As announced on March 27, 2018, OBAYASHI CORPORATION (hereinafter referred to as the “Corporation”) has been prosecuted by the Tokyo District Public Prosecutors Office regarding the incident involving a violation of the Antimonopoly Act in bids for the Chuo Shinkansen construction project. We offer our profound apologies to our shareholders and other stakeholders for the concern we have caused.

In 2006 we formulated the “Antimonopoly Act Compliance Program,” having worked corporation-wide to ensure thorough compliance. However, given that this incident did take place, we have decided to implement the following recurrence prevention policies in addition to the existing policies. Accordingly, the details of the recurrence prevention policy, including some items already implemented in or after December 2017, are also presented.

Furthermore, while closely monitoring developments in the criminal trial, we will establish a third-party committee composed of external experts to ascertain the root causes of the incident based on an objective investigation, and based on those results, we will evaluate our recurrence prevention policy to improve its effectiveness.

We will promote “management prioritizing compliance in all of its business operations,” and will strive to make corporation-wide efforts to recover the trust of our shareholders and society.

1 Policies to be implemented toward recurrence prevention (effective on June 1, 2018)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Additional Policies</th>
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| Create stricter rules for contact with industry peers | - Before attending receptions also attended by industry peers held as official events by industry associations such as Japan Federation of Construction Contractors (general incorporated association), technical associations, and clients, prior approval procedures for attendance will be required to alert the participants
| | - Except above official events, participation in social gatherings also attended by industry peers will be prohibited
| | - The prior reporting system for meetings with industry peers will be revised
| | ⇒Thus far, mainly the sales divisions (including the support divisions) have been required to file reports, but all officers and employees will now be required to file such reports
| | - “Code of Conduct when Faced with Acts of Collusion”* will be partially revised and recirculated within the Corporation
| | *This stipulates the code of conduct and reporting procedures in the following four patterns
| | 1) When a discussion of bid-rigging takes place at a meeting with industry peers
| | 2) When involvement in collusive bidding at the initiative of government agencies is requested by a client of a public works project (in the new code, private projects are also added to this scenario)
| | 3) When an employee is involved in actual collusion
| | 4) When any officer or employee is aware of involvement in collusion by other officer or employee of the Corporation
Create a thorough, correct understanding of the Antimonopoly Act

- Create explanatory materials concerning the Antimonopoly Act centered on matters, relating to sales activities, that are easily misunderstood and difficult to judge correctly
- The contents of the above materials are included in the 2018 version texts for the workplace corporate ethics training, implemented at every worksite of the Corporation from April through May of each year
- Starting this year, technical divisions will join the Antimonopoly Act compliance training sessions, which had been held exclusively for the sales divisions each fall, where focused explanations of matters, relating to sales activities, that are easily misunderstood and difficult to judge correctly will be provided

Eliminating psychological factors that would cause violations to be committed or overlooked

- Lower the psychological hurdle to use the internal reporting system
- Create awareness that no reasons can justify violations
- Create a corporate culture where impropriety can be pointed out even when it goes against the instructions of a superior

- Revising the internal reporting system (making reporting mandatory, stipulating internal leniency)
  ⇒ When he/she is aware that wrongdoing has occurred or it is deemed that there is the risk of it occurring, regardless of the individual's involvement, it will be mandatory for the person to report it through the office organization or via the internal reporting system.
  ⇒ Regarding conduct in violation of the Antimonopoly Act involving unfair bidding or conduct entailing such risks, even when an individual is temporarily involved, leniency in internal disciplinary action for the individual who made the internal report is stipulated.
  - Promoting the use of the internal reporting system by providing focused explanations of “1)” and “2)” below, and increasing the frequency of notifications targeting all employees and officers of the internal reporting system from once a year to twice a year, together with the above stipulation of internal leniency
    1) Preventing violations from occurring with the internal reporting helps not only the Corporation, but also, ultimately, those engaged in attempted misconduct
    2) There will be no disadvantageous treatment whatsoever for using the internal reporting system
  - At every opportunity, the top management will issue messages on the following
    1) Legal and regulatory compliance will be prioritized in all business activities, and the Corporation will not seek any orders received whatsoever through fraudulent activities
    2) There is no self-justification for legal and regulatory violations
    3) Even the instructions of a superior do not excuse legal and regulatory violations
  - To share the awareness within the Corporation that an atmosphere allowing opinions to be provided proactively even to one's superior, and that pointing out mistakes leads to preventing crises and boosting corporate value, in addition to adding “proactively provides opinions to superiors” to the evaluation items of personnel evaluations, we will work to create awareness through regular training

Enhancing oversight functions

- The content of e-mails whose recipients or senders are industry peers will be checked by the Internal Audit Department (also considering the use of AI)
- Private projects will be added to the scope of sampling for the walk-through audits that audit the entire bidding process (thus far, only public works projects had been covered)
2 Items already implemented in or after December 2017

(1) Resolution at the Board of Directors Meeting
At the Board of Directors meeting held in December 2017, it was resolved that “the Corporation will not commit any violations of the Antimonopoly Act or engage in any activities whatsoever that impair equitable, fair bidding.”

