FY2019.3)
798

*Orders received of 100 million yen or more

We provide all kinds of buildings—offices, condominiums, commercial facilities, factories, hospitals, schools, and more—for all kinds of needs: reducing environmental impact, energy savings, seismic resistance and disaster prevention to ensure business continuity, and increased comfort and convenience. We have completed many projects emblematic of their era and culture. Outside Japan, we are developing a community-rooted business. This business is conducted primarily through our overseas affiliates and mainly in Southeast Asia and North America.

Civil Engineering Business

Orders received* (FY2019.3)
462

*Orders received of 100 million yen or more

We contribute to a safer, more secure, and more abundant society by constructing the infrastructure our lives depend on: tunnels, bridges, dams, river works, urban civil engineering structures, railroads, expressways, and more. In recent years, we are expanding our business domain to maintenance, including repairs, and upgrades as we actively endeavor to extend the lives and functionality of existing infrastructure. We are also actively expanding to Southeast Asia, North America, and Oceania, contributing to regional economic development.

Real Estate Development Business

Area of properties for lease (as of March 31, 2019)
393,102 m²

We continue to develop and hold excellent properties for lease in favorable locations, primarily in urban areas. We use environmentally friendly technologies that enhance energy savings and tenant comfort, providing safe and secure spaces that support the business continuity of our tenant businesses. Moreover, we offer support for large-scale developments as a project partner and specified agent for urban redevelopment projects and we are also proactive about participating as a business.

New Businesses

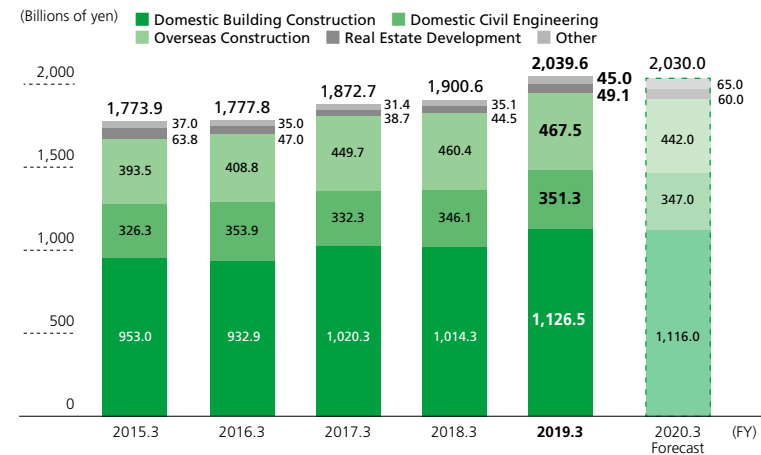
Electricity generated annually (FY2019.3)
201,353 MWh

We are actively taking on non-construction business domains, including renewable energy, PPP, agriculture, and hydrogen-related businesses. Hereafter, we will expand our initiatives in natural energy like biomass, small-scale hydropower, geothermal, and offshore wind power. For these efforts, we are establishing new business models that leverage our technology and expertise in the building construction, civil engineering, and real estate development businesses.

Performance at a Glance

Consolidated Financial Highlights for Fiscal Year Ended March 31, 2019 (FY2019.3)

Net Sales

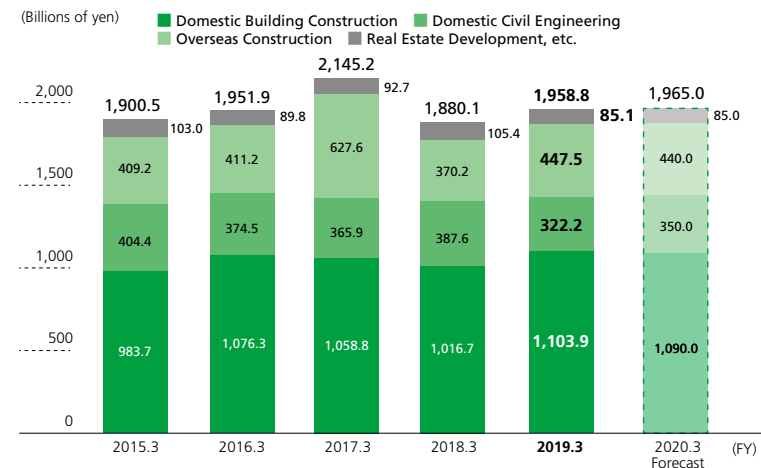


Net Sales

¥ **2,039.6** billion

vs FY2018.3
↑ 7.3%

Orders Received

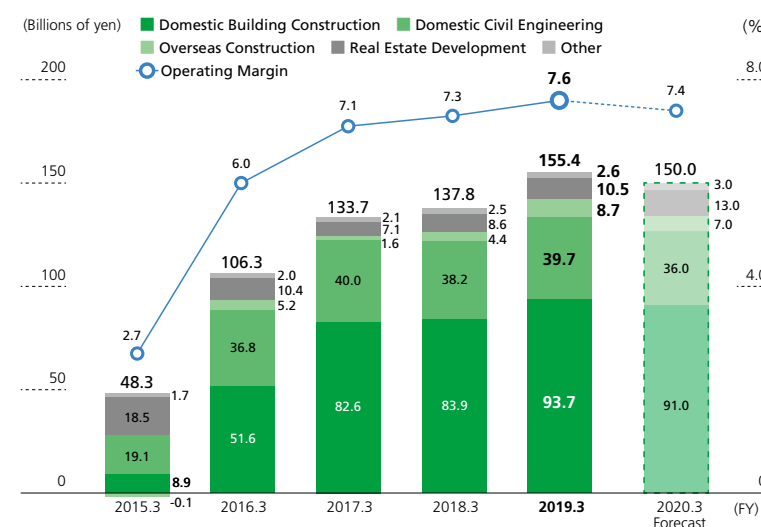


Orders Received

¥ **1,958.8** billion

vs FY2018.3
↑ 4.2%

Operating Income and Operating Margin



Operating Income

¥ **155.4** billion

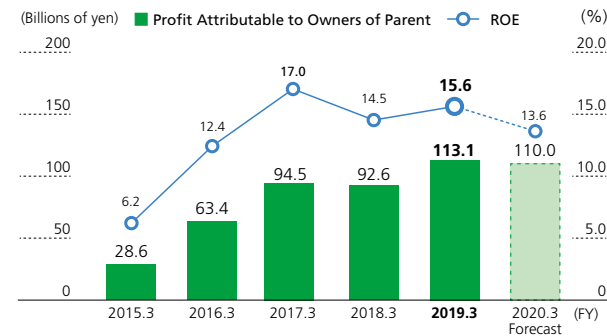
vs FY2018.3
↑ 12.8%

Operating Margin

7.6 %

vs FY2018.3
↑ 0.3 points

Profit Attributable to Owners of Parent / ROE



Profit Attributable to Owners of Parent

¥ **113.1** billion

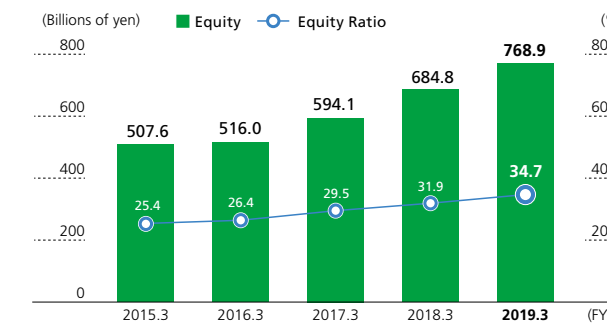
vs FY2018.3
↑ 22.1%

ROE

15.6 %

vs FY2018.3
↑ 1.1 points

Equity / Equity Ratio



Equity

¥ **768.9** billion

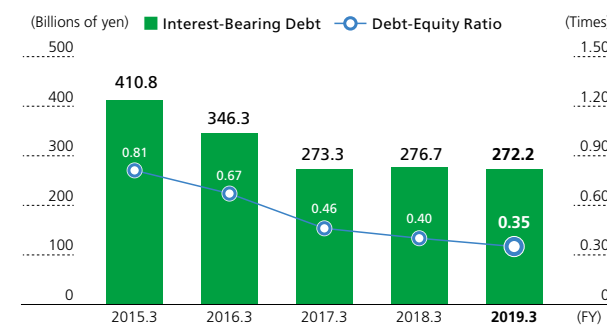
vs FY2018.3
↑ 12.3%

Equity Ratio

34.7 %

vs FY2018.3
↑ 2.8 points

Interest-Bearing Debt (Including Nonrecourse Loans) and Debt-Equity Ratio



Interest-Bearing Debt

¥ **272.2** billion

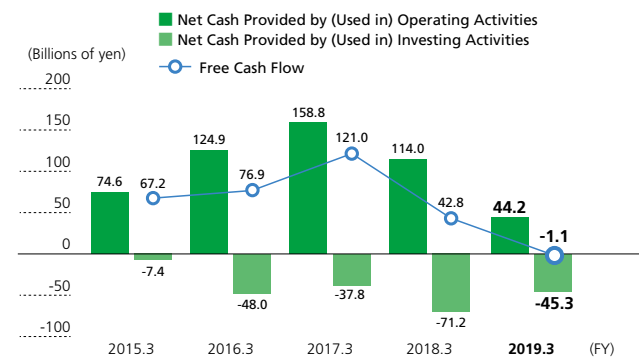
vs FY2018.3
↓ 1.6%

Debt-Equity Ratio

0.35 times

vs FY2018.3
↓ 0.05 points

Cash Flow



Net Cash Provided by (Used in) Operating Activities

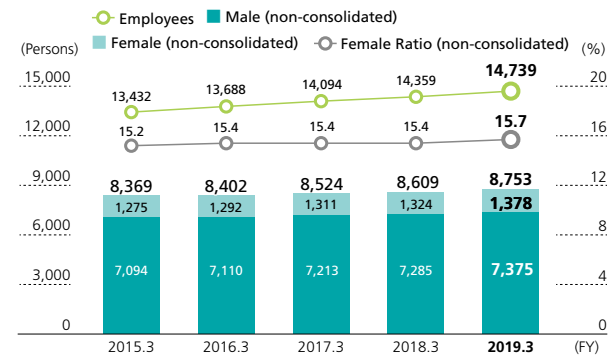
¥ **44.2** billion

vs FY2018.3
↓ 61.2%

Performance at a Glance

Non-Financial Information Highlights for Fiscal Year Ended March 31, 2019 (FY2019.3)

Consolidated Employee Headcount



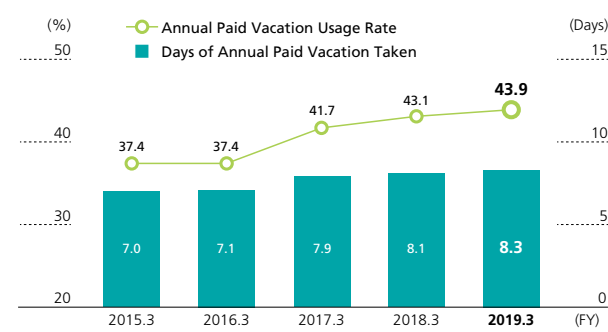
Consolidated Employee Headcount

14,739 persons

Female Ratio (non-consolidated)

15.7 %

Annual Paid Vacation Usage Rate / Average Days of Annual Paid Vacation Taken (Non-Consolidated)



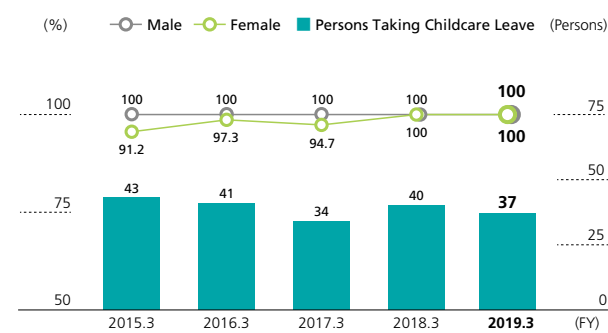
Annual Paid Vacation Usage Rate

43.9 %

Average Days of Annual Paid Vacation Taken

8.3 days

Return Rate after Childcare Leave / Number of Persons Taking Childcare Leave (Non-Consolidated)



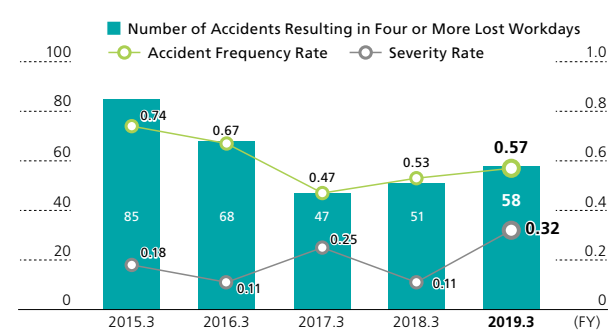
Return Rate after Childcare Leave

100 %

Number of Persons Taking Childcare Leave

37 persons

Occupational Accidents on Construction Sites (Non-Consolidated) * Including skilled workers on construction sites



Accident Frequency Rate

0.57

Number of Accidents Resulting in Four or More Lost Workdays

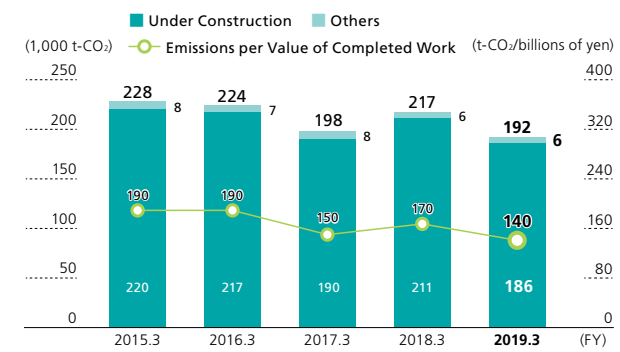
58

Severity Rate

0.32

Accident frequency rate:
The number of work-related injuries or deaths recorded for every 1 million work hours
Severity rate:
The number of workdays lost to workplace accidents recorded for every 1,000 work hours

CO2 Emissions (Non-Consolidated)



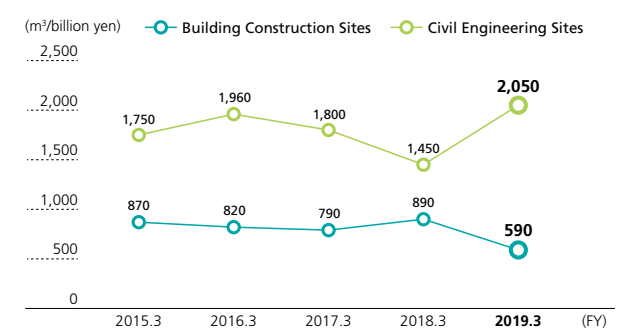
CO2 Emissions

192 thousand t-CO₂

Emissions per Value of Completed Work

140 t-CO₂/billion yen

Water Consumption Volume on Construction Sites (Non-Consolidated)



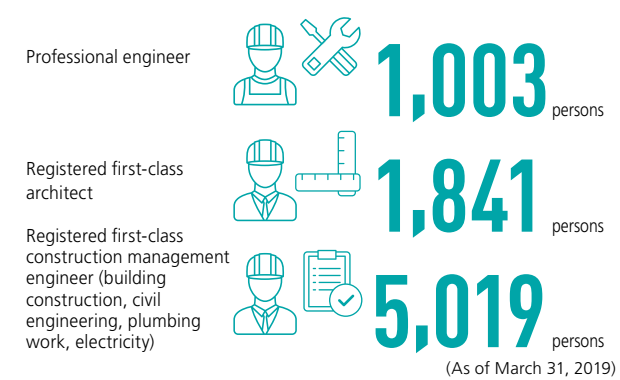
Water Consumption Volume at Building Construction Sites

590 m³/billion yen

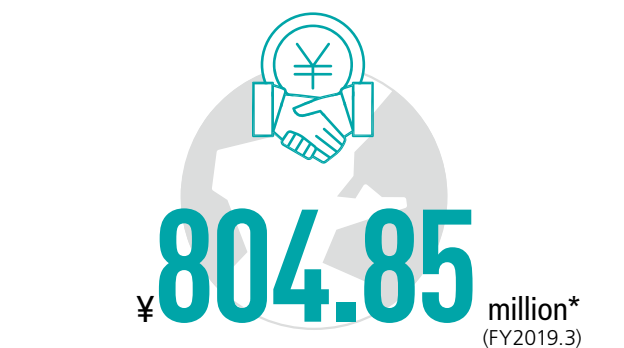
Water Consumption Volume at Civil Engineering Sites

2,050 m³/billion yen

Persons with Qualifications (Non-Consolidated)



Costs of Social Initiatives (Non-Consolidated)



* Amount calculated based on social initiatives survey conducted by Japan Business Federation (KEIDANREN).

Percentage of Employees Taking Corporate Ethics Training (Non-Consolidated)



President's Message



We are pushing toward our “Vision for the Future” through compliance, safety management, and pursuit of ESG

Rebuilding Trust in the Obayashi Group

I would first like to offer our deepest apologies for having caused our shareholders and all other stakeholders great concern as a result of the incident involving violation of the Antimonopoly Act in our bids for the Chuo Shinkansen maglev line construction project.

Obayashi takes the incident seriously. In June 2018 we enforced our Antimonopoly Act Compliance Program, which comes with new measures to prevent recurrence of such cases. In February 2019 we added and immediately acted on other measures suggested by a third-party committee. These are examples of how the entire Obayashi Group is acting sincerely about compliance. Our policies include “zero tolerance for getting orders and profits by misconduct and violations of the law for any reason whatsoever” and “never exchanging information such as that indicating a desire to win certain orders with industry peers who might potentially compete against us.” Following these, we will uncompromisingly promote solid business operations that put the highest priority on compliance.

It is also true that Obayashi deeply troubled concerned parties in FY2019.3 because of a number of serious workplace injuries and accidents. These called our safety management into question. As president, I understand that safety management is my greatest management concern. Thus, I have resolved to fundamentally reconsider our safety management systems and procedures and make every effort to eliminate accidents. In addition, we created the new Safety, Quality & Environment Division in March 2019. It seeks to strengthen management not only of safety but quality and the environment, which are likewise core concerns of the Obayashi Group’s business. The division will oversee a range of activities from setting key policies to giving instructions to construction sites. The Obayashi Group will be working as a team to act on our strong resolve to never cause serious injuries or accidents.

“Vision for the Future”—A Long-Term Vision for Sustained Growth

In the Obayashi Group’s “Vision for the Future,” we seek to be “The leader at the forefront of technology and productivity + A corporate group advancing while creating

diverse earnings sources.”

We seek to achieve the “Vision for the Future” by enhancing our competitiveness and deepening our business domains through the development of next-generation technologies and continued growth investment in our four business areas: building construction, civil engineering, real estate development, and new businesses. Along with these, we endeavor to expand our earnings sources in domains peripheral to construction, such as engineering and property management, and in new fields where we can leverage our technology and expertise. Outside Japan, we are accelerating initiatives to improve our earning capacity. These include drawing up business plans based on local needs, promoting localization, expanding collaboration with local partners, and strengthening marketing to global enterprises.

The basic five-year policies of Medium-Term Business Plan 2017 are “building a strong management foundation” and “preparing the way for the future” as well as making the strategic investments to support these. True to these policies, we are steadily building a management foundation that can respond to all manner of changes in the business environment. This includes enhancing our financial base by taking advantage of strong earnings in recent years. We are also making powerful investments to develop and acquire technologies, develop human resources, and create new business models for the future.

Initiatives for Achieving “Vision for the Future”

Pursuing the above initiatives requires the companies of the Obayashi Group to work together with a common strategy. For that reason, we established the new Corporate Strategy Division in January 2019. The division draws up and promotes management strategies for the Group as a whole.

Building a stronger management foundation would be impossible without strategic R&D investment to realize highest-level technology and productivity. There is one strategy absolutely vital to differentiating our construction business from competitors and sustaining our growth: increasing productivity.

President's Message



One example is automating construction processes. We are pursuing the adoption and practical application of leading-edge technologies like i-construction, BIM/CIM, IoT, AI, and robotics. In this manner, we are working to build next-generation production systems quickly, ahead of the competition.

To speed up the process, we reorganized our Mechanical & Electrical Department and established the Construction Robotics Division. This new division develops construction machinery offering automation, labor savings, and autonomous work with ICT, IoT, and AI. It aims to increase productivity by getting such machinery to construction sites at an early date. Moreover, when technologies are practical, the division uses them to develop new businesses as earnings sources.

In addition, the Corporate Strategy Division's new Corporate Business Innovation & Management Foundation Department pursues joint technical research with research institutes and startups at Silicon Valley Ventures & Laboratory, established in Silicon Valley, California in 2017. These efforts focus on next-generation production systems that yield transformative creation.

The Engineering Division was reorganized into an independent division in April 2019. This gives it flexibility to pursue M&A and alliances in next-generation medical care, the environment, and other fields. The goal here is to expand our "high-added-value" business model offering solutions for the needs of customers and society.

We continue to prioritize investment in our real estate

development business and renewable energy business. The former provides stable earnings while the latter is steadily growing into a new earnings source. Through such allocations, we aim to build a diverse, high-quality business portfolio.

In April 2019, we reorganized our Overseas Business Division into the Asia-Pacific Regional Headquarters (in Singapore) and North American Regional Headquarters (in San Francisco). This is to accelerate our global expansion. Previously, our Tokyo-based Overseas Business Division supervised our entire overseas business, spanning regions with widely varying cultures and business customs. Going forward, the two headquarters offices will draw up their own growth strategies, taking account of the characteristics of the construction markets in their countries and regions. They will collaborate with other divisions to realize those strategies and expand Group business in the global market.

In addition to technology, human resources are a management foundation to support our business and provide a source for competitiveness. The Obayashi Group has long practiced systematic hiring, training, and posting of personnel. We also strive proactively to optimize the environment by practicing exchanges of personnel within the Group (including those outside Japan) and promoting participation by female employees. We will continue to secure and develop diverse personnel.

Work style reform is important in order to achieve an appealing work environment and continually secure talented human resources. In particular, we are working to achieve our goal of closing construction sites eight days out of every four-week period to alleviate long work hours. Thus, we are working to increase productivity with new technologies and innovations at construction sites. Also, the processes and delivery periods we propose to customers are premised on the goal of closing construction sites eight days out of every four-week period and we work to get customers' understanding of the same. In addition, we are stepping up efforts to encourage fundamental reform of operational processes and awareness within the Company. For example, we are implementing telecommuting and RPA (robotic process automation) for fixed tasks.

Promoting ESG and SDGs

The Obayashi Philosophy calls on us to be "A Leading Sustainability Company." Meanwhile, the Obayashi Code of Conduct stipulates that we "Fulfill our social mission" and "Ensure strict adherence to corporate ethics." This is exactly the ESG philosophy. It is also what the Obayashi Group has been doing for more than 120 years. For example, we plan buildings with outstanding environmental performance and take action for green procurement and getting to zero emissions. We manage the safety of construction sites and consider the needs of nearby residents. These are the very definition of ESG initiatives.

We have also been focusing more on the renewable energy business in recent years. We operate solar and onshore wind power stations and have now begun operating a biomass power plant in Yamanashi Prefecture. The next promising field is offshore wind power. As part of a current feasibility study offshore from Akita Prefecture in Japan, the Group is working together to lower business costs and mitigate management risks.

As I noted previously, ESG is incorporated everywhere into our business activities. It is not a separate endeavor. By managing our business according to ESG principles, the Obayashi Group can contribute to the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in 2015.

We established the ESG & SDGs Department in the Corporate Strategy Division to ensure that Group businesses as a whole are pursuing ESG and SDG initiatives. Of the many social issues that could be addressed, we identified six ESG materialities in 2019 that are key to realizing a sustainable society and perpetually enhancing the corporate value of the Group. They are: Establish an Environmentally Responsible Society, Enhance Quality Control and Technological Capabilities, Ensure Occupational Health and Safety, Develop and Retain Human Resources, Implement Rigorous Compliance, and Conduct Responsible Supply Chain Management. We have established KPIs to measure how much we achieve on these materialities. We will be monitoring yearly progress going forward, reflecting that in the measures we take, and continuing to make improvements.

Realizing a Sustainable Society

Since its founding, the Obayashi Group has held to the spirit of the Obayashi Three Pledges: Quality, Value, and Efficiency. Our aim all along has been to be an enterprise widely trusted by society by offering spaces and services with value. This spirit forms the core of the Obayashi Group, inspiring our efforts to meet the changing needs of society in every age.

Today, society needs urgently to change from a mass consumption model to a model of resource recycling. Thus, the role played by the Obayashi Group also needs to change. We need to do more than construct buildings and infrastructure that will become social assets. We need to help solve society's challenges by offering services peripheral to the construction business. This includes generating renewable energy and developing, maintaining, and managing comfortable and eco-friendly real estate.

In response to society's diversifying needs, the Obayashi Group will continue to provide high-quality buildings, infrastructure, and services and take a sincere approach to safety, quality, the environment, and legal compliance. In this manner, we will steadily achieve our own growth and contribute to the realization of a society that is safe, secure, and sustainable.

I respectfully ask you for your continued support of the Obayashi Group.



Kenji Hasuwa

Kenji Hasuwa
President
Representative Director

Our Value Creation

Through honest craftsmanship, the Obayashi Group aims to “realize a sustainable society,” as called for in the Obayashi Basic Principles.

We seek to achieve our “Vision for the Future” by the year 2042, which will be our 150th anniversary. To that end, pursuant to Medium-Term Business Plan 2017, we are building our strategy on strengthening our four existing business pillars, deepening and expanding our business domains, and accelerating our globalization. The Obayashi Group additionally aims to enhance its sustainable corporate value. We have set six material issues (ESG materialities) to work on in light of the ESG perspective and Sustainable Development Goals (SDGs) and are pursuing business activities accordingly. Through this, we will create new value and contribute to the development of a sustainable society.



Financial Review



We are building a strong management foundation by enhancing our financial base, actively making strategic investments for sustainable growth.

Yasuo Kotera
Director
Senior Managing Executive Officer

Basic Policies under Medium-Term Business Plan 2017

The Obayashi Group adopted its five-year Medium-Term Business Plan 2017 for realizing our “Vision for the Future.” The basic policies it enshrines include further enhancing our financial base as we aim to maintain and expand our current level of profit and thereby “building a strong management foundation” which can withstand any changes in the business environment. It also calls for strategic growth-oriented investment as a means of “preparing the way for the future.”

Obayashi’s Performance in FY2019.3

Construction investment remained largely robust in Japan and overseas in FY2019.3 (fiscal year ended March 2019). Obayashi benefited from a favorable business environment, productivity-enhancing measures at construction sites and business units, and measures to cut costs and otherwise improve earnings. Previous investments also began to pay off. Consolidated net sales set a new record for the fifth straight year, surpassing ¥2,000 billion for the first time in FY2019.3. Operating income set a new record for the fourth straight year and profit attributable to owners of parent also reached a historic high. We anticipate similar performance in FY2020.3, as we foresee the high level of projects in hand continuing in the future. Both the FY2019.3 results and FY2020.3 forecast meet the PL targets established in Medium-Term Business Plan 2017. We look forward to steadily

maintaining and expanding on this performance in order to create greater corporate value.

Equity and the equity ratio stood at ¥768.9 billion and 34.7% respectively, at the end of FY2019.3. This puts us within sight of our Medium-Term Business Plan 2017 targets of ¥900 billion and 40%. As such, we are on our way to “building a strong management foundation.”

Cash flow from operations in FY2019.3 was down ¥69.8 billion from the previous fiscal year, in part because we implemented better payment conditions for our suppliers and subcontractors. Even so, the figure was a positive ¥44.2 billion thanks to income from a thriving construction business and other sources. We used this to enhance our financial base (for example, by lowering interest-bearing debt) and secure the capital to invest in growth. We forecast cash flow will continue to be strong in FY2020.3.

