KAJIMA
Integrated Report
2019

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Editorial Policy

The Kajima Group published the *Kajima Corporate Report* annually since the fiscal year ended March 31, 2016 to provide information about the Group's financial and non-financial activities, including initiatives related to the environment, society, and governance (ESG). Beginning with the fiscal year ended March 31, 2019, we have changed the name of this publication to the *Kajima Integrated Report* and upgraded its content in ways such as disclosing priority material issues to be addressed through our businesses so as to achieve sustainable growth with society.

The report is prepared to help readers understand the Group's initiatives for increasing corporate value and for creating value with the aim of building a more sustainable world, based on the Kajima Group Medium-Term Business Plan (Fiscal 2018–2020).

Taking into account the opinions of investors and other stakeholders, we will continue to make improvements and increase the report's usefulness as a communication tool that contributes to constructive dialogue.

In assembling this report, the editorial team used the following documents as references: *The International Integrated Reporting Framework*, *G4 Sustainability Reporting Guidelines* of the Global Reporting Initiative, and *Guidance for Collaborative Value Creation* of Japan's Ministry of Economy, Trade and Industry.

Scope of Report

■ Period

This report covers fiscal 2018 (April 1, 2018–March 31, 2019), except where otherwise stated.
"Fiscal 2018" and "FY2018" are used in this report to refer to the fiscal year ended March 31, 2019.

■ Organization

Kajima Group
Note: Quantitative data regarding occupational safety and the environment only covers Kajima Corporation in Japan.

Publication

September 2019 (previous issue: September 2018; next issue: scheduled for September 2020)

Online Information

Corporate Website
https://www.kajima.co.jp/english/
Investor Relations
https://www.kajima.co.jp/english/ir/
CSR Initiatives
https://www.kajima.co.jp/english/csr/

Forward-Looking Statements

This integrated report includes forward-looking statements that are based on various assumptions. Actual performance figures and the achievement of strategies could differ materially.

As a group of individuals working together as one, we pursue creative progress and development founded on both rational, scientific principles and a humanitarian outlook, through which we strive to continually advance our business operations and contribute to society.

Yokohama English Prosperous Business Firm **by "Ikkeisai" Ochiai Yoshiiku (in part; 1871), depicting Ei-Ichiban Kan**

Ei-Ichiban Kan was one of the first Western-style buildings in Yokohama. This woodblock print depicts rare merchandise on display at the store, first imported to Japan by Jardine, Matheson & Co. soon after the Port of Yokohama opened to foreign trade.

Ever since its establishment in 1840, Kajima has continued to contribute to the development of industry and the economy through its construction business, working to build a society where people can live safely, securely and comfortably. We have met challenges, evolved and developed throughout our history.

The cornerstone of Kajima's success is the aggressive, enterprising spirit embodied in its management and employees, who continue to take on challenges in new business fields as industry frontrunners. Kajima is committed to progress and development, and has always been keenly aware of contemporary trends.

We will continue to pass along this fine tradition while drawing on our corporate philosophy. On this basis we seek to fully address social needs as a leader in creating truly comfortable environments and as a company that contributes to society.

Codifying Our Corporate Philosophy

Kajima's corporate philosophy is the sum total of the policies, philosophies and actions espoused by management over the course of the Company's history.

Key elements include the "pioneering spirit" of founder Iwakichi Kajima, the "humanism and rationalism," "scientific management," and "Kajima unity" of fourth president Morinosuke Kajima, and the "systemic strength" of sixth president Takeo Atsumi.

After 140 years of business, Kajima's management philosophy had yet to be formally codified, raising concerns that with further business growth, this might pose an obstacle to passing this philosophy down to future generations. The Company's seventh president, Rokuro Ishikawa, took the essence of this philosophy and encapsulated it as our corporate philosophy.

"A group of individuals working together as one" expresses the ideals of Kajima unity; "rational, scientific principles and a humanitarian outlook" expresses our commitment to scientific management, along with humanism and rationalism; and "creative progress and development" expresses our pioneering spirit and systemic strength.

The final words, "contribute to society," are a clear expression our corporate social responsibility.

History of Kajima

1

The Enterprising Spirit That Is Our Foundation Today

In the years since founder Iwakichi Kajima first opened a carpentry business in 1840 in central Tokyo (then Edo), Kajima has become known for its leadership in fields ranging from Western-style buildings and railways to skyscrapers and nuclear power plants. This recognition reflects a unique pioneering spirit, and is testament to an enduring commitment to the needs of the times. Kajima's history is the product of an enterprising spirit that continues to be passed down today.

Throughout its long history, Kajima has always challenged itself to evolve. The Kajima Technical Research Institute, established in 1949, was the first such research facility in Japan's construction industry. The institute has been the source of outstanding technology and trust, earning Kajima a reputation for technology from society at large.

1840

Progress Begins with the Challenge of Western-Style Construction

Leadership in Western-Style Buildings

Kajima's history began in 1840 when founder Iwakichi Kajima opened a carpentry business in Nakahashi Masaki-cho, Edo. Having taken charge of many residences for *daimyo* (feudal lords), Iwakichi was commissioned to apply these skills to the construction of Ei-Ichiban Kan, the first Western-style building in the Yokohama foreign concession. With the modernization of Japan, Iwakichi learned about construction technology from the West and subsequently constructed numerous Western-style buildings, for which he became well known.

Horaisha (1873) was a trading company established under Shojiro Goto, a statesman and former samurai of the Tosa Domain. Its head office, located opposite Shimbashi Station, was one of the most famous addresses in Tokyo.

1880

Creating the Foundation of Modern Japan

Leadership in Railways and Civil Engineering

Iwazo Kajima was the second generation of the family to run the Company. He led Kajima into the railway construction business, which was entirely new to Japan at that time. Success in the challenging construction of the Tanna Tunnel on the Tokaido Main Line strengthened Kajima's position as a leader in railways, and it subsequently constructed many. Furthermore, with demand for electricity surging at the turn of the century, Kajima became a leader in civil engineering with the construction of large dams for hydroelectric power stations, contributing greatly to Japan's development.

Top: Yatake Tunnel (Miyazaki, 1909). Commemorative photo of the client, contractor, and workers in front of the tunnel entrance.
Bottom: Japan's first high dam made of concrete, Ohmine Dam (Kyoto, 1924). Submerged in 1964 with the construction of the Amagase Dam.

1949

Embarking on a New Era with Pioneering Technology

Leadership in Skyscrapers and Nuclear Power Plant Buildings

During Japan's post-war reconstruction and the period of high economic growth, Kajima grew further by leveraging the state-of-the-art technology it refined at the Kajima Technical Research Institute. In 1965, Kajima began constructing the first skyscraper in Japan, the Kasumigaseki Building. The building came to symbolize Japan's economic resurgence. Kajima then entered the nuclear power sector with the construction of the No. 1 Nuclear Power Plant Building for the Japan Atomic Energy Research Institute, completed in 1957. Demonstrating its leadership in nuclear power plant construction, Kajima has handled around half of all nuclear-related work in Japan to date.

Top: Kasumigaseki Building upon completion (1968)
Bottom: No. 1 Nuclear Power Plant Building, Japan Atomic Energy Research Institute (1957)

2

Toward the Next Quantum Leap: Real Estate Development and International Expansion

Kajima continued to grow steadily. Its enterprising spirit meant that it was not content to rest on the laurels of success in its existing businesses. Kajima went for a quantum leap through business diversification and internationalization. The real estate development business, which encompasses both design and construction, was one direction. The Company deployed its comprehensive capabilities, bringing together expertise in all phases from planning and development to design, engineering, construction, post-completion operation and management, maintenance, and renovation, and accumulated an extensive track record in the development of large-scale mixed-use facilities, including office, residential, commercial, educational, medical, and welfare facilities.

In addition, Kajima targeted rapid expansion in its overseas operations, which began in 1899 in the field of railway construction and had accumulated a solid portfolio of dams, power plants, and docks across Southeast Asia. In 1964, Kajima established KII in Los Angeles, representing the first full-scale entry of a Japanese construction company in the United States. To this day, Kajima continues to conduct its construction and real estate development businesses around the world, and its international projects encompass a wide range of facilities, including the development of large-scale mixed-use facilities.

1964

Global Operations Gain Momentum

International Leadership

Kajima began constructing railway infrastructure outside Japan in 1899 and has earned trust with an extensive track record in infrastructure development worldwide, including hydroelectric power facilities at Sun Moon Lake, which continue to supply power to the entire island of Taiwan, and the Baluchaung Hydroelectric Power Plant, the largest infrastructure facility in Myanmar (then Burma). The redevelopment of the Japanese neighborhood Little Tokyo in Los Angeles, which Kajima has been involved in since the 1960s, added momentum to the overseas business.

Redevelopment of Little Tokyo, the number-one Japanese neighborhood in the United States, has included construction of the Kajima Building (1967) and the New Otani Hotel & Garden (1977).

1988

Entry into the Real Estate Development Business

Leadership in Comprehensive Capabilities

Kajima marked its entry into the real estate development business with Shiki New Town (Saitama), one of the largest housing development projects ever undertaken by a single private-sector entity in Japan. From land acquisition, site preparation, and layout planning, to design, construction, and sales, this massive project tested the Company's comprehensive capabilities. In the latter half of the 1980s, Kajima proved these capabilities time and again with large-scale developments in various locations, including Tokyo East 21 (Koto-ku, Tokyo).

Top: Shiki New Town (1988)
Bottom: Kajima owns and operates Tokyo East 21, a project that made effective use of Company-owned land. It became the new face of the neighborhood (1992).

2000 and beyond

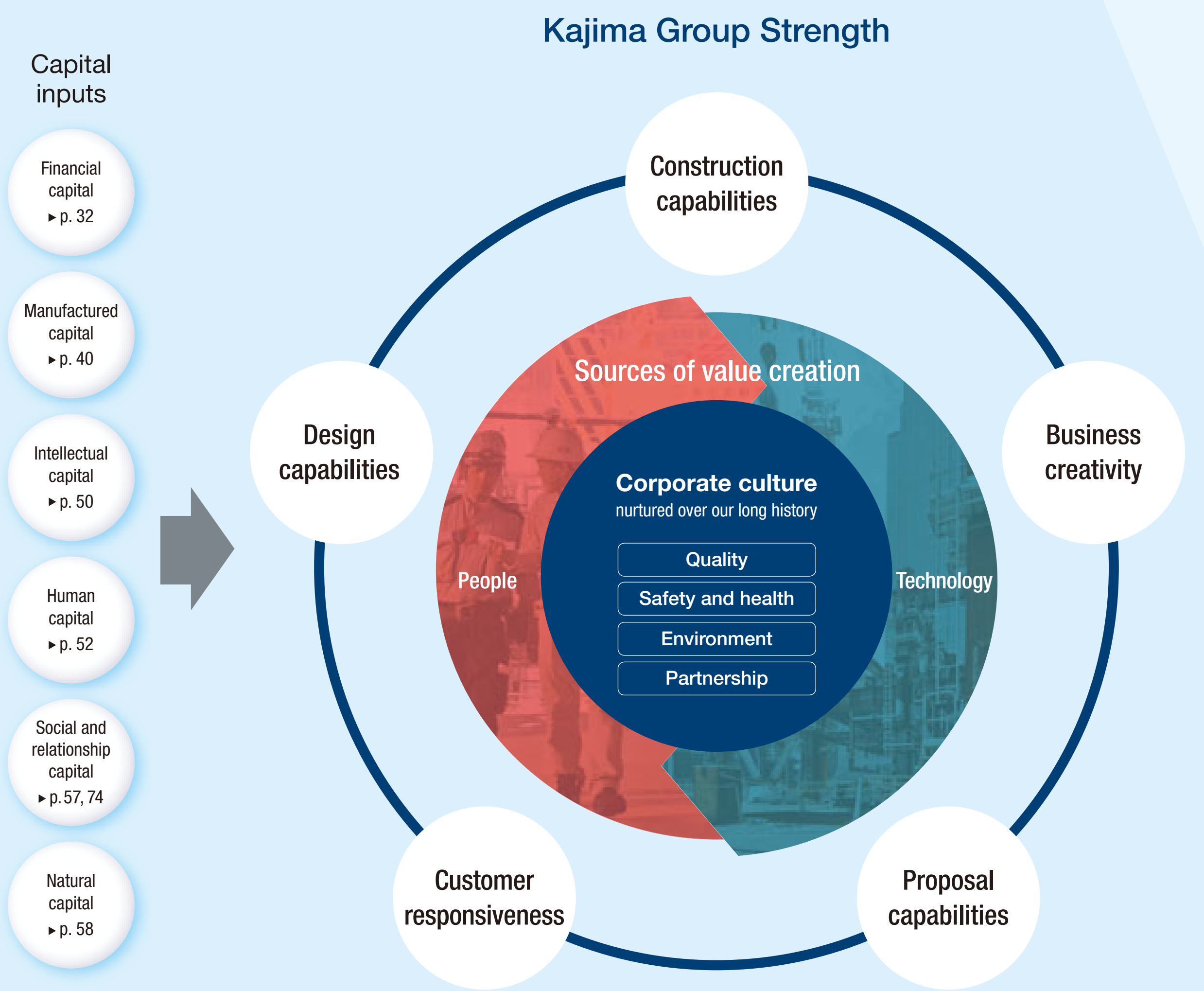
Time for Another Quantum Leap

Moving into the 21st century, Kajima has taken on more and more challenges. It actively participated in the development of large-scale mixed-use facilities as part of urban renewal projects in areas such as Akihabara and Toranomon 4-chome. Overseas, Kajima has deployed its comprehensive capabilities in international projects such as the Hualalai Resort, a residential resort on the island of Hawaii, and the mixed-use facility Senayan Square in Jakarta, Indonesia.

