

OBAYASHI CORPORATION
Regarding Cease and Desist Order and Surcharge Payment Order
Received from Japan Fair Trade Commission

This is to announce that OBAYASHI CORPORATION (hereinafter referred to as the “Corporation”) received a cease and desist order and surcharge payment order from the Japan Fair Trade Commission pursuant to the Antimonopoly Act on December 22, 2020 in relation to bidding on the Chuo Shinkansen maglev line construction project.

The Corporation was previously ordered by the Tokyo District Court, in October 2018, to pay a fine of 200 million yen in relation to the same incident. The Japan Fair Trade Commission, however, continued its own investigation and decided on its disposition of the case.

In December 2017, the Corporation petitioned the Japan Fair Trade Commission to apply the leniency policy of the Antimonopoly Act that allows reduced surcharges for parties voluntarily reporting their involvement in an incident of this type. The Commission applied the policy, reducing its surcharges by 30%.

In response to the incident, the Corporation established a third-party committee in September 2018 based on the Japan Federation of Bar Associations’ “Guidelines for establishing a third-party committee in response to corporate misconduct.” In January 2019, the Corporation accepted the committee’s report of its objective investigation into how the incident happened as well as its recommendations for effective recurrence prevention measures. Presently, the entire Corporation is working to implement rigorous compliance based on the committee’s report.

1. Overview of cease and desist order

The Corporation had submitted bids to build stations at Shinagawa and Nagoya for the Chuo Shinkansen maglev line by open-cut method. The Central Japan Railway Company had named businesses who could compete for the work and placed its orders based on competitive bids. In relation to these projects, the Japan Fair Trade Commission found that the Corporation committed violations of Article 3 of the Antimonopoly Act, which prohibits unreasonable restraint of trade. Violations included colluding with other contractors to predetermine the bid winner and taking steps to ensure that that party won the order. The collusion occurred at latest between about February 2015 and December 7, 2017. Based on that finding, the commission ordered the Corporation to take the necessary steps to cease and desist from such conduct.

2. Overview of surcharge payment order

Amount of surcharge to be paid: 3,118,390,000 yen

Payment deadline: July 26, 2021

3. Effect on business results

In part because the leniency policy of the Antimonopoly Act was applied, the surcharge of 3,118 million yen that the Corporation has been ordered to pay is 1,026 million yen less than the 4,145 million yen balance that the Corporation had in its provision for loss on the Antimonopoly Act as of the end of the consolidated second quarter of FY2021.3. That difference will be booked as an extraordinary gain in the account settlement for the third quarter of FY2021.3.

Disclaimer

This document announced in the Japanese language at the Tokyo Stock Exchange on December 22, 2020 was translated into English and presented solely for the convenience of non-Japanese speaking users. If there is any discrepancy between the Japanese announcement and this English translation, the former will prevail.