Major Management Indicator Targets of Medium-Term Business Plan 2017

	Targets for March 31, 2022	Results as of March 31, 2019
Equity	¥900 billion	¥768.9 billion
Equity ratio	40%	34.7%
Net interest-bearing debt (Interest-bearing debt)	0 (¥250.0 billion)	¥103.5 billion (¥272.2 billion)
	Targets for FY2022.3	Results for FY2019.3
Net sales	Around ¥2,000 billion	¥2,039.6 billion
Operating income	Around ¥150 billion	¥155.4 billion
Profit attributable to owners of parent	Around ¥100 billion	¥113.1 billion
Profit attributable to owners of parent per share (EPS)	Around ¥150	¥157
Return on equity (ROE)	Over 10%	15.6%

Progress on Capital Expenditure Plan (FY2018.3–FY2022.3) of Medium-Term Business Plan 2017

	Five-year plan	Cumulative through FY2019.3	FY2020.3
R&D of construction technologies	¥100 billion	¥41.5 billion	¥20 billion
Construction machinery and business facilities	¥50 billion	¥19.8 billion	¥10 billion
Real estate leasing business	¥100 billion	¥74.2 billion	¥40 billion
Renewable energy business and others	¥100 billion	¥27.3 billion	¥25 billion
M&As and others	¥50 billion	¥26.6 billion	¥5 billion
Total capital expenditure	¥400 billion	¥189.4 billion	¥100 billion

Capital Expenditure Plan for Achieving “Vision for the Future”

Medium-Term Business Plan 2017 includes a capital expenditure plan of ¥400 billion over five years as a means of “preparing the way for the future” to achieve our “Vision for the Future.” Priority investments include building next-generation production systems that will use IoT, AI, and robotics to dramatically increase productivity. Another focus is R&D that could lead to new business areas. Other initiatives seek to diversify and stabilize our earnings sources. To that end, we continue to invest in our real estate leasing business and renewable energy business. We pursue M&A when there is opportunity. We are also stepping up alliances with startups that have leading-edge technology.

Cumulative capital expenditure from the start of Medium-Term Business Plan 2017 through FY2019.3 have reached about ¥189.4 billion. We plan to invest another ¥100 billion in FY2020.3. We are also working actively to take advantage of other good investments without being bound by our capital expenditure plan.

In July 2019, we installed the new Investment Committee to comprehensively evaluate Group investing activities before the Board of Directors debates them. The evaluations range from establishing investment policies to performing monitoring after it is decided to launch a business. In addition, when Obayashi

makes a critical investment, this committee assesses the investment risk and whether the return would be greater than the capital cost. Another focus is whether the investment would help increase Obayashi’s competitiveness and corporate value.

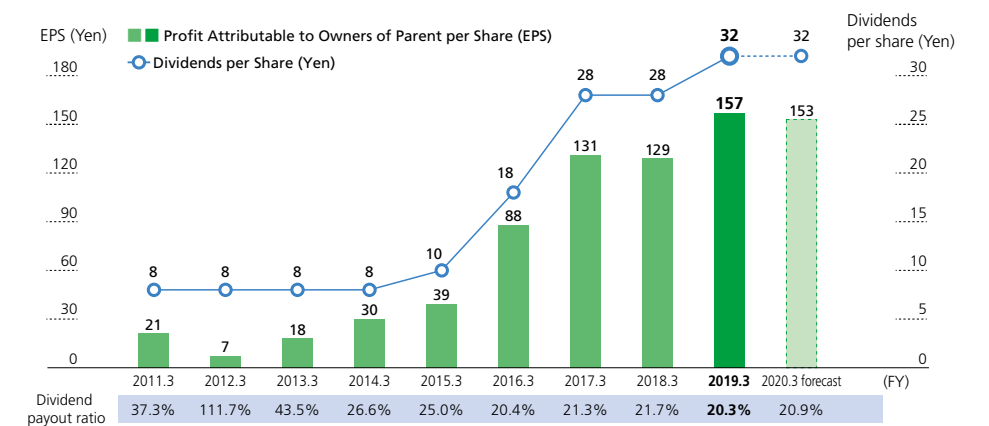
Policy on Shareholder Returns

Our basic policy on shareholder returns is first to try to sustain stable dividend payouts over the long term. We consider the need to enhance our financial base and build up internal reserves for future investment. Then, we aim for a consolidated dividend payout ratio of 20% to 30%. Our dividends for FY2019.3 were set at a total annual dividend of ¥32 per share (consolidated dividend payout ratio of 20.3%), up ¥4 from the previous year. In FY2020.3, we again anticipate a total annual dividend of ¥32 per share. We will continue endeavoring to increase shareholder returns as we work to ensure that current growth investment boosts future profits.

Promoting ESG Dialogue with Shareholders and Institutional Investors

FY2019.3 saw a rapid expansion of ESG-focused investment around the world. In October 2018, Obayashi issued green bonds, funds from which can only be used in our renewable energy business and green buildings. We followed in June 2019 with sustainability bonds, funds from which can be used more widely for social investment. This includes developing skilled workers to work in the construction industry. These issues have expanded our field for fundraising as we appeal to investors with ESG concerns. We held several ESG engagements with shareholders and institutional investors in FY2019.3. In the future, we will more proactively disclose ESG information, led by the ESG & SDGs Department newly established in January 2019.

Profit Attributable to Owners of the Parent per Share (EPS) and Dividends per Share



Material Issues and KPIs

Upon the start of Medium-Term Business Plan 2017, the Obayashi Group set its sights on its "Vision for the Future" and better clarified the social challenges to work on.

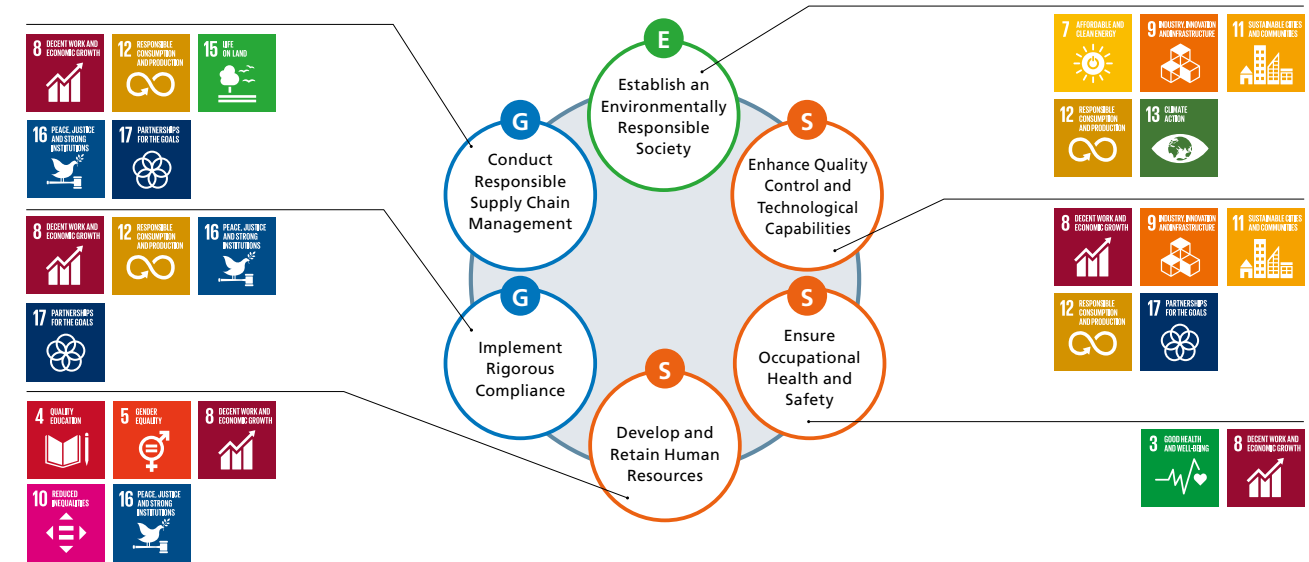
The Process of Determining Material Issues

In FY2019.3, we used the following process to decide on six material ESG issues to address.

- STEP 1 Identify the relevant challenges**
 A comprehensive list of about 300 ESG challenges was drawn up based on international guidelines and the Sustainable Development Goals (SDGs) and such. From this, we drew out 22 ESG challenges relevant to the Obayashi Group.
- STEP 2 Prioritize the challenges**
 Next, we evaluated the 22 ESG challenges identified in the previous step in terms of stakeholder interest and significance and impact on the Obayashi Group.
- STEP 3 Determine the material issues**
 Based on the results of prioritizing, we took account of the Obayashi Basic Principles, consistency with our business strategy, and the like and selected six challenges. Upper management deliberated and determined that these would be the material issues of the Obayashi Group.

ESG materialities of the Obayashi Group

The material issues specified were as below. The Obayashi Group is conducting initiatives in which these material issues are associated with SDGs. In this manner, we are working to realize a sustainable society.



Setting KPIs

The Obayashi Group established action plans and KPIs to solve the material issues.

Materialities	Impact on our business	Action plan	KPI	Targets for March 31, 2022
E Establish an Environmentally Responsible Society	<ul style="list-style-type: none"> Expansion of construction demand through development of environmentally related technology and generation of new businesses Delay in response to stricter environmental laws and regulation, increase in the costs of environment management, decline in competitiveness 	Promote environmentally friendly businesses	Ratio of design and construction projects (of 2,000 m ² and up) with CASBEE ranking of A or higher	At least 70%
		Promote renewable energy business	Ratio of sustainability-related capital expenditure to real estate leasing business capital expenditure	At least 90%
		Promote decarbonation	Electricity generated annually as a result of renewable energy business	At least 370,000 MWh
		Contribute to realizing a recycling-oriented society	Direct contribution of CO ₂ emissions reduction rate (vs. FY2014.3)	85% reduction by FY2031.3
S Enhance Quality Control and Technological Capabilities	<ul style="list-style-type: none"> Improvement in productivity, strengthening of competitiveness, and increase in business opportunities Loss of trust, decline in competitiveness, loss of business opportunities 	Pursue reliable quality	Indirect contribution of CO ₂ emissions reduction rate (vs. FY2014.3)	25% reduction by FY2031.3
		Use technological capabilities to further enhance productivity	Emissions of construction waste material per unit value of completed construction work	No more than 140 t/billion yen
		Maintain good construction management system	Customer satisfaction rate	100%
S Ensure Occupational Health and Safety	<ul style="list-style-type: none"> Securing talented human resources, strengthening network of excellent suppliers Drop in trust from customers, etc., decline in productivity because of accidents 	Rigorously apply the Occupational Health and Safety Management System (OHSMS)	Construction business productivity increase rate (vs. FY2017.3)	At least 10% by FY2022.3
		S Develop and Retain Human Resources	<ul style="list-style-type: none"> Securing talented human resources, improving organizational capabilities, and expanding business domains Outflow of talented human resources, decline in productivity, increasing organizational rigidity 	Ratio of workers with important construction management credentials: professional engineer, registered first-class architect, registered first-class construction management engineer (building construction, civil engineering, plumbing work, electricity)
Promote work style reform	Number of fatal accidents			0 cases
Promote diversity	Degree of achievement of the Occupational Health and Safety Management System evaluation items			At least 90%
G Implement Rigorous Compliance	<ul style="list-style-type: none"> Improvement of trust in the Company by society, improvement in organizational capabilities, strengthening of business foundation Suspension/cessation of business activities, loss of trust, loss of business opportunities 	Promote the Corporate Ethics Program	Ratio of practice of closing construction sites eight days out of every four-week period	100%
		Practice rigorous information security management	Ratio of eligible male employees taking childcare leave or other leave for the purpose of childcare	15%
G Conduct Responsible Supply Chain Management	<ul style="list-style-type: none"> Improving competitiveness by building a strong network with suppliers and strengthening the ability to respond in the BCP (business continuity plan) in the event of a disaster Suspension/cessation of business due to halting of procurement, and a loss of trust and loss of business opportunities from the occurrence of human rights issues and other problems 	Promote CSR procurement	Ratio of employment of people with disabilities	At least 2.4%
		Train and support skilled workers	Ratio of female managers	10% by 2024
			Ratio of female engineers	10% by 2024
			Ratio of employees taking corporate ethics training	100%
		Ratio of employees taking information security training	100%	
		CSR procurement guidelines comprehension questionnaire response rate	100%	
		Construction materials green procurement rate	55% or higher	
		Number of Certified Excellent Site Supervisors / Excellent Operators	More than previous fiscal year	
		Number of persons completing training at the Obayashi Rin-yu-kai Vocational Training School	More than previous fiscal year	



Productivity Increasing Initiatives for the Future of the Construction Industry

Obayashi enacted a reorganization in early 2019 to strengthen marketing competitiveness and procurement, increase productivity, and expand our global business domains. We are making the human resources, technology, and information of the entire Group borderless as we work to draw on their synergy to maximize earnings in Japan and overseas.

Increasing productivity is particularly important for making the construction industry more appealing and ensuring its sustainable development. By increasing productivity with the development and acquisition of leading-edge construction technologies, we aim to enact powerful work style reform and overcome the shortage of skilled workers. By implementing innovative technologies, moreover, we will enhance safety and quality as well as each building's comfort, economy, and energy efficiency. We believe that doing so will lead to solutions to the ESG challenges that society as a whole is looking for.

Shingo Ura

Representative Director,
Executive Vice President,
General Manager of Building Construction Division

Initiatives in FY2019.3 (Domestic)

Private-sector capital expenditure was very robust in the domestic market, with orders received remaining very strong. Under those conditions, we developed our marketing strategy with a focus on growth fields and areas. For FY2019.3, the result was ¥1,103.9 billion in consolidated domestic orders received (a significant ¥87.1 billion higher than the previous fiscal year). Consolidated net sales reached ¥1,126.5 billion (up ¥112.1 billion), thanks to plentiful projects in hand. Operating income was also up, reaching ¥93.7 billion (up ¥9.7 billion).

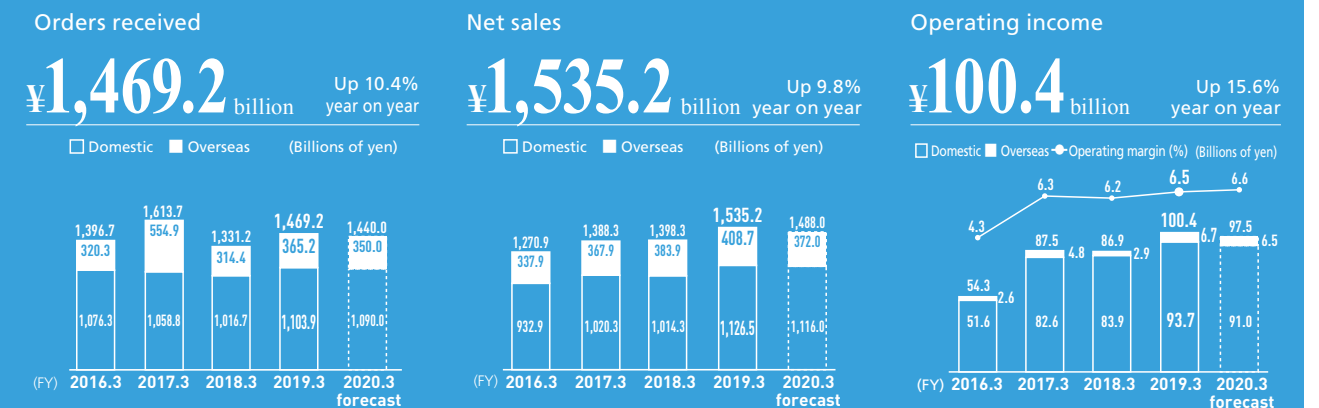
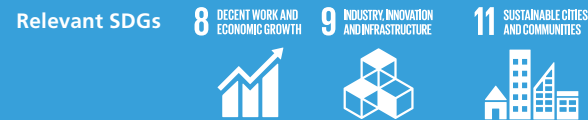
We are keeping an eye on the years that will follow the Olympic and Paralympic Games Tokyo 2020. Thus, we have stepped up initiatives related to integrated resorts and the PPP business. At the same time, we have been pursuing large projects in urban areas and growth markets like next-generation data centers and high-function logistics facilities. After it was decided that Expo 2025 would take place in the Yumeshima

District of Osaka City, Obayashi set up an Osaka-Kansai Expo/IR Section. (The new Yumeshima Development Division, under the direct control of the president, was also created in April 2019.) We will continue working proactively to quickly seize the rising momentum and contribute to Yumeshima's development and the economic development of the Kansai region.

We are also endeavoring to resolve the problem of long work hours. For example, we are radically overhauling routine construction site work. We have also implemented the practice of front-loading, where production stage information is incorporated starting from the design stage. This helps eliminate rework in the construction flow and greatly enhance efficiency overall. Additionally, we are tapping the power of BIM, IoT, AI, and robotics to develop and expand on labor-saving and quick-build construction techniques and next-generation production systems.

| Business Report |

Building Construction Business



Opportunities and Risks in Business Environment

Opportunities

- Abundant private-sector non-residential construction demand will continue, including large-scale redevelopment of urban areas and capital investment as the manufacturing industry returns to Japan
- Evolution and spread of IoT, AI, and robotics to support societies with declining populations
- Robust construction demand in Southeast Asia, North America, and Oceania

Risks

- Decline in private construction investment when business conditions slow
- Social demands to correct problems in working environments, such as long work hours
- Materials supply shortages, labor force shortages and aging, and resulting cost increases
- Impact on earnings and business evaluation if there are major safety or quality incidents
- Great fluctuations in exchange rates, legal systems, and political and economic conditions overseas where we do business

Business Strategy

- Realize stable earnings by enhancing competitive advantages in growth markets and areas and providing integrated high-value-added services for buildings, centered on leveraging the Group's total capabilities and global network
- Improve productivity by building next-generation production systems utilizing IoT, AI, and robotics, transforming business processes by basing them on BIM, and developing labor-saving construction methods, etc.
- Secure production capacity by improving the working environment at construction sites, developing multi-skilled workers, securing skilled workers, and providing educational support, etc.
- Eradicate serious accidents and quality and construction defects by implementing diverse education programs and rigorously managing quality and safety by ICT
- Enhance earnings capacity and expand business domains by collaborating with local partners in the Group's overseas business and developing global human resources

Major Initiatives in FY2019.3 (Overseas)

Construction demand remained vigorous in overseas markets, especially North America and Asia. Consolidated orders received for overseas building construction in FY2019.3 totaled ¥365.2 billion, a wide gain. Thanks to large projects in North America and Asia, net sales reached ¥408.7 billion. With operating income of about ¥6.7 billion, both our profit and operating margin improved.

Major initiatives in FY2019.3 included strengthening collaboration with local firms with a view toward future M&A. One outcome happened in Australia, where we won an order from a local customer by working with a local construction company.

We have also stepped up cooperation with overseas design firms and collaboration with businesses leading the field in BIM 3D design. We also continued pursuing joint R&D at our satellite office in Silicon Valley in the U.S. One result was the successful development of a next-generation automatic quality inspection system. Finally, we promoted localization and human resource development at our overseas affiliates. For example, we gave training in line with our global expansion and sent Obayashi Corporation employees on overseas assignments. We also brought local employees to Japan for technical training and promoted overseas hires to management in their local areas.

Policy and Outlook for FY2020.3

Domestic

We are pursuing three priorities in FY2020.3: increasing earning capacity, ensuring safety and quality, and implementing rigorous compliance.

Particularly concerning increasing earning capacity, the Marketing Planning Department, newly established with an Obayashi reorganization in April 2019, has taken over the task of drawing up a strategy for marketing to private-sector customer groups. The department brings together personnel from all branches across the building construction and civil engineering business domains. Moreover, by centrally managing customer information, we aim to boost marketing and strengthen partnerships and cooperation with Group companies in Japan. The Procurement Management Department, likewise newly established, builds procurement networks spanning all branches and promotes strategic procurement. Also, the iPD Center builds business processes that leverage BIM, promotes consistent use of BIM across all project phases, and establishes BIM as a foundation for our work. In this way it is helping to enhance competitiveness and increase productivity. We project consolidated net sales of ¥1,116 billion in FY2020.3, the highest level in several years.

Overseas

In FY2020.3, we have established the new North American Regional Headquarters in San Francisco and Asia-Pacific Regional Headquarters in Singapore to pursue strategies unique to their areas. By setting up bases more deeply rooted in their communities and collaborating with local partners, we are working to capture more orders and expand into neighboring countries where we can use the resources of overseas Group companies. And by tapping the Obayashi Group's networks in Japan and abroad, the Group as a whole is developing an order-winning strategy that includes supporting overseas capital expenditure by Japan-affiliated companies and helping foreign-affiliated companies set up business in Japan.

Systematically training global human resources is a key challenge in our quest to expand business overseas. In response, we are actively promoting networking with personnel at Group companies outside Japan, assigning employees from Japan to overseas companies, and putting young employees through our global training programs.

We project overseas net sales of ¥372 billion in FY2020.3. In spite of a rebound decline following major progress on large projects by Group companies in the previous fiscal year, our performance remains strong.

Project Report (Domestic)

A New Landmark for Central Osaka
[MUFG Bank, Ltd. Osaka Bldg.]

MUFG Bank's Osaka base was completed in May 2018. Standing more than 100 m in height, it forms a new landmark in the area of Midosuji Road.

The eaves of the tower align at 50 m, halfway to the roof. The exterior evokes the look of the previous building while harmonizing with the scenery of the Midosuji neighborhood.



Twin Towers Symbolize Redevelopment of Otemachi
[OTEMACHI PLACE EAST TOWER]

Obayashi provided design and construction for OTEMACHI PLACE EAST TOWER, one of the high-rise twin towers that opened in Otemachi, Tokyo in September 2018. The East Tower has 32 floors above ground and 3 below.

The East Tower features one of the largest halls in the area, which equips Otemachi to better host international conferences.



Project Report (Overseas)

Singapore's New Landmark in Changi Airport
[Jewel Changi Airport]

Jewel Changi Airport is a new iconic destination located at Singapore Changi Airport, and it was constructed by a joint venture comprising of Obayashi Singapore Private Limited and Woh Hup (Private) Limited. Jewel has an iconic glass and steel façade, and there are multidimensional lifestyle offerings comprising gardens and attractions, over 280 retail and dining options, a hotel and airport facilities within the complex. Jewel is seamlessly connected to Changi Airport's Terminal 1 Arrival Hall, and linked to Terminals 2 and 3 via pedestrian bridges.



Large-Scale Research and Medical Center Opens on Long Island, New York
[Stony Brook Hospital MART Core/Shell]

Obayashi Group company E.W. Howell Co., LLC constructed two new buildings for the hospital on Long Island, New York. One is the eight-story Medical and Research Translation (MART) Building, home to the hospital's cancer center. The other is the 10-story Hospital Pavilion, which consists of children's outpatient offices and hospital rooms.

This was a challenging project, since it had to meet the complex needs of medical facility end users. However, through the use of BIM, E.W. Howell was able to understand these needs precisely and then meet them.



TOPIC

Construction of Ballpark as a "Symbol of Hokkaido"

Obayashi, together with HKS Inc., a major architectural design firm in Texas, U.S.A., won the order in the autumn of 2018 to build and design a new sports venue in Kitahiroshima City, Hokkaido. Planned by the Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd., the site is tentatively named HOKKAIDO BALLPARK. The bidding competition was designed to accept technology proposals, which were evaluated comprehensively. Our bid combined Obayashi's technological capabilities with the creative power of HKS, which has designed many other stadiums. The ballpark proposal earned high praise for making good use of the abundant natural environment in a way well suited to Hokkaido.

The distinctive exterior will feature one of Japan's largest retractable roofs and a glass wall giving an open feel. Inside, a 360° concourse will afford views of the entire field for a novel viewing experience. A natural turf is planned to enhance player performance.

The design aims to create a new symbol for Hokkaido, one that fans and citizens will embrace and be proud of. Work will begin in May 2020 with a planned opening in March 2023.



(Illustration upon completion)



(Illustration upon completion)



Creating Unique Value That Customers and Society Appreciate

The spirit of the Obayashi Three Pledges is as alive today as it has been since our founding. It is in that spirit that we continue to create unique value by developing technologies and devising innovations that give customers better products with more efficiency and value.

In addition, to be truly indispensable to society, we must be worthy of our customers' trust and be reliable to our suppliers by persistently protecting the safety of all persons working on our construction sites. Safety is fundamental to everything and is our top priority. As such, we are working to create better construction site environments.

To make this a reality, we believe that the thinking and actions of every employee involved in the civil engineering business are ESG efforts and will help enhance our corporate value.

Takehito Sato
 Representative Director,
 Executive Vice President,
 General Manager of Civil Engineering Construction Division

Major Initiatives in FY2019.3 (Domestic)

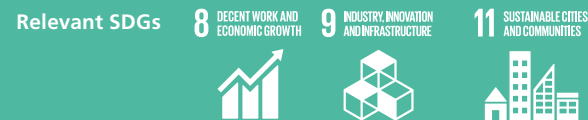
Construction demand remained robust in the domestic market and order-taking was largely good. Offsetting factors included a large-scale project postponed until a later period. As a result, consolidated orders received were down year on year to ¥322.2 billion. Net sales were up ¥5.2 billion over the previous fiscal year thanks to steady progress on the abundant projects in hand after strong order-taking in the previous year. Operating income also rose, up ¥1.4 billion following a gain in net sales.

Major initiatives in FY2019.3 were geared toward expanding design and construction with labor-saving technology and ICT. We worked on this by expanding the scope of application of labor-saving technology. Such technology included precast parapets for a large-scale bridge renovation project. Another was "Slim Fastener™," in which SLIM-crete ultra-high-strength

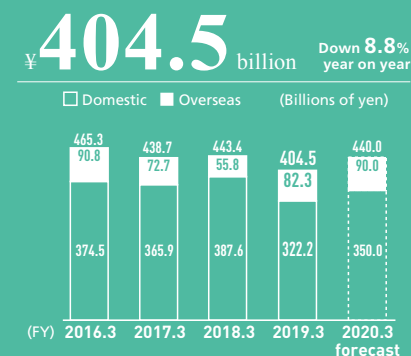
fiber-reinforced concrete is used in the lateral joints of precast slabs. In order to promote the further use of CIM, we built a new CIM model that incorporates additional geotechnical data of the ground behind the cutting face which is obtained during tunnel construction. Japan's Ministry of Land, Infrastructure, Transport and Tourism decided to apply this model in PRISM (Public/Private R&D Investment Strategic Expansion Program). This model is testing technology that enables devices to assess the condition of the cutting face in the process of excavation. In addition, we formulated our Work Style Reform Action Plan that, among other things, promotes the use of ICT tools to reform work styles and in particular shorten total working hours, and continued our efforts to achieve closing each construction site eight days out of every four-week period in the future.

| Business Report |

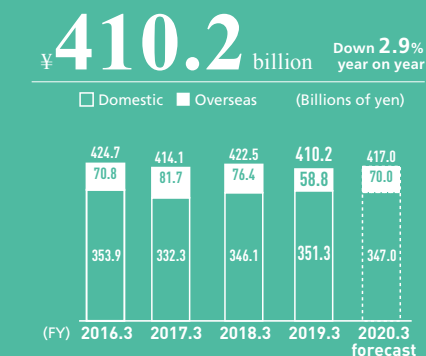
Civil Engineering Business



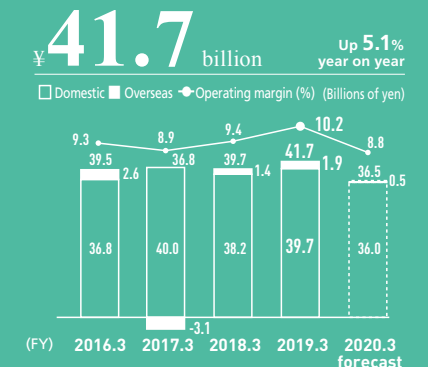
Orders received



Net sales



Operating income



Opportunities and Risks in Business Environment

- Opportunities**
 - Growing market for maintenance and renovation of infrastructure built in Japan's high growth period
 - A constant need for clean energy
 - Evolution and spread of IoT, AI, and robotics to support Japan with its declining population
 - Increasing demand to build infrastructure in newly emerging economies as they develop, overseas infrastructure projects driven by partnerships between the Japanese government and private sector
- Risks**
 - Worries about lack of production capacity as changing population structures leave fewer skilled workers, rising construction costs
 - Impact on earnings and business evaluation when there are major safety or quality incidents

Business Strategy

- 1 Strategically acquire orders to construct, renew, and extend the life of infrastructure that contributes to the safety and security of the public as well as Japan's economic development
- 2 Work to acquire orders for energy-related projects that respond to social and environmental change
- 3 Expand design-build projects using labor-saving technology and ICT, and further increase productivity and construction safety using IoT and AI
- 4 Diversify earnings base by expanding into upstream and downstream sectors in the civil engineering business
- 5 Secure employees and skilled workers by improving the working environment on construction sites and secure production capacity by supporting their development and so forth
- 6 Stabilize business earnings by promoting business strategies tailored to regional characteristics in overseas business and strengthening coordination between Japan and overseas

Major Initiatives in FY2019.3 (Overseas)

Construction investment was solid in overseas markets. Though the international economy began to feel more unpredictable, there was vigorous infrastructure demand, especially in Southeast Asian markets, and a strong construction market in the U.S. As a result, FY2019.3 consolidated orders received reached ¥82.3 billion, a significant increase over the previous year. Net sales declined year on year to ¥58.8 billion largely because order-taking was sluggish for the last two years previous year. Operating income reached ¥1.9 billion with an assist from our initiatives to boost our operating margin. FY2019.3 initiatives included building partnerships with local enterprises in those regions where the Obayashi Group has extended its business. We also focused on taking part in

large-scale projects such as building new social infrastructure requiring high-level technology. We furthermore proactively bid on large projects, using our design, procurement, safety management, and delivery management strengths to attract orders. In the infrastructure exporting business led by the Japanese government, we have participated in the "Kanchpur, Meghna and Gumti 2nd Bridges Construction and Existing Bridges Rehabilitation Project," made possible with Official Development Assistance (ODA) in Bangladesh. As part of this, we completed the second Kanchpur bridge, which has opened successfully. In addition, the Jakarta Mass Rapid Transit (MRT) that we constructed in a joint venture with local firms began operating in March 2019, as originally scheduled.