Top: Redevelopment of the area around Akihabara Station. From left: Tokyo Times Tower (2004), Akihabara UDX (2006), and Akihabara Daibiru Building (2005).
Bottom: Toranomon Towers (2006), consisting of a 23-story leased office building and a 41-story residential condominium property on elevated ground in Toranomon, central Tokyo

Value Creation Process

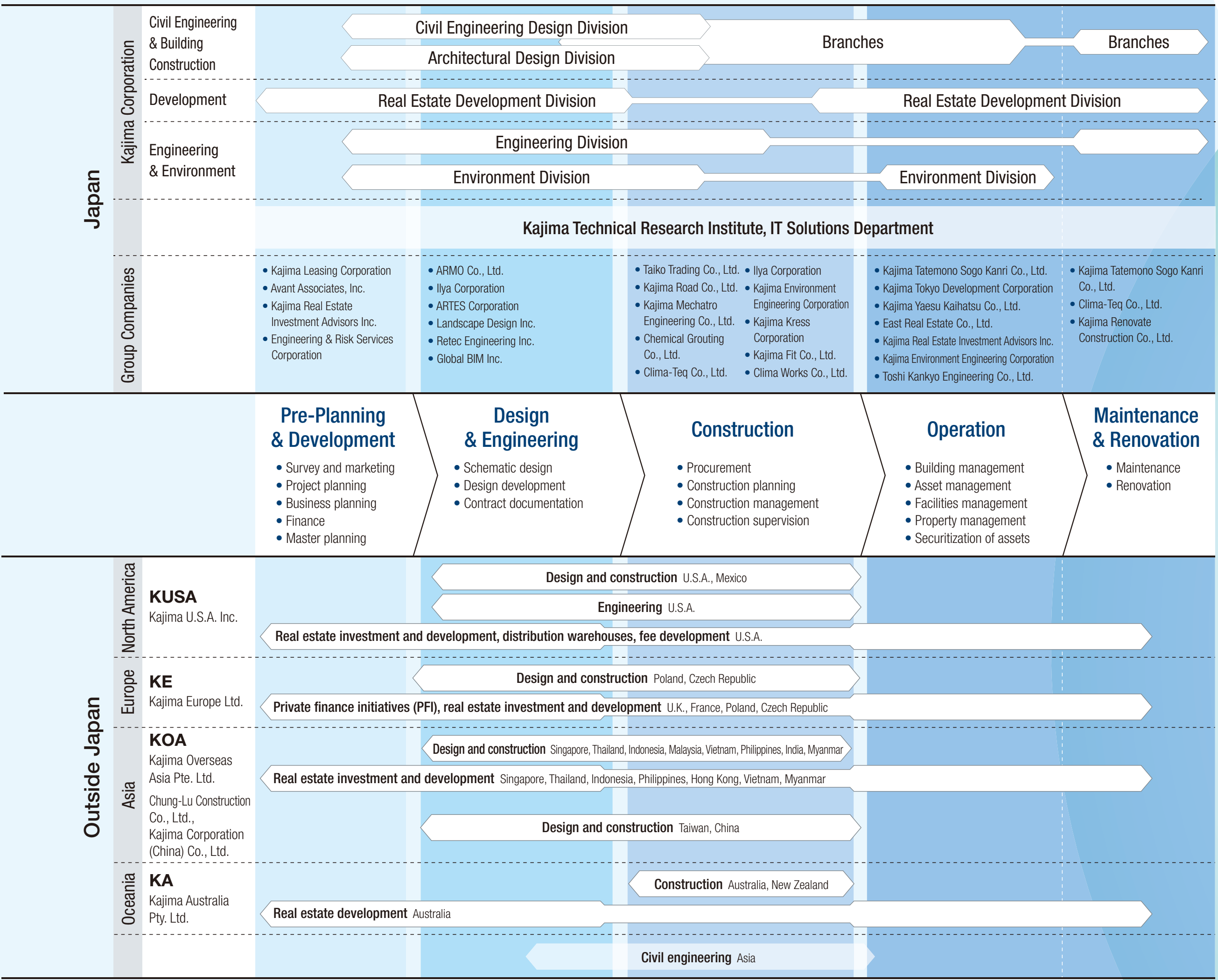
Kajima has nurtured sources of value creation throughout its history. At our core, our construction activities are predicated on quality, safety and health, and the environment, and our corporate culture emphasizes partnership with customers and the companies we work with. Our people are industry leaders who take on new challenges, while our diverse technology portfolio, centered on our three businesses of civil engineering, building construction and real estate development, is a source of value creation that addresses customer and societal needs.



Kajima Group Strength

Kajima's strength is its comprehensive capabilities in the construction and real estate development businesses, in which highly skilled experts coordinate all phases of construction and development. Specifically, these capabilities bring together five elements: design capabilities and construction capabilities that produce outstanding quality, result in shorter construction periods and enable us to handle difficult projects; business creativity that combines engineering, environmental technology, and real estate development business expertise; and proposal capabilities and customer responsiveness that give us the ability to link our capabilities organically, whether in Japan or overseas, to deliver value while maintaining close customer relationships based on the needs of society. Our goal is to continuously improve corporate value by harnessing our comprehensive capabilities in the construction and real estate development businesses.

Business Domains



Continuously increase corporate value

Strategy

Kajima Group Medium-Term Business Plan (Fiscal 2018-2020)	Key Objectives: 1. Create next-generation construction systems 2. Provide construction and services of high value to society and customers 3. Establish a Group-wide business platform for growth
Domestic construction business	Improve productivity and create an attractive work environment
Domestic/overseas construction businesses	Enhance efforts in promising markets and fields
Construction-related businesses	Ensure proper execution in upstream and downstream businesses and diversify revenue sources
Domestic/overseas real estate development businesses	Increase profitability in the real estate development business
Issues common to all businesses	Enhance efforts to address social issues, including the environment, energy, and disaster prevention and mitigation

See page 30 for details about Kajima Group Medium-Term Business Plan (Fiscal 2018–2020).

Message from the President

We will continue our evolution as a corporate group that generates sustainable growth and earns the trust of society.

Yoshikazu Oshimi
President; Representative Director

Progress under the Medium-Term Business Plan (Fiscal 2018–2020)

Progress during the First Fiscal Year of the Plan

In fiscal 2018, the first year of our current Medium-Term Business Plan, we focused on improving the competitiveness of the domestic construction business and strengthening the profitability of the entire Group. A positive operating environment complemented our results, and consolidated net income exceeded ¥100 billion for the third consecutive fiscal year. Construction contract awards in Japan exceeded ¥1 trillion for the first time in the 11 years since fiscal 2007, and included contract awards from several large-scale redevelopment projects. Consolidated contract awards exceeded ¥2 trillion.

Our investment in growth, particularly in real estate development, is proceeding steadily according to plan in Japan and overseas, and we are also enhancing initiatives to win outstanding new projects. We have already made several large investments since the beginning of fiscal 2019 and have also made decisions on other new investments. We therefore believe we are on track with our three-year investment plan aimed at building the foundation for future earnings.

Given our performance, we increased stockholder returns by increasing dividends and acquiring treasury stock, and worked to improve capital efficiency.

We are evolving our production processes through technology development. Examples include proactively deploying the latest advances in ICT and robot technology, mechanizing and automating civil engineering work, and formulating the Kajima Smart Future Vision for construction work. Each of our priority initiatives has produced steady results, making the first year of the Medium-Term Business Plan a year of solid progress.

Onward to Fiscal 2020

During fiscal 2019, the domestic construction business will move forward with large-scale projects slated for completion prior to the Tokyo Olympic and Paralympic Games. However, sales are likely to plateau in fiscal 2020 because full-scale construction of our next large-scale projects will begin in fiscal 2021 and after.

We will therefore focus on boosting domestic construction demand in fiscal 2019. In civil engineering, we see potential from stable public investment and renewable energy-related investment. In building construction, we anticipate investment in large-scale redevelopment and lodging facilities for international tourism, largely in the Tokyo metropolitan area, and investment in increased functional sophistication and labor saving in manufacturing industries. Sales, design and construction departments will therefore collaborate further energetically to win contract awards.

Looking Ahead at Changes in the Business Environment

Further Strengthening Core Businesses and Increasing Group Profitability

The world is changing dramatically, with increasing globalization, rapid progress in ICT, and changes in social values as represented by the sharing economy.

Domestic construction demand is expected to remain strong for the time being because of the many projects planned for fiscal 2021 and after, but is expected to decrease in the long term due to population decline from the low birthrate and aging population. However, the new construction of today will increase the need for maintenance, repair and renewal in the future. Responding to the quantitative and qualitative changes in domestic construction investment with the goal of sustainable growth requires us to begin by strengthening our core domestic construction business. In the previous Medium-Term Business Plan (Fiscal 2015–2017), we focused on structural improvements targeting a financial base capable of generating stable profit. Subsequently, during the current Medium-Term Business Plan (Fiscal 2018–2020) we have been implementing initiatives such as directly employing workers in professions that are in tight supply and conducting M&A, in order to complement and strengthen production functions and develop technologies.

At the same time, we will focus on investments in the growth of businesses other than domestic construction. To meet the demands of the changing times, we are targeting sustainable growth through the provision of high-value-added services and solutions throughout the entire building lifecycle. We will achieve this through collaboration between the construction and real estate development businesses, and domestic/overseas subsidiaries and affiliates, with the backing of building information modeling (BIM) and construction information modeling (CIM) technologies. We are seeing concrete results from enhanced Group collaboration, exemplified by the contract Kajima Tatemono Sogo Kanri Co., Ltd. received to comprehensively manage local government facilities in a public-private partnership, which is a new business field for the Group.

We are targeting stable consolidated net income of ¥100 billion or more over the medium and long term, with half coming from businesses other than domestic construction. Nevertheless, it is imperative that the Kajima Group take on the challenge of increasing earnings over the coming 10 to 20 years. We will provide specific numerical targets when we announce our next medium-term business plan, but in the meantime we will steadily strengthen each of our businesses.

The Driving Force for Sustainable Growth

Resolving the Coming Shortage of Workers

The phenomenon of workforce aging is more pronounced in the construction industry, and the coming shortage of workers is an urgent issue. However, conditions such as long working hours, few days off and low wages pose obstacles to hiring new employees.

It is imperative that we lead the industry in resolving this situation. Having achieved significant improvements in productivity, we aim to close construction sites for a total of eight days out of every four weeks with the understanding of relevant stakeholders, and with the support of partner companies, improve employment conditions and nurture multi-skilled workers. This represents tremendous reform for the construction industry, but we must be unflagging in its execution.

We want to make the construction industry more attractive to work in. We are therefore reviewing our ideals for construction sites, and promoting the Kajima Group's work-style reform initiatives to enhance the working environment and raise wage levels for skilled workers. At the same time, we are dramatically improving productivity through the use of ICT and other means.

Specifically, we aim to relieve skilled workers from heavy labor by using the latest technologies such as ICT, artificial intelligence (AI) and robots. In addition, the use of these technologies is an exciting development that will boost the appeal of construction as a profession, which in particular will make employment with subcontractors more attractive to young workers. We need to create facilities for fostering multi-skilled workers who can independently handle multiple tasks and processes, and to expand the opportunities for skilled workers to excel. The Construction Career Up System is now fully operational, and through its proactive use we will resolve issues relating to the implementation of work-style reform, improvement of employment conditions for skilled workers, and productivity enhancement.

Establishing Next-Generation Construction Systems

Japan's falling population will make it more difficult to hire the same number of workers as we do now. While maintaining our hiring initiatives, we will take steps to address the labor shortage with technology in order to establish sustainable production sites supported by both people and technology and to strengthen competitiveness.

In building construction, we are assiduously porting construction to the digital world, including the use of BIM to increase construction front-end loading* and eliminate blueprint defects and problems prior to the start of construction. This will help us win contract awards that are profitable in an intensely competitive environment because it will enable us to make feasible proposals that draw on forecasts through to completion. After receiving a contract award, we will harness digital completion data to generate additional profit through further refinements.

In civil engineering, we will continue to automate construction. This is a key initiative because civil engineering requires much repetitive work, so automated construction will make us more competitive.

However, we cannot automate and robotize all construction and civil engineering work. Construction is a build-to-order industry in which the experience of highly skilled workers is critical to meticulously addressing the requirements of individual projects, so there must be balance and harmony between human endeavor and machine labor. Construction will always involve work that only people can do, no matter how far technology may advance, and our hiring initiatives will be critical in this regard.

We must introduce cutting-edge technology to accelerate technological development. We might be left behind by rapid progress in technology development if we try to do everything ourselves, so we are bolstering open innovation that applies external knowledge. For example, we invest in funds that support startups and have employees stationed in Silicon Valley, while the Kajima Technical Research Institute Singapore conducts extensive collaborative research with overseas universities and other organizations.

We are now creating a system for centrally collecting and aggregating all kinds of on-site construction information. A key theme for the future is how we will use the vast amount of data we collect. The construction industry has much room for evolution in the field of data use, and the possibilities are limitless. Kajima intends to become an industry leader in this field as well.

* Conducting verification and simulation at the design stage to reduce workload during construction

Diversifying Revenue Sources and Upgrading Our Business Platform

In the domestic real estate development business we will deliver unique value through our planning and technology capabilities. This entails building on our extensive expertise by addressing new needs and collaborating with overseas departments. The projects we are currently involved in will begin contributing to results largely from fiscal 2021 onward, so while we will actively participate in business opportunities associated with smart cities and other trends, they are primarily positioned as a key factor in achieving our next quantum leap.

Our overseas operations will promote business frameworks rooted in the regions they serve, and also focus on creating and developing new platforms such as urban development in Asia, the distribution warehouse development business in North America and Europe, and the student housing business. Overseas operations related to infrastructure will proceed with long-term initiatives that include investing in operations, targeting the development of businesses that continue to generate profit after the completion of construction work.

At the same time, we are proactively investing in real estate development, which involves risks including price fluctuations linked to market conditions. We will consider profitability, growth potential and risk diversification when we invest, while keeping capital efficiency and sound finances firmly in mind in optimizing our asset portfolio with a medium-to-long-term perspective.

The Kajima Group's business fields, including those of domestic affiliates, are expanding, and we recognize that new challenges and risks will arise. We need to strengthen Group governance to respond appropriately and enhance Group profitability. We will therefore continuously enhance compliance and risk management systems. Furthermore, we will hire and train diverse people capable of supporting construction sites, who can respond flexibly to changes in the environment and drive a wide range of businesses, who have highly specialized R&D capabilities, and who can apply advanced IT. We will maintain a solid Group business platform from the perspective of human resources and finance, which includes companies we acquire.

Kajima's Board of Directors engages in energetic discussion with outside directors who are insightful and experienced. Our long-term direction will be a particularly important topic of discussion.

