

OBAYASHI CORPORATION announces loans and receivables uncollectible as a result of dissolution of one of its subsidiaries

Tokyo, March 4, 2011 — Obayashi Corporation (hereinafter referred to as the “Company”) decided to dissolve and liquidate one of its subsidiaries, Mutsuzawa Green Co., Ltd. (hereinafter referred to as the “Subsidiary”), a golf course operating subsidiary, at its Board of Directors meeting on June 25, 2010. Dissolution and liquidation are to be completed by the end of June 2011 and during the fiscal year ending March 2012 respectively.

In addition to the decision above, the Company, at its Board of Directors meeting on March 4, 2011, decided to provide an additional loan to the Subsidiary necessary for the dissolution.

However, the loans to and receivables from the Subsidiary are not to be collectible due to the dissolution and liquidation and the Company hereby announces that it will abandon all the loans to and receivables from the Subsidiary. The details are as follows:

1. Loans and receivables uncollectible

Approximately 12.5 billion yen of loans to and receivables from the Subsidiary
(3.40% of consolidated net assets)

The Company recognized losses for the above amount uncollectible in the past fiscal years and the impact on the Company’s consolidated and non-consolidated performance for this fiscal year ending March 2011 is not significant.

2. Basic information of the Subsidiary

- a. Company name: Mutsuzawa Green Co., Ltd.
- b. Company address: 4900 Sanuki, Mutsuzawa-machi, Chosei-gun, Chiba, Japan
- c. Representative: Toyoyuki Kawada, Representative Director and President
- d. Main business activity: Golf course operation
- e. Capital stock: 50 million yen
- f. Established: January 7, 1986
- g. Shareholder: Obayashi Corporation (100%)

3. Background

The Subsidiary operates the Daystar Golf Club (hereinafter referred to as the “Club”), which adopts membership system. Following the Company’s Board’s decision to dissolve and liquidate the Subsidiary, the Club is to discontinue the membership system and open as a public golf course under the operation by Ibaraki Green Co. Ltd., a 100% subsidiary of the Company, starting from April 1, 2011. While the Subsidiary owes membership deposits of 10 billion yen to the club members, it is not capable of refunding the deposits as a result of poor performance in the past years. On the other hand, the Company, under the name of Obayashi Corporation, asked its clients and subcontractors to become the members of the Club. In order not to damage the Company’s reputation, the Company, at its Board of Directors meeting on March 4, 2011, decided to lend to the Subsidiary all the amounts that are necessary to refund the membership deposits. The additional loan will be forwarded on April 6, 2011.

As a result of this additional loan, the total loans to and receivables from the Subsidiary will amount to approximately 12.5 billion yen and the Company will abandon all the amounts by the end of September 2011 when the liquidation of the Subsidiary is scheduled to be completed.

4. Dissolution and liquidation schedule

Dissolution to be approved at the Subsidiary's shareholder's meeting: June 20, 2011

The Company to abandon loans to and receivables from the Subsidiary: June 2011

Liquidation to be completed: September 2011

Disclaimer

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

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