Policy and Outlook for FY2020.3

Domestic

Key measures for FY2020.3 include development and work site deployment of technologies designed to make future construction more automated, labor saving, and autonomous.

We are also stepping up marketing to the private sector. We aim to increase construction management efficiency and productivity by using the CIM platform. We are also pursuing development and work site deployment of technologies suited to particular types of projects, from large-scale earthworks and dams where introducing autonomous technology is relatively easy to urban civil engineering where it is more difficult. Additionally, one way we are stepping up marketing to the private sector is gauging market trends, particularly for electric power, gas, railroads, and the like, and narrowing down our order-taking targets. Another example is using expert teams with members from across the organization.

We project consolidated orders received of ¥350 billion, net sales of ¥347 billion, and operating income of ¥36 billion in FY2020.3.

Overseas

The Asia-Pacific Regional Headquarters (Singapore) and North American Regional Headquarters (San Francisco), both newly established in April 2019, will lead the effort to develop closer collaboration with local partners to bid on and construct projects. They will also help us step up management of business risks unique to overseas markets. Operating out of Singapore, the Asia-Pacific Regional Headquarters will oversee markets in Asia, Oceania, and Guam and enhance marketing as an organization. The North America Regional Headquarters will selectively aim for small- to medium-scale orders that help us sustain a certain amount of construction work and develop and make use of our human resources. Other priorities are promoting local hiring and development of global human resources with a long-term perspective and stabilizing our revenue base through more localization in each area. Finally, we plan to select outstanding local partners and cooperate with them more closely with an eye on future M&A as we seek to continue expanding our business. We project consolidated net sales of ¥70 billion in FY2020.3.

Project Report (Domestic)

Strengthening Wide-Area Network Functionality in Tokai Region
[Shin-Meishin Expressway]

The Shin-Meishin Expressway between Yokkaichi Junction and Kameyama-nishi Junction opened to traffic in March 2019 (with some sections opening earlier), extending the roadway by 27.8 km. Obayashi constructed 14.9 km of the expressway (about 5.5 km in tunnels), or about 54% of the addition, and also constructed Yokkaichi Junction.

The seven projects for which Obayashi took orders in this section were all completed by March 2019. They contributed greatly to forming a double network between Shizuoka Prefecture and Shiga Prefecture.



Photo credit: Central Nippon Expressway Company Limited (taken March 2019)

Swift Recovery after Damage from Heavy Rains
[Project for Urgent Recovery from Heavy Rain Damage on San-yo Expressway]

In July 2018, rivers in many areas, especially in western Japan, flooded and left sediment deposits. Obayashi did disaster recovery work on Hiroshima-Kure Road and San-yo Expressway, among others, seeking to restore this infrastructure as quickly as possible.

We also dispatched employees from around Japan to assist at damaged expressway and railroad locations as the entire company worked to speed up recovery.



The main track of Hiroshima-Kure Road was reopened on September 27, 2018.



One lane is reopened after debris was removed (San-yo Expressway recovery project).

Project Report (Overseas)

Obayashi Technology Contributes to New Zealand's Largest Expressway Project
[Waterview Connection Tunnels and Great North Road Interchange]

Obayashi participated in New Zealand's largest expressway project, in Auckland, the country's largest city.

The shield tunnel was excavated to an outer diameter of 14.5 meters, the widest in the southern hemisphere. Obayashi's large-section shield and low-overburden excavation technology were instrumental at the bidding and construction stages. In this project, the client and contractor worked as a team in an alliance contract. The arrangement covered everything from delivery time and cost target setting to design, construction, maintenance, and management. The team members produced steady results working together.



Construction of Steel Arch Bridge over Mississippi River
[IL DOT Mississippi River Crossing Savanna Bridge]

Group company Kraemer North America, LLC constructed a steel arch bridge over the Mississippi River. It spans 750 meters and measures about 168 meters between arch supports. The steel component of the arch was built with a pylon construction technique using erecting towers and diagonal cables. Replacement of the aging predecessor bridge (built in 1932) was made possible by joining technological capabilities of the Obayashi Group.



TOPIC 1

Self Elevating Platform to Assist in Construction of Large Offshore Wind Power Farm

The need for domestic offshore wind power is expected to grow going forward. Obayashi is partnering with TOA CORPORATION to build a Self Elevating Platform (SEP) in the sea. The SEP will assist in the construction of Japan's first large offshore wind power farm.

The SEP under construction will have among the greatest loading weights in Japan and crane lifting function. Those capabilities will make it possible to do construction while loaded with multiple large pieces of offshore wind power equipment. It is also suited for Japan's unique weather conditions. Completion is scheduled for October 2020.

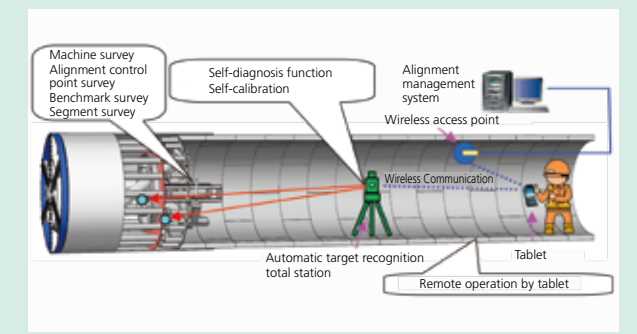
The SEP will give Obayashi a competitive advantage to win orders for offshore wind power farms, and its construction will give a boost to renewable energy.



TOPIC 2

Development of OGENTS/SURVEY™ Automatic Survey System for Use in Shield Tunnels

We are developing the Obayashi Intelligent Shield, or OGENTS, a shield tunneling automation system designed to increase productivity by saving labor in shield tunnel construction work overall. As part of this, we worked with ENZAN KOUBOU CO., LTD. to develop OGENTS/SURVEY™, an automatic survey system that works within shield tunnels. A worker remotely operates the automatic target recognition total station from a tablet. The solution will greatly improve productivity by automating all surveying work needed in shield tunnel construction.



OGENTS/SURVEY™ automatic survey system for use in shield tunnels



Sensitive to Trends and Practicing Community Development the Obayashi Way

This is a time of change in how our cities, buildings, and office environments work. This change is due to a global push for a low-carbon society, development of sustainable communities, and the use of IoT and AI in building management applications as the Japanese government promotes work style reform.

Our real estate development business exists to take challenged urban areas and redevelop them with greater appeal and value. However, we always keep it in mind that construction is our main business, to increase our potential and make community development the Obayashi Group way all the more valuable. To ensure that we continue to grow in this time of change, we will remain sensitive to social trends and actively take on whatever new challenges arise.

Jiro Otsuka

Senior Managing Executive Officer,
General Manager of Real Estate Development Division

Major Initiatives in FY2019.3

Obayashi completed the NIPPON LIFE HAMAMATSUCHO CREA TOWER and SHINTORA-DORI CORE, joint development office building projects that we have been pursuing over the long term in central Tokyo. We also finished a large-scale refurbishment on Bracken House, a property we own in London, and began leasing to new tenants. Consolidated net sales in FY2019.3 amounted to ¥49.1 billion with operating income of ¥10.5 billion. Both of these figures represent a broad gain over FY2018.3. Overseas, Thai Obayashi began construction of O-NES TOWER, a high-rise building with offices for lease that is being developed in Bangkok. In Japan, Yokohama City selected Obayashi to work on the development of Minato Mirai 21 Central District, Block 53. These are helping to diversify our leasing portfolio.

Policy and Outlook for FY2020.3

Obayashi will continue investing in rental office development projects, especially in central Tokyo, and undertake new investments to diversify our leasing portfolio, including residential and logistics facilities. In the property sales business, our focus is on developments that leverage the technological capabilities and expertise of the Obayashi Group.

Outside Japan, we are researching markets including those in Southeast Asia and aim to expand our business by collaborating with the Asia-Pacific Regional Headquarters.

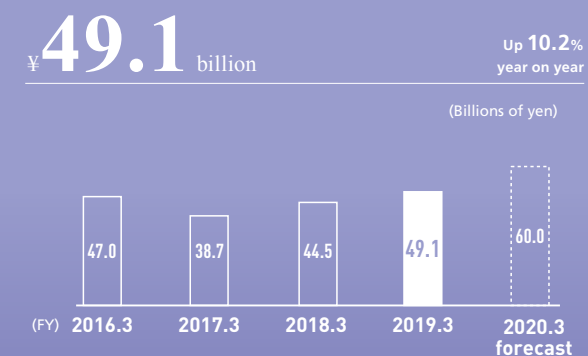
We will continue using our expertise and help develop sustainable communities through forward-thinking real estate development powered by IoT, AI, and our concern for the environment. We project consolidated net sales of ¥60 billion in FY2020.3.

| Business Report |

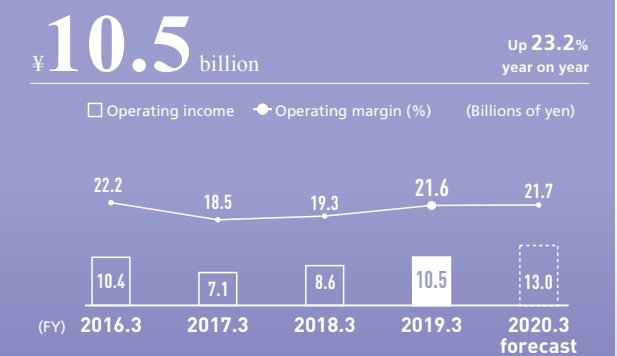
Real Estate Development Business



Net sales



Operating income



Opportunities and Risks in Business Environment

- Opportunities**
- Continued redevelopment in the urban areas of Tokyo and Osaka and solid office demand
 - Increasing importance of environmentally responsible real estate development projects as ESG investment rises
 - Increasing demand for facility management that leverages innovations like IoT and AI
- Risks**
- Increasing competition to secure tenants in urban cores owing to large supply of office buildings
 - Price of land to buy for business jumps too high
 - Risk of losses from real estate price drops when economy worsens

Business Strategy

- Strengthen stable earnings base through further investment in the office leasing business (focusing on the key area of central Tokyo)
- Continue to develop business selling detached housing and condominiums located in the Tokyo metropolitan area and major cities in the Kansai region
- Promote development of new rental housing, logistics facilities, and so forth to drive diversification of the leasing portfolio
- Contribute to creation of a low-carbon society and sustainable communities by promoting environmentally responsible real estate development projects
- Promote facility management that leverages innovation such as IoT and AI
- Contribute to construction business by using real estate development expertise to create added value

TOPIC 1

Completion of Large-Scale Refurbishment of U.K. Property [Bracken House]

We recently spent two years on a large-scale refurbishment of this property we independently own, just south of St. Paul's Cathedral in central London. The project transformed Bracken House into a modern building while retaining the historic exterior, which is designated for preservation in the U.K.

We will run this as a leasing business over the long term, with The Financial Times Ltd., the new tenant, keeping its headquarters there.



TOPIC 2

Development of Large-Scale Mixed-Use Buildings with 180,000 m² of Floor Space [Minato Mirai 21 Central District, Block 53]

Yokohama City has provided support to encourage businesses to move into the area of Minato Mirai 21. The result has been R&D centers and offices of all types of businesses locating here in recent years. Block 53 is a new area being developed to further stimulate the area.

Obayashi is one of four enterprises chosen as a group to develop the block. We will be developing two large-scale mixed-use facilities with high-quality offices at their core and a variety of spaces that include commercial facilities and hotels. We look forward to enhancing the Yokohama brand.



(Illustration upon completion)



Promoting New Businesses with a Special Focus on the Renewable Energy Business

Five years have passed since the founding of the Technology Business Development Division. We have begun commercial operations in our solar power generation business and terrestrial wind power generation business, and in FY2019.3, we began the same in our biomass power generation business. We are also steadily working on developing businesses in offshore wind power, geothermal power, and small-scale hydropower generation. Going forward, we aim to realize more renewable energy businesses, primarily offshore wind power generation, now in planning. Also we will strengthen our activities in the PPP field and build new businesses.

Contributing to ESG challenges and the SDGs is essential to enhancing corporate value these days, and new businesses will play an increasingly important role to this end. We will work to correctly grasp the changes in the times and environment, such as the declining birthrate and aging population in Japan and decarbonization. We will continue taking on new businesses that “prepare the way for the future”.

Yuichi Yamamoto
Managing Executive Officer,
General Manager of Technology Business Development Division

Major Initiatives in FY2019.3

In the field of renewable energy, we completed output-increasing construction at 10 solar power stations totaling 4.4 MWh of additional capacity. Meanwhile, the Otsuki Biomass Power Plant began commercial operation in December 2018. We have also been studying the feasibility of offshore wind power businesses at the ports of Akita and Noshiro and general sea area of Akita Prefecture. We are likewise considering commercialization of small-scale hydroelectric power in various places including Nikko Ashio (Tochigi Prefecture) and terrestrial wind power generation in Kamikita Ogawara (Aomori Prefecture) and Abukuma (Fukushima Prefecture).

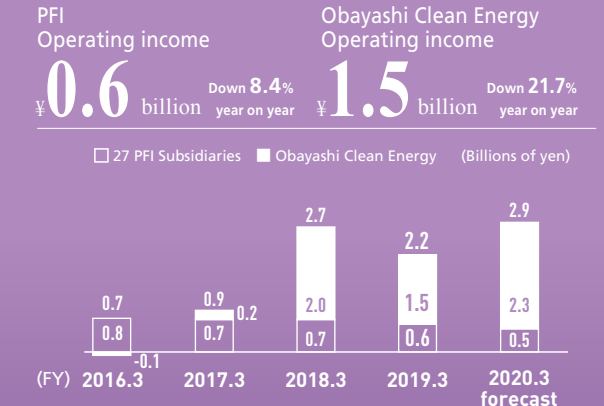
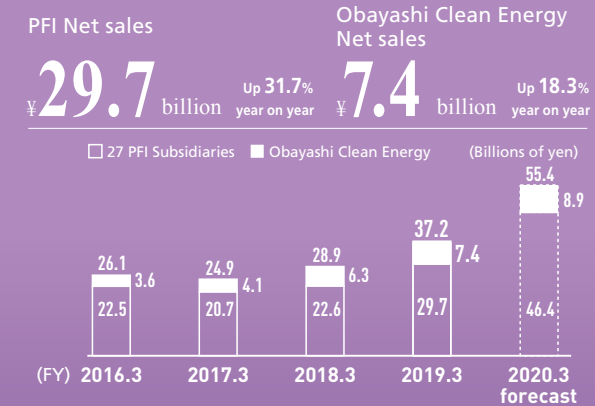
In the PPP field, we built the new Kanagawa Prefectural Police Driver's License Center and completed a large-scale upgrade of the Fukuoka Art Museum. Both facilities, whose orders were taken under a PFI arrangement, are now open for business.

Policy and Outlook for FY2020.3

In the renewable energy field, we are working for the stable management of our existing solar power, terrestrial wind power, and biomass power businesses. We also aim to further expand our business domains by taking on offshore wind power generation and developing business overseas. We are additionally working on building new business models by taking advantage of the technologies and expertise acquired from our renewable energy business. In the agriculture field, we are working to build a business model with plant factories using sunlight and artificial light. To this end, we are endeavoring to establish technologies and expertise to cultivate plants with automation and labor-saving technology. Furthermore, the Obayashi Group is working together to win new PPP projects in Japan, as regional governments in particular look to begin such projects.

| Business Report |

New Businesses



Opportunities and Risks in Business Environment

Opportunities

- Increasing demand for renewable energy aiming for the 2030 energy mix outlined by the Japanese government
- Changes in the energy environment, including the enforcement of the Paris Agreement to deal with the rising risk of climate change
- Creation of new business opportunities owing to Japan and local governments promoting public PPP (PFI, concessions, etc.)
- Accelerating entry of enterprises into agriculture as the farming population declines

Risks

- Decline in business earnings owing to lower unit prices as feed-in-tariff (FIT) system (which purchases electric power at a fixed price) is revised
- Shifts in Japanese government's energy policies
- Functional decline of renewable energy power generation facilities as they develop troubles and degrade over time

Business Strategy

- Expand the renewable energy business and develop peripheral businesses
- Expand earnings by redoubling efforts in PPP projects
- Establish new business models and create earnings sources utilizing proprietary technologies and expertise

TOPIC 1

Large-Scale PFI-Based Art Museum Renovation [Fukuoka Art Museum Update Project]

The Fukuoka Art Museum, designed by the modern Japanese master architect Kunio Maekawa, opened in 1979. The Obayashi Group undertook design and construction for an update project, and has operated, maintained, and managed the renovated museum since its reopening in March 2019. While retaining the basic architectural design, the museum was refashioned in ways that beckon visitors to the adjacent Ohori Park to come inside. The collection and exhibition areas have also been redone and changes have been made to enhance interaction with citizens. The facility has been transformed to offer an art experience of greater quality.



TOPIC 2

Promoting One of Japan's Largest Offshore Wind Power Projects [Northern Akita Prefecture Offshore Wind Power Business]

The general sea area of northern Akita Prefecture has some of the best conditions in Japan for wind power. We are studying the area with a view to constructing one of the largest offshore wind power farms in Japan. In November 2018, a new law was passed in Japan to promote the development of wind power in general sea areas. In response, we are taking a close look at the costs in anticipation of invitations to bid. We are also making steady preparations, such as selecting potential partners, as we aim to take on projects.





Developing Engineering Business That Creates New Business

The Engineering Division became an independent unit in April 2019. The purpose of this change was to strengthen and expand our functions using our specialized technology. Medium-Term Business Plan 2017 calls on us to “deepen and expand business domains.” In response, we are expanding our lines of business and the nature of our work by extending the scope of projects and opening up new fields. Also, we are focusing on strengthening our business platform by acquiring human resources and expertise. We are in addition augmenting our synergy with the construction business. Now that we are an independent division, we aim to be a business that can create new added value.

Atsushi Takeuchi
Executive Officer,
General Manager of Engineering Division



| Business Report |

Engineering Business

Business Strategy

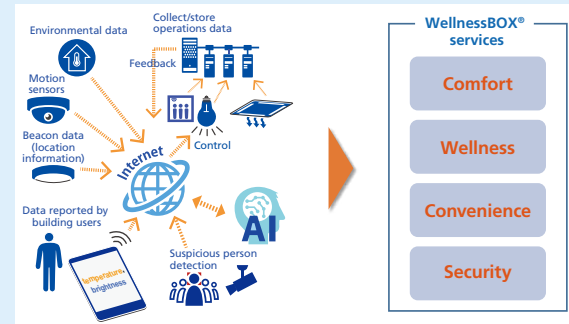
- 1 Strengthen business platform (technology, organization, human resources) for growth and expansion of the engineering business
- 2 Increase earnings capacity by strengthening the engineering business's competitive advantage and harnessing powerful synergies with the building construction and civil engineering businesses
- 3 Expand the nature of the division's work using high-level specialized technological capabilities that create high added value (existing and new fields, expansion overseas)

TOPIC

Smart Building Management System WellnessBOX®

This system uses IoT and AI to gather and analyze data, enhance the wellness of facility users as measured in comfort, convenience, and safety, and optimize building management.

Field tests in oak kanda kaji-chou, an office building owned by the Obayashi Group, confirmed the effectiveness of the technology.



Major Initiatives in FY2019.3

In the production facilities field, we provided schematic design and technical support during the construction of a new cosmetics plant. In the field of environmental facilities, we got involved in an offshore wind power project from the design stage, allowing us to build up expertise. In the information field, we developed the WellnessBOX® smart building management system and put it into use. The system uses IoT and AI to enhance the wellness of facility users and optimize building management. In the soil environment field, we put our elemental technologies to effective use in projects like building interim storage facilities for nuclear waste. This helped increase construction efficiency and quality.

Policy for FY2020.3

We continue to focus on four fields: production facilities, environmental facilities, information, and soil environment. Within these, we are working on new applications for our technologies. Other efforts in these areas include new facilities, such as an offshore wind power farm. To that end, we have been setting up a new organization and developing human resources, which will strengthen our business platform. We will also strengthen our synergy with the construction business by collaborating with the branches on technology marketing. This will help us offer the optimal solution to each customer. Finally, we aim to create new added value by pioneering new fields and developing our overseas business.

| Business Report |

Nuclear Facilities Business



Business Strategy

- 1 Take measures to increase safety of nuclear power installations and promote environmental restoration construction following the Fukushima accident
- 2 Participate in new nuclear power plant construction in and outside Japan. Participate in projects on decommissioning reactors and disposing of radioactive waste

TOPIC

Interim Storage Facilities for Decontaminated Soil

Obayashi is building two interim storage facilities in Okuma Town, Fukushima Prefecture. These will receive, sort, and store radioactive soil from the decontamination process after the accident at the Fukushima Daiichi Nuclear Power Station. The continuous processing technology runs unmanned from soil receiving to storage. As such, the interim storage facilities will be clean and efficient and minimize worker exposure to radiation.



Inside the soil receiving and sorting facility

Major Initiatives in FY2019.3

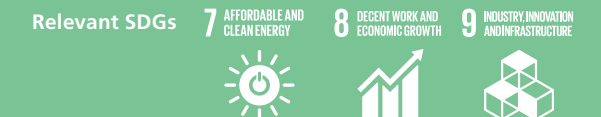
Obayashi developed and marketed technologies related to safety enhancement facilities at nuclear power plants, intermediate storage of radioactive soil and waste, and geologic disposal of radioactive waste. We took orders for engineering work and related construction. We also formed a project team to get ready to take part in projects decommissioning existing plants. Thus, we continually developed and marketed our technology.

Policy for FY2020.3

We will continue aiming to win orders for safety enhancement facilities at nuclear power plants and construct new facilities such as spent fuel storage facilities. In the field of intermediate storage of decontaminated soil and waste, we will provide technical support for the steady construction of soil storage facilities and volume reduction facilities. We will also continue to focus on technological development in preparation for participating in decommissioning and geological radioactive waste disposal projects.

| Business Report |

Robotics Business



Policies and Key Measures

In April 2019, Obayashi newly established the Construction Robotics Division by reorganizing our former mechanical division. The aim here was to develop eco-friendly construction machinery using ICT, IoT, and AI and put it to use promptly on work sites. An additional objective was to expand our earnings sources with new business models. Going forward, we will develop a comprehensive machinery business that brings together the functions of developing and marketing leading-edge technology. We will actively pursue

technological partnerships with other industry sectors and achieve innovation as we contribute to the development of the Obayashi Group's business. One pressing issue is to establish autonomous construction technology with robotics. To this end, we are pursuing automation, labor savings, and autonomous operation of cranes and other construction machinery. We are also endeavoring to develop specialized equipment to make construction of offshore wind power facilities more efficient.



Developing, Acquiring, and Using Advanced Technology Globally

The Technical Division is committed to a future in which Obayashi's technology makes it an industry leader. We begin by accurately assessing the diversifying needs of our customers and communities: greater quality and productivity, lower costs, better work environments, and the like. Knowing that, we will develop advanced technologies that leverage IoT, AI, and robotics and give us greater competitiveness in the global market.

The key to a technology strategy in an age when IoT and AI are part of a shared social infrastructure is to find a good balance of our own technology development and open innovation. We plan to incorporate the technologies derived this way not only into construction processes but even into infrastructure and buildings themselves. We will realize innovation in construction production systems from design through to construction and maintenance. In this way, we will help build a sustainable society.

Naoki Kajita
 Managing Executive Officer,
 General Manager of Technical Division

Technical Research Institute/Technology Development Process

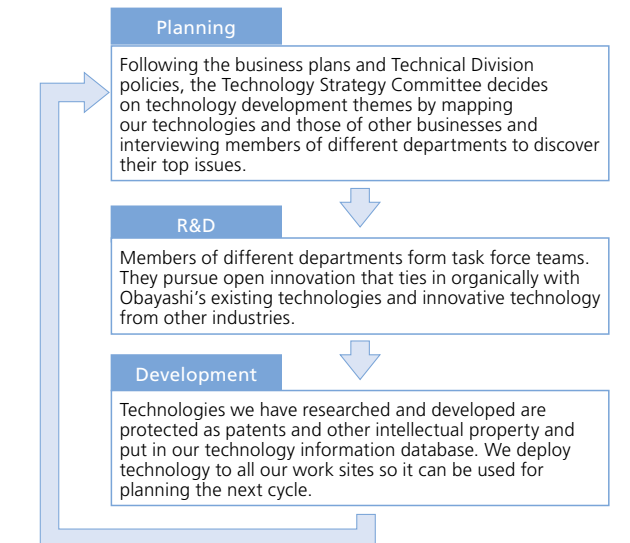
Since its opening in 1965, the Technical Research Institute (Kiyose City, Tokyo) has given society reliable technology backed by field tests held at Obayashi's R&D center. It researches and develops new production, structural, environmental, and ground technologies as sought by our building construction and civil engineering businesses.

The institute pursues three ideals: leading-edge eco-friendliness, safety and security, and research environments. Its Smart Energy Project Center and its Techno-Station (main building), which uses many Obayashi-developed technologies, are examples of how the Technical Research Institute also serves as an exhibition place for Obayashi technologies.



Techno-Station, the main building at the Technical Research Institute

Technology Development Process



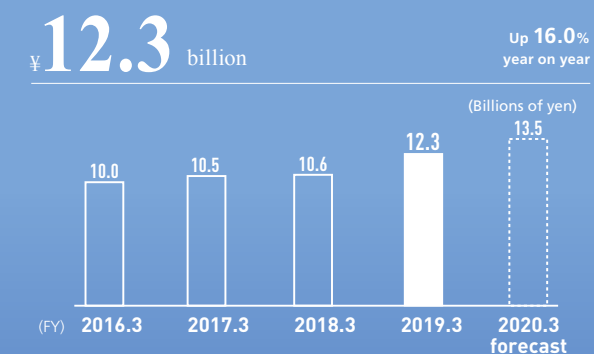
| Business Report |

Technology Development

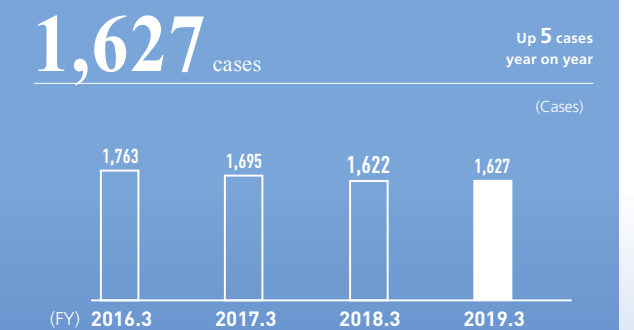
Relevant SDGs

- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES

Research and Development Expense



Number of Patents Owned



Business Strategy

- To create a "Flexible Future," enhance the technological capabilities that are the source of the Group's competitive advantage and promote technological innovation in all business domains
- Develop technologies that contribute to business by aligning with customer needs, stimulating new demand, and reading the markets and the times
- Develop and utilize technologies that will lead to a great leap forward in productivity applying IoT, AI, etc. and to the creation of new value

FY2020.3 Priority Measures

We see the Technical Division as the Obayashi Group's core technology center. We provide one-stop technical solutions for the needs of our customers and business units. Society's challenges include dealing with energy, environmental problems, natural disasters, and aging infrastructure, and the needs of our customers are increasingly diverse. By innovating technology to deal with these issues, we help to diversify the earnings base of the Obayashi Group and grow and globalize its business.

We also promote technology development by allocating resources strategically. We will concentrate our R&D investments into solving the most critical issues identified by the Obayashi Group based on its desire to contribute to the ESG objectives and SDGs.

TOPIC 1

Bubble Silencer™ - Lowering the Noise During Dismantling

We developed Bubble Silencer™ to retrofit on the heavy equipment known as giant breakers. The technology lowers the noise and dust generated while dismantling concrete structures of buildings.

It wraps the chisel of the giant breaker with a fine bubble of uniform thickness. This can reduce noise by about 70% (energy equivalent) and dust by about 90%.

Going forward, we will be applying Bubble Silencer™ to other types of work that use giant breakers, such as bedrock excavation.



