March 24, 2010

OBAYASHI CORPORATION announces its revised financial forecasts for fiscal 2009 and new forecasts for fiscal 2010

Tokyo, March 24, 2010 — In light of its recent business performance, Obayashi Corporation (hereinafter referred to as the "Company") hereby announces that it has revised its consolidated and non-consolidated forecasts for the fiscal year ending March 31, 2010 that were announced on November 12, 2009 when the Company released its financial results of the second quarter (cumulative) of this fiscal year. The revisions are as follows:

1. Revised forecasts

(1) Consolidated forecasts for the fiscal year ending March 31, 2010 (from April 1, 2009 to March 31, 2010)

(Unit: million yen, %)

	Net Sales	Operating Income	Ordinary Income	Net Income
Forecast to be revised (A) (Announced on November 12, 2009)	1,510,000	20,500	22,500	7,500
New Forecast (B)	1,350,000	(66,000)	(64,000)	(54,000)
Variance (B) - (A)	(160,000)	(86,500)	(86,500)	(61,500)
Variance Rate (%)	(10.6)	—	—	—
(For reference) Results for the previous fiscal year ended March 2009	1,682,462	27,363	31,829	10,966

(For reference) Expected net income per share for the fiscal year ending March 2010: (75.11) yen

(2) Non-consolidated forecasts for the fiscal year ending March 31, 2010 (from April 1, 2009 to March 31, 2010)

(Unit: million yen, %)

	Net Sales	Operating Income	Ordinary Income	Net Income
Forecast to be revised (A) (Announced on November 12, 2009)	1,220,000	14,000	17,500	10,500
New Forecast (B)	1,070,000	(72,000)	(70,000)	(52,000)
Variance (B) - (A)	(150,000)	(86,000)	(87,500)	(62,500)
Variance Rate (%)	(12.3)	—	—	—
(For reference) Results for the previous fiscal year ended March 2009	1,317,352	12,869	17,783	7,757

(For reference) Expected net income per share for the fiscal year ending March 2010: (72.32) yen

(3) Reasons for the revision

A. Reasons for the revision in the non-consolidated forecast

(A) Decrease in net sales

Net sales will decrease by 150 billion yen down from what was previously forecasted due to the following reasons:

a. Net sales from civil engineering business are expected to decrease by 75 billion yen due to, among other factors, the impending change to the final contract price of an urban transportation system project in Dubai (hereinafter referred to as the "Project").

b. Net sales from building construction business are expected to decrease by 75 billion yen mainly due to a decline in renovation work orders as well as a less than expected progress in some of the construction projects using percentage-of-completion method.

(B) Decrease in operating income, ordinary income and net income

In July 2005, the Company, in a joint venture with other companies (hereinafter referred to as the "JV" or the "Contractor"), was awarded a contract from the Roads & Transport Authority of the Government of Dubai, UAE (hereinafter referred to as the "RTA" or the "Employer"), to undertake the construction portion of the Project with the total length of approximately 70 kilometers and with the contract price of approximately 228 billion yen. The Company has 50% share in the JV.

After the contract was awarded, the opinions of the JV and the RTA differ with regard to the scope of the JV's liabilities in the contract including, but not limited to, design liabilities. Design changes and additional works to the interior and exterior works of stations were ordered under these circumstances, and the JV continued to negotiate with the RTA to finalize the contract price of these works.

While the JV and the RTA have not reached a final agreement, both parties are at the final stage of the negotiation and it is now possible to reasonably estimate the final contract price. From an accounting point of view, the Company has decided to recognize the expected loss on the Project in this fiscal year.

In addition, the Company will recognize a loss from some of its overseas civil projects other than the Project and domestic building construction projects, and a loss on valuation of real estate for sale. Consequently, a significant decrease in operating income, ordinary income and net income are expected compared with the forecast for this fiscal year announced on November 12, 2009.

B. Reasons for the revision in the consolidated forecast

The consolidated forecast has been revised in conjunction with the revisions made in the non-consolidated forecast.

(4) Forecast for the non-consolidated gross margin of completed construction contracts

Due to, among other factors, the loss incurred from the Project, the gross margin of completed construction contracts is expected to be a loss of 0.9% (civil engineering, a loss of 21.2%; building construction, a gain of 5.5%) compared to a gain of 5.6% (civil engineering, a gain of 4.9%; building construction, a gain of 5.9%) in the previous forecast.

2. Cause of losses in the Project

The contract agreement for the project is a design and build contract and based on the standard forms of contract widely accepted in the industry.

After the contract was awarded, the opinions of the JV and the RTA differ with regard to the scope of the JV's liabilities in the contract including, but not limited to, design liabilities as mentioned above.