Action on Social Issues

Our Medium-Term Business Plan has a bold focus on ESG measures and policies aligned with addressing social issues through our businesses, based on the United Nations' SDGs and other factors. Such social issues are rarely resolved in the short term, and most of them will require our sustained, long-term efforts. We need to incorporate a broad outlook and a long-term perspective into our corporate governance to help resolve social issues through our core businesses.

The SDGs include goals that link deeply to our construction and real estate development businesses, such as the construction of disaster-resilient infrastructure and sustainable cities and communities. There is therefore a high degree of affinity between the SDGs and Kajima's businesses, and the goals themselves are consistent with our corporate philosophy of striving to continually advance our business operations and contribute to society. Kajima has helped to resolve social issues in the fields of social infrastructure development and building construction since its establishment. However, we need to be fully aware of the ways in which we can address social and environmental issues such as those outlined in the SDGs as we further expand our businesses around the world. Guided by this mindset, the Management Committee identified seven material issues at a meeting in July 2019. (See page 16 for details.)

Kajima's directors and employees must revisit the significance of providing value to society and generating economic value, as well as the type of behavior that the construction industry perceives as its natural mission, and link this to the sustainable growth of the Group. We will accelerate initiatives in our business units that focus on the seven material issues, take on the challenge of new business fields, and resolve social issues through our businesses.

The global response to climate change has become increasingly important in recent years, and one of our material issues is actively contributing to society's transition to a low carbon footprint. Kajima formulated its "Triple Zero 2050" environmental vision as a long-term policy through 2050, and set specific targets for reducing carbon dioxide (CO_2) emissions both through its own business activities and by supporting the business activities of customers. We are currently introducing a system for monitoring CO_2 emissions at construction sites in Japan, and by fiscal 2020 we will be able to determine emissions at all sites. We will implement specific reduction measures based on this quantitative data.

Our Commitment to Stakeholders

Our performance has been solid over the past several years. Yet our management team, and indeed each and every employee, must have a sense of urgency to sustain our performance with the goal of further growth. Kajima has grown in tandem with the expansion and development of the Japanese economy, but we have experienced good and bad times over our 180-year history. To overcome short-term turbulence, we will require a long-term perspective. Already, I am considering the detailed direction for the next Medium-Term Business Plan that will carry the Group toward its goals and vision for the future.

The time is rapidly approaching when our conventional business model centered on construction contracting may reach the limits of its ability to meet customer expectations. From a longer perspective, the impact of rapid technological innovation may suddenly overturn the assumptions or conventions on which our businesses rely. In order to generate sustainable growth in our evolving business environment, the Group must integrate its people, technologies and expertise with new technologies and knowledge from around the world, modernize construction sites, and create unprecedented value.

The Kajima Group now has revenues of ¥2 trillion and 20,000 employees. We will steadily move forward with the aim of evolving into a corporate group that is capable of sustainable growth and that society needs, while bringing together outstanding people and deploying their talents and diversity. We look forward to your continued understanding and support.

Material Issues

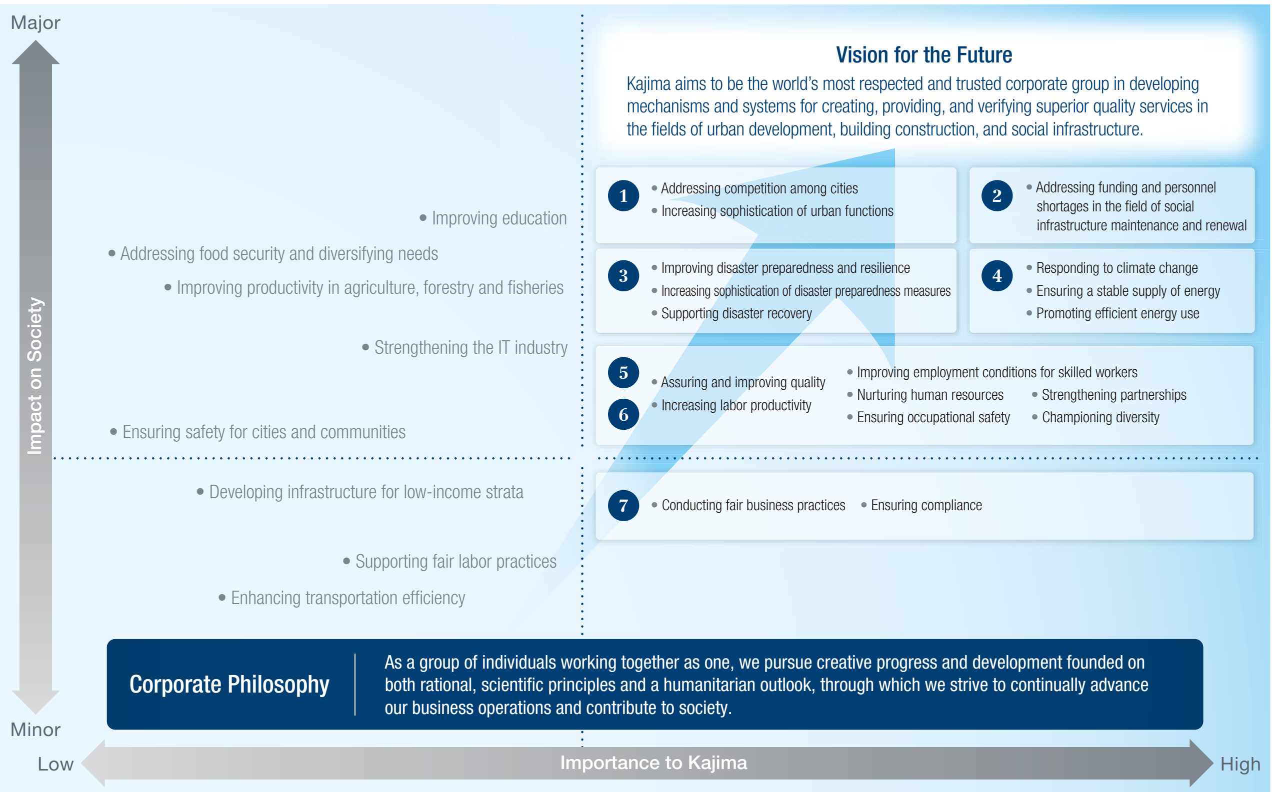
Drawing on our corporate philosophy of advancing our business operations and contributing to society, we have identified material issues to address in order to increase corporate value and achieve sustainable growth together with society.

Through its efforts to resolve social issues, including contributions to the United Nations' SDGs, Kajima aims to be the world's most respected and trusted corporate group in developing mechanisms and systems for creating, providing, and verifying superior quality services in the fields of urban development, building construction, and social infrastructure.

Process for Determining Material Issues

1. Confirm the relevance of each department's businesses and initiatives under the Medium-Term Business Plan with regard to the 17 SDGs.
2. Identify issues by aggregating and organizing businesses and initiatives related to the SDGs as reported by each department.
3. Map issues according to importance to Kajima (x-axis) and impact on society (y-axis).
4. Review issues at interdepartmental meetings and exchange opinions with external experts.
5. Deliberate on and decide material issues at the Management Committee.

Issue Mapping



The issues numbered 1 through 7 above are deemed important to Kajima and to have a major impact on society. We have condensed, reorganized and labeled these as seven material issues: four material issues to which Kajima Group can contribute through its businesses and three material issues that form our platform for business sustainability.

Our Material Issues and Related SDGs

The diagram below illustrates the Kajima Group's contributions and the most relevant SDGs with regard to the seven material issues.

	Society: 1 Creating functional urban and industrial infrastructure capable of meeting new needs	Society: 2 Developing sustainable and long-lasting social infrastructure	Society: 3 Providing technologies and services for disaster preparedness that support safety and security	Environment: 4 Contributing actively to society's transition to a low carbon footprint
Contribution through customers' businesses	• Creating comfortable and attractive spaces • Improving productivity and product quality through engineering technologies • Improving workplace productivity and wellness	• Technologies for extending building lifespan • Technologies for maintaining and renewing infrastructure • Increasing sophistication of facility and building management	• Increasing sophistication of seismic damping and isolation technologies • Responding to climate change with resilient buildings and structures • Proposing business continuity plan (BCP) solutions	• Delivering zero-emission and other energy-efficient buildings • Structuring optimal energy systems • Constructing renewable energy facilities • Achieve Triple Zero 2050
Contribution through our businesses	• Conducting large-scale, mixed-use redevelopment projects • Constructing smart buildings and cities	• Acquiring quality assets in the real estate development business • Participating in concessions	• Structuring supply chains that take BCP into account • Strengthening initial response capabilities for disaster recovery	• Reducing CO_2 emissions during construction • Developing green buildings • Using renewable energy
SDGs	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND

Platform for Business Sustainability

	5 Focusing on unwavering technological innovation and Kajima quality	6 Construction that emphasizes people and partnerships	7 Practicing corporate ethics
Foundations of sustainability	• Promoting technology development and using ICT to improve productivity and safety • Ensuring safe, high-quality buildings through rigorous quality assurance systems	• Ensuring occupational health and safety • Promoting work-style reform and securing essential personnel • Training and developing people with an emphasis on diversity • Using open innovation	• Ensuring rigorous compliance • Enhancing risk management systems and process management • Conducting fair supply chain management
	• Mechanizing, automating and employing ICT in construction • Kajima Smart Future Vision		
SDGs	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 17 PARTNERSHIPS FOR THE GOALS	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Explanation of Material Issues

Issues Mapped		Direction of Initiatives for Material Issues	
1	• Addressing competition among cities • Increasing sophistication of urban functions	Society	1. Creating functional urban and industrial infrastructure capable of meeting new needs
2	• Addressing funding and personnel shortages in the field of social infrastructure maintenance and renewal	Society	2. Developing sustainable and long-lasting social infrastructure
3	• Improving disaster preparedness and resilience • Increasing sophistication of disaster preparedness measures • Supporting disaster recovery	Society	3. Providing technologies and services for disaster preparedness that support safety and security
4	• Responding to climate change • Ensuring a stable supply of energy • Promoting efficient energy use	Environment	4. Contributing actively to society's transition to a low carbon footprint
5	• Assuring and improving quality • Increasing labor productivity • Improving employment conditions for skilled workers	Platform for Business Sustainability	5. Focusing on unwavering technological innovation and Kajima quality
6	• Nurturing human resources • Strengthening partnerships • Ensuring occupational safety • Championing diversity	Platform for Business Sustainability	6. Construction that emphasizes people and partnerships
7	• Conducting fair business practices • Ensuring compliance	Platform for Business Sustainability	7. Practicing corporate ethics

Kajima combines experience and new technologies to address new needs. Furthermore, by developing functions for facilitating life, work, and wellness, Kajima proposes sophisticated value in the fields of building construction, social infrastructure construction, urban development and industrial infrastructure.

Kajima promotes technological development for repair, maintenance, renovation and extending the lifespan of buildings and infrastructure, and develops outstanding social infrastructure that can be used safely long into the future.

Kajima provides disaster-resilient building and infrastructure construction, technology development, and services for rapid recovery and reconstruction in the event of a disaster. In light of the impact of climate change, we will increase the sophistication of disaster prevention technologies with a commitment to a safe society where people can live with peace of mind.

Kajima contributes actively to society's transition to a low carbon footprint by reducing CO_2 emissions during construction, by developing energy-efficient technologies, renewable energy facilities, and green buildings, and by managing energy efficiently. In addition, we are also committed to recycling resources and harmoniously co-existing with nature based on Kajima Environmental Vision: Triple Zero 2050.

Kajima creates sustainable next-generation construction systems by developing technologies that improve productivity and safety. In addition, in order to deliver buildings and infrastructure to customers with confidence, we continually improve the quality of inspection and assurance systems with a commitment to ensuring quality and peace of mind for building, infrastructure and environment users.

Kajima promotes work-style reform at construction sites, secures essential personnel, hires and nurtures human resources, and creates an attractive working environment in which every employee can excel. We create value in cooperation with our business partners and promote innovation through collaboration with external parties.

Kajima promotes fair and honest corporate activities by practicing thorough compliance and risk management. Each employee and director of the Group acts ethically and earns the trust of customers and society through initiatives in all parts of the supply chain.

Participation in the UN Global Compact

Kajima signed the United Nations Global Compact and registered as a participating company on March 7, 2019.

The UN Global Compact is a voluntary initiative in which each company and organization participates in creating frameworks for achieving sustainable growth as a good member of society that demonstrates responsible and creative leadership.

The 10 Principles of the UN Global Compact

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Kajima's corporate philosophy is to continually advance its business operations and contribute to society. We will uphold the 10 principles of the UN Global Compact, drawing on our corporate philosophy to help resolve social issues through our businesses while also carrying out initiatives related to the SDGs.

WE SUPPORT
UN GLOBAL COMPACT

Dialogue between the President and an Outside Director

President Yoshikazu Oshimi sits down with Koji Furukawa, an outside director appointed in 2015 who has extensive experience in corporate management and is chairperson of the Governance Committee, to discuss corporate governance at Kajima and medium- and long-term issues for sustainable growth.

Yoshikazu Oshimi
President;
Representative Director

Koji Furukawa
Outside Director

Four Years as an Outside Director

Oshimi: Four years have passed since your appointment as an outside director. Would you care to share your frank opinion of that experience?

Furukawa: I have had numerous opportunities to serve as an officer or outside director at many companies, and the people at each of them believe that their company is “a little different from ordinary companies.” Certainly, each company may have a different corporate culture because of its history or background, but management should not be that much different. All companies must compete according to the same rules—this is the viewpoint that has informed my four fascinating years with Kajima.

Oshimi: What is your assessment of Kajima’s Board of Directors?

Furukawa: Needless to say, the Board of Directors is an important decision-making body at any company, and the processes that govern its operations and decision-making are very important. Kajima’s Board is superbly organized and has a well-conceived agenda, which facilitates understanding among outside directors. However, the real question is whether that will continue to be the case in the future. At first, a lack of familiarity with industry terms meant my input tended to take the form of questions, but over the last two years in particular, I have expressed my opinion more freely. For example, business performance is a part of the Board agenda. Naturally, performance is important to Kajima as a corporate entity, but perhaps Kajima’s Board devotes too much time to discussing single-year performance. The numbers are a report card describing past performance, but a company is always moving into the future. Results are a snapshot of the past; management needs to look at the past as a platform for the future or else those figures are of limited value. I would suggest that Kajima needs to increase discussion along these lines.