(Bubble Silencer™ in use during construction)

TOPIC 2

Digital-Automated Inspection System

Obayashi established Silicon Valley Ventures & Laboratory (SVVL) in 2017. It is handling several open innovation projects with the U.S. research institutes and startups. One of the projects is the Digital-Automated Inspection System, which utilizes state-of-the-art digital technologies such as computer vision, AI, Local Positioning System (LPS), and Mixed Reality (MR). It significantly shortens the current rebar inspection process and makes it more efficient.

The system can detect the rebar properties (the number of rebars, space between rebars, diameter and length) automatically and notify whether the rebars are assembled correctly compared to the BIM design model. The system will be launched at construction sites in Japan and the U.S. and is expected to realize extremely high quality and efficiency in the rebar inspection process which is the most complicated and time-consuming currently.



Major Awards and Commendations

TOPIC THK Building Honored by Multiple International Building Construction Awards



List of Awards Won

- ABB LEAF Awards 2018: Shortlisted in Best Façade Design & Engineering category
- ICONIC AWARDS 2018: Winner in Architecture Category
- German Design Award 2019: Special Award in Excellent Communications Design Architecture category
- Architecture Master Prize 2018: Honorable Mention in Architectural Design category



The THK Building is a seven-story office building owned by oil machinery manufacturer Tatsuno Corporation and tenanted by machinery component manufacturer THK CO., LTD.

The building was completed in 2017 and is located in Minato-ku, Tokyo. Unlike other tenant office projects, the tenant was decided before design began. Three companies—the tenant, the owner, and Obayashi Corporation—worked as a team.

This arrangement made it possible to design the building with feedback from both the tenant and owner from the earliest planning stage. The result is a new type of midsize urban office building satisfying the needs of all parties involved.

The south side of the façade was designed open view to the main street. Meanwhile, the east and west side close to adjacent office and condominium were designed to cut sights and solar heat effectively. The two different designs are contrasted but combined each other. This express sophisticated and strength facade design reflect corporate image of THK.

List of Awards Won

59th BCS Prize

Award sponsor: Japan Federation of Construction Contractors
Award-winning object/party: The Sumida Hokusai Museum ①
Building owner: Sumida City, Tokyo; **Designers:** KAZUYO SEJIMA & ASSOCIATES, Sasaki Structural Consultants, P.T.Morimura & Associates, LTD.
DENSO Global Training Center and recreation facility AQUAWINGS ②
Building owner: DENSO CORPORATION; **Architect:** NIKKEN SEKKEI LTD

2019 Architectural Institute of Japan Young Researcher Award

Award sponsor: Architectural Institute of Japan
Award-winning object/party: Performance Check in the Normal Temperature of Pressurization Smoke Control: Improvement of theoretical formula about the patulous state of door of the smoke protect opening which reproduces the flow place in case of a fire at the time of normal temperature

Good Design Award 2018

Award sponsor: Japan Institute of Design Promotion
Award-winning object/party: oak kanda kaji-chou ③

JSCE Awards Fiscal 2017

Award sponsor: Japan Society of Civil Engineers
Award-winning object/party: Outstanding Civil Engineering Achievement (OCEA) Award: Assembly of Large Wind Turbine by Wind Lift Method—Mitane Hamada Project ④
Outstanding Civil Engineering Achievement (OCEA) Award: Elimination of missing-link for industrial development in the Kinki area—Construction of Keinawa Expressway Kihoku-Nishi Road Wakayama Junction ⑤
Innovative Technique Award: Development of hybrid structural footing ⑥, which has a buried flat grid that allows steel bridge piers to be anchored at shallower depths, and development of the SURROGATE general-purpose remote control device embedded with a plane steel frame capable of reducing the anchoring depth of a steel pier ⑦

Infrastructure Technology Development Awards

Award sponsor: Japan Institute of Country-ology and Engineering, Coastal Development Institute of Technology
Award-winning object/party: 20th Anniversary Memorial Grand Prize: SLIM-crete method using ultra-high-strength fiber-reinforced concrete cured at normal temperature
Award for Excellence: Lifting Method (Wind Lift) for Assembly of Large Wind Turbine

1st Japan Construction International Award

Award sponsor: Ministry of Land, Infrastructure, Transport and Tourism
Award-winning object/party: Construction projects division award: I-70 Twin Tunnels Widening (Colorado, U.S.A.) ⑧

38th Engineering Commendation Award

Award sponsor: Engineering Advancement Association of Japan
Award-winning object/party: Engineering advancement category: Senju Sekiya pump plant caisson submerging project team

10th Special Engineering Promotion Awards

Award sponsor: Engineering Advancement Association of Japan
Award-winning object/party: “Advanced Technology with Potential for Future Professional Application” category: Wet bulb globe temperature index watcher development project team

2018 Japan Concrete Institute Awards

Award sponsor: Japan Concrete Institute
Award-winning object/party: Toyonaka Performing Arts Center

2018 New Energy Award Secretary of Agency for Natural Resources and Energy

Award sponsor: New Energy Foundation
Award-winning object/party: Lifting Method (Wind Lift) for Assembly of Large Wind Turbine

36th Institute of Electrical Installation Engineers of Japan Awards

Award sponsor: The Institute of Electrical Installation Engineers of Japan
Award-winning object/party: “National Conference Presentation Honorable Mention Award”: CO₂-free hydrogen production system using power from fluctuating renewable energy (lecture)

Minister of the Environment’s 2018 Commendation for Global Warming Prevention Activity

Award sponsor: Ministry of the Environment
Award-winning object/party: Early implementation of countermeasure technology category: Building and operation of Smart Energy System implementing large amount of renewable energy at Obayashi Technical Research Institute





Sustainability Management

Basic Policy

The Obayashi Basic Principles, consisting of the Obayashi Philosophy, Obayashi Code of Conduct, and Obayashi Three Pledges, apply to all officers and employees.

We believe that our business activities themselves are the very practice of the Obayashi Basic Principles. We clearly define the Group's social responsibilities, taking account of the needs of our stakeholders and society. Then we work to solve social challenges.

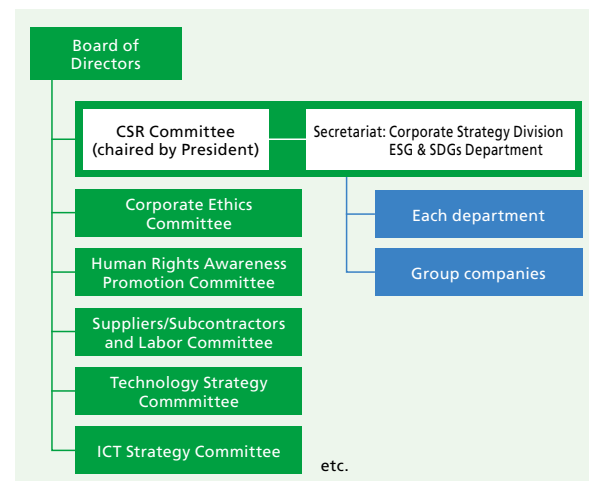
We also recognize the growing interest in ESG in recent years. Thus, we are taking a new look at our existing initiatives based on the Obayashi Basic Principles, this time using an ESG perspective. Our aim is to work with the measures embedded in our medium-term business plan to realize a sustainable society as well as medium- to long-term growth for the Group.

Promotion Framework

The CSR Committee was put in place to promote business activities based on the Obayashi Basic Principles. It is headed up by the president and has a membership consisting of general managers of divisions and other executive officers.

Meeting once a year, the committee establishes basic CSR policies and specific action plans and reviews achievements of initiatives.

The ESG & SDGs Department of the Corporate Strategy Division serves as secretariat for the CSR Committee. It disseminates CSR and ESG information and instills their practice within the Group. It also cooperates with Group companies to conduct initiatives.



Sustainability Report

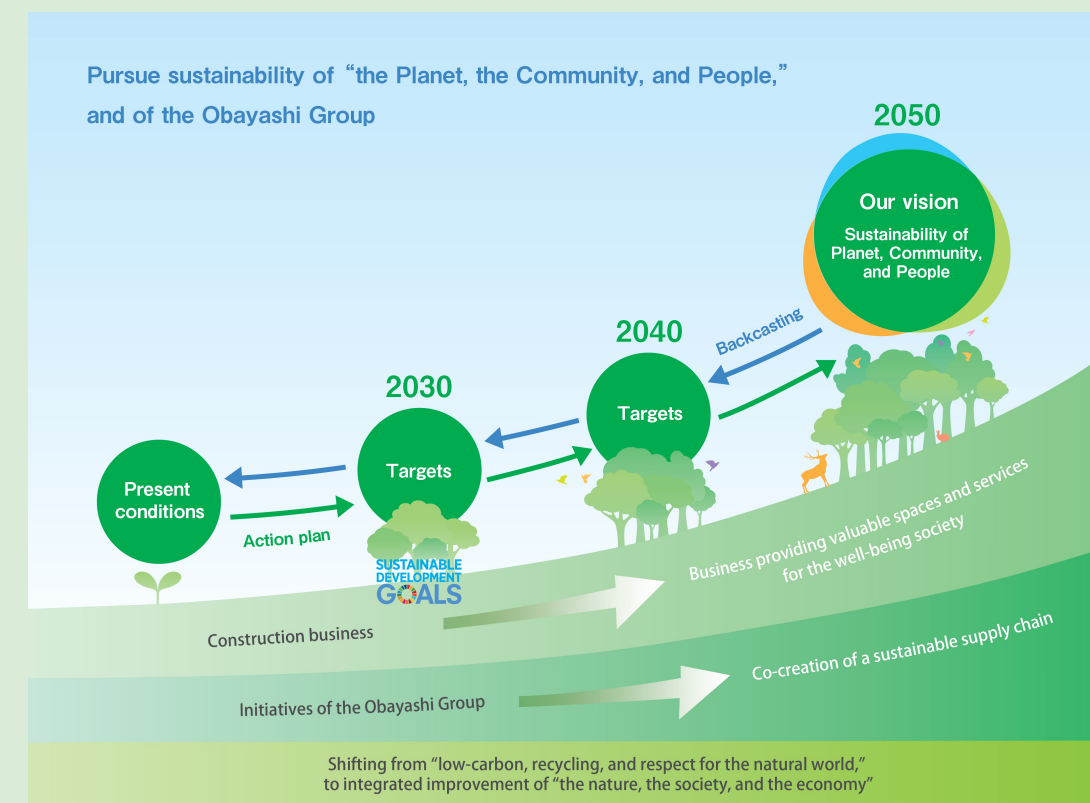
Following is an introduction to initiatives during FY2019.3.

	Major content	Relevant pages	
Feature: "A Dialogue on Governance"	Discussion on governance by three independent directors	P.41-44	
Corporate Governance	<ul style="list-style-type: none"> Corporate Officers Independent Directors and Outside Audit & Supervisory Board Members Collaboration among Audit & Supervisory Board Members, Financial Auditor, and Internal Audit Arm Establishment and Implementation of Internal Control System Dialogue with Shareholders and Others Comments from Outside Audit & Supervisory Board Members 	<ul style="list-style-type: none"> Management Structure Training of Members of the Board and Audit & Supervisory Board Members Policies for Determining Remuneration Evaluating Effectiveness of Board of Directors Risk Management 	P.45-53
Ensure Strict Adherence to Corporate Ethics	<ul style="list-style-type: none"> Establishment of System to Ensure Strict Adherence to Corporate Ethics For More Through Compliance 	<ul style="list-style-type: none"> Corporate Ethics Program 	P.54-56
Provide High-Quality Buildings, Infrastructure, and Services	<ul style="list-style-type: none"> Management System Developing Human Resources 	<ul style="list-style-type: none"> Ensuring Customer Satisfaction 	P.57-58
Foster an Environmentally Responsible Society	<ul style="list-style-type: none"> Environmental Policy Environmental Management System 	<ul style="list-style-type: none"> Compliance with Environmental Laws and Regulations Towards a Low-Carbon, Recycling-Oriented Society That Respects the Natural World 	P.59-60
Value Every One of Our Associates	<ul style="list-style-type: none"> Respect for Human Rights Promoting Diversity Health and Safety Principles and Policies Targets and Priority Measures Aiming for Zero Occupational Accidents 	<ul style="list-style-type: none"> Nurturing Human Resources Promoting Work Style Reform Occupational Health and Safety Management System Health and Safety Initiatives 	P.61-68
Build Stronger Mutual Trust with Suppliers	<ul style="list-style-type: none"> Obayashi Group CSR Procurement Guidelines Obayashi Rin-yu-kai Vocational Training School Supporting for Recruiting Activities 	<ul style="list-style-type: none"> Obayashi Rin-yu-kai Other Training 	P.69-70
Build Good Relationships with Communities	Social Initiatives of the Group		P.71-72

Updated to Obayashi Sustainability Vision 2050

Obayashi Green Vision 2050, the medium- to long-term vision adopted in 2011, was updated to Obayashi Sustainability Vision 2050 in June 2019. Under the new vision, the Group will work together for the sake of sustainability. This Sustainability Vision expands on the Green Vision by including promotion of ESG management and achievement of the SDGs. The new version clarifies and redefines our vision for 2050. It reflects the Obayashi Basic Principles, changes in the business environment and megatrends, as well as our vision prior to this update and the initiatives that went with it.

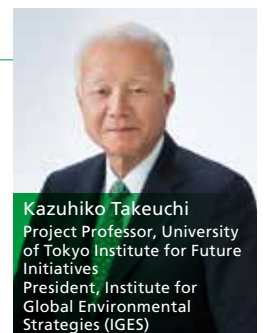
Going forward, we will be taking a range of environmentally friendly and social-friendly initiatives designed to achieve Obayashi Sustainability Vision 2050. We will aim to achieve the sustainability of the planet, the community, and people by promoting these initiatives in the Group's business endeavors and throughout the supply chain.



VOICE Comment by External Expert on the Recent Updates

Recognition of the importance of integrated improvement in the environment, the community, and the economy has stepped up a level on the basis of international agreements on solving global challenges, which include the Sustainable Development Goals (SDGs), the Sendai Framework for Disaster Risk Reduction 2015-2030, and the Paris Agreement (on climate change), all of which were adopted in 2015. In Japan, the 5th Basic Environmental Plan stresses the goal of building sustainable communities by creating regional CESs, or Circulating and Ecological Economies, that roll-out integrated initiatives locally.

The update of Obayashi Green Vision 2050 to Obayashi Sustainability Vision 2050 redefined the Group Vision for 2050 as achieving sustainability of the planet, the community, and people, and I can greatly appreciate the fact that this Vision does not end with the environment, but also incorporates the concept of the sustainability of the community and people as well.



A Dialogue on Governance

For the Sustainable Growth of the Obayashi Group

Obayashi Corporation increased the number of independent directors*1 to three in June 2018. The three current independent directors came together for a candid dialogue. Their discussion ranged from the corporate culture of the Obayashi Group, their impressions of the Group, their roles and aspirations as independent directors, and what form the Group needs to take in a new era.

*1 Independent director
An outside director as per Article 2,
Section 15 of the Companies Act

Shinichi Koizumi
Independent Director

Shinichi Otake
Independent Director

Naoki Izumiya
Independent Director

A Rapidly Reforming Governance System

— What is your impression of corporate governance at Obayashi?

Otake: I was Obayashi's first Independent Director and have been in that position for six years. At the start of my tenure, there was some trial and error even between me and the Board of Directors. More recently, however, I've had more opportunities to attend not only Board of Directors meetings but also the president's interviews with business units. It seems to me that our function is more meaningful now in the sense that there is a better environment for us to get information. Later, Mr. Koizumi and Mr. Izumiya joined me in this role, and each of them has a different background and frame of reference than me. That really energized our discussions.

Koizumi: I feel that Obayashi's initiatives to strengthen governance have really moved quickly in the last year or two. Particularly under the new system in effect since 2018, independent directors make up a majority of the members of the Recommendation Committee and Remuneration Committee and an Independent Director is even sometimes the committee chair. Since these committees deal with important matters like executive personnel and compensation, this is a bold reorganization. I can sense Obayashi's intent to really solidify its governance system so it can work positively as the Company grows. As for Chairman Obayashi, his position lets him restrain the executive side of management. His approach is characterized by seeking out the opinions of outsiders. That makes it easy for us to say what we think.

Izumiya: Society has long sought governance reform from enterprises, but you can tell that Obayashi took on reform on its own initiative. We're under a bit of tension because the Company really urges us to attend even less important meetings. These are fundamental to business execution in the sense that this is where we share information. This expectation reinforces for us the need to do good work. Information is surprisingly open within Obayashi, but I get the impression that Obayashi could do better at getting outside attention. That seems to be an issue it needs to address for the sake of achieving both governance transparency and fairness at Obayashi.

— What do you think about your role as an Independent Director?

Otake: My background is in communications and technology, so I'd like to apply my knowledge to help Obayashi decide how to use its technological capabilities. How to use ICT and communications technology is a big challenge for all types of industries nowadays, including the construction industry. I feel that Obayashi is dealing with the challenge promptly and making good progress. However, drawing on intellectual property based on open innovation is a weakness, in my opinion. I see it as my role to offer Obayashi my suggestions on this.

Koizumi: I've had years of business experience outside Japan. I'd like to offer my knowledge particularly where Obayashi is stepping up its overseas business. I actually have many opportunities to visit overseas bases and construction sites and dialogue with local managers. I get the sense that the Group as a whole has not yet optimized the operational functions of Obayashi Corporation and its overseas bases. Open innovation is a good example. Let's say that an overseas base or Group company has come up with an innovation. Obayashi does not yet have a system in place to incorporate that innovation into the Group overall. At Board of Directors meetings, I try to speak up candidly on issues that come up in the course of business activities. The result is often an immediate and appropriate response, and that's rewarding to me as well.



Feature A Dialogue on Governance

Izumiya: To describe it straightforwardly, my perspective as an Independent Director is to promote the sustained growth of the business and medium- to long-term enhancement of corporate value. As mentioned earlier, Obayashi is extremely quick to respond. But the thing that's really important is how that response enhances sustainability and corporate value. For example, Obayashi is developing IoT and robotics to deal with the medium- to long-term manpower shortage, but unless it gets a reasonable return within its investment horizon, there is no point. That is the perspective that I need to speak from.

Expressing the Future of the Construction Industry

— How do you see the future direction of the Obayashi Group?

Izumiya: Obayashi builds national infrastructure. It operates at a large scale and over a long time horizon. The question is, how is the Obayashi Group using its invisible assets? For example, how is it contributing to the SDGs in ways that make the Company indispensable? How we draw the public's attention to these characteristics is the key to expanding the possibilities of the Obayashi Group going forward.

Otake: The building construction and civil engineering markets in Japan are going to reach a peak. Without question, the mainstream for business will be making effective use of existing stock, which can include building renovation. The Obayashi Group is also taking



on the renewable energy business—solar, wind, and geothermal. The Group needs to have success here, but it's still unknown where tomorrow's stable energy will come from. In any case, to produce sustained earnings for the Group going forward, it will certainly have to change its existing business conditions while it is still on firm ground.

Koizumi: It's not possible for the construction industry to go on unchanged when the world is changing at such a dizzying speed. Obayashi will have to persist in those fields that are new now if it is to survive whatever the environment and build a foundation for corporate earnings that remains steady in the face of even greater change in business conditions.

Izumiya: To add to that, the Obayashi Group has to decide its direction on future business domains and core competencies. That will doubtless be a great issue going forward. If it can give concrete expression to its "IR story" of change in its business portfolio over the next 10 years, it could really raise expectations.

Rigorous Compliance into the Corporate Culture

— Tell us what you think about implementing rigorous compliance.

Koizumi: Obayashi is making strong progress in its systematic response. It has put all sorts of mechanisms into effect following cases of misconduct. The challenge is to get assent to the new systems and mechanisms from employees who are actually on the job site. In any mechanism, the important thing is not to say certain acts are forbidden, but to convince employees they don't need to do those acts. If the delivery date or simply getting the job done takes priority over everything else, we can't eliminate the possibility that rules will get broken. That type of mechanism building requires thinking not just about legal compliance in the narrow sense but also developing work site governance.

Izumiya: It goes without saying that rigorous compliance is essential in terms of sustainability. However, there are actually issues that come up in the stages before that, such as managing risk as part of managing the business and managing the corporate culture at the work site. First, executives have to train

employees at the site on how to think about risk and instill in middle management an awareness of the extreme importance of corporate culture. Then, it needs to make the process of execution at the work site visible and incorporate it to the point where it is possible to carry out. When you've got that cycle working, rigorous implementation will start to show up in the corporate culture and employees' attitudes.

Otake: If people think of legal compliance as something that restrains them, any rules are less likely to work. The important thing is to make work site employees really understand that rigorous compliance helps increase sales and productivity, and to build it into the corporate culture.

Obayashi's Style of ESG Management

— Any comments on ESG management as the Obayashi Group aims to practice it?

Izumiya: We talk about "ESG" as a single thing, but unless the G is sustained, the E and S won't continue long either. In that sense, a big assumption of ESG management is to create a mechanism such that you first increase the sustainability of G and then reduce the negatives and increase the positives of E and S to make a real contribution to the world. I hope that Obayashi will begin by building governance into its best practices as a foundation for ESG management.

Koizumi: The industrial waste generated by the construction industry has a big negative impact on society. Obayashi has already begun addressing this, but it needs to break away from the scrap-and-



build model. Its buildings and infrastructure need to incorporate innovations from the design stage that will enable the finished product to continue being used for the long term. If it can do that, Obayashi will in the future as a matter of course win market acclaim for its ESG perspective.

Otake: Whether they realize it or not, enterprises that have lasted for the long term have survived by meeting society's ESG expectations. Now, however, the construction industry cannot afford to be passive any longer. People expect these enterprises to contribute to meeting the SDGs, which are to be achieved by 2030. I hope that, as a leader in the construction industry, the Obayashi Group will show it has the willingness and capacity to act as a pioneer for achieving the SDGs. Its ESG management will mature if it does so.

Profile

Shinichi Otake
Independent Director

Mr. Otake joined NTT Public Corporation (the predecessor of NTT) in 1971. He became President of NTT-ME Tokyo Corporation in 2002, Senior Executive Vice President of Nippon Telegraph and Telephone WEST Corporation (NTT WEST) in 2007, and President of NTT WEST in 2008. He is currently Senior Advisor at NTT WEST. He has been an Independent Director for Obayashi Corporation since 2013.

Shinichi Koizumi
Independent Director

Mr. Koizumi joined Toray Industries, Inc. in 1971. He became a Vice President at Toray Industries in 2004 and Executive Vice President and Representative Member of the Board at Toray Industries in 2008. He was appointed Senior Advisor of Toray Industries and Chairman of the Board at Toray Corporate Business Research, Inc. in 2013. He currently serves as Standing Corporate Auditor at DeNA Co., Ltd., Outside Director at Japan Bank for International Cooperation, and Outside Director at Preferred Networks, Inc. He has been an Independent Director for Obayashi Corporation since 2015.

Naoki Izumiya
Independent Director

Mr. Izumiya joined ASAHI BREWERIES, LTD. in 1972. He assumed the position as President and Representative Director at Asahi Breweries in 2010. At Asahi Group Holdings, Ltd., he became President and Representative Director and COO in 2011, President and Representative Director and CEO in 2014, Chairman and Representative Director and CEO in 2016, Chairman and Representative Director in 2018, and Chairman of the Board in 2019. He has been an Independent Director for Obayashi Corporation since 2018.



Corporate Officers

(As of June 25, 2019)

Members of the Board



Takeo Obayashi

Chairman, Representative Director

Apr. 1977 Joined the Corporation
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
Representative Director (incumbent)



Kenji Hasuwa

Representative Director

Apr. 1977 Joined the Corporation
Apr. 2010 Executive Officer
Oct. 2012 Managing Executive Officer
Oct. 2014 General Manager of Technology Business Development Division
Jun. 2015 Director
Apr. 2016 Senior Managing Executive Officer
Apr. 2016 Representative Director
Mar. 2018 President (incumbent)



Shingo Ura

Representative Director

Apr. 1973 Joined the Corporation
Aug. 2007 Executive Officer
Apr. 2010 Managing Executive Officer
Deputy General Manager of Building Construction Division at Tokyo Main Office
Apr. 2012 Senior Managing Executive Officer
General Manager of Building Construction Division at Tokyo Main Office
Apr. 2015 General Manager of Tokyo Main Office
Jun. 2017 Representative Director
Executive Vice President (incumbent)
Apr. 2019 General Manager of Building Construction Division (incumbent)



Takehito Sato

Representative Director

Apr. 1975 Joined the Corporation
Apr. 2011 Executive Officer
Deputy General Manager-in-Charge of Civil Engineering Construction Division at Tokyo Main Office
Apr. 2015 General Manager of Shikoku Branch
Apr. 2016 Managing Executive Officer
Mar. 2018 Senior Managing Executive Officer
General Manager of Civil Engineering Construction Division (incumbent)
Jun. 2018 Director
Apr. 2019 Representative Director
Executive Vice President (incumbent)



Yasuo Kotera

Director

Apr. 1977 Joined the Corporation
Apr. 2010 Executive Officer
General Manager of Accounting Department at Head Office
Apr. 2012 Managing Executive Officer
Apr. 2015 Senior Managing Executive Officer (incumbent)
Apr. 2017 General Manager of Real Estate Development Division
Jun. 2018 Director (incumbent)



Toshihiko Murata

Director

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



Toshimi Sato

Director

Apr. 1985 Joined the Corporation
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 (incumbent)



Shinichi Otake

Independent Director^{*1}

Apr. 1971 Joined NTT Public Corporation (the predecessor of NTT)
Jun. 2002 President of NTT-NE Tokyo Corporation
Jun. 2004 Executive Vice President of Nippon Telegraph and Telephone WEST Corporation
Jun. 2006 Representative Director and Senior Vice President of Nippon Telegraph and Telephone WEST Corporation
Jun. 2007 Senior Executive Vice President of Nippon Telegraph and Telephone WEST Corporation
Jun. 2008 President of Nippon Telegraph and Telephone WEST Corporation
Jun. 2012 Chief Executive Counselor, Member of the Board of Nippon Telegraph and Telephone WEST Corporation
Jun. 2013 Independent Director of the Corporation (incumbent)
Jun. 2014 Chief Executive Counselor of Nippon Telegraph and Telephone WEST Corporation
Jul. 2018 Senior Advisor of Nippon Telegraph and Telephone WEST Corporation (incumbent)



Shinichi Koizumi

Independent Director^{*1}

Apr. 1971 Joined Toray Industries, Inc.
Jun. 2004 Vice President (Member of the Board) of Toray Industries, Inc.
Jun. 2006 Senior Vice President (Member of the Board) of Toray Industries, Inc.
Jun. 2007 Senior Vice President (Member of the Board & Member of the Executive Committee) of Toray Industries, Inc.
Jun. 2008 Executive Vice President and Representative Member of the Board of Toray Industries, Inc.
Jun. 2013 Senior Advisor of Toray Industries, Inc.
Chairman of the Board of Toray Corporate Business Research, Inc.
Jun. 2015 Advisor of Toray Industries, Inc.
Independent Director of the Corporation (incumbent)
Jun. 2017 Standing Corporate Auditor of DeNA Co., Ltd. (incumbent)
Major concurrent position: Standing Corporate Auditor of DeNA Co., Ltd.
Managing Director (Outside Director) of Japan Bank for International Cooperation
Outside Director of Preferred Networks, Inc.



Naoki Izumiya

Independent Director^{*1}

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 Corporation (incumbent)
Mar. 2019 Chairman of the Board of Directors and Representative of the Board of Directors of Asahi Group Holdings, Ltd. (incumbent)
Major concurrent position: Chairman of the Board of Directors and Representative of the Board of Directors of Asahi Group Holdings, Ltd.
Outside Director of New Otani Co., Ltd.
External Board Director of Recruit Holdings Co., Ltd.