(2) Notice Issued by the President
In December 2017, a President’s notice titled “Thorough Compliance with the Antimonopoly Act and Laws and Regulations Related to Bidding” was issued for all officers and employees, notifying them that the Corporation will not engage in any activities whatsoever that impair equitable, fair bidding.

(3) Implementing Antimonopoly Act Compliance Education
To rigorously enforce thorough compliance with the Antimonopoly Act, in January 2018 the Corporation convened all Directors and General Managers of Head Office and Branches to hold a corporation-wide compliance meeting. Following the meeting, we implemented Antimonopoly Act Compliance Education in all divisions.

(4) Refreshing the Management Team
While improving the compliance structure, to allow management to promptly start steering the Corporation toward the future, the Corporation refreshed its management team, which included replacing the President on March 1, 2018.

(5) Voluntary Return of Directors’ Remuneration
Following the Corporation’s prosecution, Representative Directors and Directors are volunteering to forego portions of their remuneration as proof of their resolve to strive corporation-wide for more thorough adherence to compliance.

- Details of the return of remuneration
  - All Representative Directors as of April 1, 2018: 30% of their monthly remuneration
  - All Directors as of April 1, 2018 (excluding Outside Directors): 20% of their monthly remuneration

- Duration for the return of remuneration
  - From April 2018 to June 2018 (three months)

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Disclaimer
This document announced in the Japanese language at the Tokyo Stock Exchange on May 14, 2018 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.

If you have any questions, please contact Obayashi investor relations at irk@ml.obayashi.co.jp.

<Appendix>
- Antimonopoly Act Compliance Program Including Recurrence Prevention Policy
Antimonopoly Act Compliance Program

Established October 31, 2006
Last Revised June 1, 2018
(Revisions made prior to this day are omitted)

Classification | Specific Initiatives
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Creating “an atmosphere that does not tolerate collusion” (control environment) | 1) Stipulate in the Articles of Incorporation that the “Corporation will comply with all laws and regulations, will act in good faith”
2) At every opportunity, top management issues statements and declarations* on Antimonopoly Act compliance (creating a system that will be inherited by the next-generation management team)
   * - Legal and regulatory compliance will be prioritized in all business activities, and the Corporation will not seek any orders received whatsoever through fraudulent activities
   * - There is no reason that can serve as self-justification for legal and regulatory violations
   * - Even the instructions of a superior do not excuse legal and regulatory violations, etc.
3) Implement strict internal disciplinary actions in the event of violation
4) Disclose in a timely manner the required information such as the declaration of a determination by top management and information related to internal disciplinary actions
5) “Obayashi Code of Conduct” for performing its business activities is established and added to the “Obayashi Principles,” which is posted on the home page of the Corporation’s intranet
6) Creating an open corporate culture where impropriety can be pointed out
   * - To share the awareness within the Corporation that an atmosphere allowing opinions to be provided proactively even to one’s superior, and that pointing out mistakes leads to preventing crises and boosting corporate value, in addition to adding “proactively provides opinions to superiors” to the evaluation items of the personnel evaluations, we will work to create awareness through regular training

Risk assessment and response | 1) Production of a manual about managing Antimonopoly Act violation risk
   a) After gauging the level and details of the risks of Antimonopoly Act violations, identify violation risks in the Corporation’s business activities
   b) Make sure that a specific action plan is established for each division
2) Establishment of a consultation office to advise on the Antimonopoly Act (Legal Department).
Creating the “framework to prevent collusion” (control activities)

1) Create an action plan and improve the system for thorough Antimonopoly Act compliance
   a) Formulate and revise the “Obayashi Principles”
   b) Establish and operate a Corporate Ethics Committee (Chairman: President, Secretariat: General Administration Department of Head Office)
      - Hold around four Corporate Ethics Committee meetings each year, and where necessary, report on the committee’s activities to the Board of Directors
      - Establish a branch corporate ethics committee at each branch, and conduct independent corporate ethics promotion activities
   c) Corporate ethics promotion system organization
      - Corporate Ethics Leaders: assigned Executive Officers and general managers of branches
      - Corporate Ethics Promoters: Department Heads
      - Division in Charge of Corporate Ethics Promotion: General Administration Department in Head Office
   d) Promote the establishment of corporate ethics initiatives at Group companies
      - Horizontal development of the Corporation’s initiatives at Group companies

2) Assure the circulation of Antimonopoly Act compliance manuals* and monitoring of their implementation
   *These manuals provide focused explanations of matters, relating to sales activities, that are easily misunderstood and difficult to judge correctly

3) Create thorough awareness of the action program when confronted with acts of collusion, etc.