Oshimi: Was there an aspect of the past year’s Board agenda that left a strong impression on you?

Furukawa: Strengthening compliance is one key goal of the Medium-Term Business Plan, but I have always said that compliance should take priority over everything else. In the first place, a fundamental element of compliance is that people fulfill the responsibilities expected of their position. Simply equating compliance with legal/regulatory compliance is short-sighted, because legal/regulatory compliance is only the bare minimum level of compliance. Together with risk management for dealing with problems and losses that may materialize, compliance is absolutely critical for management. In addition, I have stated that Kajima should make intentions transparent both inside and outside the Company when making organizational changes or establishing internal regulations. To that end, Kajima established the Compliance and Risk Management Committee by reorganizing and strengthening previously existing bodies based on Board discussions related to compliance. Another significant achievement in strengthening compliance was the formulation of the Kajima Regulations for Preventing Collusion based on the review and integration of various existing rules and regulations.

Oshimi: You chair the Governance Committee, which Kajima established in December 2018. Can you comment on the nature of committee discussions and future themes?

Furukawa: The committee has met four times so far. In principle only outside officers are members, so one of the committee’s best points is that it can instigate discussions that would not normally originate from within Kajima. Recently we have devoted significant time to discussing executive remuneration. Outside directors with differing backgrounds referred to examples from other companies and exchanged various opinions about remuneration standards, the proportion of remuneration that is variable, and remuneration according to position. We then shared the results with the Board of Directors.

Oshimi: Governance Committee proposals also led to the introduction of stock remuneration for officers.

Furukawa: Immediately after my appointment as an outside director, I suggested the establishment of an officer shareholding association so that officers could purchase Kajima shares. The rationale for introducing stock remuneration is the same. Stock remuneration ties compensation to stock price, which is linked to business performance, thereby incentivizing officers to increase the price of Kajima shares, supporting increased corporate value over the long term while aligning values with those of stockholders. Of course, remuneration is not the only important governance issue, so my intention is to deepen discussions on succession plans and other items and make appropriate recommendations.

"I would like employees to apply their collective knowledge to new challenges as we prepare ourselves for the coming era."

Medium- and Long-Term Issues for Sustainable Growth

Oshimi: Without doubt, times are very good for the construction industry. Times were tough when I became president in 2015, but we managed to maintain the profitability of contract awards through our Medium-Term Business Plan (Fiscal 2015–2017), under which we adopted a different approach called front-end loading at the contract award stage. Specifically, this is a smarter, more systematic approach where we are able to harness our collective knowledge prior to the commencement of a project. This generates high added value, increases customer satisfaction, and avoids competition on price alone. In addition, we improved the structure of our domestic construction business, and promoted assiduous risk management during construction. The beneficial outcomes and favorable market trends overlapped, which has supported strong performance in recent years.

Furukawa: In the building construction business, actual results often greatly exceed targets, but this is not necessarily a good thing. Projects where this is the case require even greater attention than those where the reverse is true. Conservatively set targets do not really have much value.

Oshimi: I agree. We need a sense of urgency in this regard. To a certain extent, of course, it is possible to evaluate the profitability of a construction project before work begins. I am concerned that the unprecedented numbers right now are clouding perceptions in the construction industry as a whole. We really need to think about what we should do to ensure earnings when competition intensifies in the future.

Furukawa: Toshio Doko, a former chairman of Keidanren, once said, "Plans are intentions for the future. They have to be way ahead of the present, even seem impossible or unattainable. A plan that is a reasonable, attainable extension of the present is just a schedule." A schedule is different from a plan. A plan should have high goals, and move forward with a realistic budget. If the goals are beyond reach, the plan needs a bigger budget. Divisions should talk with one another as they move forward. Lack of discussion due to complacency can be an indicator that decline is setting in.

Oshimi: First, we need to proactively invest in technology development to improve productivity, and we have made this part of our three-year Medium-Term Business Plan. For example, front-end loading entails a great deal of effort, but we can make it more efficient and functional. Further introduction of BIM and CIM is a large part of that. Our greatest challenge will be to achieve the Kajima Smart Future Vision. The vision outlines super front-end loading in which we simulate the completion of all work before the start of construction, with half of the work performed by robots, half of project management done remotely, and digitalization of all processes.

Furukawa: What about operations outside Japan?

Oshimi: The building construction and real estate development businesses outside Japan are now a vital source of revenue as a consequence of localizing these businesses from an early stage. The key to continued earnings will be deploying technologies developed in Japan to infrastructure-related business outside Japan. Specifically, we would like to invest in a localized framework that generates recurring profits after construction, rather than simply withdrawing from countries upon completion of a project. This will be a component of our next Medium-Term Business Plan.

“The Kajima Group should consider freely discussing its future vision and direction at all levels.”

Furukawa: Although some overseas projects have not worked out, failure is but a stepping stone to success. It is important not to give up because of failure, but to take corrective action. In the past, perhaps there has been insufficient understanding of local legal issues, business practices or government administrative systems, so I suggest strict reviews of documentation to ensure that contracts are watertight. Profit is proportional to the magnitude of risk. In other words, risk is the price of profit. How to control and mitigate risk is a requisite issue.

Oshimi: We should conduct in-depth studies on the countries we operate in to create mechanisms and overseas offices that produce sustainable earnings. How can we establish a locally rooted presence through infrastructure-related business that is complementary to our building construction and real estate development businesses? Finding the answer to that question will empower our businesses outside Japan to support operations in Japan. For our infrastructure-related business, we need to look at capital alliances, M&A and other approaches in our dealings with in-market construction companies, as well as ways to deepen our involvement in those countries.

Furukawa: That is absolutely necessary. The situation will differ by country, but locally rooted operations will support the creation of a portfolio that generates significant benefits for Kajima overall.

Expectations of Kajima for the Future

Furukawa: Naturally, Kajima seeks to remain a leader among general contractors in Japan, but its presence can only diminish if Kajima confines itself to that industry. I advocate freely discussing the Group’s future vision and direction at all levels, extending far beyond Kajima Corporation alone. The trading company where I spent a large part of my career, Mitsubishi Corporation, also experienced changes in its operating environment, including economic and social changes, and changes in laws and regulations. When those kinds of change took place, Mitsubishi’s management adopted a decisive approach to screening businesses and continually evolving work styles, organizational ideals and rules. The Mitsubishi Corporation I joined at the start of my career is today the same in name only. Although its businesses may appear similar on the surface, they have completely transformed. Companies now have a strong obligation to focus on ESG measures. Just as Kajima has made an admirable contribution to the development of Japan through its businesses in accordance with its corporate philosophy, I urge the Group to help resolve domestic and global social issues while embracing change to grow. This will lead Kajima to glory once more.

Oshimi: Thank you for your comments. ESG measures are an indispensable component of sustainable corporate growth, and we want to manage the Company from a long-term perspective and with full awareness of social and global environmental issues, as represented by the United Nations’ SDGs. Kajima is performing well at present, and we see this as a great opportunity to prepare for the next era. Starting with the various initiatives for achieving the goals of our Medium-Term Business Plan, I would like Kajima to continue to be a company where employees apply their knowledge to consistently take on the challenges of the future in 2030, 2050 and beyond.

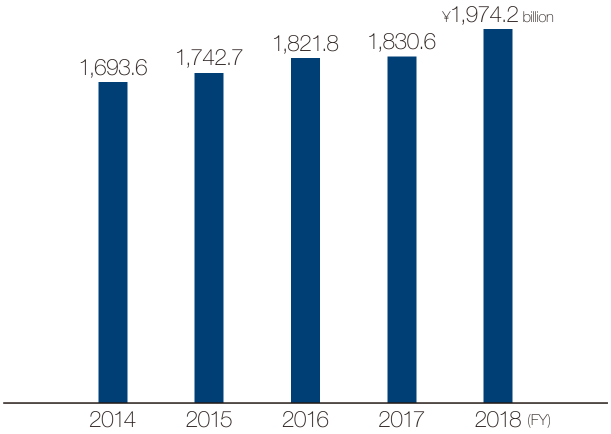
Financial and Non-Financial Highlights

Kajima Group by the Numbers

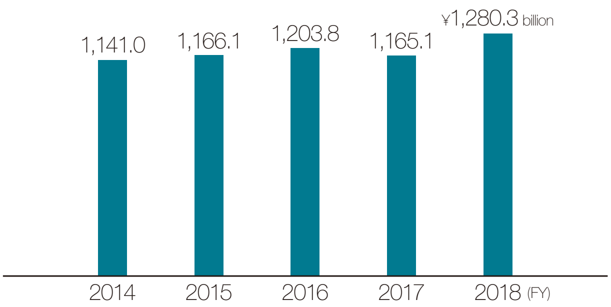
A review of Kajima's data for fiscal 2018 (ended March 31, 2019)

Revenues

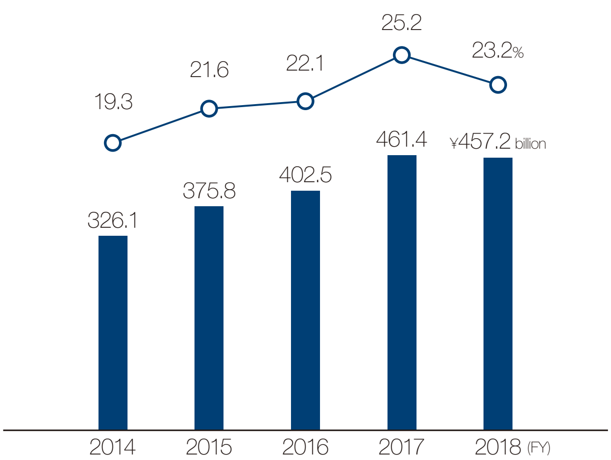
■ Consolidated ¥1,974.2 billion



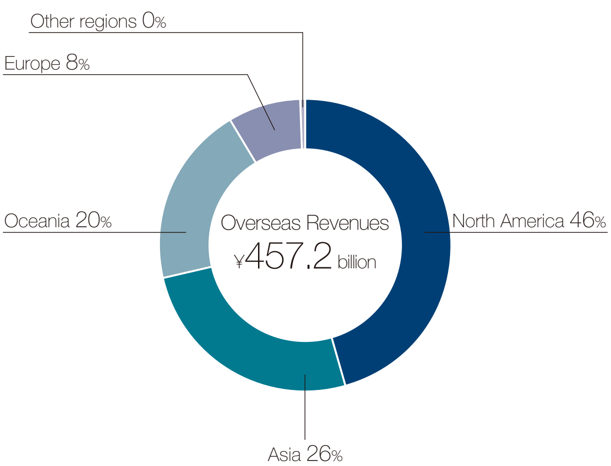
■ Non-consolidated ¥1,280.3 billion



Overseas Revenues / Total Revenues Ratio



Revenues outside Japan, by Region



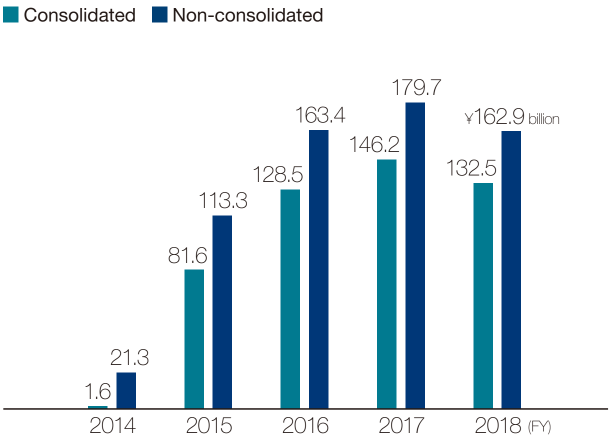
Construction Contract Awards

■ Consolidated ¥2,010.1 billion

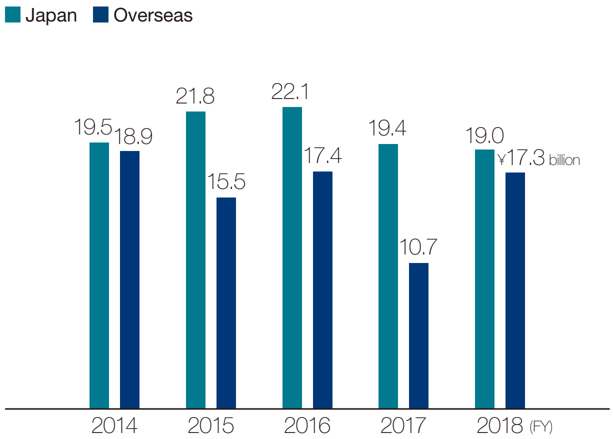
■ Non-consolidated ¥1,377.9 billion

Civil Engineering	Building Construction
¥303.8 billion	¥1,074.0 billion

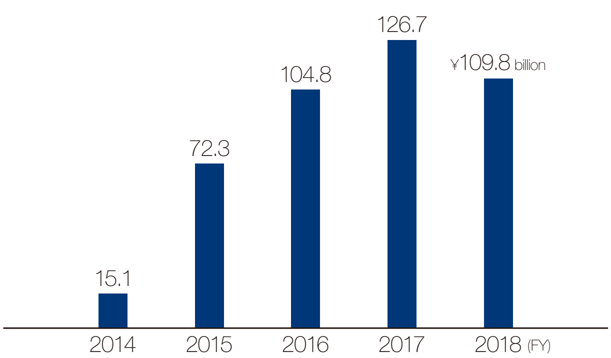
Ordinary Income



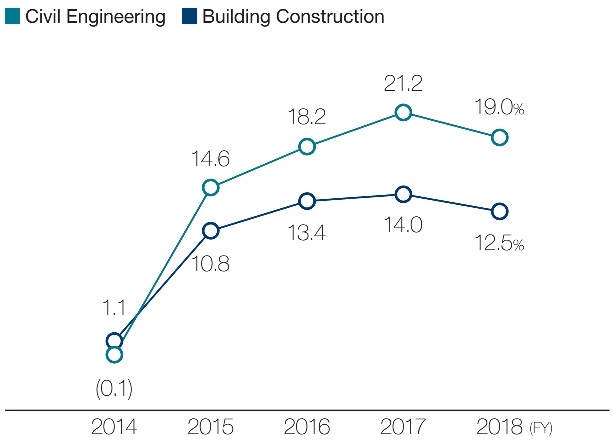
Ordinary Income at Group Companies in Japan and Overseas