^{*1} Independent Director
An outside director as per Article 2, Section 15 of the Companies Act

Members of the Audit & Supervisory Board



Hikaru Ueno

Standing Audit & Supervisory Board Member

Apr. 1977 Joined the Corporation
Apr. 2010 Executive Officer
General Manager of Personnel Department at Head Office
Apr. 2012 Managing Executive Officer
Apr. 2015 General Manager, Sapporo Branch
Mar. 2018 Advisor
Jun. 2018 Standing Audit & Supervisory Board Member (incumbent)



Tadashi Utashiro

Standing Audit & Supervisory Board Member

Apr. 1979 Joined the Corporation
Oct. 2010 General Manager of PFI Division
Apr. 2013 Deputy General Manager of Tohoku Branch
Apr. 2015 Deputy General Manager in charge of Real Estate Development Division
Apr. 2016 Advisor
Jun. 2016 Standing Audit & Supervisory Board Member (incumbent)



Hiroshi Yokokawa

Outside Audit & Supervisory Board Member^{*2}

Apr. 1970 Joined the Ministry of International Trade and Industry
Sep. 1999 Director General of Consumer Goods Industries Bureau
Jun. 2000 Retired from the Ministry of International Trade and Industry
Jul. 2000 Executive Vice President of Japan External Trade Organization
Jul. 2002 Retired from Japan External Trade Organization
Aug. 2002 Advisor of Osaka Gas Co., Ltd.
Jun. 2003 Managing Director of Osaka Gas Co., Ltd.
Jun. 2005 Representative Director and Senior Managing Director of Osaka Gas Co., Ltd.
Jun. 2008 Representative Director and Executive Vice President of Osaka Gas Co., Ltd.
Jun. 2009 Representative Director, Executive Vice President of Osaka Gas Co., Ltd.
Apr. 2011 Director of Osaka Gas Co., Ltd.
Jun. 2011 Retired from Osaka Gas Co., Ltd.
Jul. 2011 President of the Japan Commercial Arbitration Association
Jun. 2015 Retired from the Japan Commercial Arbitration Association
Outside Audit & Supervisory Board Member of the Corporation (incumbent)
Major concurrent posts: President, Japan Association of Athletics Federations
Chairman, Association for the Promotion of Electric Vehicles
President, SOKEIZAI CENTER



Tetsuo Nakakita

Outside Audit & Supervisory Board Member^{*2}

Apr. 1976 Joined the Ministry of Construction
Jul. 2006 Deputy Director-General, Railway Bureau, Ministry of Land, Infrastructure and Transport
Jul. 2007 Retired from the Ministry of Land, Infrastructure and Transport
Vice Chairperson, Funenkousha
Jun. 2013 President, West Japan Housing Industry Credit Guarantee Inc.
Jun. 2018 Outside Audit & Supervisory Board Member of the Corporation (incumbent)



Akihiko Nakamura

Outside Audit & Supervisory Board Member^{*2}

Mar. 1982 Joined Price Waterhouse Certified Public Accountants Office
Sep. 1986 Registered as a Certified Public Accountant
Jul. 1998 Representative Partner, Aoyama Audit Corporation
Partner, PricewaterhouseCoopers Co., Ltd. (PwC)
Apr. 2000 Representative Partner, ChuoAoyama Audit Corporation
Sep. 2006 Representative Partner, Aarata Kansa Hojin (currently PricewaterhouseCoopers Aarata LLC)

Jul. 2017 Retired from the PricewaterhouseCoopers Arata LLC and PwC
President, Akihiko Nakamura CPA Office (incumbent)
Jun. 2018 Outside Audit & Supervisory Board Member of the Corporation (incumbent)
Major concurrent posts: President, Akihiko Nakamura CPA Office

^{*2} Outside Audit & Supervisory Board Member
As per Article 2, Section 16 of the Companies Act

Executive Officers

President	Kenji Hasuwa						
Executive Vice Presidents	Shingo Ura General Manager of Building Construction Division Responsible for overall building construction	Isamu Kakeno General Manager of Osaka Main Office General Manager of Yumeshima Development Division	Takehito Sato General Manager of Civil Engineering Construction Division Responsible for overall civil engineering construction				
Senior Managing Executive Officers	Yasuo Kotera Responsible for overall administration	Yoshiharu Nakamura General Manager of Asia-Pacific Regional Headquarters	Chiaki Kobayashi General Manager of Safety, Quality & Environment Division	Toshihiko Murata General Manager of Tokyo Main Office	Jiro Otsuka General Manager of Real Estate Development Division		
Managing Executive Officers	Atsushi Sasagawa General Manager of Building Construction Division at Osaka Main Office Deputy General Manager of Yumeshima Development Division						
	Atsuteru Kiriya Deputy General Manager of Building Construction Division at Tokyo Main Office (responsible for marketing)	Mamoru Hikida General Manager of Kyushu Branch	Makoto Hidetaka General Manager of Hiroshima Branch	Naoki Kajita General Manager of Technical Division Responsible for information systems	Koji Murakami General Manager of Nagoya Branch		
	Hirokazu Onozaki General Manager of North American Regional Headquarters	Shuji Kurokawa General Manager of Civil Engineering Construction Division at Tokyo Main Office	Shin Matsumoto General Manager of Civil Engineering Technology Division	Katsuyoshi Okawa Senior Project Manager of Marunouchi 1-3 JV Project at Tokyo Main Office	Yoshimi Sekoguchi Deputy General Manager of Building Construction Division at Tokyo Main Office (responsible for marketing)		
	Yuichi Yamamoto General Manager of Technology Business Development Division	Koji Kunieda Deputy General Manager of Building Construction Division at Tokyo Main Office (mechanical & electrical, and renovation)	Hitoshi Hasegawa Deputy General Manager of Building Construction Division at Tokyo Main Office (responsible for marketing)	Eisuke Yamamoto Deputy General Manager of Civil Engineering Construction Division (responsible for overseas)	Toshiro Kiyomi General Manager of Building Construction Division at Tokyo Main Office		
	Akinobu Nohira Deputy General Manager of Civil Engineering Construction Division	Toshimi Sato Responsible for corporate strategy, personnel, finance, and accounting General Manager of Corporate Strategy Division Deputy General Manager-in-Charge at Tokyo Main Office (responsible for project administration)					
Executive Officers	Moriyuki Hanawa Nobuyuki Wakuni Hiromitsu Kato Yutaka Taneda Atsushi Takeuchi	Takashi Takeuchi Hideo Katsumata Goichi Kamochi Kojiro Nitta Katsuhiko Matsuda	Hitoshi Tomoto Hironobu Kawakami Kazuyuki Goto Yasuo Morita Masaaki Yasui	Mitsuru Kawasaki Yoshihito Sasaki Hiroshi Saito Motoi Yano	Nozomu Taoda Seiji Nagai Kimihiko Sato Yoshikatsu Imazuka	Susumu Kawaguchi Akihiro Higashide Isao Sano Shigeru Edatsune	Masahiro Saito Kyoji Ikeda Futoshi Takahashi Hitoshi Shibuya



Corporate Governance

Basic Policy

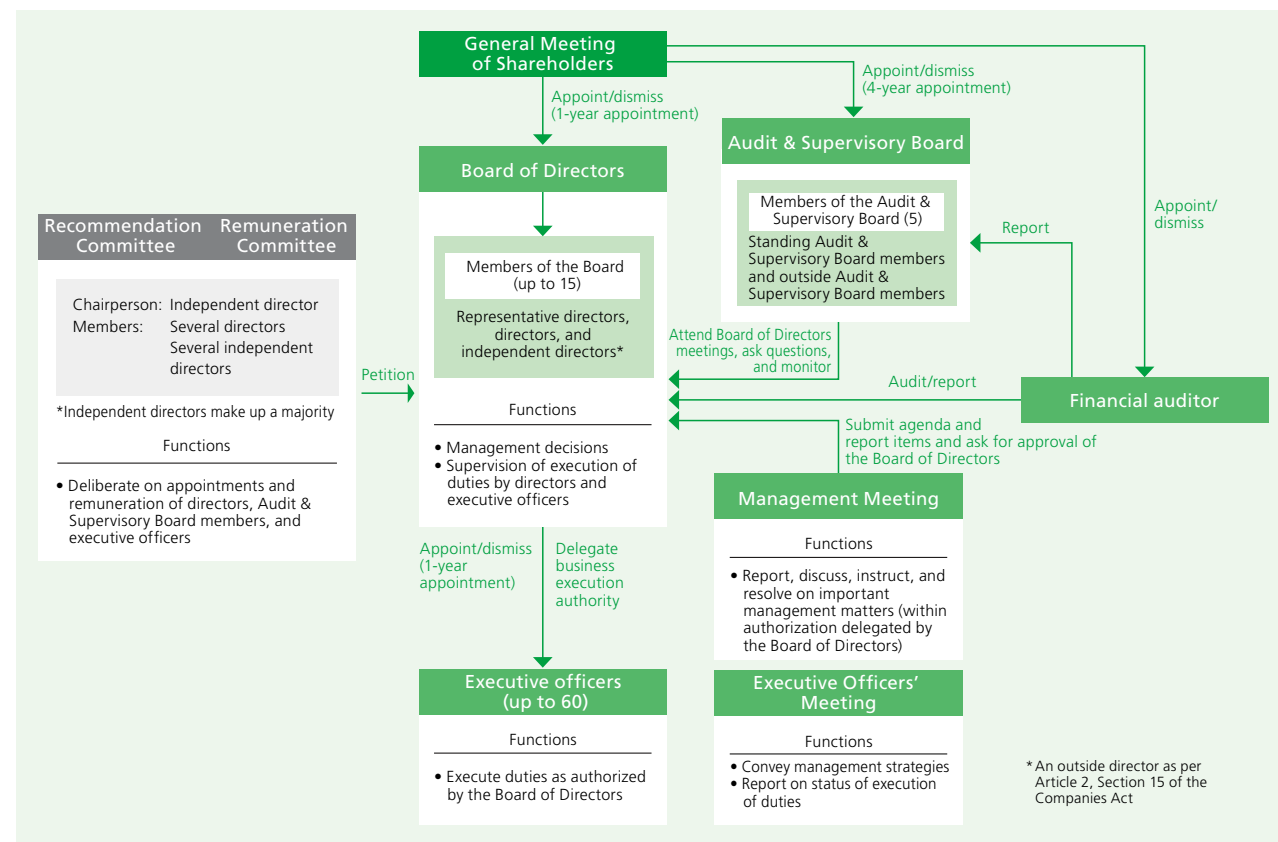
Obayashi believes that transparency and sound management, along with a strong corporate governance framework, are critical to maintaining society's trust.

We enhance corporate governance also to achieve sustainable growth and greater corporate value over the medium to long term. Specific initiatives include transparent, fair, rapid, and resolute decision-making. Such decision-making is always based on the principles of Japan's Corporate Governance Code set out by the Tokyo Stock Exchange, laws and regulations, and society's expectations.

Management Structure

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.

Management Structure



Overview of the Corporate Governance Framework (As of June 25, 2019)

<ul style="list-style-type: none"> Form of organization: Company with Audit & Supervisory Board Members of the Board: <ul style="list-style-type: none"> Number in Articles of Incorporation: Up to 15 persons Actual Number: 10 persons Of which, independent directors: 3 persons Appointment term: 1 year Remuneration: Basic remuneration and stock remuneration in line with contribution to performance 	<ul style="list-style-type: none"> Audit & Supervisory Board members: <ul style="list-style-type: none"> Actual Number: 5 persons Of which, outside Audit & Supervisory Board members: 3 persons Number of independent directors/auditors: 6 persons Executive officer system: Yes Financial auditor: Ernst & Young ShinNihon LLC Discretionary committees: Recommendation Committee regarding directors, Audit & Supervisory Board members, and executive officers; Remuneration Committee regarding executive remuneration
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<https://www.obayashi.co.jp/company/upload/img/corporategovernance20190626.pdf>

Board of Directors

The Board of Directors consists of 10 members, of which three are independent directors. They are responsible for management decisions and business execution. They also supervise the execution of duties by other directors, executive officers, and employees. The tenure for directors is one year, which enables us to respond dynamically to changes in the business environment. We clarify directors' management responsibilities for each business year.

The effectiveness of the Board of Directors as a whole is subject to analysis and evaluation once a year. These are based on the assessments and opinions of individual directors and Audit & Supervisory Board members. The process takes place under the advice of an external legal office. Based on evaluation results, we judge the Board of Directors to be effective. We will improve the status and operating methods of the Board of Directors as needed. Any improvements will be based on the opinions of the directors and the Audit & Supervisory Board members.

Audit & Supervisory Board

The Audit & Supervisory Board consists of five members, including three outside members, with four-year terms. Audit & Supervisory Board members are independent from the directors. From this position, they conduct audits that follow the "Obayashi Audit Guidelines for Audit & Supervisory Board Members." Audits ensure that directors, executive officers, and employees are conducting business in compliance with the law and the Articles of Incorporation. To ensure Company financial statements are appropriate, the Audit & Supervisory Board members perform accounting audits. When appointing the financial auditor, the Audit & Supervisory Board checks how well the financial auditor is performing its duties and makes sure that the auditor's audit system, independence, and expertise are appropriate.

Management Meeting

The Management Meeting is composed of members appointed from among the directors and executive officers. It is held to report, discuss, instruct, and resolve on important management matters and ensure precise and swift decision-making.

Executive Officers

Executive officers receive authority from the Board of Directors to execute business operations. By concentrating on their executive duties, the executive officers achieve efficient business execution.

Executive Officers' Meeting

The Executive Officers' Meeting is comprised of directors and executive officers. The meeting is held to convey management strategies and report on the status of business execution.

Recommendation Committee and Remuneration Committee

The Recommendation Committee and Remuneration Committee are each headed by an independent director. Each has five members, including two directors and three independent directors. The Recommendation Committee deliberates on the selection process for directors, Audit & Supervisory Board members, and executive officers. The Remuneration Committee deliberates on remuneration for these persons. The results are submitted to the Board of Directors. This is intended to clarify the selection and remuneration decision processes, while ensuring transparency and objectivity. Particularly when appointing and dismissing presidents, the Board of Directors offers direction regularly. The board determines whether the process is being conducted appropriately in line with a succession plan (standards for appointing and dismissing presidents, standards for nominating successors, development policies, and the like). In FY2019.3, Recommendation Committee and Remuneration Committee members had a 100% attendance rate.

Main Recent Initiatives to Enhance Corporate Governance

	2005.3	2006.3	2008.3	2014.3	2016.3	2019.3	2020.3 (FY)
Members of the Board	Number of directors	Up to 50 members → Up to 15 members					
	Appointment term	2 years → 1 year					
Independent directors				0 → 1 person	1 person → 2 persons	2 persons → 3 persons	
	Separation of supervision and business execution	Introduction of the executive officer system					
Outside Audit & Supervisory Board members	2 persons → 3 persons						
Executive remuneration					Introduction of performance-linked stock remuneration system		
Committee establishment					Recommendation Committee and Remuneration Committee established		Recommendation Committee and Remuneration Committee reconfigured to make an independent director the chairperson and make independent directors a majority of membership

Corporate Governance

Independent Directors and Outside Audit & Supervisory Board Members

We have appointed three independent directors and three outside Audit & Supervisory Board members. Independent directors provide advice on improving management efficiency and supervise all aspects of management from an independent position. Outside Audit and Supervisory Board members are responsible for ensuring effective corporate governance by conducting third-party checks independent of management.

Our standards for appointing independent directors and outside Audit & Supervisory Board members, including standards regarding independence, are as follows:

Requirements for Selection as an Independent Director^{*1}/ Outside Audit & Supervisory Board Member^{*2} Candidate

*1 An outside director as per Article 2, Section 15 of the Companies Act

*2 Outside Audit & Supervisory Board member

As per Article 2, Section 16 of the Companies Act

- 1 The independent director/outside Audit & Supervisory Board member candidate ("Candidate") must have capabilities, knowledge, experience, and character suitable for such position at the Corporation. The Candidate must be able to provide directions and opinions to the Corporation's management from an independent and impartial standpoint.
- 2 The Candidate must not be a former director, Audit & Supervisory Board member, or employee of the Corporation or any of its associated companies.
- 3 The Candidate must not currently belong, and must not have belonged in the past, to an Accounting Auditor, law office, or main bank with which the Corporation currently has a contract.
- 4 The Candidate must not currently be, and must not have been in the past, a major shareholder with an ownership stake of 10% or more. The Candidate must not currently belong, and must not have belonged in the past, to an entity that is a major shareholder.
- 5 The Candidate must not currently belong, and must not have belonged in the past, to an entity that has a business relationship with the Corporation in which the annual amount of transactions has exceeded 2% of the net sales of both the Corporation and such entity during the last three fiscal years.
- 6 The Candidate must not currently work, and must not have worked in the past, as an executive at a non-profit organization to which the Corporation has made an annual donation exceeding 20 million yen during the last three fiscal years.
- 7 If the Candidate does not meet the requirements in 3. through 6., at least five years must have passed since the candidate left the relevant entity.
- 8 The Candidate must meet the requirements for an independent director/auditor pursuant to the provisions of the Tokyo Stock Exchange's Securities Listing Regulations.

WEB Independent Director Appointment Reasons and Activity Status
<https://www.obayashi.co.jp/en/company/governance/statement.html>

Training of Members of the Board and Audit & Supervisory Board Members

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

Each year at Obayashi Corporation, an external instructor gives training to all directors, Audit & Supervisory Board members, and executive officers. Topics include corporate governance, business operations crisis management, and the like. When necessary, we provide training opportunities for directors and Audit & Supervisory Board members such as participation in external seminars. Members of the Audit & Supervisory Board regularly participate in external workshops as they endeavor to better understand their roles and duties and acquire the knowledge they need.

A training in April 2019 focused on the SDGs, climate change countermeasures, risk management, human rights, and other sustainability concerns. The directors and Audit & Supervisory Board members, along with directors from Group companies, considered these issues from an ESG perspective.



Collaboration among Audit & Supervisory Board Members, Financial Auditor, and Internal Audit Arm

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 cooperate to raise the effectiveness of audits by sharing information and opinions. Meanwhile, the Business Administration Department is Obayashi's internal audit arm. It is responsible for all audits conducted separately from the Audit & Supervisory Board members and financial auditor. Such audits are performed according to Obayashi's Internal Audit Regulations. The purpose of these audits is to monitor the effectiveness of internal control and the execution of duties by each Company department. The Audit & Supervisory Board members and Business Administration Department also share information and opinions to raise the effectiveness of audits.

Policies for Determining Remuneration

The basic policy on remuneration for each director and executive officer is to determine the amount of basic remuneration and performance-linked stock remuneration for each fiscal year in accordance with actual contribution to earnings. The purpose is to secure outstanding human resources and provide incentive to each director and executive officer to improve earnings and enhance corporate value.

For basic remuneration, the Board of Directors, following deliberation by the Remuneration Committee, has set a remuneration table in accordance with title and earnings contribution ranking. At the end of each business year, the Remuneration Committee, headed by an independent director and with independent directors as a majority of its membership, appraises how much individual directors and executive officers contributed to earnings. This determines their remuneration for the next fiscal year. Such remuneration is capped at ¥60 million per month in keeping with a resolution made at the 101st Ordinary General Meeting of Shareholders on June 29, 2005.

Our performance-linked stock remuneration system was introduced in FY2016.3. The goal of this system is to incentivize contributions to increasing earnings mainly over the medium to long term as well as to enhancing corporate value. The system distributes Obayashi shares to directors and executive officers (except for independent directors and persons residing outside Japan) based on the degree of achievement of earnings targets for each business year. The standard for distributing shares is determined in

advance by the Board of Directors after deliberation by the Remuneration Committee.

The basic policy on Audit & Supervisory Board member remuneration is to set an amount required to secure outstanding personnel. The ultimate aim thereby is to ensure that corporate governance functions effectively.

Remuneration standards are established in advance through discussions by Audit & Supervisory Board members. They are based on such factors as whether the member is full-time or part-time. Remuneration for each member is determined in line with those standards, capped at ¥10 million per month in keeping with a resolution made at the 101st Ordinary General Meeting of Shareholders on June 29, 2005.

Total Remuneration of Members of the Board and Audit & Supervisory Board (FY2019.3)

Position	Total Remuneration and Other Compensation
Directors (15 directors)	¥435 million
Audit & Supervisory Board members (8 members)	¥86 million
Of which, independent directors/outside Audit & Supervisory Board members (8 members)	¥59 million

Notes: 1. The above includes amounts for five directors and three Audit & Supervisory Board members who left their posts as of the conclusion of the 114th Ordinary General Meeting of Shareholders on June 26, 2018.
 2. The above includes a performance-linked stock remuneration expense of ¥46 million recorded for seven of the 10 directors who were appointed at the 114th Ordinary General Meeting of Shareholders on June 26, 2018 (the three independent directors were excluded) as well as one director who left his post upon the conclusion of the same meeting (he continued as an executive officer).

Matters Pertaining to the Financial Auditor (FY2019.3)

Category	Compensation Paid for Audit Certification Activities	Compensation Paid for Non-Audit Activities
Obayashi Corporation	¥107 million	¥3 million
Consolidated subsidiaries	¥75 million	—
Total	¥182 million	¥3 million

Name of the financial auditor: Ernst & Young ShinNihon LLC

Corporate Governance

Establishment and Implementation of Internal Control System

We have established and implemented an internal control system per the Companies Act and Ordinance for Enforcement of the Companies Act. The purpose of the system is to ensure appropriate business operations throughout the Group.

Evaluating Effectiveness of Board of Directors

Analysis and evaluation of the effectiveness of the Board of Directors as a whole takes account of the assessments and opinions of individual directors and Audit & Supervisory Board members on the Board of Directors' size, composition, management methods, state of deliberation, support systems, and more. An external legal office also provides advice for the process. In concrete terms, each director and Audit & Supervisory Board member fills out a questionnaire once a year on the board's management. The results are reported to the board and reflected in subsequent operations and more. An evaluation was done again in FY2019.3, and we judged that the Board of Directors continued to be effective. In response to the effectiveness evaluation results, we took measures to enhance the independent directors' understanding of our business. This includes providing opportunities to visit

Obayashi offices in Japan and abroad. We will improve the status and operating methods of the Board of Directors as needed. Any improvements will be based on the opinions of the directors and the Audit & Supervisory Board members.

Dialogue with Shareholders and Others

We consider the General Meeting of Shareholders to be an important forum for dialogue with shareholders. At the meeting, the business report by the president, Q&A sessions with directors, and so on enable constructive shareholder dialogue. We also hold financial results briefings for second-quarter and annual financial results. Results briefings for the first- and third-quarter results are by conference call. Other opportunities include construction site tours, participation in securities companies' investment conferences, small meetings, and other such activities.



Construction site tour

IR Activities

Activity	FY2019.3		Description
	First half	Second half	
Results briefings	1 time (May)	1 time (November)	(Target) Analysts and institutional investors (some shareholders) • Results briefings (after second quarter and annual financial results announcements) (80 attendees in May and 58 in November)
	1 time (August)	1 time (February)	• Briefings by telephone conference system (after first and third quarter financial results announcements) (57 participants in August and 44 in February)
IR coverage responses and interviews	38 times	43 times	(Target) Analysts and institutional investors (some shareholders) • 142 individual interviews by assigned directors and the Corporate Communications Department (116 persons in Japan and 26 overseas)
Participation in securities company conferences	0 times	3 times	(Target) Overseas institutional investors (some shareholders) • 27 total participations by assigned directors, general manager of Accounting Department, and the Corporate Communications Department in conferences held by securities companies, with individual interviews
Overseas IR activities	—	1 time	(Target) Major shareholders and institutional investors overseas • Individual visits by the president, with explanation of Obayashi's business strategy, financial results, etc. • Happened in the UK in November
Construction site tours	1 time	1 time	(Target) Analysts and institutional investors (some shareholders) • Held to introduce our business • Held at Seibu Ikebukuro Building JV in September and Tokyo Outer Ring Road Northbound Shield JV in March
Individual tours	—	8 companies	(Target) Analysts and institutional investors wishing for individual tours • Tours of the Technical Research Institute and observations of new Obayashi technologies there
Individual explanations to major shareholders	21 companies	10 companies	(Target) Institutional investors who are major shareholders • Individual visits and interviews by with the president, assigned directors, and general manager of General Administration Department, with explanations of rigorous compliance measures, executive officer nomination agenda items, etc.

Risk Management

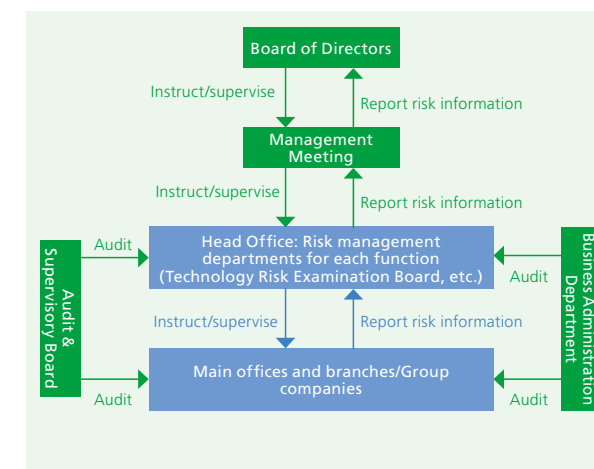
The Obayashi Group is committed to accurately assessing the risks associated with our business activities, preventing those risks from materializing, and minimizing the impact if they do. These efforts are key to enhancing our corporate value and fulfilling our social responsibility to stakeholders. As such, we have built a risk management system covering the entire Group.

Risk Management System

Important decisions are referred to the Board of Directors and Management Meeting for discussion. These bodies determine and evaluate the risks of each agenda item. They discuss whether we have found a response that would be appropriate in case a risk is manifested, and then a decision is made on the item.

Moreover, each department assesses the risks inherent to its business processes. It builds the necessary avoidance and mitigation measures into those processes before performing them. Meanwhile, the Business Administration Department, which is Obayashi's internal audit arm, audits each department's risk management efforts.

Risk Management System Chart



Information Security

There are three risks to information assets: risk relating to force majeure (natural disaster, infrastructure failure, etc.), risk relating to internal information management, and risk relating to such events as unauthorized access to information by outside parties. To protect against these risks, we put security systems in place and have taken prevention measures against emergencies. We also

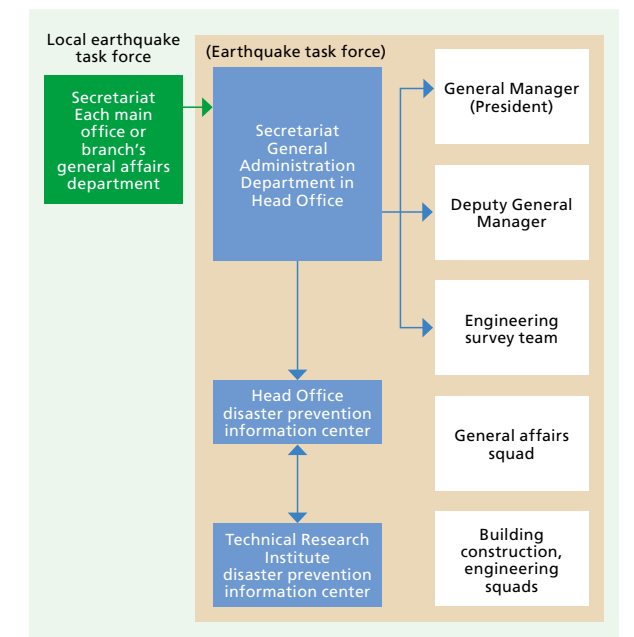
continually train all employees, support staff, and partner companies in information security. This is to raise the awareness of information asset users and managers.

We also have a Personal Information Protection Policy, established in 2005 as information was becoming a big part of society. The policy guides our effort to make sure all employees are properly handling customers' personal information.

Business Continuity Plan Initiatives

We formulated our business continuity plan (BCP) to anticipate risks from disasters like large earthquakes. Under it, we draft and implement measures to prevent business interruptions and recover quickly in case of occurrence. If an earthquake causes a disaster, for example, emails are automatically sent out to inquire on construction site damage. Since we can learn the damage at sites right away, we can take prompt recovery action. We also hold earthquake preparation drills twice a year at all main offices and branches. The scenarios addressed in trainings during FY2019.3 were an earthquake centered directly under the southern part of Tokyo and earthquakes damaging individual main offices and branches.

Earthquake Task Force Communication System Chart



Comments from Outside Audit & Supervisory Board Members

Maximizing Integrity

Hiroshi Yokokawa

I am committed to playing my role as an outside Audit & Supervisory Board member. While the competition among companies is so severe, maximizing Obayashi's integrity as a company and adopting it as part of the culture is at the heart of the Company's development. If we are persistent about doing inspections, integrity will naturally rise to new heights. It is a never-ending process, but it gives me a sense of satisfaction that everyone at Obayashi can share. At Obayashi, the standing Audit & Supervisory

Board members and outside Audit & Supervisory Board members work together as a team to share information. An audit is like a window through which outsiders can see the real situation inside a company. I will work earnestly to make that window as wide and clear as possible. I am particularly pleased to have the understanding and cooperation of all persons concerned with Obayashi on this issue. I have visited not only the Head Office but every department and even construction sites whenever possible. My visits and my conversations on the issues with the people there have convinced me that we auditors are making an effective contribution to Obayashi.

Aiming to Increase Corporate Value

Tetsuo Nakakita

A year has passed since I assumed office as an outside Audit & Supervisory Board member. I have spent this time watching the Company from the outside in, as it were. I sense that Obayashi is serious about craftsmanship, that it really wants to leave behind something good for future generations. I feel it has a strong awareness and commitment internally to preventing recurrence of the Antimonopoly Act violations that occurred in bidding on constructing the Chuo Shinkansen maglev line. In my position as

an outside Audit & Supervisory Board member, I have focused on internal control and most especially risk management. The various departments within Obayashi are to be commended for their strong awareness of these things. Good questions are asked at the Board of Directors meetings and there is an atmosphere that encourages people to give their input. Being able to speak freely is such a critical thing in so many different aspects of a company's business operations. With such an atmosphere in place, I'm counting on each employee to think for yourselves and continually reconsider how you do your work, trying to take it to the next level. This will help Obayashi increase its corporate value.