On the other hand, the Employer requested design changes whose volume substantially exceeded what can be anticipated in the ordinary course of business and that the JV had to accept them under the contract. Then, the size of the construction work has expanded far more than the Contractor anticipated.

In addition, there were construction inflation and supply constraints in the labor resources in Dubai.

Under these circumstances, the total cost of construction to complete the Project has approximately tripled the original cost estimates.

The JV has negotiated with the RTA to finalize the contract price as mentioned above. At the final stage of the negotiation, the Company concluded that there will not be a possible settlement to narrow the gap between the cost of construction and the best-attainable contract price.

The JV will continue the negotiation with the RTA to reach the final agreement as soon as possible.

3. Measures to be taken to enhance the performance of the Company's overseas construction business

On April 1, 2008, the Company started new "Overseas Business Division" by merging "Overseas Civil Engineering Division" and the "Overseas Building Construction Division" to enhance its operational efficiency and risk management function.

In addition, the Company has decided to establish regional management centers in the U.S.

and Singapore to manage the overall operations in North America and Southeast Asia respectively. The two centers will be headed by the Company's executive officers who are responsible for managing the operations in countries within each region. Each center will also have a team consisting of legal and contract specialists who will have the responsibility of managing and controlling various risks within the regions. As for the regions outside North America and Southeast Asia, risk management and control will be brought under the purview of the Overseas Business Division at the moment.

The Company will continue to enhance its overseas construction business, especially in the U.S., Taiwan, Thailand, Singapore and Australia, where stable and open construction markets exist and where the Company has a strong reputation and a wealth of experience in the construction business. Some of the strategies to promote the Company's overseas business for further growth and internationalization are establishing a partnership with, or acquiring, local construction contractors with excellent track records and, as for overseas civil engineering business, targeting at such projects as tunnels and bridges where the Company has a competitive advantage with its strong expertise and reputation.

4. Forecast for dividends

The company is expected to recognize a significant loss for this fiscal year. However, based on its dividend policy of stable payouts, the Company will keep the year-end dividends at 4 yen per share, making 8 yen per share for the whole fiscal year.

5. Compensation payback by directors and executive officers

The downward revision in the Company performance forecasts is largely due to the downturn in the overseas civil engineering business. The directors and officers of the Company have taken a serious view of this and have decided to return 20% of their monthly compensation for three months starting from April 2010.

6. Forecast for the next fiscal year (from April 1, 2010 to March 31, 2011)

The consolidated and non-consolidated forecasts for the next fiscal year are shown in the table below. Net sales are expected to decrease due to a decline in the amount of orders received for domestic building construction projects. However, the amount of backlog with low or negative gross margins will decrease, improving overall profitability. The gross margin for the next fiscal year is expected to improve to 6.6% (civil engineering, 7.9%; building construction, 6.1%).

The detail is to be announced at the release of fiscal 2009 results scheduled in May 2010.

(Unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net Profit
Consolidated Forecast (April 1, 2010 – March 31, 2011)	1,310,000	26,500	28,000	19,000
Non-consolidated Forecast (April 1, 2010 – March 31, 2011)	1,045,000	20,000	23,500	14,000

(For reference) Expected net income per share: 26.43 yen (Consolidated) / 19.48 yen (Non-consolidated)

The interim and the year-end dividends will be 4 yen per share respectively, making a total of 8 yen per share for the whole fiscal year.

7. Revision of the "Medium Term Business Plan 2008" (2008-2012)

The fall off in investment for both private and public sector construction projects due to the economic downturn has created a less favorable business environment for the Company than what the Company predicted in its medium term business plan. Also, the domestic construction investment is anticipated to fall even further in the coming fiscal year, creating an extremely harsh operating environment for companies in the construction market.

In light of this business environment, the Company has decided to revise its existing medium term business plan and set new performance targets.

The Company will reinforce its technical, planning and proposal expertise, and further improve its productivity. Leveraging on the solid foundation of these expertise and productivity, the Company will target at such prospective growth market as environmental and renovation related; and capitalize on its core competencies and strategic alliance to enhance its existing business in the overseas markets.

The Company, taking these various measures, will target at the consolidated ordinary income of 56 billion yen to be achieved by the fiscal 2012.

Consolidated Target (Unit: billion yen)

		FY2010	FY2012
Ordinary Income	Previously	60	80
	New target	28	56

(For reference) (Unit: billion yen)

		FY2010	FY2012
Net Sales	Previously	1,740	1,850
	New target	1,310	1,550

Disclaimer

This revision of forecasts, announced in the Japanese language at the Tokyo Stock Exchange on March 24, 2010, 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. The numbers shown in any such words or phrases relating to any future events as, among other expressions, “forecast”, “expected” or “projected” provided in this document are based on the information available at the time of the release of this document. Due to various factors, the actual result may vary from the forecast data.

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

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