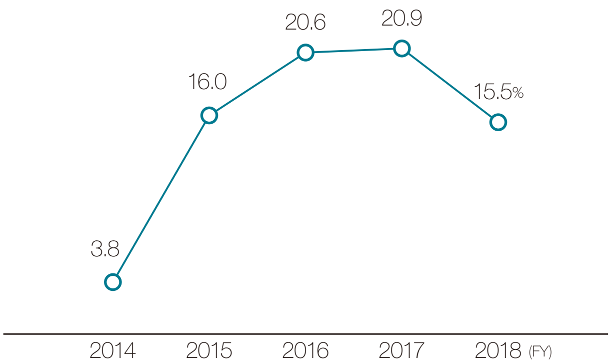
Net Income Attributable to Owners of the Parent



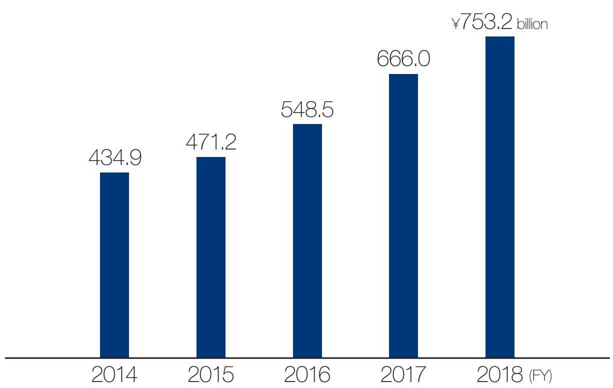
Gross Profit Margin for Civil Engineering / Building Construction Businesses (Non-Consolidated)



Return on Equity

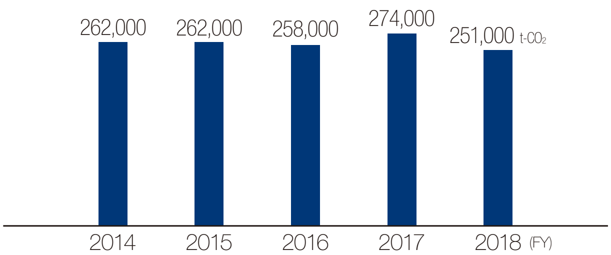


Owners' Equity



CO_2 Emissions Attributable to Construction

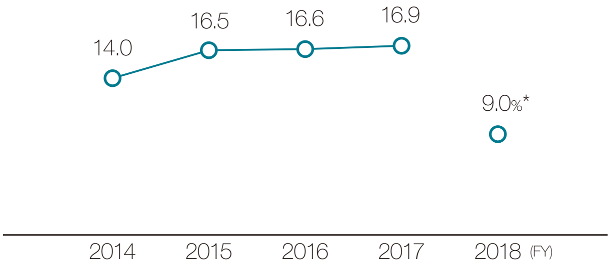
251,000 t-CO_2



Reduction in CO_2 Emissions Per Unit of Sales Attributable to Construction

9.0 %

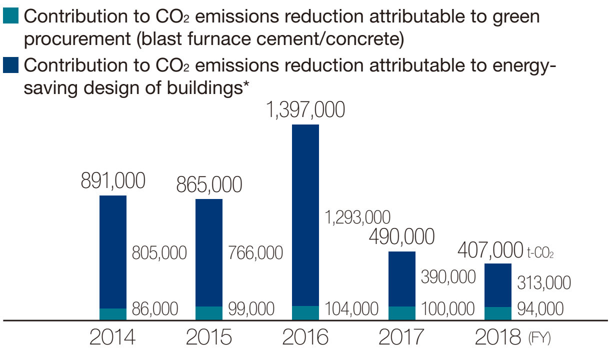
Rate of reduction compared with benchmark fiscal year for CO_2 emissions per unit of sales attributable to construction (CO_2 emissions per ¥1 hundred million in construction)



* Benchmark year was 1990 through FY2017, and is 2013 from FY2018.

Indirect Contributions to CO_2 Reduction

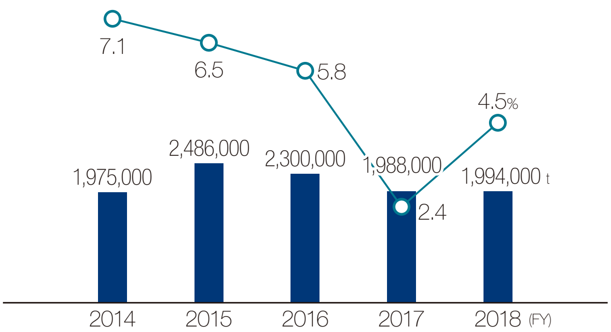
407,000 t-CO_2



* The annual reduction contribution realized by the energy conservation measures of buildings designed by the Company and completed during the fiscal year, multiplied by building life cycle (30 years)

Amount of Construction Waste Generated / Final Disposal Rate (Including Sludge)

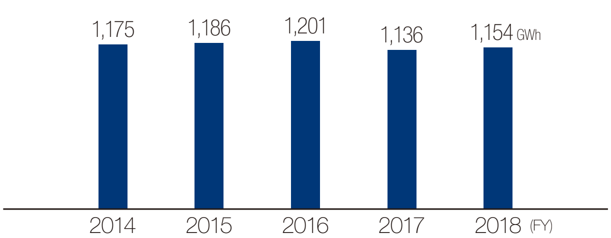
4.5 %



Energy Consumption (Project Sites and Offices)

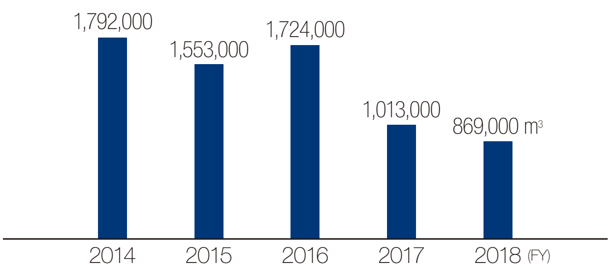
1,154 GWh

Energy consumption is the sum of electricity, fossil fuel, heat/steam, and refrigeration usage converted into primary energy equivalents.



Water Consumption (Project Sites and Offices)

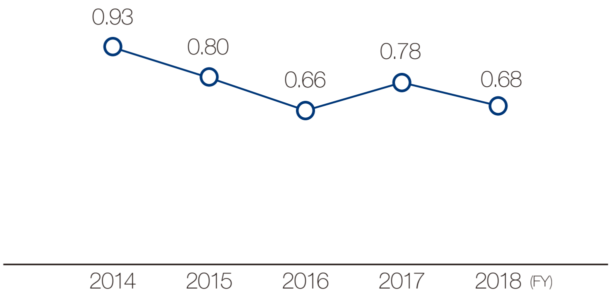
869,000 m^3



On-Site Safety

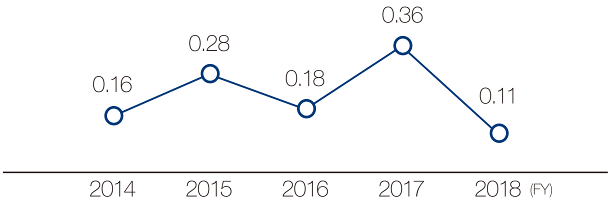
Accident Frequency Rate (Lost Work Time of 4 or More Days)

0.68



Accident Severity Rate

0.11

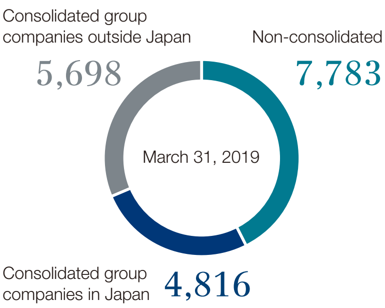


Frequency rate: The number of fatalities and injuries at worksites per one million cumulative working hours
Severity rate: The severity of illnesses and injuries represented by the number of workdays lost per thousand cumulative working hours

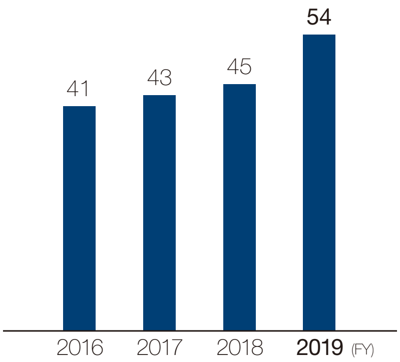
Number of Employees

18,297

(20,058 including non-consolidated subsidiaries)

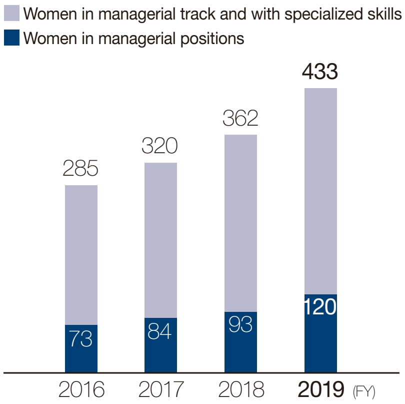


Number of Women among New Graduate Hires



* Of 247 new graduate hires at Kajima Corporation on April 1, 2019, women accounted for 21.9%.

Number of Women in Managerial Positions



* Women in managerial track and with specialized skills presented from FY2019

Human Resources Data (Non-Consolidated)

(As of March 31 of the fiscal year)

		2014	2015	2016	2017	2018
Employees	Number of employees	7,546	7,527	7,611	7,686	7,783
	Re-employed personnel	908	921	1,102	919	930
	Employees with disabilities (%)	2.2	2.2	2.1	2.2	2.2
	Turnover rate within three years (%)	3.7	3.7	3.0	3.5	2.0
Childbirth/ parenting/ caregiving	Employees taking extended parenting leave	28	34	39	35	53
	Employees taking leave for spouse's childbirth	100	115	112	117	111
	Employees taking leave for caregiving	96	86	93	90	78
	Male employees taking shortened work hours	23	33	41	64	89
	Employees taking extended caregiving leave	25	22	22	37	22
Other	Employees using leave system for volunteering	10	12	17	21	15
	Employees taking paid leave (%)	42.5	39.6	49.5	49.6	46.4

10-Year Highlights

Consolidated

(FY)	2009	2010	2011	2012
Financial Results				
Construction Contract Awards	1,138.3	1,188.4	1,296.0	1,333.2
Revenues	1,637.3	1,325.6	1,457.7	1,485.0
Operating Income (Loss)	(6.7)	17.2	29.4	18.4
Ordinary Income	9.0	17.5	41.3	24.6
Net Income Attributable to Owners of the Parent	13.2	25.8	3.8	23.4
Operating Margin (%)	(0.4)	1.3	2.0	1.2
R&D Costs	10.0	9.7	9.1	8.4
Capital Investment	23.8	22.9	35.9	20.5
Financial Position				
Total Assets	1,796.8	1,644.9	1,686.2	1,686.0
Owners' Equity	261.8	252.8	256.7	320.4
Total Equity	262.1	253.2	256.7	318.1
Interest-Bearing Debt	620.0	558.9	525.7	480.1
Cash Flows				
Cash Flows from Operating Activities	(76.9)	64.0	81.7	58.4
Cash Flows from Investing Activities	(5.7)	2.9	(38.7)	36.7
Cash Flows from Financing Activities	71.9	(50.5)	(37.7)	(58.6)
Stock Information				
Basic Net Income per Share (¥)	13.03	24.87	3.69	22.55
Owners' Equity per Share (¥)	251.97	243.35	247.12	308.49
Cash Dividends per Share (¥)	6.0	6.0	5.0	5.0
Management Benchmarks				
Ratio of Net Income to Owners' Equity (ROE) (%)	5.4	10.0	1.5	8.1
Owners' Equity Ratio (%)	14.6	15.4	15.2	19.0
Debt Equity Ratio	2.37	2.21	2.05	1.50
Non-Financial Information				
Number of Employees (Consolidated)	15,189	15,083	15,149	15,468
Kajima Corporation	8,452	8,164	7,925	7,737
Consolidated Group Companies in Japan	3,711	3,760	3,785	3,920
Consolidated Group Companies outside Japan	3,026	3,159	3,439	3,811
CO_2 Emissions Attributable to Construction (t-CO_2)	251,000	205,000	213,000	229,000
CO_2 Emissions per Unit of Sales Attributable to Construction (t-CO_2/¥ hundred million)	22.0	21.5	21.3	22.0
Final Disposal Rate for Construction Waste (Incl. Sludge) (%)	14	13	9	6.9

Notes: 1. The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, basic net income per share for FY2017 and FY2018 is calculated as if the consolidation of shares had been conducted at the beginning of FY2017.
2. From the beginning of the fiscal year ended March 31, 2019, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28 issued by the Accounting Standards Board of Japan on February 16, 2018). Accordingly, the figures for the fiscal year ended March 31, 2018 were restated to reflect this change.

(¥ billion)

2013	2014	2015	2016	2017	2018
1,573.5	1,474.8	1,795.8	1,728.3	1,685.9	2,010.1
1,521.1	1,693.6	1,742.7	1,821.8	1,830.6	1,974.2
23.0	12.6	111.0	155.3	158.3	142.6
27.0	21.3	113.3	163.4	179.7	162.9
20.7	15.1	72.3	104.8	126.7	109.8
1.5	0.7	6.4	8.5	8.7	7.2
7.8	7.7	7.8	8.2	10.3	13.9
19.8	25.4	32.9	29.4	16.1	28.4
1,789.4	1,839.2	1,886.7	1,992.8	2,051.2	2,091.1
368.2	434.9	471.2	548.5	666.0	753.2
364.1	436.9	474.0	552.5	669.7	756.9
444.7	385.0	378.5	372.9	344.8	298.7
32.9	59.2	36.3	187.5	120.4	30.3
17.3	8.3	(27.8)	(31.9)	(47.3)	(25.3)
(17.1)	(70.7)	(13.1)	(20.5)	(53.0)	(75.0)
19.98	14.58	69.66	101.01	244.29	211.67
354.62	418.86	453.93	528.46	1,283.38	1,451.66
5.0	5.0	12.0	20.0	48.0	50.0
6.0	3.8	16.0	20.6	20.9	15.5
20.6	23.6	25.0	27.5	32.5	36.0
1.21	0.89	0.80	0.68	0.52	0.40
15,391	15,383	15,810	16,422	17,730	18,297
7,657	7,546	7,527	7,611	7,686	7,783
3,945	4,068	4,144	4,442	4,674	4,816
3,789	3,769	4,139	4,369	5,370	5,698
228,000	262,000	262,000	258,000	274,000	251,000
22.0	22.2	21.5	21.5	21.4	20.0
6.9	7.1	6.5	5.8	2.4	4.5

Progress of Medium-Term Business Plan (Fiscal 2018–2020)

The Kajima Group Medium-Term Business Plan (Fiscal 2018–2020), launched in fiscal 2018, is targeted at appropriately responding to the recent increase in construction volume, ensuring stable profits, and actively promoting a focus on ESG measures. The theme of the plan is to address social issues through our businesses with the goal of sustainable growth, based on the SDGs adopted by the United Nations.