4) Regular and continuous education and training for officers and employees
   a) Corporate Ethics Leaders (assigned Executive Officers and general managers of branches) will implement regular training for Corporate Ethics Promoters (Department Heads)
   b) Corporate Ethics Promoters (Department Heads) will implement on-the-job ethics training sessions
      - In addition to lecture-style training sessions based on training materials, we will hold on-the-job, discussion-style sessions based on case studies posing the question “Could it happen at my own place of work?”
      - The Corporate Ethics Promoters will collect signatures from the training session participants at their workplace stating they have completed the training and submit them to the General Administration Department in Head Office
   c) After the completion of the on-the-job ethics training sessions given by the Corporate Ethics Promoters, e-learning will be implemented for all employees and officers to measure effects of the training
   d) Antimonopoly Act compliance training will be implemented by employee class and for persons in charge of both sales and technical divisions
      - The divisions in charge of the training will collect signatures from the participants stating they have completed the training
   e) The Compliance Officers will visit each branch to provide guidance
      - The Compliance Officer will hold hearings and provide guidance through individual interviews with the management of each branch.

5) Individual specific controls and management
   a) A written pledge that they will “comply with the Antimonopoly Act and in no way engage in acts that violate the Antimonopoly Act” will be collected from the General Manager class of every division, and the employees of the sales divisions and sales
support divisions.
(In addition to the violators themselves, where a subordinate commits a violation, his or her superior will also be strictly disciplined)

b) All meetings, etc. (including telephone calls and e-mail) with industry peers must be reported to and approved by a superior
c) Excluding official events held by industry associations, technical associations, and clients, in principle, participation in receptions also attended by industry peers is prohibited
d) Creating an "Antimonopoly Act Compliance Pledge Field" in the internal approval documents used for project bidding
(The person responsible for the bid will constantly check that there are no acts of collusion in the entire project bidding process, from the calculation of the estimated bid amount to the decision on the bid amount, and affix their seal in the appropriate field)
e) When a consortium is formed to participate in bidding, written pledges of legal compliance will be exchanged among the constituent members
f) When joining external groups, their regulations will be checked by the division in charge to ensure that there are no issues in terms of the Antimonopoly Act
g) When dining with individuals covered by the National Public Service Ethics Act (national public officers, local public officers, and de-facto public officers), a written report will be provided.

| Timely and accurate transmission of information | 1) Creating and spreading awareness of a system for the timely and accurate transmission of information  
|---|---|
| a) Create a Corporate Ethics Reporting System as internal notification system (establish an internal point of contact at the Secretariat of the Corporate Ethics Committee and an external point of contact at an external legal office)  
| b) Promote the use of the Corporate Ethics Reporting System by notifying all employees and officers of the system twice a year, and by providing the following explanations  
| · Preventing violations from occurring with the internal reporting helps not only the Corporation, but also, ultimately, those engaged in attempted misconducts  
| · There will be no disadvantageous treatment whatsoever for using the internal reporting system  
| · When he/she is aware that wrongdoing has occurred or it is deemed that there is the risk of it occurring, regardless of the individual's involvement, it is mandatory for the person to report it through the office organization or via the internal reporting system  
| · Regarding conduct in violation of the Antimonopoly Act involving unfair bidding or conduct entailing such risks, even when an individual is temporarily involved, leniency in internal disciplinary action for the individual who made the internal report is stipulated. |

| Oversight and improvement (monitoring) | 1) Regular, continuous monitoring from the standpoint of Antimonopoly Act compliance  
|---|---|
| a) Monitoring by Audit & Supervisory Board Members, Audit & Supervisory Board, and Audit Department based on the "Bid-Rigging Monitoring Program"  
| b) Monitoring from the third-party perspective of the Corporate Ethics Committee members including external experts and the head of the employees’ union  
| c) The content of e-mails whose recipients or senders are industry peers will be checked by the Internal Audit Department  
| 2) Self-inspections will be implemented by the Corporate Ethics Leaders and Corporate Ethics Promoters  
| a) The Corporate Ethics Promoters will implement regular |
self-inspections of their own divisions
b) Corporate Ethics Leaders will gauge the state of implementation of on-the-job ethics training sessions and self-inspections conducted by the Corporate Ethics Promoters
c) The division in charge of corporate ethics promotion (General Administration Department in Head Office) will implement an annual self-check of each item in this program, and in addition to reporting to the Corporate Ethics Committee, will perform revisions as necessary

3) Self-checks and monitoring using the J-SOX method
a) The sales and other divisions will implement self-checks in accordance with the RCM (risk control matrix) corresponding to control methods for the latent risk of acts of collusion in the various operational processes and their prevention in advance
b) The Business Administration Department will monitor the state of operations control at the sales divisions, etc., separately from the self-checks implemented by the sales divisions, etc.
c) The Business Administration Department will implement walk-through audits of bidding projects by each branch (public works projects and private projects) as a sampling survey