An Effective Governance System

Akihiko Nakamura

FY2019.3 was my first year as an outside Audit & Supervisory Board member. During this year, we have been taking a variety of measures to strengthen corporate governance, including the following:

- Strengthening efforts to prevent recurrence of the kind of Antimonopoly Act violations that happened while bidding on construction of the Chuo Shinkansen maglev line. These measures reflected the suggestions given to Obayashi by a third-party committee.
- The ESG & SDGs Department was newly established

to promote a management strategy for increasing corporate value and encouraging sustained growth.

- Obayashi has restructured important committees to emphasize the functions of independent directors for effective governance. Independent directors now make up a majority of the Recommendation Committee and Remuneration Committee.

Independent directors also serve as committee chairs. Obayashi obviously takes these issues seriously and its measures are praiseworthy for how they contribute to compliance and corporate governance. In FY2020.3, I will be fulfilling my monitoring function as an outside Audit & Supervisory Board member by paying particular attention to how effectively these systems are operating.



Ensure Strict Adherence to Corporate Ethics

Basic Policy

Obayashi's Articles of Incorporation express our strong determination to stay aware of compliance issues, including corporate ethics. They likewise commit us to complying with laws and regulations to create a sound corporate culture. The Obayashi Code of Conduct moreover stipulates thorough adherence to corporate ethics throughout the Company. Top management leads the effort for corporate ethics.

Obayashi Corporation's Articles of Incorporation, Article 3 (Compliance and Sensible Course of Action)

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).

Obayashi Code of Conduct (Ensure Strict Adherence to Corporate Ethics)

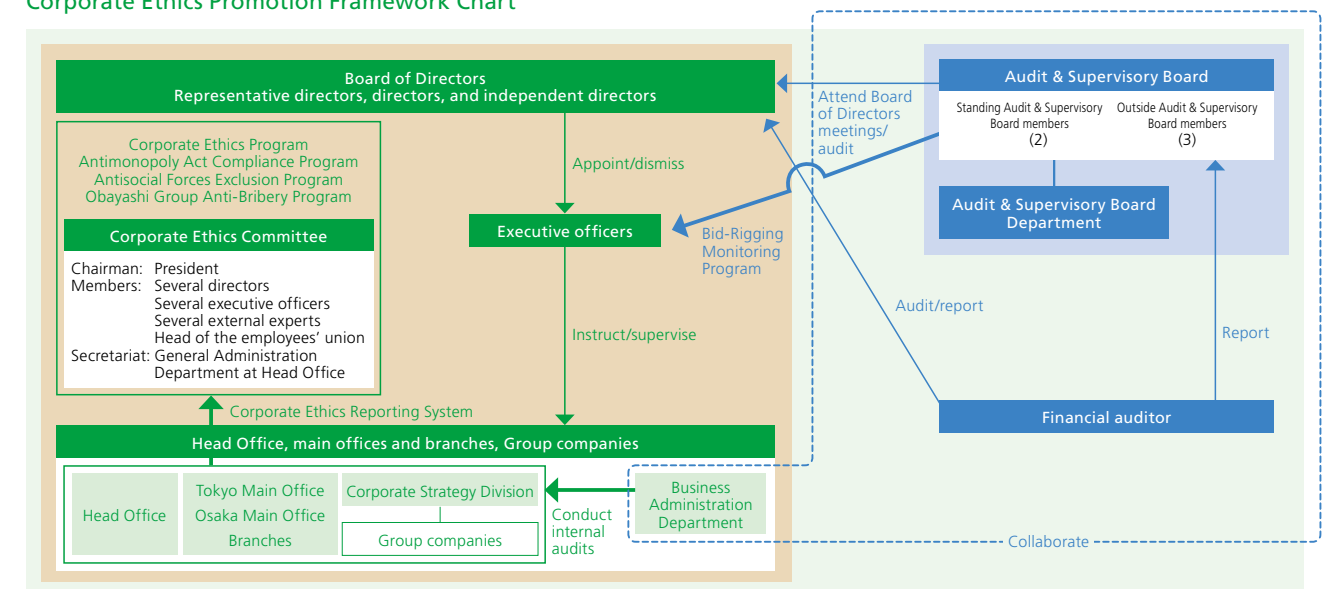
- 1 Comply with laws and regulations and take a sensible course of action
- 2 Promote fair and free competition
- 3 Maintain appropriate relationships with stakeholders
- 4 Avoid all contact with antisocial forces
- 5 Ensure appropriate information disclosure and transparency of management

Establishment of System to Ensure Strict Adherence to Corporate Ethics

Members of top management serve as our Corporate Ethics Officers. They see it as their duty to realize the spirit of the Obayashi Basic Principles. It is in that spirit that they ensure strict adherence to corporate ethics. Under the Corporate Ethics Program, the president is ultimately responsible for advancing corporate ethics at Obayashi. Executive officers at the Head Office and general managers at main offices and branches are appointed to be Corporate Ethics Officers and affiliated department managers serve as Corporate Ethics Promoters.

We furthermore have an internal control system wherein the Board of Directors makes decisions and reviews them annually. In this system, the Corporate Ethics Committee is at the heart of our corporate ethics system. In keeping with the Corporate Ethics Committee Regulation, the president serves as the chairperson of the Corporate Ethics Committee. Company directors, executive officers, external experts, and the head of the employees' union make up the rest of the membership. Together, they formulate the policies to promote corporate ethics awareness-raising and compliance, conduct investigations to understand what happened when corporate ethics have been violated, and decide on recurrence prevention measures. Main offices and branches have their own corporate ethics committees, which work independently to promote corporate ethics.

Corporate Ethics Promotion Framework Chart

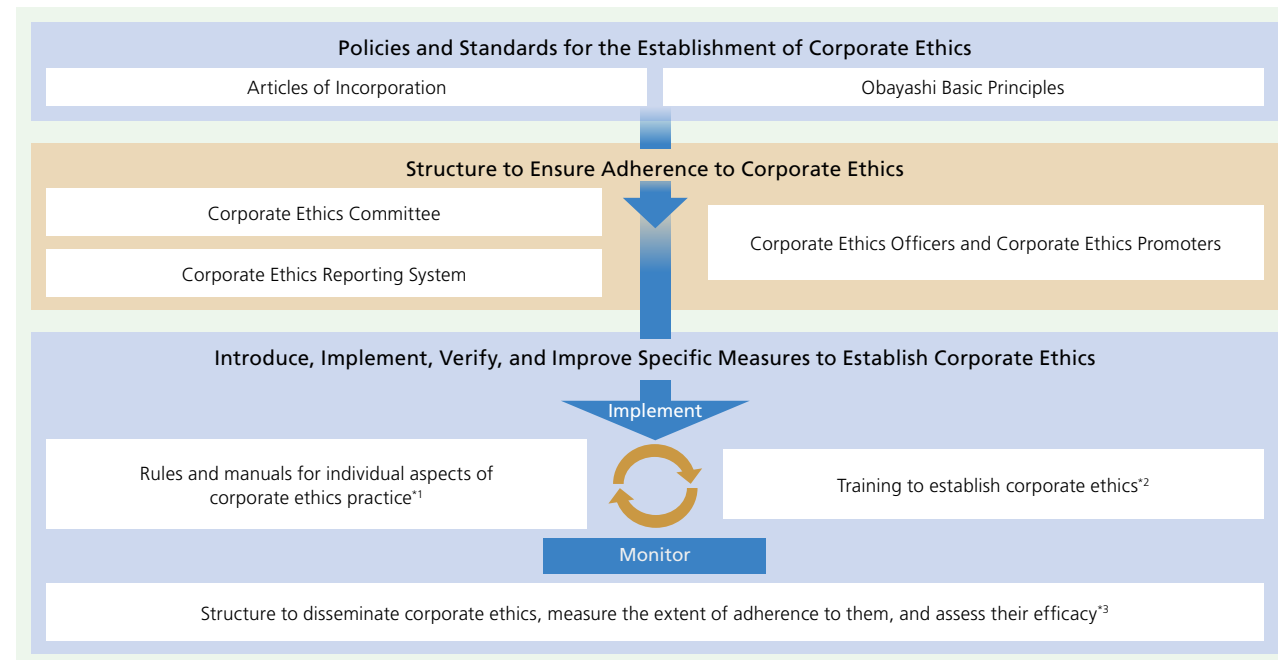


Ensure Strict Adherence to Corporate Ethics

Corporate Ethics Program

The Corporate Ethics Program exists to work to prevent corruption of all kinds.

In the program, we have set out policies and standards, established a structure, and introduced specific measures, which we are rigorously implementing. The program incorporates a Plan, Do, Check, Act (PDCA) cycle which includes regularly reviewing the implementation status of each measure.



*1 Rules and manuals for individual aspects of corporate ethics practice, including an Antimonopoly Act Compliance Program, Antisocial Forces Exclusion Program, and Obayashi Group Anti-Bribery Program, Occupational Health and Safety Manual and Quality Manual, are established and put into practice.
 *2 Each year, we give workplace training in corporate ethics to all employees of Obayashi Corporation and its major Group companies. Using a textbook put together by our Corporate Ethics Committee, we look at specific case studies as we discuss such themes as compliance with the Antimonopoly Act and Construction Business Act and avoiding all contact with antisocial forces. We also give meticulous training on such topics as preventing bribery of foreign public employees and others and learning how to protect information security. We provide external seminars for our executives and do trainings and workshops on different countries' laws and ordinances and regional characteristics. At Group companies, trainings are based on the Obayashi Corporation textbook, with the content revised to suit the individual company's business field.
 *3 Implementation of the Corporate Ethics Program is monitored through the Audit & Supervisory Board's Bid-Rigging Monitoring Program and the Business Administration Department's internal audits. The monitoring of corporate ethics comes from many angles. Within the Corporate Ethics Committee, external experts provide a third-party evaluation of the implementation of the Corporate Ethics Program. The head of the employees' union also participates by getting opinions from union members.

TOPIC Workplace Training on Corporate Ethics

Workplace training on corporate ethics takes place each year in April and May. The training, which uses a textbook created by the Secretariat of the Corporate Ethics Committee, is for all officers and employees. Using a format of discussion within each department, participants look at specific case studies. Examples include rigorous compliance with laws and ordinances such as the Antimonopoly Act, avoiding all contact with antisocial forces, and stamping out illegitimate accounting practices.

The FY2020.3 training addressed the fact that Obayashi had been found guilty of violating the Antimonopoly Act when it bid on Chuo Shinkansen maglev line work. The textbook began with a message from the president that "All of Obayashi will work to stay in legal compliance and rebuild the public's trust in us." Thus, he was clearly stating top management's resolve to address that issue.

The maglev line incident led us to seek recommendations from a third-party committee. Going forward, every officer and employee will have to stay alert to prevent recurrence of such an incident. That is why the training provided an explanation of the background and causes of the incident along with measures to prevent recurrence.

Continuing workplace training on corporate ethics will help us ensure legal compliance as a company and cultivate a sense of ethics in every officer and employee. In our business activities, we will act with a strong sense of ethics and sound judgment.

For More Thorough Compliance

On October 22, 2018, Obayashi was found guilty of violating the Antimonopoly Act in bidding related to constructing the Chuo Shinkansen maglev line. We were ordered to pay a fine of ¥200 million. Along with that, we were forced to suspend business for the period February 2–June 1, 2019. The disciplinary measures, which were based on the Construction Business Act, applied to all private-sector civil engineering projects in Japan. Our Antimonopoly Act Compliance Program dates back to 2006. It is a matter of grave concern to us that this incident could happen in spite of this program and Group-wide efforts to implement rigorous compliance. Thus, we will be taking the following recurrence prevention initiatives to promote business operations that put the highest priority on compliance.

Additional Policies in Force Since June 1, 2018

Stronger rules concerning contact with industry peers	• An expanded, stricter system for advance reporting of meetings and social gatherings that industry peers will attend
Promoting correct understanding of the Antimonopoly Act	• Prepare manuals that focus on explaining aspects of marketing activities that are easily misunderstood, and train accordingly
Eliminate the psychological factors that cause managers and employees to commit violations or overlook them	• Lower psychological barriers to using the internal notification system: publicize the internal notification system, make reporting obligatory, clearly state our internal leniency policy • Raise awareness that there is no reason that justifies improper conduct: continue to deliver messages from top management • Create a corporate culture where managers and employees can point out improper instructions, even if a superior has given those instructions: add new evaluation items in personnel evaluations, such as "proactively provides opinions to superiors"
Enhancing monitoring	• Have internal audit arm check emails exchanged with industry peers

Third-Party Committee Established and Recurrence Prevention Measures Taken in Line with Its Recommendations

We established a third-party committee on September 1, 2018 to conduct an objective inquiry on the causes of the maglev line bidding incident and propose effective measures to prevent recurrence. The committee was established following the Japan Federation of Bar Associations' "Guidelines for establishing a third-party committee in response to corporate misconduct." On January 31, 2019, we accepted the committee's investigative report, including its recommendations for preventing recurrence.

We take the recommendations of the third-party committee very seriously and are implementing recurrence prevention measures as below in line with the recommendations. (These were decided on at a Board of Directors meeting in February 2019 and have been enforced sequentially.)

Third-Party Committee's Recommendations and Our Response

Third-party Committee's Recommendations	Our Response
(1) Independent efforts by the management team to prevent recurrence a. Straighten out your attitude as a management team b. Develop a healthy corporate culture c. Prevent fading of memories d. Persistently review and revise your systems e. Monitor for compliance with internal rules	• President's instructions were released on February 14, 2019 as a declaration of resolve by top management, which includes the intentions listed on the left. (We will continue to release them whenever there is an opportunity going forward.) • We will follow the PDCA cycle of verification and reconsideration in the Corporate Ethics Committee. • We will use process audits by Audit & Supervisory Board members and the internal audit arm to monitor compliance with internal rules.
(2) Public disclosure of concrete facts, etc. relating to coordinating to win the order in this case, and prevention of fading of memories	• Published investigative report on January 31, 2019. • Published content will continue to be addressed in internal training as we try to keep the memory from fading.
(3) A strict response and disciplinary action on Obayashi's Civil Engineering Construction Division's top management for violation of the Antimonopoly Act (with sufficient consultation by the Audit & Supervisory Board, including outside Audit & Supervisory Board members)	• Internal disciplinary action is complete but will be thoroughly discussed again by the Audit & Supervisory Board, taking account of an ongoing inquiry by the Japan Fair Trade Commission.
(4) Mechanisms for ensuring that executives (directors and Audit & Supervisory Board members) understand the Antimonopoly Act a. Change the state of Recommendation Committee management (a measure to be taken when appointing executives) b. Review and revise internal training for executives (a measure to be taken after appointment as executive)	• When deliberating candidates for Member of the Board, check whether they have taken Antimonopoly Act compliance training. Also, have Recommendation Committee members routinely observe executive officers for compliance awareness and make this part of the criteria for recommending them. • Make sure that Antimonopoly Act compliance training is given for executives every April.
(5) Help persons with approval authority deepen their understanding of the Antimonopoly Act	
(6) Create mechanisms for restraining persons with approval authority a. Improve process for determining such matters as whether bidding is appropriate (i) Make the process for determining such matters as whether bidding is appropriate more "visible" and validate bids after the fact (ii) Make "restrictions on communication with industry peers" more significant b. Make the Corporate Ethics Reporting System more effective (i) Improve operation of the former system (ii) Set up additional contact points for reporting to organizations that are independent of the management team, etc. c. Improve audit items d. Improve compliance hearings	• Document the flow of the process by which the Civil Engineering Construction Division comprehensively adjusts important bidding projects of all main offices and branches and notify all main offices and branches (incorporate conferences into flow, avoid "black boxes"). • The above flow will apply to process audits conducted by Audit & Supervisory Board members and the internal audit arm. • Put a reminder in corporate ethics workplace training textbooks for April 2019 about the significance of restrictions on communication with industry peers. • Make the Corporate Ethics Reporting System more effective: use intranet and textbooks for each April's corporate ethics workplace training to spread information internally about the system's track record of use, investigative methods, etc., and thereby build trust. • Set up new point for reporting directly to Audit & Supervisory Board members from April 1, 2019. • Expand persons and incidents subject to walk-through audits and review and revise audit items. • Compliance hearings: the practice has been to have persons with approval authority (general managers of main offices and branches, etc.) conduct hearings on their subordinates once a year, with the director in charge of compliance also attending, but we will additionally do supplementary hearings such that persons with approval authority (general managers of main offices and branches, etc.) will temporarily leave the room.
(7) Other a. Thoroughly enforce prohibitions against destruction of evidence b. Promote mutual understanding between business units and legal affairs department	• Using the textbook for the corporate ethics workplace training in April each year, as well as other means, we will notify participants that destruction of evidence is forbidden. • Encourage mutual understanding between business units and the Legal Department: run proactive internal information campaign initiatives in the Legal Department.
(8) Verify implementation status	• Have third-party committee verify implementation status again after FY2020.3 ends.



Provide High-Quality Buildings, Infrastructure, and Services

Basic Policy

Quality is the foundation that supports the Obayashi Group's business. We practice consistent quality control and continual improvement to ensure that customers feel confident, satisfied, and proud of the buildings and infrastructure we provide. We earn the trust of customers by providing safe, secure, high-quality buildings, infrastructure, and services, exercising honest craftsmanship, and employing innovative technologies.

Management System

Following our quality policy, we have implemented a Quality Management System (QMS) conforming to ISO9001, under which we practice integrated quality management with a commitment to continuous quality improvement, at all stages from planning to design, construction, and after-sales service. Further, we are constantly sharing information and engaging in an array of training for higher quality and technology.

QMS Promotion Framework

Both our building construction and civil engineering businesses have management systems in which executive officers are the superintendents of QMS.

Management review report

- QMS manager
- QMS officer

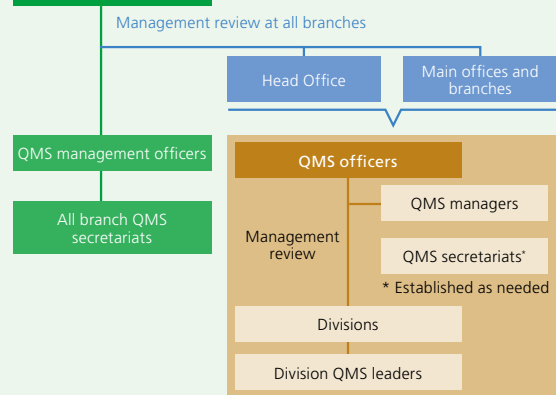
 1. Process supervision evaluation result
 2. Internal and external audit results
 3. Information on customer satisfaction
 4. Information on defects
 5. Information on in-house inspection of completed construction, etc.

Management review evaluation and guidance

- QMS officer
- QMS manager

 1. QMS and process improvements
 2. Construction quality improvements
 3. Management resources required for above improvements

Superintendents of QMS



Ensuring Customer Satisfaction

To provide construction that customers can use with confidence, satisfaction, and trust, we strive to improve our quality technology. We also provide services in an integrated way from planning, design, and construction to post-delivery after-sales service. This helps customers maintain the value of their buildings and infrastructure throughout their life cycle.

Technical Development for Quality

As society and the economy changes, the quality and performance expected of buildings and structures is diversifying. The Obayashi Group works to develop and improve technologies to meet these needs. Social challenges we are fixed on include global environmental problems, frequent natural disasters, and changes in societies with a declining birthrate and aging population. Other specific problems include how to contribute to public services and our customers' businesses. Our technology development focuses on defined themes like safety and security, comfort, health, convenience, economy, durability, maintenance, and lowering environmental impact.

Enriching After-Sales Service

Starting at the construction stage, various building data is shared by members at the construction site, clients, and architects. These include 3D design models, construction drawings, equipment specifications, and construction records. This data is exchanged over the cloud through a dedicated server.

It is centrally managed in a building records system. The central system likewise manages post-delivery information on defects and performance verifications of completed buildings, as well as regular inspection records and long-term repair plans.

It also contains a history of past inquiries from the customer. This lets us provide exacting after-sales service that includes smooth information transfers.

Customer BCM (Business Continuity Management) Support

We are implementing a system to relay damage reports via portable terminals during earthquakes. Thanks to a GPS function, nearby construction projects are displayed on the portable terminals when there is an earthquake. Cameras can be used to record the damage status and immediately report to the response force. Based on the reports, we put together a recovery support framework suited to the state of damage and we support customer BCM.

To offer recovery support we need to cooperate with our suppliers and subcontractors. Thus, we periodically hold trainings with suppliers and subcontractors to check that our systems are ready. Our training in May 2018 drew participation from 987 companies.

Developing Human Resources

We conduct training programs to increase our engineers' construction management capabilities so customers get high-quality buildings and infrastructure.

Various Training Programs

Each facility provides a variety of training programs to ensure and improve quality. At the Fuji Education Training Center,* we train new recruits with hands-on construction site work. The training is designed to teach actual procedures and the difficulty of the work and enhance recruits' skills. Trainees learn by directly performing operations like measuring, assembling rebar and concrete forms, and inspecting materials.

At our East Japan and West Japan robotics centers, annual technical training is also conducted for employees through their fourth year. This consists primarily of group work. Trainees learn construction planning techniques and specialized knowledge in civil engineering, architecture, facilities, and mechanical and electrical work.

There are also programs at the Technical Research Institute and at actual construction sites. For mid-career employees, a variety of programs are offered, including live exercise-based technical training and teaching of the latest technologies. These are designed to foster a high level of quality and construction management skills.

Outside Japan, Group company Thai Obayashi opened a technical



training center in 2015. Aside from Group company employees, trainings are also given for suppliers and subcontractors and university students aiming for careers as engineers.

* A training facility run by the National Construction Industry Education and Training Association for construction engineers and skilled workers

TOPIC Renewal Achievement (Quality Award)

FY2018 Awards for Excellent Architecture/Contributors in Seismic Retrofitting, Excellent Seismic Upgrade Building Construction Award:

SHIMA KANKO HOTEL The Classic and The Club

The SHIMA KANKO HOTEL The Classic and The Club, in Shima City, Mie Prefecture, is a premiere example of a Japanese resort hotel. It won an Excellent Seismic Upgrade Building Construction Award for FY2018. Sponsored by the Japan Building Disaster Prevention Association, the award goes to existing structures that have undergone seismic upgrades and which demonstrate outstanding seismic durability, disaster prevention and safety, and design. (Awards are also given to persons concerned with such structures.)

The Classic and The Club underwent urgent seismic upgrades more than 40 years after their completion. The seismic upgrades included a wooden building and in addition the facility was chosen as a main venue for the G7 Ise-Shima Summit of 2016. That made the project more extensive, as the facility required changes and added functionality to accommodate the summit.



28th BELCA Awards, Best Reform Category: Kasugataisha Shrine Museum

The Kasugataisha Shrine Museum (Nara City, Nara Prefecture) won an award in the Best Reform Category at the 28th BELCA Awards, sponsored by the Building and Equipment Long-life Cycle Association (BELCA).

Designed by Yoshiro Taniguchi in 1972, the museum was constructed to preserve and exhibit sacred treasures offered to the shrine. After more than 40 years of service, the building underwent a seismic upgrade and expansion to give it greater durability and storage space.

Exhibit halls and storage areas at both the front and back ends were expanded. The project was lauded as a bold transformation for the museum. In addition to the seismic retrofitting and solving the space problem, the project was a complete update of the facility and made it barrier-free.





Foster an Environmentally Responsible Society

Basic Policy

We foster a sustainable society with a low carbon footprint, a commitment to recycling, and a deep respect for the natural world.

Environmental Policy

Principles

As a good corporate citizen, Obayashi considers active efforts and continuous improvement of environmental issues to be integral components of business management. We envision our future society, seeking to contribute to realization of a sustainable society.

Policies

- 1 We strive to protect the environment, acting in full compliance with all environmental statutes and ordinances and communicating with local communities.
- 2 We gather our knowledge for realizing a resilient society that integrates the elements of low-carbon, recycling-oriented and respecting the natural world.
- 3 We use the expertise we have acquired through our environmental protection activities, developing even more effective technologies and implementing new businesses to realize a sustainable society.

We sincerely focus on our business with our affiliates, subcontractors and suppliers, having established targets and a vision to realize a sustainable society.

Compliance with Environmental Laws and Regulations

Obayashi works as an organization to sort through and confirm all the environmental laws and regulations applying to construction work and respond promptly and appropriately. An environmental law and regulation supervisor is appointed at bases all over Japan (Head Office, main offices, and branches) to respond to inquiries from construction works offices and the like. This person scrutinizes the key content and makes sure it gets deployed horizontally. Each year we provide e-learning for all employees and group training for those in charge of environmental laws and regulations. In these ways, we work to ensure everyone knows about and has a higher awareness of the laws and regulations.

Environmental Management System

We built and are operating a company-wide environmental management system (EMS). The EMS earned ISO14001 certification for all organizations by 1999.

We have a CSR Committee chaired by the president, and below that, an Environmental Management Expert Committee chaired by the executive officer responsible for the environment. The latter sets basic policies and measures on Obayashi's environmental initiatives in general. It tracks and evaluates results of environmental initiatives under the EMS, then sets targets for subsequent fiscal years and reconsiders our activities as it aims for continual improvement.

Promotion System Framework



*1 Environmental initiative leaders and environmental promoters are assigned to each department

Towards a Low-Carbon, Recycling-Oriented Society That Respects the Natural World

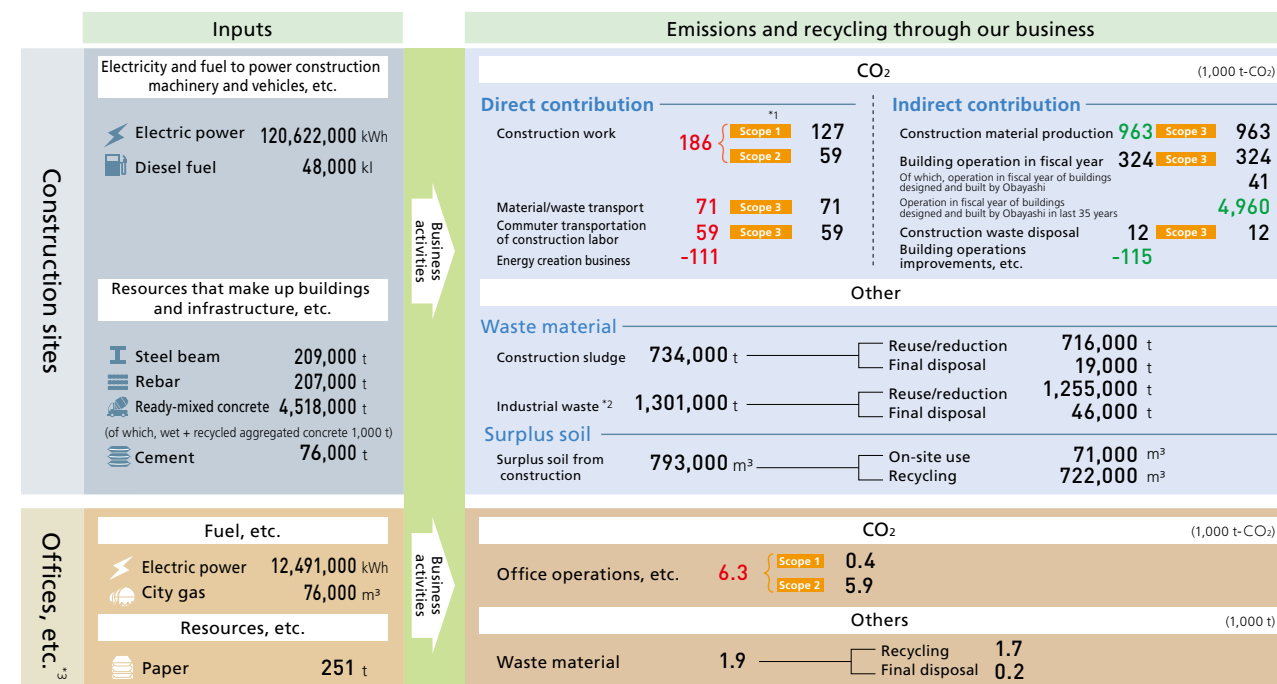
At Obayashi, we endeavor to lower the environmental impact of all our business activities. We track our direct CO₂ emissions, those that arise from our business activities at construction sites and offices and from operation of buildings and the production of construction materials. We propose energy-saving designs and renovations, work to popularize and expand low-carbon materials, use fuel-efficient equipment, and recycle and effectively use waste and surplus soil.