We will energetically promote various measures based on the plan's key objectives.

Key Objectives

1	**Create next-generation construction systems**	Reform production at construction sites in Japan to build sustainable systems in terms of both technology and the people using it, in order to create next-generation construction systems.
2	**Provide construction and services of high value to society and customers**	By focusing on changes in the business environment over the medium and long term, enhance capabilities for proactively addressing social issues and customer expectations, and pursue effective building construction and services.
3	**Establish a Group-wide business platform for growth**	Develop the organizational and management framework centered on Kajima Corporation into an optimal system for Group management.

Priority ESG Measures

E — **Pursue environmental and energy opportunities** targeting the business activities of the Kajima Group and its customers

S — **Improve productivity and work environment** to create sustainability-promoting construction sites

G — **Strengthen risk management system and secure and train human resources** to support proactive investment and business portfolio expansion

Strategies	FY2018 Specific Outcomes
1. Domestic construction business Improve productivity and create an attractive work environment	• **Used BIM, CIM and ICT** Expanded use to more construction sites and promoted more sophisticated use Aggregated and centralized management of construction data and expertise to raise the sophistication of construction site management • **Work-style reform** Implemented initiatives to close construction sites for a total of eight days out of every four weeks Trialed Construction Career Up System • **Strengthened collaboration with Group companies** Enhanced initiatives to directly employ workers in professions that are in tight supply and develop multi-skilled workers Full-scale deployment of construction robots
2. Domestic/overseas construction businesses Enhance efforts in promising markets and fields	• **Enhanced renewable energy initiatives** • **Strengthened market initiatives for infrastructure upgrades in civil engineering and for construction renewal** Developed technology for expressway renewal Established specialized teams for the construction renewal market • **Collaborated among Group companies outside Japan and promoted cooperation among divisions** Acquired new customers in collaboration with IFE, an engineering company in Singapore acquired by Kajima Cooperated between the Real Estate Development Division and the Building Construction Division in the distribution warehouse development business in the U.S. and Europe
3. Construction-related businesses Ensure proper execution in upstream and downstream businesses and diversify revenue sources	• **Used BIM to provide one-stop solutions from building planning to management and maintenance** • **Strengthened upstream businesses such as planning and design in the pharmaceutical industry-related field that employ engineering capabilities** • **Increased profit opportunities in the real estate operation and management business with recently launched Kajima Private REIT Inc.**
4. Domestic/overseas real estate development businesses Increase profitability in the real estate development business	• **Steadily invested according to plan domestically and overseas** Domestic: Started Haneda Airport Unused Land Zone 1 Redevelopment Project (Phase I) and other projects Overseas: Started Woodleigh Residences and Commercial Complex Development Project (Singapore) and other projects • **Enhanced initiatives to generate outstanding new projects** Acquired U.S. company Flournoy Development Group, LLC, creating a platform for residential development
5. Issues common to all businesses Enhance efforts to address social issues, including the environment, energy, and disaster prevention and mitigation	• **Expanded product and service businesses that help resolve environmental issues** • **Accelerated initiatives to reduce Kajima Corporation CO_2 emissions** • **Strengthened support for natural disaster risk management of customers** Established a department at the Kajima Technical Research Institute that specializes in customer support and R&D Provided optimal solutions across hard and soft dimensions for all phases from disaster prediction to prevention and post-disaster response

Key Quantitative Business Targets

During the three years from fiscal 2018 through 2020, our targets are consolidated net income that is consistently ¥80 billion or more and ROE that remains above our cost of owners' equity at 10% or higher. Our medium-to-long-term target is consolidated net income of ¥100 billion or more.

Consolidated	FY2018 (Actual)	FY2020	Medium to Long Term
Sales	¥1,974.2 billion	¥2,150 billion	Approx. ¥2,500 billion
Net income*	¥109.8 billion	¥80 billion or more	¥100 billion or more
ROE	15.5%	10% or more	—
Interest-bearing debt	¥298.7 billion	¥400 billion or less	—

* Consolidated net income attributable to owners of the parent

Investment Plan

Total investment over three years

¥500 billion

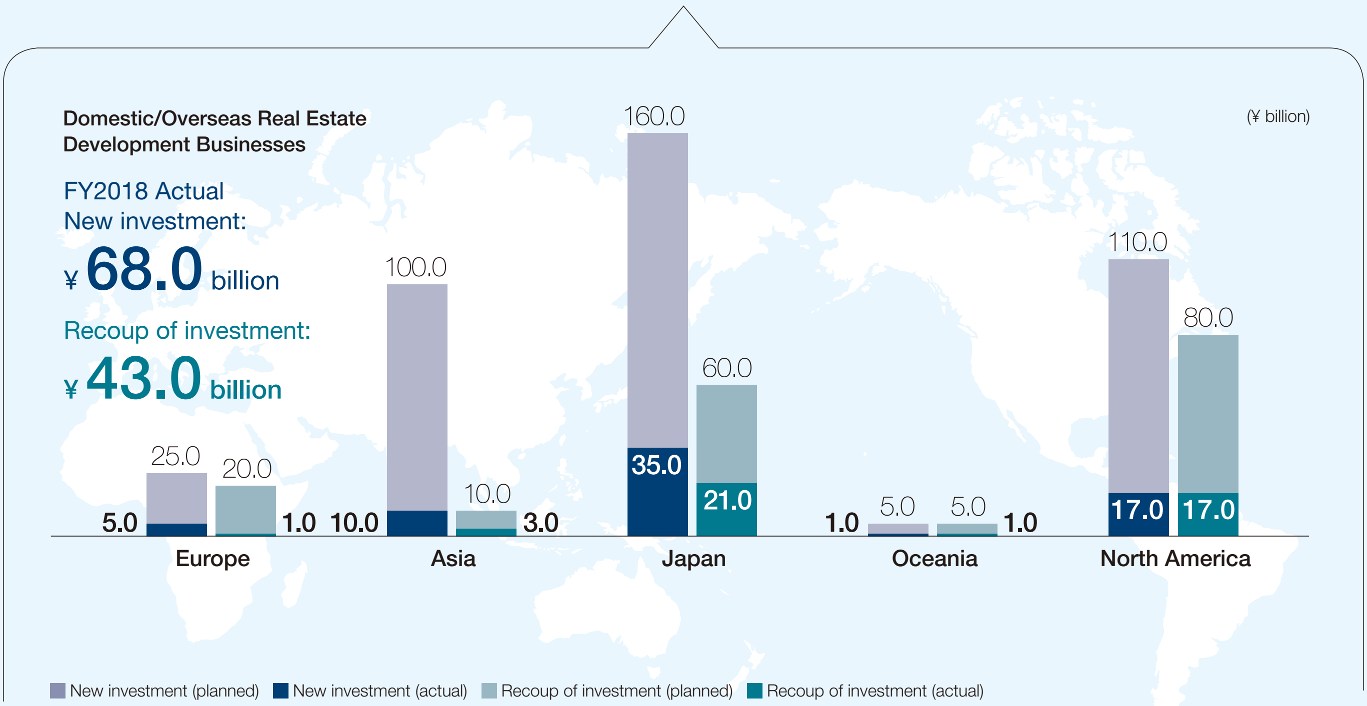
Prioritize investment in domestic and overseas real estate development businesses.

Rigorously measure investment efficiency and risk management with an awareness of cost of capital.

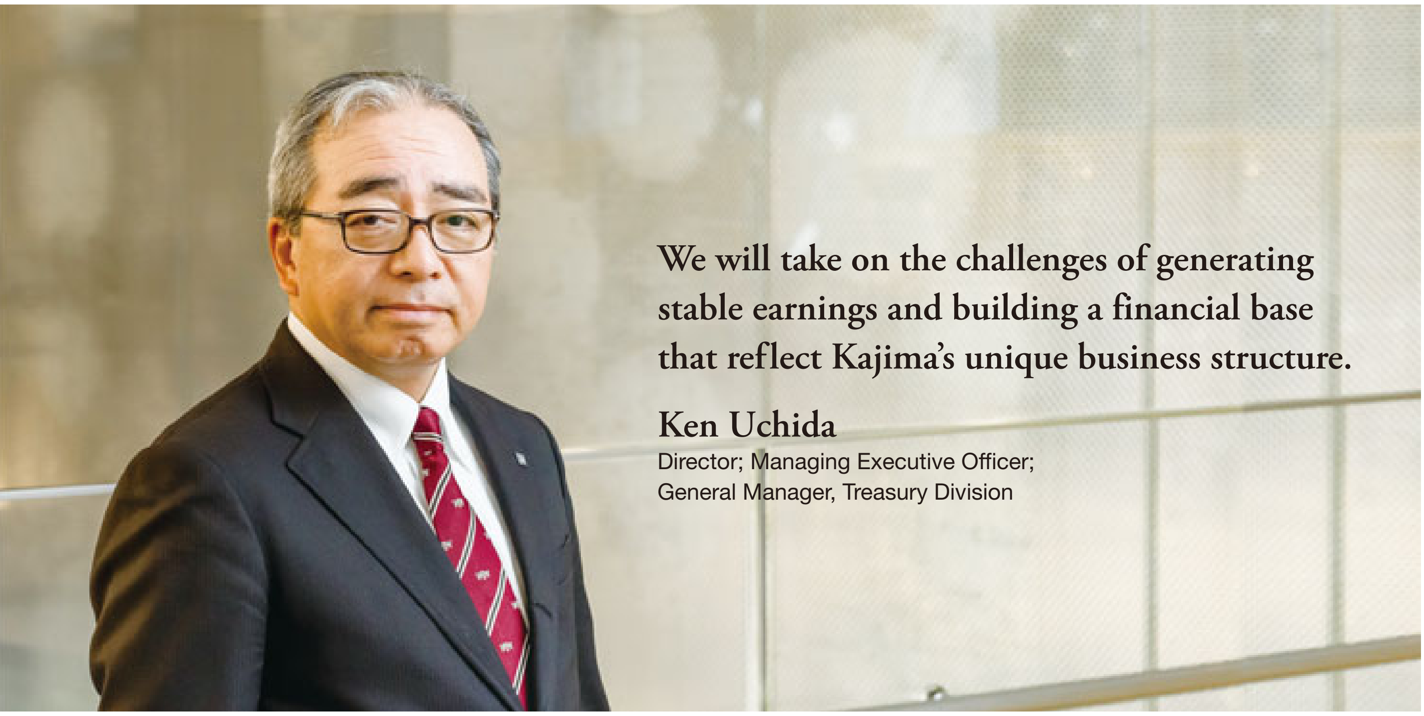
Domestic/overseas real estate development businesses
¥400 billion
(Net ¥225 billion)
Domestic: approx. ¥160 billion
Overseas: approx. ¥240 billion

R&D Investment
¥50 billion
FY2018 Actual
¥15.0 billion

Investment in strengthening competitiveness and sustainable growth
(Domestic/overseas M&A, human resource-related, etc.)
¥50 billion
FY2018 Actual
¥26.0 billion



Message from the General Manager of the Treasury Division



We will take on the challenges of generating stable earnings and building a financial base that reflect Kajima's unique business structure.

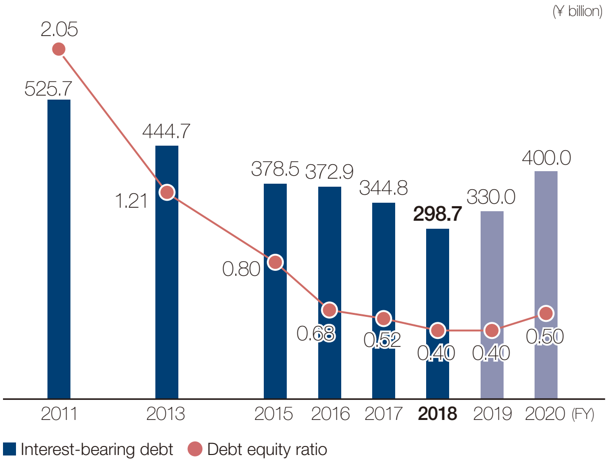
Ken Uchida
Director; Managing Executive Officer;
General Manager, Treasury Division

Our Unique Business Structure, Securing Equity Capital and Target ROE

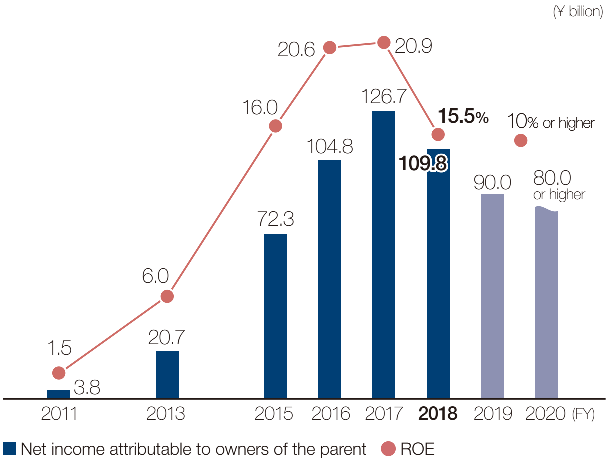
First, I will cover the direction of our earnings and investment plans. Given gross profit margin trends in the construction business and the outlook for yields and investment recoupment period in the real estate development business, we recognize that our approach to generating earnings from our businesses that exceed the cost of capital is a priority issue for us. In particular, the real estate development business must consider investments spanning 10 to 30 years.