Goal of Reaching a Low-Carbon Society (Obayashi Green Vision 2050)^{*2}

	By 2030	By 2050	FY2019.3 result
Action plan for direct contributions (Reduction of carbon footprint at facilities and adoption of low-carbon construction methods)	-85%	-85%	-47%
Action plan for indirect contributions (Development and popularization of low-carbon technologies and materials, and proposals and design of energy-conserving construction)	-25%	-45%	-19%

*2 Obayashi Green Vision 2050 was updated and renamed Obayashi Sustainability Vision 2050 in FY2020.3 *Base year: 2013

Material Flow (FY2019.3)



Progress of Obayashi Green Vision 2050	Direct contribution CO ₂ : 211,000 t-CO ₂	Reduction rate: 47%	Indirect contribution CO ₂ : 5,808,000 t-CO ₂	Reduction rate: 19%
-----------------------------------------------	-----------------------------------------------------------------	---------------------	---------------------------------------------------------------------	---------------------

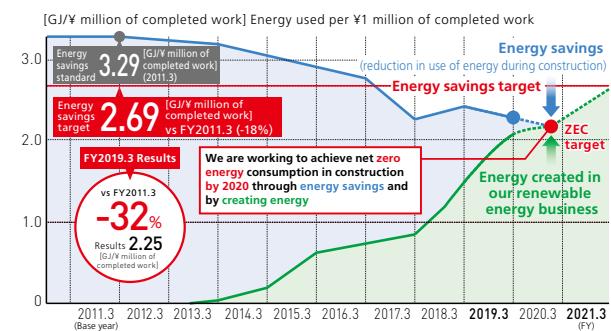
*1 Scopes are categories of GHG emissions prescribed by the GHG Protocol. (The GHG Protocol was developed as an international standard for calculating and reporting GHG emissions)
 Scope 1: Direct emissions from business activities
 Scope 2: Indirect emissions associated with the use of energy (electric power, heat, etc.) in business activities
 Scope 3: Other indirect emissions caused by supplier activities, product use, etc.
 *2 Excludes ordinary waste, construction sludge, specially controlled industrial waste, and waste containing asbestos.
 *3 Applicable facilities are the Head Office, Tokyo Main Office, Osaka Main Office, branch offices, machinery plants, material/equipment centers, Technical Research Institute, etc.

[More Environmental Data](https://www.obayashi.co.jp/en/sustainability/upload/img/environment_data2018_en.pdf)

Obayashi Group Initiative on Energy Issues

ZEC (net Zero Energy Construction)

We are working to achieve net zero energy consumption in building and civil engineering construction in Japan by 2020. This is to be accomplished by using energy-saving methods and creating energy in the renewable energy business.



Obayashi Group Power Generation Business

Obayashi Clean Energy Corporation began its renewable energy generation business upon its founding in 2012. Currently it has solar power stations operating in 28 locations across Japan. The total generating capacity of these facilities is 154 MW. We are also pushing for CO₂-free hydrogen by using terrestrial wind power, biomass power, offshore wind power, and geothermal power.

Electricity generated in FY2019.3 **201,353** MWh



Value Every One of Our Associates

Basic Policy

We ensure the health and safety of all employees and workers in a work environment where they can exercise their unique character and talents and feel motivated.

Human Resources Initiatives

Respect for Human Rights

Statements on Human Rights

Under the Obayashi Basic Principles, respect for human rights is one of the most important social responsibilities of a business. For that reason, we deem it essential to try to raise each employee's awareness.

In June 2011, we established the Obayashi Statement on Human Rights. Based on the Universal Declaration on Human Rights, this statement sets out our commitments. We commit to respecting fundamental human rights. We commit to not discriminating based on race, gender, age, nationality, religion, social origin, disability, and the like, and this applies to all employees or businesses with which we are associated. We commit to respecting international rules including International Labor Organization (ILO) agreements. We commit to prohibiting the use of forced labor or child labor. We commit to complying with all applicable laws and regulations in the nations and regions where we operate.

WEB Obayashi Statement on Human Rights
<https://www.obayashi.co.jp/en/sustainability/employee.html#section1>

Initiatives for Respecting Human Rights

Obayashi has a Human Rights Awareness Promotion Committee chaired by the executive officer responsible for human resources. It meets regularly to promote the recognition of human rights in keeping with our statement.

All employees must refrain from any form of discrimination. They must have a correct human rights awareness that respects people's diversity. Thus, we take every opportunity we can to train all on human rights issues like harassment, diversity and inclusion, sexual orientation and gender identity, and racism. We provide our Corporate Ethics Reporting System as a consultation office on human rights issues as well as specialized internal and external points of contact for harassment and disability concerns. In April 2019, we additionally established a department specifically to prevent harassment in the Obayashi Group

and deal appropriately with requests for consultation if it does occur. We are determined to stamp out all harassment.

Group companies also conduct human rights training tailored to their business activities and regional characteristics. These efforts are based on policies determined by the Obayashi Human Rights Awareness Promotion Committee.



Nurturing Human Resources

Developing our personnel is essential to the sustained growth of the Obayashi Group. Therefore, we have a variety of training programs.

For young employees, we have a mentor system to get coaching by senior employees, in-house training systems, a system where employees can express the position that they wish to work in, and other OJT and job-class-specific and level-specific group trainings. For middle management and up, we offer trainings based on age and responsibilities, including level-specific training and training on the basis of business unit and type of operation.

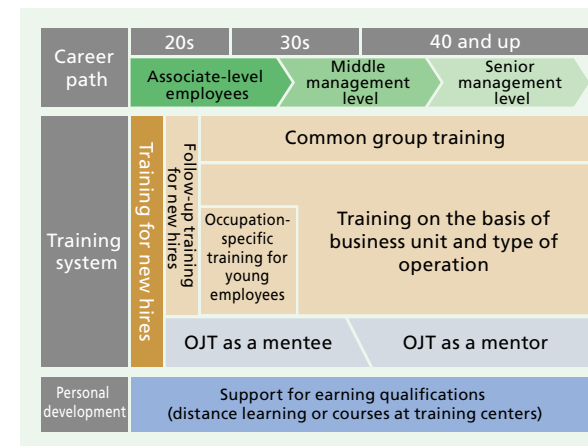
Having employees study abroad, take postings abroad, and learn foreign languages are key ways we nurture human resources for our global development. We also train people in the business customs and risk management skills applicable in countries where Obayashi is expanding its business.

We offer a hands-on training program for locally hired staff at overseas Group companies. This program enables locally hired staff to learn our construction technologies and safety management measures. In FY2019.3, a total of 20 staff came to Japan for this program. They were from

Thailand, Indonesia, Vietnam, Taiwan, and Singapore.

We held a nine-day event in September 2018 to encourage networking with Group companies in North America. The various programs included getting a better understanding of each other's companies and their skills and trading opinions on topics like human resource development and work styles.

Obayashi's Training Systems



Promoting Diversity

At Obayashi, we understand it is the strength of each individual employee that supports our company. For that reason, we establish workplaces in which diverse personnel can play an active role. When hiring, promoting, and the like, we do not discriminate on the basis of race, gender, nationality, religion, or anything unrelated to ability and job performance. We respect the human dignity of each employee and design our workplaces so all can work to their full potential.

Appropriate Personnel Evaluations

At the heart of our personnel system is the practice of treating people appropriately based on reasonable personnel evaluations.

Personnel evaluations consist of superiors meeting with their subordinates every six months, setting targets, and fully discussing the employee's results. We allow the evaluated person to see his or her final evaluation. This makes the evaluation process transparent and acceptable. We also have means in place to evaluate whether subordinates are satisfied with their superiors' leadership.

Hiring of People with Disabilities

Our special subsidiary Oak Friendly Service Corporation, established in 2001, employs persons with intellectual and mental disabilities. Employees work at 11 offices around Japan. Job coaches with specialized knowledge guide employees, who perform jobs that take account of the nature of their disability. The aim is to provide opportunities for independence and a place in society.

We also periodically host students from special-needs schools as workplace trainees, thereby supporting education for social inclusion.

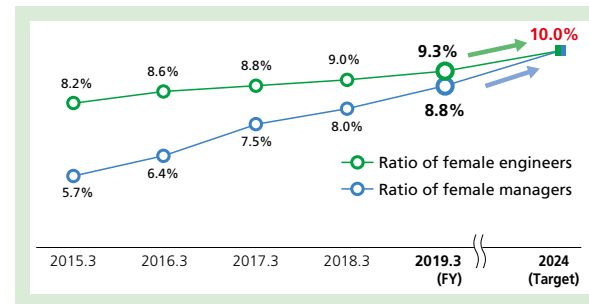
Value Every One of Our Associates

Opportunities for Female Employees

In 2003, we were one of the first in the construction industry to eliminate employee classifications. Since then, we promote hiring based on personal qualities and place the right people in the right jobs.

Under the first action plan based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace, we aim to raise both our ratio of female managers and ratio of female engineers to 10% by 2024.

Ratio of Female Managers and Ratio of Female Engineers



VOICE More than 30 Years of Experience in Human Resources Work

As the Vice President of Human Resources and a member of the Board of Directors at Kenaidan, an Obayashi Group company in Canada, I oversee a wide range of functions. They include hiring, organizational design, employee performance feedback, employee training, compensation and benefits, policy development and health and safety.

I am a Certified Human Resources Professional (CHRP) with over 30 years of experience in the field. I also serve on industry committees as a board member and advisor on various aspects of human resources. I have been a guest speaker and panelist on a variety of HR topics at industry conferences and seminars.

Promoting Work Style Reform

Work style reform is a current initiative of the Japanese government. For Obayashi and the construction industry, one particularly pressing issue is correcting long work hours.

Obayashi set up the cross-sectional Work Style Reform Project Team, headed up by the president, to address the challenge. It brings together perspectives from every department to discuss what kind of work styles we (both the Company and its employees) need for the future and it aims to achieve them.

Targets and FY2019.3 Results

		Targets to be achieved by FY2022.3	FY2019.3 results
Correcting long work hours <target maximum overtime hours worked>	Target yearly maximum	960 hours/year	94.4% ^{*2}
	Multiple-month average ^{*1}	No more than 80 hours on average over 6 months	92.5% ^{*2}
	Single-month limit ^{*1}	Less than 100 hours	97.6% ^{*2}
Encouraging employees to take yearly paid vacation	Yearly average number of yearly paid vacation days taken	10 days or more	8.3 days
Promoting flexible work styles		<ul style="list-style-type: none"> Introduce telecommuting program Further enhance childcare leave/home nursing care leave programs 	<ul style="list-style-type: none"> Continue telecommuting trial, expanding its scope Introduce continuous leave of 7 days or more for parenting

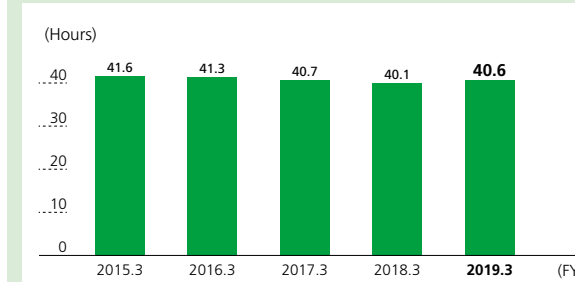
*1 Includes work on days off *2 Percentage of employees reaching target

FY2019.3 Action Plan Implementation Status

- Step up control of discrepancies between employees' self-reported working hours and computer log
- Add function to query yearly paid vacation taken by subordinates
- Accept employee input/suggestions whenever offered
- Introduce decentralized morning assemblies on construction sites
- Provide e-learning on work style reform
- Introduce robotic process automation (RPA)

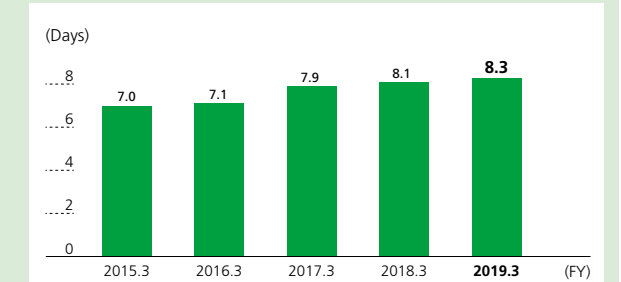
Obayashi Working Time Conditions by the Numbers

Average Overtime Hours Worked per Month^{*3}



*3 Average overtime hours worked: The average of (1) hours worked in excess of 7.75 hours per weekday + (2) hours on the job on weekends and holidays (not deducting for compensatory days off or breaks taken when staying up overnight)

Average Days of Yearly Paid Vacation Taken^{*4}



*4 From FY2016.3, includes paternity leave

Major Initiatives

Closing Construction Sites for 8 Days Every 4-Week Period

The construction industry's ultimate goal in work style reform is to secure workers and ensure the industry's healthy development. Obayashi is pursuing that by focusing on ensuring a two-day weekend for employees (closing construction sites eight days out of every four-week period).

We recommend that employees take compensatory days off if they work on regular days off. Starting in FY2019.3, in cases where the employee's schedule includes weekend work, we encourage them to take days off in anticipation. We also set a target quitting time for each individual and target closing time for each construction site. In this manner we are working to reduce overtime work.

Closing construction sites eight days out of every four-week period requires setting appropriate deliveries. That, in turn, requires understanding on the part of the customer. We carefully explain the situation to customers using tools like a pamphlet produced by the Japan Federation of Construction Contractors.



Telecommuting Trial

Obayashi has decided on a number of policies to promote work style reform. One such policy is to increase operational efficiency through ICT, and one specific way we are trying to do that is by introducing telecommuting.

Telecommuting, by its nature, requires remote communication and paperless business processes. That makes it necessary to reconsider existing processes and change people's thinking internally.

Obayashi began a telecommuting trial for Head Office workers in February 2018. In September that year, we expanded it to include all departments, including construction sites.

When we checked the trial results, we found that certain benefits had been achieved. They included more concise instructions and inquiries and less work spent drawing up unnecessary paperwork. We will continue validating the system in various ways as we aim to establish a permanent system.



Value Every One of Our Associates

Expanded Child Care Support System

We seek to enrich our system beyond legally required programs like childcare leave and shortened work hours. We offer parental leave programs apart from the usual paid leave. For example, parents who cannot get a place for their children in nursery school can extend their period covered by childcare leave from age two to three. Programs like these help employees balance work and parenting.

We expanded our child-care leave program in FY2019.3. Now, parents of children under two can take leave of seven or more straight days for parenting purposes. The program is available to both female and male employees.

Balancing Work and Home Nursing Care

To ensure our employees have peace of mind in dealing with home nursing care issues, we are enhancing programs such as home nursing care leave and shortened work hours.

Balancing work with other sides of employees' lives requires not just programs but the cooperation of others. A video we produced and posted on our intranet deepens employee understanding of home nursing care. It encourages workplaces where people feel like a team and help each other.

Employee Mental Health Care

Every employee needs a workplace in which they can work in good health. Obayashi is taking every opportunity to ensure employee mental health care. We provide e-learning courses for all employees and a variety of level-specific mental health trainings for young, middle management, and senior management employees. These take place throughout the year. They help individuals learn

correct knowledge about mental health and to protect their own and that of their subordinates.

We also are working to enhance consultation services that employees can freely access. One example is the Mental Health Consulting Office we have set up internally. Medical specialists and clinical psychologists (counselors) offer exacting mental health support that includes providing mental health information. There is also an external consultation office available 24 hours a day. It takes requests for advice by email and telephone even from employees working overseas, as well as from their families.

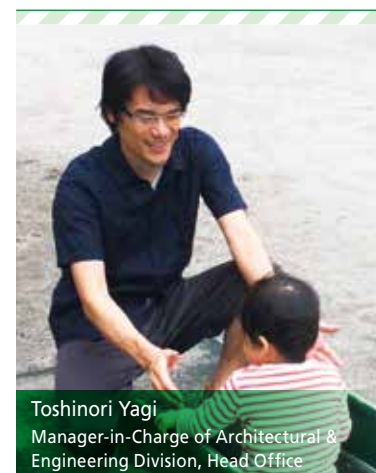
Cooperation with Labor and Management

Every employee, with the exception of management and a few others, is a member of the Obayashi Corporation Employees' Union. In other words, 100% of personnel who qualify for union membership actually participate. Labor and management meet together regularly in forums such as the Labor-Management Council and Health Committee. They use these occasions to discuss a broad range of concerns, including creating comfortable workplaces, benefits programs, health and safety, and health management.

In FY2019.3, employees took a questionnaire survey on work styles. We compiled the resulting feedback into a booklet that we distributed to all employees, including management. Using this, labor and management are working together for work style reform.



A booklet which shows the results of a survey on work styles



VOICE Support for My Family with Housework and Child-Rearing

I took continuous leave for parenting because my second child was born while my first was just 15 months old. This was an exceptionally busy time for the project I was in charge of. Thankfully, my superiors and team were understanding and cooperative. So the handover was seamless and I could take leave with no problem. The procedures for getting leave were simple, and the time off is paid. Moreover, there's a lot of momentum in society right now for work style reform, so this gave me the push I needed.

During leave, all the unexpected things, like when my child caught a cold, used up my physical and mental energy. But since I was able to help with the housework and parenting, my wife felt at ease and we were able to share the joys and trials of parenting together. This experience convinced me how important it is to support the family, in terms of income but also housework and child-rearing. It also gave me the chance to think about how to use my time effectively. Though it was short, leave was very meaningful.

Toshinori Yagi
Manager-in-Charge of Architectural & Engineering Division, Head Office

Health and Safety Initiatives

Health and Safety Principles and Policies

The Obayashi Philosophy asserts that we value everyone we come in contact with in our business. We therefore make the safety of our construction sites, where so many people work, a top priority. We also practice health and safety day to day under our Health and Safety Principles.

Health and Safety Principles

Ensure the safety and health of all workers at construction sites and create comfortable workplace environments

Health and Safety Policies

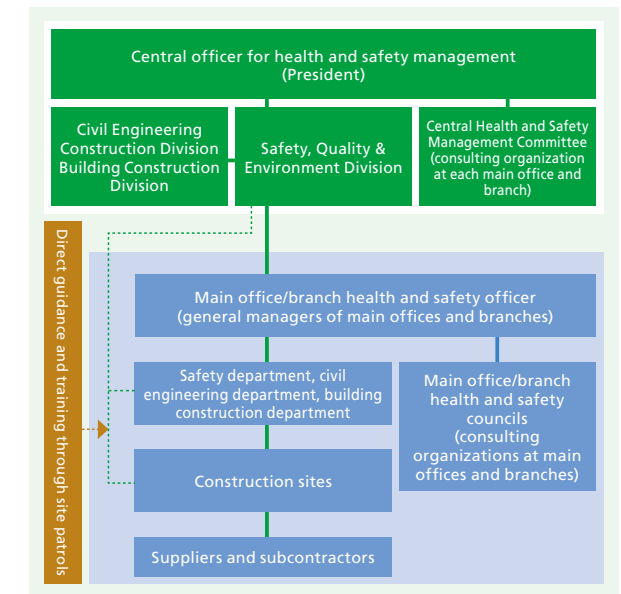
- 1 Comply with the Industrial Safety and Health Act, other relevant laws, and Obayashi Corporation's internal rules
- 2 Appropriately implement and use Obayashi's Occupational Health and Safety Management System
- 3 Help improve the independent health and safety management efforts of suppliers

Occupational Health and Safety Management System

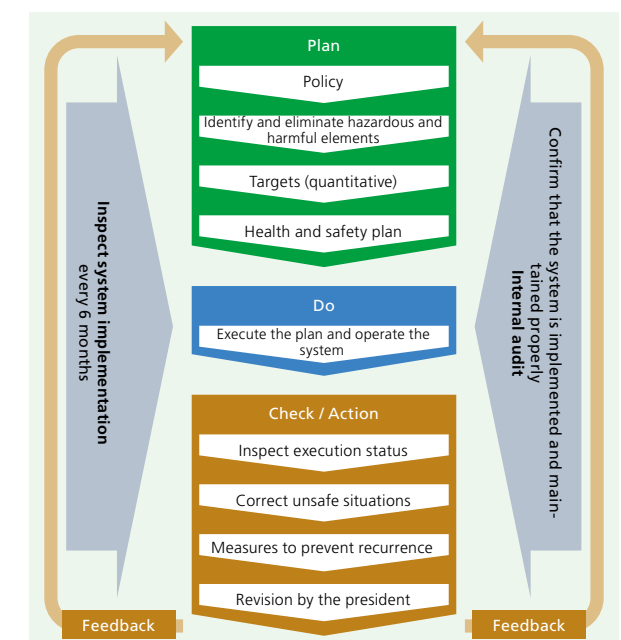
The Central Health and Safety Committee, headed up by the president, meets at least twice a year. It deliberates and studies basic health and safety affairs, such as prevention of workplace accidents and health problems and how to maintain and promote wellness. We also operate the Occupational Health and Safety Management System, which brings all our safety-related control methods together, to put the Health and Safety Principles into action.

The Occupational Health and Safety Management System clarifies the organization's Health and Safety Policies. It manages the systems, planning, and procedures relevant to the cycle of implementation, achievement, review, and maintenance of these policies. At Obayashi, we aim for continual improvement by setting policies and targets and following the PDCA cycle.

Health and Safety Management Organizational Framework



Occupational Health and Safety Management System



Value Every One of Our Associates

Targets and Priority Measures

Obayashi sets occupational health and safety targets and formulates the priority measures to achieve them. We also actively endeavor to prevent workplace accidents. Our approaches are intended to eliminate repeat accidents and human error-caused accidents in the workplace.

FY2019.3 target: Zero fatal accidents

Priority Measures

- 1 Prevent occupational accidents under the leadership of the project manager
- 2 Establish and implement appropriate work plans
- 3 Prevent machinery accidents
- 4 Prevent accidents resulting in falls
- 5 Increase health and safety management capabilities
- 6 Promote creation of healthy work environments
- 7 Prevent damage to third parties due to accidents

Messages from the president, who serves as the central officer for health and safety, and bulletins posted at all construction sites inform employees of our priority measures and specific actions.

Prevention of Workplace Accidents

Initiative for Enhancing On-Site Inspections

Our employees and supplier supervisors check directly on the implementation of safety measures at work sites. Any faults are corrected on the spot. On-site inspections also prioritize finding unsafe behavior on the part of skilled workers and appropriately posting credentialed skilled workers.

Initiative to Encourage Calling Out

Skilled workers who see someone doing something unsafe are required to verbally caution them. We strive to make an environment where people can call out to each other freely.

ATKY Initiative

Before starting work, employees determine how to eliminate or minimize potential work hazards. The elements of the practice are safety, inspection, checks, and hazard prediction. ("ATKY" is an acronym for the equivalent terms in Japanese).

Health and Safety Initiatives

Safety Training

We are stepping up training for employees and suppliers to prevent workplace accidents, raise health and safety awareness, and deepen understanding of safety-related laws and regulations.

All employees working at construction sites undergo group training and e-learning on accident prevention and related laws and regulations. Trainings use case studies of actual accidents as material. To prevent fire, we have also given training using a video produced using actual field tests.

Our east and west Japan robotics centers have mock work sites and facilities for experiencing hazardous work. Young technical employees and our suppliers' skilled workers come here for hands-on safety training. The point of experience-based training is to enhance trainees' sensitivity to danger. Ultimately, this will raise their safety awareness and safety management skills.

We also cooperate with the Obayashi Accident Prevention Association, which is organized by our suppliers. In FY2019.3, we worked with the association to produce training DVDs on preventing accidents resulting in falls and preventing accidents with electrical tools.



Safety Patrols

All branches conduct regular patrols of construction sites to verify health and safety management conditions. Additionally, the central officer for health and safety and secondary officer in charge conduct special patrols four times a year. We also run patrols to verify dust hazard prevention efforts at tunnel construction sites and so forth.



Health and Safety Information

Construction personnel, including those of our suppliers, receive a publication called Safety Information each month. Here we share information about safety topics and health and safety law and regulation changes. The goal is to thoroughly familiarize employees and skilled workers at construction sites with safety concerns.

We also produce digests that concisely summarize health and safety laws and regulations and Obayashi's internal standards. Workers carry these along and use them when creating construction plans and performing day-to-day construction site patrols.

Such information is also posted to our intranet and distributed via tablets, as well as shared with suppliers.



Publishing information like situations that lead to accidents is meant to keep readers alert and raise their safety awareness.

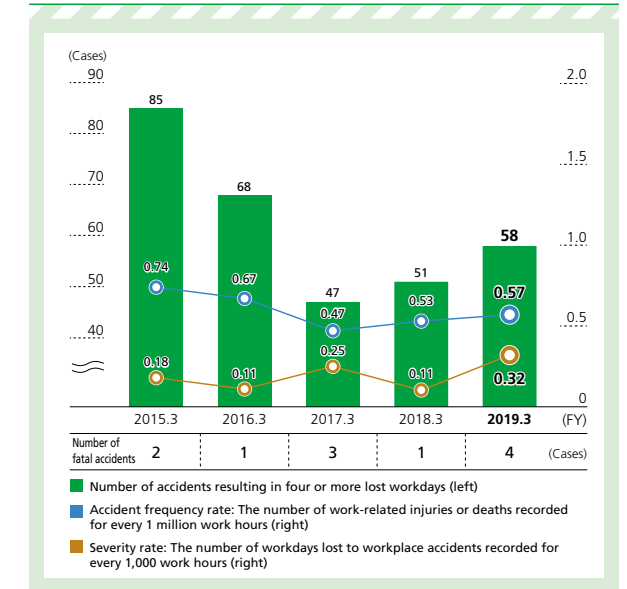
Aiming for Zero Occupational Accidents

Occupational accidents have been on the rise at Obayashi for two consecutive years starting in FY2018.3, in spite of a declining trend in recent years. Obayashi takes this very seriously. That is why we established the new Safety, Quality & Environment Division to bolster safety management company-wide. By doing so, we committed to making every effort to eliminate occupational accidents.

At the start of FY2020.3, we established central health and safety points as standards for all main offices and branches. We then added new language, "Communicate and coordinate between tasks," as a specific way the priority measures of those points would be carried out. With that, we make sure that hazard spots at all work sites are indicated and we work to eliminate and correct hazards caused by tasks that occur together with, or before or after, the task in question. Another key focus is accidents that result in falls, which can easily turn into a major accident. We are determined to prevent these, following our health and safety slogan "Never allow fatalities or serious injuries to happen."

Occupational Accidents on Construction Sites

* Including skilled workers on construction sites



Health University Hospital Tower Wins Labour Minister's Award for Excellence

Obayashi completed the Fujita Health University Hospital Tower B in Toyoake City, Aichi Prefecture in May 2018. The construction won one of the Labour Minister's Awards for excellent workplaces, organizations, and persons who contributed to occupational safety and health for the 2018 fiscal year.

Three old buildings near the center of the premises were torn down and the new construction went up in their place. The working environment was more challenging than usual because of the proximity to existing hospital wards and the need for users to travel through the area. The recent award reflects strong acclaim for safety management innovations. They included executing the construction as a unit and reducing time working in high places.



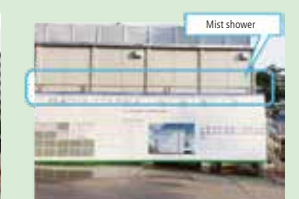
Receiving the commendation



Stretcher training



Project laid out to give pedestrians a route through



Mist shower at morning assembly place



Build Stronger Mutual Trust with Suppliers

Basic Policy

Obayashi believes that fulfilling corporate social responsibility requires an effort throughout the supply chain. We conduct fair transactions with suppliers and build stronger mutual trust with them as partners who can grow with us.

Obayashi Group CSR Procurement Guidelines

In 2011, we established the Obayashi Group CSR Procurement Guidelines. Following these, we work with our suppliers to achieve a sustainable society. The guidelines set out nine areas of concern. They include compliance with laws and regulations, respect for human rights, ensuring safety and health, and concern for the environment. We are encouraging adoption of these guidelines throughout our supply chain as we work to raise supplier awareness and strengthen CSR initiatives.

We also have green procurement guidelines for materials and equipment. We monitor supplier factories by direct inspection to ensure that procurement is appropriate.

WEB Obayashi Group CSR Procurement Guidelines <https://www.obayashi.co.jp/en/sustainability/suppliers.html#section1>

Obayashi Rin-yu-kai

Obayashi Rin-yu-kai, comprised of suppliers around Japan, counts about 1,100 member companies doing various types of work. Obayashi periodically monitors member companies

to ensure their soundness. The corporate members of Obayashi Rin-yu-kai hold liaison meetings regularly. They share information about revisions to safety laws and regulations and how to deal with legal welfare expenses. Among other issues they discuss hosting foreign technical trainees, a practice that is growing.

Obayashi Rin-yu-kai is an important stakeholder for us. As such, we are building trusting relationships with its members by conducting interviews and encouraging communication.

TOPIC Obayashi Rin-yu-kai Initiatives

Members of Obayashi Rin-yu-kai take part in the sharing of information and opinions on construction technology, including safety and quality concerns. Activities in FY2019.3 included a focus on renovation construction technologies. The effort received an excellence award from Obayashi's executive officers.



Obayashi Rin-yu-kai Vocational Training School

In 2014, we opened a vocational training school*1 to nurture skilled workers and pass on expert skills to future generations.

The school offers three courses for developing young workers: scaffolding, ferro-concrete reinforcement, and formwork. Employees of Obayashi and its suppliers serve as instructors. Trainees spend about a month and a half acquiring the knowledge and technical skills needed at construction sites. These include construction tasks, safety management, and computer-assisted design (CAD).

We have also set up a short course focusing on CAD skills. The two courses combined have produced 198 graduates (as of March 31, 2019), who are now working at construction sites.

Additionally, we have an incentive system in place for cases where persons with certain certifications work on Obayashi construction sites. The program gives incentives and rewards to certified workers to help shape their careers and increase their wages. Incentives are also available to suppliers and subcontractors.

*1 Obayashi Rin-yu-kai Vocational Training School is a wide-area occupational training organization utilizing a program of the Ministry of Health, Labour and Welfare.

Other Training

The Rin-yu-kai and Obayashi Accident Prevention Association hold various trainings on topics like quality, health and safety, and compliance. We send Obayashi employees to serve as instructors for these.

We also hold joint training every year for newly recruited employees from Rin-yu-kai member companies. This supports the training of young skilled workers.

Supporting Recruiting Activities

Promoting recruitment of skilled workers who will lead future generations and passing on techniques is not just up to suppliers. It is a matter in which Obayashi can play an important role. We work together with our suppliers to convey the appeal of the construction industry.

Recruiting Video Produced

Dialogues with Obayashi Rin-yu-kai members revealed a need to produce a video that could be used to recruit civil engineering workers. Our Civil Engineering Construction Division created such a video in response. It explains the work that skilled workers at civil engineering construction sites do and why they find it so fulfilling.



A scene from the recruiting video

Joint Company Introduction Seminars

Since FY2015.3, we have been holding company introduction seminars jointly with Obayashi Rin-yu-kai. These events are open to high school career counselors.

We held 9 such events in FY2019.3. Career counselors from 71 schools participated in seminars in five locations: Sapporo, Tohoku, Nagoya, Osaka, and Kyushu.

Hands-On Occupational Construction Site Tours

Hands-on occupational construction site tours are held for high school and vocational school students.

Students get hands-on experience in multiple areas, including rebar, gas pressure welding, plastering, and painting. This way, they can learn the differences between various kinds of work and get a sense of their own aptitudes. Another objective is to let them imagine themselves working in construction.

DATA Number of Certified Excellent Site Supervisors and Excellent Operators

456

(in FY2020.3, of which, 33 Excellent Operators)

The Obayashi Excellent Site Supervisor and Excellent Operator Certification Program aims to get more people into the construction industry and help pass on expert skills. Under the system, we certify and raise the pay of exceptional supervisors*2 and crane operators.

Begun in FY2012.3,*3 the program is getting new content every year. We added young skilled workers to its target audience and have also increased the pay boost that successful candidates receive.

*2 A skilled worker who provides instructions to subordinates at construction work sites

*3 The Excellent Operator Certification Program was introduced in 2016

*4 As of April 1 each fiscal year



Masanori Yamamoto
Chairman of Obayashi
Rin-yu-kai Federation

VOICE Craftsmanship Begins by Nurturing Ourselves as People

Obayashi Rin-yu-kai is in its 113th year as of 2019. Obayashi Rin-yu-kai aims to enhance the labor and employment environment of the construction industry. Therefore, we are proactively working to improve the treatment of skilled workers and develop their skills. We also support efforts to secure human resources for the construction industry.

Increasing productivity and correcting long work hours through initiatives like work style reform are absolutely

critical to securing and developing human resources. Although robots, ICT, and AI are used increasingly on construction sites, craftsmanship begins with people. You have to nurture people to make quality buildings. It's my hope to get lots of young people into the construction industry so they can experience the joy of making things. I want to work as Obayashi's partner to bring new life to the construction industry.



Build Good Relationships with Communities

Basic Policy

In keeping with the Obayashi Basic Principles, Obayashi endeavors to solve social challenges, respect local cultures and customs wherever we work, and promote harmony with society as a good corporate citizen.

Obayashi Social Responsibility Policy: Our Commitments

- 1 We take a global perspective on everything we do to fulfill our social responsibilities, making the most of all the resources available to us around the world. Our business itself contributes solutions to address global issues, and we also undertake special initiatives that go beyond the reach of our business.
- 2 We coordinate our work to address social issues with local communities, non-profits, NGOs, governments and other key actors, capitalizing on the unique strengths of every entity and every person involved.
- 3 We work hard to ensure that our approach to social responsibility is clearly understood and that our efforts to build a better society are widely known.

Social Initiatives of the Group

Tours of Construction Sites and Technical Research Institute

Obayashi offers tours of construction sites around Japan as well as the Technical Research Institute (Kiyose City, Tokyo). Tours are open to students and citizens. Through these events we hope to deepen participants' understanding of the construction industry. Among other things, we hope to show them advanced construction technologies, how dynamic construction can be, and the real joy of craftsmanship.



Parent and Child Woodworking Classes

Group company Naigai Technos holds woodworking classes for parents and children when the children are on summer vacation. In FY2019.3, 112 participants built shelves.

Despite having little or no experience handling tools like saws and hammers, children learn how to use such tools and how much fun woodworking can be.



DATA Employee Participation Rate in Matching Gift Program

12.1

 % As of March 31, 2019

Obayashi introduced the Matching Gift Program in October 2014, inviting our directors and employees to participate.

Donations are given in the categories of disaster support, environment, and social initiatives (including local communities and fostering young people). The CSR Committee selects the recipients, with donations totaling about 182 million yen going to 28 groups so far. In FY2019.3, we donated about 48 million yen for relief from heavy rain damage in July 2018 in Kurashiki City, Okayama Prefecture as well as Hiroshima and Ehime Prefectures.



Hidehiko Yuzaki, Governor of Hiroshima Prefecture (on right in photo)

Obayashi Foundation Scholarship Program

The Obayashi Foundation offers assistance for urban planning research and international conferences. It also operates an award program for researchers in the field. In addition, the foundation provides scholarships to students studying to become urban planning professionals or researchers. In FY2019.3, we gave scholarships to 21 students.



Supporting Special Olympics Nippon

Special Olympics is an international sports organization aiming to enhance independence and social inclusion for people with intellectual disabilities through sports.

We support their activities as an official sponsor of Special Olympics Nippon. Obayashi employees served as management volunteers at Special Olympics Nippon National Summer Games Aichi held in September 2018.



TOPIC Donations to Local Elementary Schools

Activities by Group company Thai Obayashi seek to increase learning opportunities for children. Since 2007, the company has built a library each year (on local elementary school grounds, for example) and donated books.

It made donations to six elementary schools in FY2019.3. Thai Obayashi begins by having conversations with teachers and children about its donation and upgrade projects. The company helps them to think concretely about how to create environments where children can be comfortable but which also take safety and the environment into account. Through this process, Thai Obayashi teaches children the joy of building things.



Thai Obayashi donated volleyballs and other playground equipment, bookshelves, and scholarships for two students at this school.



Another school received a seismic upgrade of its existing building and scholarships for two students.



This school's walls were repainted in addition to a monetary donation.



Thai Obayashi upgraded a stage where all the school's students gather for morning assemblies and other events.

Consolidated Financial Summary

Fiscal years ended March 31	Millions of yen											Thousands of U.S. dollars ⁵
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
Orders received	¥1,494,508	¥1,282,334	¥1,180,639	¥1,362,702	¥1,449,567	¥1,653,005	¥1,900,517	¥1,951,943	¥2,145,256	¥1,880,155	¥1,958,869	\$17,649,065
Orders received (construction business)	1,438,365	1,214,745	1,108,348	1,289,779	1,372,658	1,580,900	1,797,441	1,862,140	2,052,504	1,774,745	1,873,739	16,882,054
Net sales	1,682,462	1,341,456	1,131,864	1,245,772	1,448,305	1,612,756	1,773,981	1,777,834	1,872,721	1,900,655	2,039,685	18,377,196
Gross profit	106,881	14,569	99,716	110,678	114,687	112,059	131,707	193,052	224,933	234,303	254,023	2,288,705
Gross profit margin (%)	6.4	1.1	8.8	8.9	7.9	6.9	7.4	10.9	12.0	12.3	12.5	–
Selling, general and administrative expenses	79,518	77,103	76,542	79,532	79,534	80,067	83,318	86,671	91,191	96,502	98,542	887,852
Operating income (loss)	27,363	(62,534)	23,174	31,145	35,153	31,991	48,388	106,380	133,742	137,800	155,480	1,400,852
Operating margin (%)	1.6	(4.7)	2.0	2.5	2.4	2.0	2.7	6.0	7.1	7.3	7.6	–
Ordinary income (loss)	31,829	(59,608)	22,207	35,241	44,690	40,135	59,913	111,208	140,106	143,951	163,054	1,469,087
Profit (loss) attributable to owners of parent ¹	10,966	(53,354)	15,423	5,142	13,195	21,627	28,695	63,437	94,501	92,662	113,155	1,019,512
Profit (loss) attributable to owners of parent per share (EPS) (yen/U.S. dollars)	15.24	(74.21)	21.46	7.16	18.37	30.11	39.96	88.36	131.66	129.09	157.65	1.42
Net assets	395,809	367,618	351,287	365,492	414,650	448,108	549,483	561,658	644,076	711,525	798,149	7,191,182
Equity (net assets less non-controlling interests)	371,069	342,227	325,936	340,463	384,730	412,456	507,670	516,098	594,160	684,836	768,944	6,928,051
Retained earnings	202,941	139,176	151,684	152,278	161,666	178,665	199,296	255,750	334,957	404,840	498,195	4,488,647
[The ratio of retained earnings to equity]	[54.7%]	[40.7%]	[46.5%]	[44.7%]	[42.0%]	[43.3%]	[39.3%]	[49.6%]	[56.4%]	[59.1%]	[64.8%]	–
Total assets	1,725,645	1,590,667	1,505,697	1,618,748	1,656,289	1,818,886	1,996,193	1,951,907	2,015,996	2,148,861	2,214,512	19,952,358
Property, plant and equipment	329,415	319,373	360,209	358,186	376,489	415,089	408,848	441,604	459,597	526,270	544,558	4,906,377
Investment securities	238,245	296,589	251,196	264,365	317,386	323,858	415,541	342,021	346,245	372,308	360,627	3,249,192
[Sales result of investment securities]	[12,645]	[3,056]	[12,358]	[14,427]	[9,066]	[12,089]	[4,541]	[4,497]	[4,495]	[8,710]	[5,454]	[49,142]
Net assets per share (BPS) (yen/U.S. dollars)	516.06	476.12	453.52	474.01	535.67	574.32	706.94	719.01	827.77	954.05	1,071.49	9.65
Equity ratio (%)	21.5	21.5	21.6	21.0	23.2	22.7	25.4	26.4	29.5	31.9	34.7	–
Return on equity (ROE) (%) ²	2.7	–	4.6	1.5	3.6	5.4	6.2	12.4	17.0	14.5	15.6	–
Price-earnings ratio (PER) (times) ²	31.4	–	17.2	50.4	24.5	19.3	19.5	12.6	7.9	9.0	7.1	–
Dividends per share (yen/U.S. dollars)	8	8	8	8	8	8	10	18	28	28	32	0.28
Dividend payout ratio (%) ²	52.5	–	37.3	111.7	43.5	26.6	25.0	20.4	21.3	21.7	20.3	–
Net cash provided by (used in) operating activities ³	(39,610)	16,156	1,096	65,755	31,496	37,962	74,646	124,980	158,892	114,034	44,203	398,269
Net cash provided by (used in) investing activities ³	1,699	(12,746)	(33,134)	(1,919)	(29,151)	(47,328)	(7,442)	(48,029)	(37,884)	(71,289)	(45,302)	(408,163)
Net cash provided by (used in) financing activities ³	62,427	(15,733)	10,611	(48,949)	(28,977)	27,587	(34,523)	(68,967)	(89,165)	(54,548)	(24,823)	(223,655)
Cash and cash equivalents at end of period	143,821	132,425	108,999	121,682	99,690	121,177	162,607	164,802	194,195	184,783	157,699	1,420,845
Number of personnel ⁴	15,150	14,476	14,639	12,870	12,838	12,856	13,432	13,688	14,094	14,359	14,739	–
[Average number of temporary personnel not included in the above]				[2,869]	[3,031]	[3,139]	[3,658]	[4,066]	[4,431]	[4,393]	[4,093]	–
Interest-bearing debt (except nonrecourse loans)	314,165	309,706	321,375	320,798	306,323	351,592	327,802	266,465	200,334	184,724	183,061	1,649,353
Nonrecourse loans	84,649	81,343	87,885	84,316	81,845	76,851	83,017	79,874	73,024	92,004	89,156	803,285
Total amount of interest-bearing debt and nonrecourse loans	398,814	391,050	409,260	405,115	388,168	428,444	410,820	346,339	273,359	276,728	272,218	2,452,638
Debt-equity ratio (times)	1.07	1.14	1.26	1.19	1.01	1.04	0.81	0.67	0.46	0.40	0.35	–
Financial income (expense)-net	4,384	2,445	2,650	3,433	4,463	5,587	5,781	6,497	6,415	6,976	7,584	68,334
Capital expenditure	16,028	9,876	49,043	17,017	35,084	69,110	42,308	56,231	31,410	76,383	39,586	356,667
Research and development expense	7,269	8,018	8,561	9,093	8,742	8,927	9,391	10,081	10,553	10,602	12,312	110,936
Depreciation	10,956	10,534	11,394	11,954	10,916	12,103	14,392	14,476	14,981	14,659	17,672	159,223

¹ Since the year ended March 31, 2016, the line item "Net income (loss)" has been changed to "Profit (loss) attributable to owners of parent"

² Return on equity (ROE), the price-earnings ratio (PER), and the dividend payout ratio for the year ended March 31, 2010 were omitted due to a net loss posted that year

³ In the consolidated statements of cash flows, figures in parentheses represent a decrease in cash and cash equivalents

⁴ Average headcount of temporary employees for each fiscal year is recorded separately in parentheses. This is because the importance of temporary employees in average headcount rose following a revision in the boundary between employees and temporary employees starting in the year ended March 31, 2012

⁵ U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥110.99 to US\$1, the prevailing exchange rate on March 31, 2019

Group Network

Group Companies in Japan

Name (major business)	Group interest (%)	Head Office	Representative	FY	Financial data (Millions of yen)			Number of personnel (end of fiscal year)
					Net sales	Profit attributable to owners of parent	Net assets	
NAIGAI TECHNOS CORPORATION (Interior and other construction and sales of materials and equipment for construction)	100.0%	Sumitomo Ichigaya Building, 1-1, Ichigaya-honmuracho, Shinjuku-ku, Tokyo	Masato Yanou	2018.3	84,628	526	6,086	144
				2019.3	101,506	661	6,587	142
OBAYASHI FACILITIES CORPORATION (Overall property management, building and M&E construction, and contracted operations)	100.0%	Sumitomoshi Nishikicho Building, 1-6, Kanda-nishikicho, Chiyoda-ku, Tokyo	Ryosuke Miura	2018.3	24,052	1,079	12,595	592
				2019.3	26,379	1,302	13,573	647
OAK SETSUBI CORPORATION (M&E design and construction including air conditioning, ventilation, drainage, sanitary, and electricity)	100.0%	Sumitomo Fudosan Kayabacho Building, 1-16-3, Shinkawa, Chuo-ku, Tokyo	Kimiyo Sato	2018.3	22,924	627	3,588	230
				2019.3	24,280	711	4,299	227
OBAYASHI ROAD CORPORATION (Paving construction and civil engineering construction)	100.0%*1	Sumitomo Fudosan Sarugakucho Building 2-8-8, Kanda-sarugakucho, Chiyoda-ku, Tokyo	Katsuji Fukumoto	2018.3	111,639	-421	44,222	1,049
				2019.3	104,562	4,546	48,692	1,048
OBAYASHI-SHINSEIWA REAL ESTATE CORPORATION (Real estate leasing and sales, property management, insurance)	100.0%	Kojimachi Building, 3-3-6, Kudan-minami, Chiyoda-ku, Tokyo	Masahiro Saito	2018.3	36,632	6,498	47,427	164
				2019.3	38,995	5,747	53,175	149
OBAYASHI CLEAN ENERGY CORPORATION*2 (Renewable power generation business)	—	Shinagawa Intercity Tower B, 2-15-2, Konan, Minato-ku, Tokyo	Yuichi Yamamoto	2018.3	6,311	886	-2,954	5
				2019.3	7,465	573	485	20
OAK INFORMATION SYSTEM CORPORATION (Development and sales of computer software and sales and lease of electronic equipment)	100.0%	Riverside Sumida Central Tower, 1-19-9, Tsutsumi-dori, Sumida-ku, Tokyo	Chiaki Maruyama	2018.3	6,922	297	3,922	177
				2019.3	6,772	276	1,858	177
OC FINANCE CORPORATION (Finance-related services)	100.0%	Shinagawa Intercity Tower B, 2-15-2, Konan, Minato-ku, Tokyo	Taku Kanamori	2018.3	713	320	5,692	—
				2019.3	700	384	6,077	—
IBARAKI GREEN CO., LTD. (Old Orchard Golf Club, Daystar Golf Club)	100.0%	686-3, Torihata, Ibaraki-machi, Higashi Ibaraki District, Ibaraki Prefecture	Hiroki Uemura	2018.3	1,875	161	2,718	39
				2019.3	1,830	2,499	5,217	38
27 PFI Subsidiaries (PFI-related services)	—	—	—	2018.3	22,611	434	3,112	85
				2019.3	29,774	299	3,203	84

*1 Became a wholly owned subsidiary of Obayashi in the second quarter of FY2018.3

*2 Includes its own subsidiary in the renewable energy business

Overseas Group Companies

Name (major business)	Group interest (%)	Head Office	Representative	FY	Financial data (Millions of yen)			Number of personnel (end of fiscal year)
					Net sales	Profit attributable to owners of parent	Net assets	
E.W. HOWELL CO., LLC*3 (Building construction business)	92.0%	245 Newtown Road, Suite 600, Plainview, NY 11803, U.S.A.	Howard Rowland	2018.3	27,940	17	2,252	138
				2019.3	29,495	74	2,293	152
WEBCOR, LP*3 (Building construction business)	89.0%	207 King Street, Suite 300, San Francisco, CA 94107, U.S.A.	Jes Pedersen	2018.3	220,854	1,707	7,107	709
				2019.3	240,906	2,709	9,733	772
JAMES E. ROBERTS-OBAYASHI CORPORATION*3 (Building construction business)	51.0%	20 Oak Court, Danville, CA 94526, U.S.A.	Scott Smith	2018.3	19,364	36	1,385	56
				2019.3	13,793	117	1,591	41
THAI OBAYASHI CORPORATION LIMITED (Building construction business)	50.0%	11th Floor, Nantawan Building, 161 Ratchadamri Road, Pathumwan, Bangkok 10330, Thailand	Pornchai Sittiyakorn	2018.3	38,467	1,676	41,169	1,172
				2019.3	57,709	2,476	45,014	1,260
PT. JAYA OBAYASHI (Building construction business)	85.0%	JL. Pancoran Timur II No.3, Pancoran, Jakarta 12780, Indonesia	Koichiro Minami	2018.3	10,328	-63	2,536	186
				2019.3	7,650	-484	1,742	173
TAIWAN OBAYASHI CORPORATION (Building construction business)	100.0%	16F-1, No.57, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	Yoichi Nagamatsu	2018.3	10,029	-199	3,484	74
				2019.3	6,529	-132	3,760	70
OBAYASHI SINGAPORE PRIVATE LIMITED (Building construction business)	100.0%	79 Anson Road, #13-01, Singapore 079906	Lee Aik Seng	2018.3	29,255	846	3,874	246
				2019.3	26,608	1,189	4,904	275
OBAYASHI VIETNAM CORPORATION (Building construction business)	100.0%	Saigon Trade Center, 24th Floor, Unit 2401, 37 Ton Duc Thang St., District 1, Ho Chi Minh City, Vietnam	Shinobu Yamanaka	2018.3	11,407	302	4,388	159
				2019.3	16,611	299	4,515	157
KRAEMER NORTH AMERICA, LLC*3 (Civil engineering business)	51.0%	One Plainview Road, Plain, WI 53577-0220, U.S.A.	Scott Peterson	2018.3	29,315	507	4,100	121
				2019.3	21,969	522	4,454	138
KENAIDAN GROUP LTD.*4 (Civil engineering business)	60.0%	7080 Derrycree Drive, Mississauga, Ontario, L5W 0G5, Canada	John Goffredo	2018.3	14,507	-310	411	132
				2019.3	14,831	-201	1,668	147

*3 Consolidated subsidiary of Obayashi USA, LLC

*4 Consolidated subsidiary of Obayashi Canada Holdings Ltd.

Corporate Information / Stock Information

Corporate Information

Company Name:	OBAYASHI CORPORATION
Founded:	January 1892
Established:	December 1936
Representative Director, President:	Kenji Hasuwa
Head Office:	2-15-2, Konan, Minato-ku, Tokyo, Japan
Capital:	57,752 million yen
Employees:	8,753 (as of March 31, 2019)
Construction Business Permission:	Government Permit (Toku/Han-26) 3000, (Toku-30) 3000
Real Estate Business License:	Government License (14) 791
Business Activities:	Construction work in and outside Japan, regional development, urban development, and other construction-related businesses, including contracted engineering, management, consulting services, real estate development, etc.

Major Business Offices

Head Office: 2-15-2, Konan, Minato-ku, Tokyo
 Sapporo Branch, Tohoku Branch (Sendai), Tokyo Main Office, Yokohama Branch, Hokuriku Branch (Niigata), Nagoya Branch, Kyoto Branch, Osaka Main Office, Kobe Branch, Hiroshima Branch, Shikoku Branch (Takamatsu), Kyushu Branch (Fukuoka), Asia-Pacific Regional Headquarters (Singapore), North American Regional Headquarters (San Francisco)

Research Institute

Technical Research Institute (Tokyo)

Overseas Offices*1

London, Auckland, Sydney, Guam, Taipei, Jakarta, Hanoi, Phnom Penh, Kuala Lumpur, Bangkok, Yangon, Dhaka, Dubai

*1 The Overseas Business Division was abolished and the new Asia-Pacific Regional Headquarters (Singapore) and North America Regional Headquarters (San Francisco) were established as of April 1, 2019. With this change, the overseas offices in Singapore and San Francisco were eliminated.

Stock Information (As of March 31, 2019)

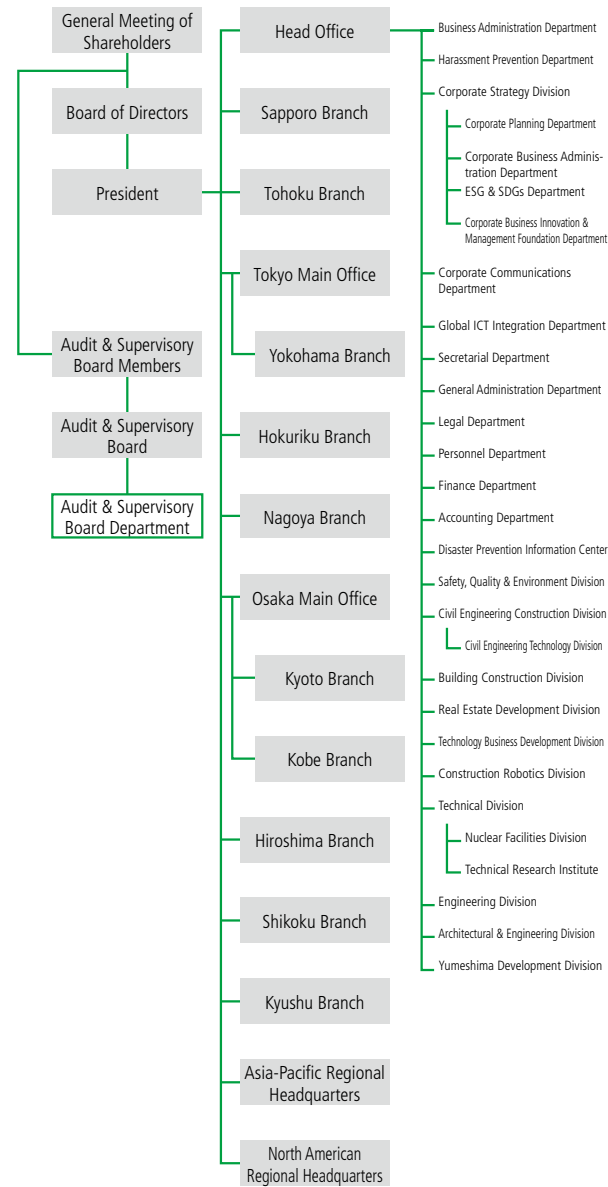
Number of Shares Authorized:	1,224,335,000 shares (No change from the end of the previous fiscal year)
Total Number of Shares Issued and Outstanding:	721,509,646 shares (No change from the end of the previous fiscal year)
Number of Shareholders:	58,531
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan
Ordinary General Meeting of Shareholders:	June
Stock Listings:	Tokyo and Fukuoka

Major Shareholders (As of March 31, 2019)

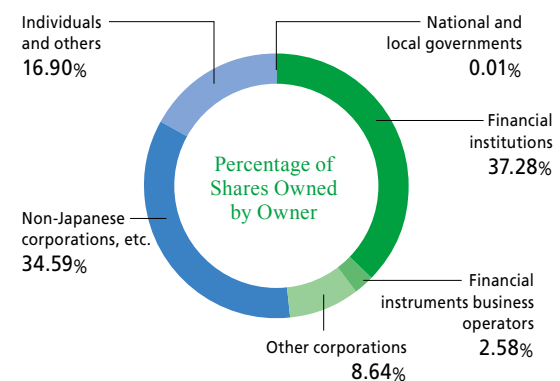
Name	Shareholdings	
	Shares Held (Thousands)	Shareholding Ratio (%) ²
Japan Trustee Services Bank, Ltd. (Trust Account)	65,665	9.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	60,848	8.47
Nippon Life Insurance Company	20,905	2.91
Takeo Obayashi	16,944	2.36
Japan Trustee Services Bank, Ltd. (Trust Account 9)	13,605	1.89
Japan Trustee Services Bank, Ltd. (Trust Account 5)	13,177	1.84
Japan Trustee Services Bank, Ltd. (Trust Account 7)	13,125	1.83
STATE STREET BANK WEST CLIENT - TREATY 505234	10,697	1.49
JP MORGAN CHASE BANK 385151	10,499	1.46
Obayashi Group Employee Shareholding Association	10,228	1.42

*2 Shareholding ratios exclude treasury stock (3,453,343 shares).

Organization Chart



Percentage of Shares Owned by Owner*3 (As of March 31, 2019)



*3 Percentage of shares owned by owner is calculated after deducting treasury stock (3,453,343 shares).

Editorial Policy

Purpose of Publication	The Obayashi Corporate Report is published for readers to understand the overall business activities of Obayashi and the Obayashi Group. In it, we disclose our management strategy, financial information, and non-financial information in an integrated format.
Reporting Period	Fiscal year ended March 31, 2019 (FY2019.3) and including some activities in FY2020.3
Caution Regarding Forward-Looking Statements	The Obayashi Corporate Report contains predictions and forecasts regarding the future plans, strategies, and performance of Obayashi and the Obayashi Group. These are forward-looking statements based on assumptions and opinions made in light of information available to the Company at the time of writing. Such statements are subject to risk and uncertainties related to economic trends, market demand, currency exchange rates, taxation, and various other systems. Actual results may therefore differ materially from forecasts.
Information Disclosure System	The Obayashi Corporate Report concentrates on the key information needed to understand Obayashi and the Obayashi Group. More detailed information is available on our website.

Financial Information	Non-Financial Information
Obayashi Corporate Report	
Investor Relations Website https://www.obayashi.co.jp/en/ir/	Sustainability Website https://www.obayashi.co.jp/en/sustainability/

Obayashi also discloses financial information in its annual and quarterly financial statements.

OBAYASHI CORPORATION

Shinagawa Intercity Tower B,
2-15-2, Konan, Minato-ku, Tokyo 108-8502, Japan
TEL +81-3-5769-1701 (Corporate Communications Department)
<https://www.obayashi.co.jp/en/>



- It uses environmentally sensitive plant-based ink.
- The printing method is water-free and involves no discharge of harmful effluents.
- Lettering used in the report was designed based on Universal Design (UD) principles to be easy to read.