Therefore, our business structure is unique among major general contractors because we have both the flow-model construction business and the stock-model real estate development business that generates recurring earnings. Managing finances for this structure requires finding an optimal balance between the two businesses. The profitability of assets in the real estate development business varies depending on the allocation of equity capital and borrowed

Interest-Bearing Debt / Debt Equity Ratio



Net Income Attributable to Owners of the Parent / ROE



capital. Focused on sound finances, we balance equity capital and borrowed capital in building a portfolio of real estate development assets, but on a project by project basis we emphasize capital efficiency and employ financial leverage to increase profitability. We believe our finances are sound, as consolidated real estate development assets are about ¥430 billion, equity capital excluding revaluation surplus is just over ¥620 billion, and interest-bearing debt is about ¥300 billion. We will be able to maintain sound finances even if real estate development assets increase to ¥620 billion during the Medium-Term Business Plan because the aforementioned adjusted equity capital will be ¥700 billion, and interest-bearing debt will be under ¥400 billion for a debt equity ratio of approximately 0.5 times. Increased investments in the real estate development business may involve not only asset impairment risk in the event that business conditions deteriorate, but also foreign exchange fluctuation risk in overseas business. In order to prepare for these risks, we have set a target of ¥800 billion for consolidated equity capital, which is a financial foundation that can sufficiently accommodate future growth in domestic and overseas real estate development business assets.

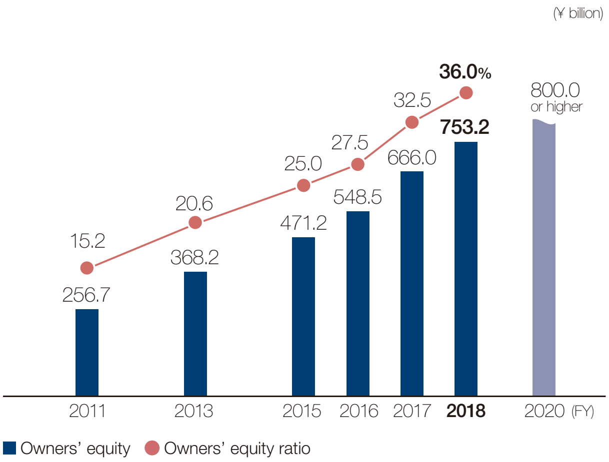
Our Medium-Term Business Plan prioritizes investment in the real estate development business, but our consolidated results still largely depend on the construction business, which is our main field. The gross profit margin of the construction business will not be easy to increase because competition is intensifying. Given these trends, we aim to maintain ROE at our target level of 10% or more by increasing profitability, which will be achieved by reducing costs and suppressing cost increases through enhancing our ability to win contract awards and further improving productivity in the construction business. In the real estate development business, generating more stable earnings from investment properties in a timely manner will also be necessary. For this reason, we need to further enhance our approach, in ways such as assessing returns in each division using investment efficiency benchmarks such as return on invested capital (ROIC) to determine whether returns are higher than the cost of capital, thus facilitating the allocation of capital with optimum efficiency. We also need to establish a system to monitor the value at risk of specific portfolio assets and keep it within designated parameters. In these ways, Kajima will generate stable profits using equity capital that is resilient to business risks, and growth investments backed by autonomous and effective business and financial management, thereby meeting stockholder expectations.

A Long-Term Investment Plan Totaling ¥500 Billion

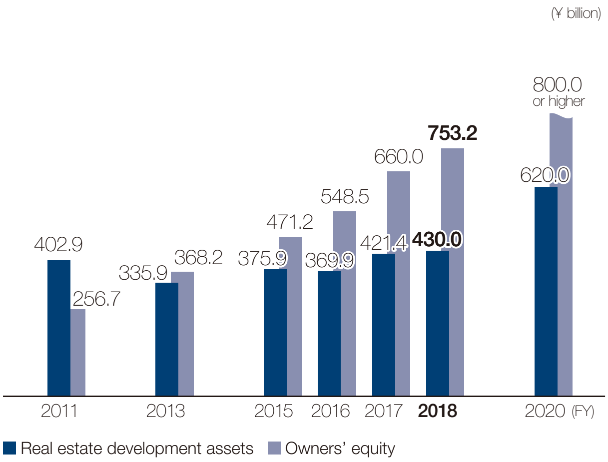
The Medium-Term Business Plan launched in fiscal 2018 allocates ¥500 billion to investments for growth. Of this total, about ¥400 billion is earmarked for domestic and overseas real estate development businesses, as mentioned above. We will increase business revenues and capital efficiency by accumulating profitable assets and steadily recouping investments.

We have also allocated ¥50 billion for R&D investment, and ¥50 billion for strengthening competitiveness and sustainable growth. We want to dramatically improve productivity by introducing advanced technologies, and we are looking for

Owners' Equity / Owners' Equity Ratio



Real Estate Development Assets / Owners' Equity



partners worldwide, not necessarily in the construction industry, for collaboration in exploring new technologies, new business ideas and startup incubation. Expectations for successful outcomes are rising as concrete initiatives begin. We have allocated greater R&D investment than ever before in anticipation of improved productivity and competitiveness, and support for the gross profit margin of construction work. Furthermore, we will aggressively invest in the necessary human resources and in ICT. Our investments will not only be reflected in our results during the current Medium-Term Business Plan, but will also yield benefits that we can share with customers over the long term, such as reduced costs and shorter duration of construction. This in turn will help Kajima generate sustainable growth, increase corporate value and, by extension, contribute to society as a whole.

Mergers and acquisitions (M&A) are a key way to expand business overseas. We will continue to search for companies that have similar corporate values to ours, as well as technologies and business domains that are mutually complementary.

We have established special-purpose committees, such as the Development Steering Committee, and these are responsible for domestic and overseas investment plans for real estate development projects of substantial scale. The committees make formal decisions on projects after investigating many different issues including business concept, social needs, suitability of technology applications, project profitability and recoupment of investment. In addition, the Business Investment Review Committee deliberates and makes formal decisions on specific projects that are not in the real estate development business, including investments in renewable energy, M&A and alliances with other companies.

Financial and Investment Strategies Are on Track after the First Year of the Medium-Term Business Plan

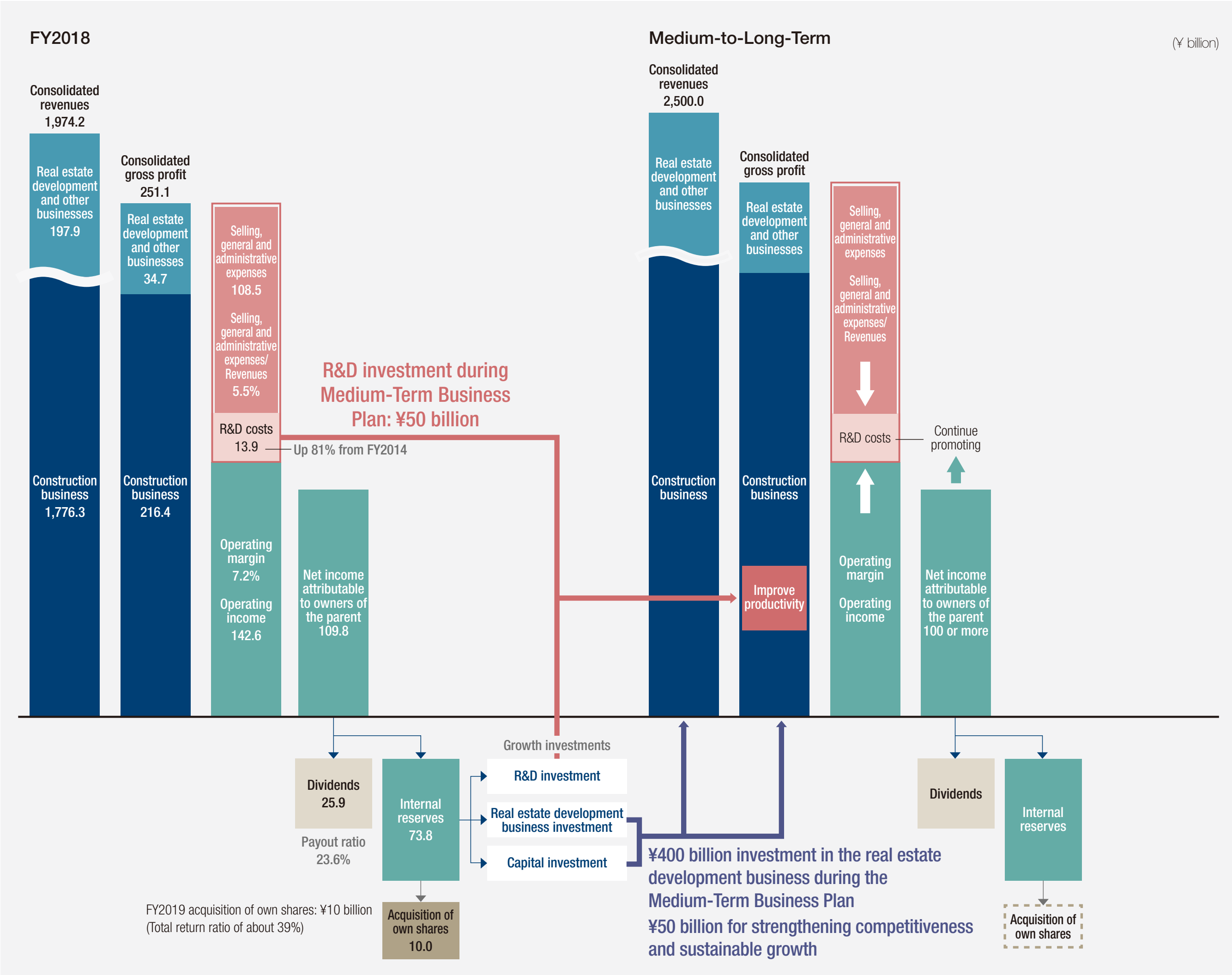
Looking back on fiscal 2018, the first year of our current Medium-Term Business Plan, we were able to execute our financial and investment strategies to a large extent, due to ample cash flows from solid performance in fiscal 2017.

We have implemented proactive measures, such as increasing equity capital at overseas subsidiaries and affiliates, investing in open innovation, and conducting field trials for automated construction systems using heavy machinery. We have allocated a portion of investments and loans toward introducing innovative next-generation construction systems with the goal of improving the sustainability of the construction industry. Our multifaceted approach involved technologies, securing and fostering partner companies, improving and raising the efficiency of day-to-day construction site management and process control methods, improving terms of payment to partner companies and supporting their overseas operations.

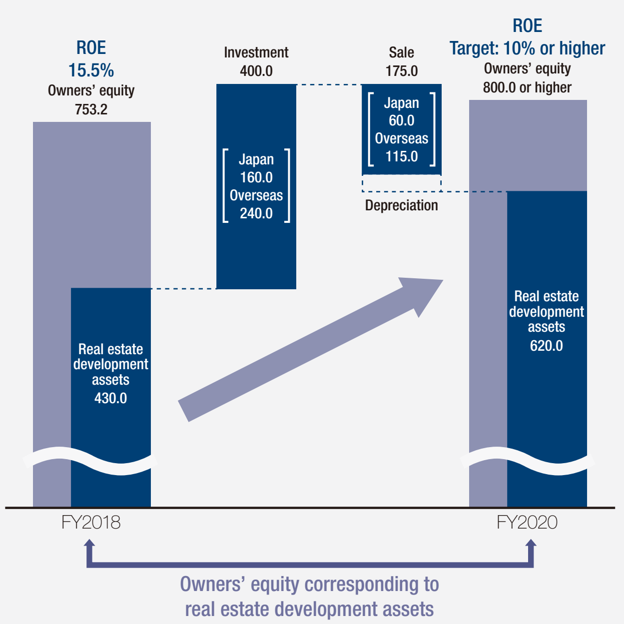
The Treasury Division is responsible for securing required funds flexibly and efficiently, identifying and hedging financial risks in projects that are new to Kajima and may involve unknown risks we have no experience with, and fully reflecting the cash flow characteristics of the construction and real estate development businesses in controlling overall corporate cash flow. Furthermore, while determining the suitability of direct or indirect funding by assessing capital requirements and Kajima's overall debt structure, we also devise approaches to help increase economic value by enhancing liquidity and the cash-to-cash cycle of funds. The Treasury Division will continue to resolutely fulfill its responsibilities in fiscal 2019 and beyond in handling issues including investment and loans in accordance with the Medium-Term Business Plan.

Expand Stockholder Returns While Maintaining the Dividend Policy

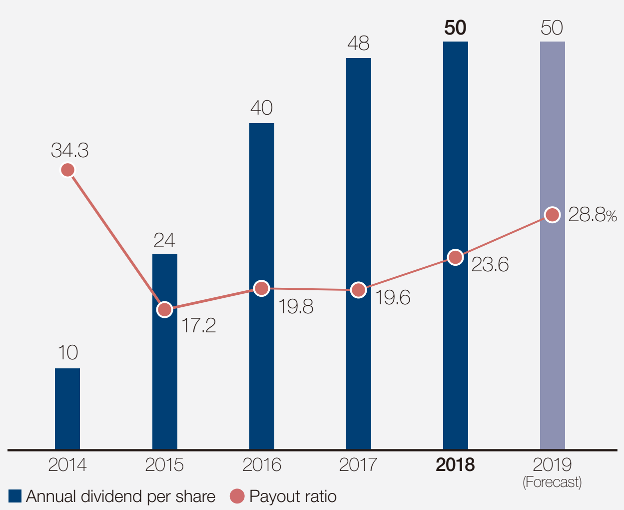
The Kajima Group's dividend policy is to "Aim to distribute stable amounts of dividend with a target range of a 20 to 30% payout ratio, while securing adequate consolidated equity capital, as well as to provide stockholder returns with consideration of business performance, financial condition and business environment." Based on this policy, we are further enhancing stockholder returns. In fiscal 2018, we increased the annual dividend per share to ¥50 (taking into consideration the consolidation of shares), and in fiscal 2019 we will expand stockholder returns by acquiring our own shares in line with results. We will further deepen our dialogue with stockholders and discuss how we should address social issues with a focus on ESG measures and the SDGs, while considering the balance among issues including growth investment, establishing and strengthening our financial base, and stockholder returns in implementing Kajima's capital policies.



Investment Plan and Owners' Equity



Dividends



■ Annual dividend per share ● Payout ratio

Note: Consolidation of shares was conducted in October 2018 at a rate of one share for every two shares of common stock. Calculated as if the consolidation of shares had been conducted at the beginning of each fiscal year.

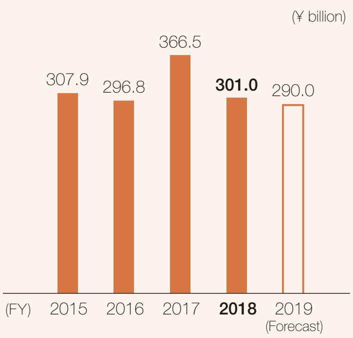
Civil Engineering

Business Policy

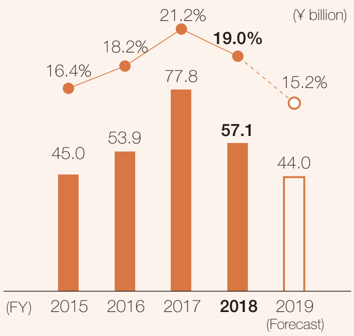
- Strengthen initiatives in promising fields
- Innovate production systems using ICT and CIM

Business Overview

Revenues



Construction Project Gross Profit and Gross Profit Margin



Opportunities

- Strengthening initiatives in promising fields
- Developing and implementing labor-saving technologies

Challenges

- Changes in market environment
- Expected shortage of workers due to a decrease in new employees entering the construction industry

HIGHLIGHTS

Development and Introduction of a Handheld Monitor That Supports Onsite Visualization

In collaboration with Sitech Japan Co., Ltd. (Tokyo), Kajima has developed a handheld monitor* that can accurately superimpose CIM models on actual images of a construction site, with applications for construction planning and safety management. Kajima used this tool for the first time in the embankment construction for the Naruse Dam in Akita Prefecture, and confirmed its effectiveness.

The monitor uses global navigation satellite system (GNSS) data to accurately identify its position and superimpose CIM models on actual images of site topography, enabling multiple people to simultaneously check whether they are consistent, and whether there are any obstacles. This compact, lightweight handheld device is easy to carry, and allows real-time information sharing via an Internet connection among distant locations such as the field office, the branch and the Head Office.

Since the Naruse Dam is located in a region with heavy snowfall, embankment construction requires tools that can identify structures and materials covered in snow, thus allowing safe snow removal. This tool should also be useful in our plan to manage construction sites using automation technologies including the next-generation construction system A⁴CSEL® (“quad axel”) and automatic sliding formwork.

Kajima will expand the scope of application of this tool beyond dam construction to other types of work, such as construction in urban areas where subsurface objects and obstacles are common.

* Using a pre-release version as part of the Trimble Early Experience Program


CIM model confirmation onsite using the handheld monitor

Business Strategies

Strengthen Initiatives in Promising Fields

In fiscal 2018, contract awards remained at about the same level as the previous year. Awards of large contracts in the private energy sector, such as in wind power generation, along with public works contracts such as expressways and dams, were factors in achieving this result.

In domestic civil engineering markets, we expect continuing investments in road and rail infrastructure, as well as in disaster prevention and mitigation (programs for "national resilience"), and increasing demand in the renewable energy sector. Given that new legislation is taking effect in the large-scale offshore wind power generation sector, and that we were the first company to install wind turbines in the open ocean off the Japanese coast, we will steadily leverage our strengths as a pioneer in this field.

In the public infrastructure sector, demand for renovation of existing facilities is expected to expand. We have a strong track record renovating dams, and our renovation projects are increasing in other fields. As an example, in fiscal 2017, we completed an expressway renovation project safely and in a short period of time using new materials that are lightweight and durable. We will continue to develop such proprietary technology that meets the needs of society.

In overseas civil engineering markets, demand is stable in Southeast Asia and other regions where we have offices and a solid track record. We will focus on regions and types of work where we can effectively deploy our technology and management skills at the local level.

Innovate Production Systems Using ICT and CIM

Given the decreasing number of young workers entering the construction industry, Kajima is committed to providing attractive working environments (including two days off a week) so as to retain skilled workers over the long haul. Improved productivity and safety at construction sites paves the way for work-style reform; therefore we are emphasizing site management and safety instruction using ICT technology, with our slogan: "Make it visible, so we can see the problem!"

Moreover, we have made production system innovation a medium-to-long-term priority, and are accelerating technology developments needed in heavy machinery automation and the manufacture of construction materials. We will move to apply them on-site, while also finding applications in other types of work.

In our vision for the future, construction machinery will be connected via IoT, and construction sites will resemble state-of-the-art factories. Our goal is thus to create systems where CIM is used to maximum effect, and all relevant data are collected and analyzed in a timely manner to manage and improve overall onsite productivity.

Our focus on open innovation began in fiscal 2018 when we spent about a year networking in Silicon Valley and got to know companies with advanced technologies such as AI and robotics. In fiscal 2019, we will explore ways to apply these technologies on construction sites.

Masayasu Kayano

Director; Executive Vice President
General Manager, Civil Engineering Management Division, Responsible for International Civil Engineering Operations

Construction Information Modeling (CIM)

System for integrated construction production that improve efficiency and sophistication through the sharing of various information about building structures, mainly through 3D modeling.

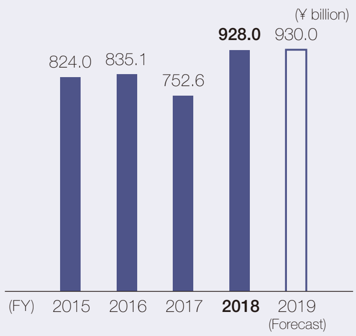
Building Construction

Business Policy

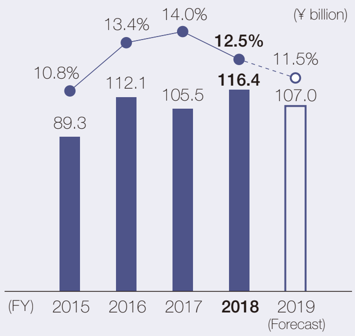
- Increase productivity and strengthen production capacity
- Improve the work environment to secure the next generation of workers

Business Overview

Revenues



Construction Project Gross Profit and Gross Profit Margin



Opportunities

- Enhancing the sophistication of onsite management
- Attracting workers by promoting automation and robotization

Challenges

- Shortage of workers due to a decrease in new employees entering the construction industry
- Large-scale redevelopments in the Tokyo metropolitan area are in full swing and construction costs have risen
- Intensifying competition for orders

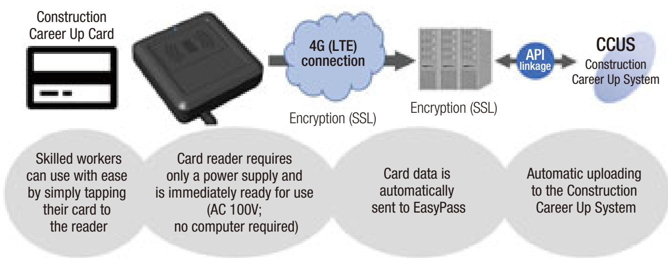
HIGHLIGHTS

Development and Start of Trials for EasyPass Entry and Exit Management System

Kajima is an industry leader, one example of which is its development of the EasyPass onsite entry and exit management system in collaboration with a partner company. This system can also be linked to the Construction Career Up System (CCUS). In March 2019, Kajima introduced EasyPass at 301 building construction sites and 154 civil engineering construction sites, and initiated trial operation in preparation for linkage with CCUS.

This initiative involved collaborating with Art Service Co., Ltd. (headquartered in Kanagawa Prefecture) and establishing sales channels, centered on Art Service, for the broad rollout of EasyPass to other companies in the industry.

There are increasing calls for the construction industry to adopt a unified approach to shared tools and other areas where cooperation is appropriate, which will free companies to focus their competition on core aspects such as quality, and thereby increase industry-wide productivity.



Link between EasyPass and the Construction Career Up System

Business Strategies

Use ICT to Improve Productivity

The first half of the three-year period 2015–2017 was positioned as a restructuring period during which we revitalized and reinforced the Company's building construction business. Then, in 2017 we launched the Kajima Building Construction Total Management System (KTMS) 2017, a next-generation construction system centered on three initiatives: promoting new operational standards, leveraging ICT tools, and reducing the need for labor by 30%.

In fiscal 2018, we established a building construction database of information obtained from production activities at the planning, design, construction, and post-completion stages. We will use AI to integrate this feedback and BIM data, with the aim of building a support system for quality control, process control, and construction management. At the same time, we formulated the Kajima Smart Future Vision. As well as applying various ICT and robot technologies, Kajima will extend the use of BIM to the management of materials and equipment.

In fiscal 2019 and beyond, we will leverage these initiatives to strengthen our design and construction capabilities. Specifically, we will increase the use of BIM at the contract documentation and construction stages with the goal of virtual completion by the start of construction, helping to eliminate design-related inconsistencies and problems prior to commencement of construction. In addition, we will provide BIM manager training and establish a BIM skill certification system to cultivate personnel who will drive BIM forward.

We will also develop a system that manages data for facilities and equipment in the maintenance and management of buildings, and will strengthen our competitiveness in the field of post-completion services.

Kajima Work-Style Reform

Skilled workers are vital to the construction industry, but recruitment to relevant professions lacks persuasiveness because of issues relating to compensation, vacation time and work environment. Kajima seeks to change this by closing worksites for a total of eight days out of every four weeks and by introducing systems that provide greater monetary incentives and benefits.

In March 2019, prior to the full-scale implementation of the Construction Career Up System led by the Ministry of Land, Infrastructure, Transport and Tourism, we began field tests of EasyPass, a dedicated proprietary entry and exit management system. We will appropriately recognize the experience and ability of skilled workers to improve employment conditions, while increasing the overall efficiency of site management by keeping track of information such as entry and exit times and labor performance.

We are also accelerating the direct employment of skilled workers, including foreign nationals, at Group companies Kajima Kress Corporation, Kajima Fit Co., Ltd., and Clima Works Co., Ltd. Developing directly hired employees into multi-skilled workers ensures the stability of their income regardless of construction stage or weather conditions. In addition, deepening cooperation with skilled workers in robot technology development will enable us to gather and use feedback from operations personnel, which will support accelerated technology development.

Hiroyoshi Koizumi

Representative Director
Executive Vice President; General Manager, Building Construction Management Division

Construction Career Up System (CCUS)

This is an industry-wide database of the work history and qualifications of skilled construction workers built and operated by the Fund for Construction Industry Promotion under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism. Registered skilled workers are assigned a unique ID and issued a Construction Career Up Card, which they can use by simply tapping to a card reader installed at worksites. Information recorded includes where the work was performed, as well as the job type and position. The aggregated results help skilled workers attain employment opportunities that are in line with their careers, and also enable objective evaluation by employers.

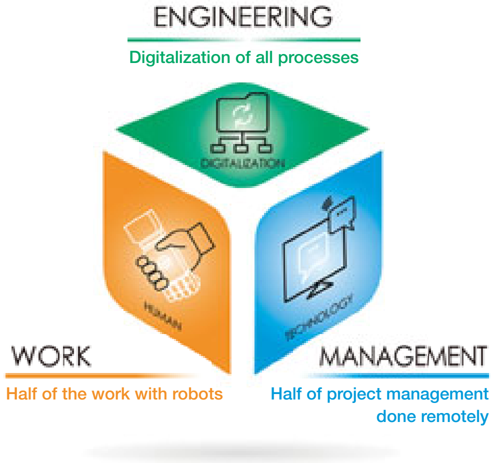
— Achieving Sustainable Growth —

Initiatives to Improve Productivity

1 Kajima Smart Future Vision

In November 2018, Kajima formulated the Kajima Smart Future Vision to improve productivity by transforming various production processes relating to construction work in response to the shortage of construction workers and by achieving work-style reform. We are developing robot technology using ICT and innovating on-site management with the goal of achieving better building construction processes by 2025.

Video introducing the Kajima Smart Future Vision



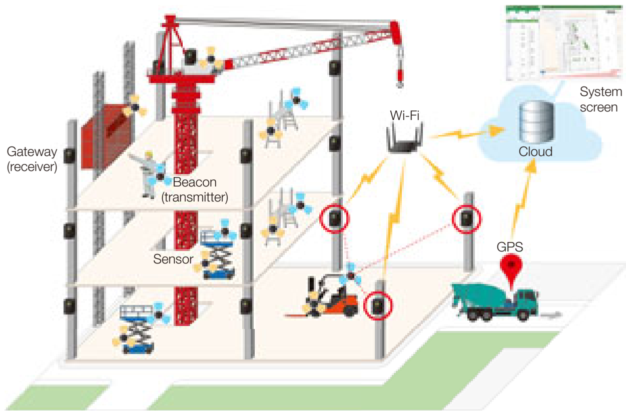
Technology Field Trials toward Implementing Our Vision

We selected the construction of the Kajima Fushimi Building (tentative name) as a pilot site where we are applying and testing 18 technologies and systems, including various construction robots and site management tools.

- Steel frame welding robot (full-circumference, overhead)
- Drone automatic patrol system
- Fireproofing spray robot
- Transport management system
- Concrete finishing robot
- Onsite monitoring system (wearable devices, fixed-position cameras)
- Portable concrete vibrator
- Vitals sensor health management support system
- Assistance machine for exterior installation
- BIM: Networked system for progress tracking
- Robotic exosuits for lifting
- BIM: Virtual reality use (decision-making, safety training)
- Steel frame structural accuracy monitoring system
- BIM: Augmented reality check system
- Materials and equipment location and operation monitoring system
- BIM: Networked system for rebar processing
- Facial recognition entry/exit management system
- Skill transfer system (aggregation and utilization of expertise)

Examples include the KENLOGI inventory management system, which uses newly developed identification tags to log the entry and exit of all materials and equipment, and the K-Field system that logs information on onsite location and operating status of materials and equipment in real time. About 150 beacons have been installed, including on elevated work platforms, temporary platforms, and trolleys, enabling workers to locate them at a glance via PC display or monitor. In addition, we installed magnet sensors on all elevated work platforms, allowing us to monitor operating status based on whether they are raised or not.

As a result, elevated work platforms can be kept in constant operation, ensuring more efficient use of resources. Future possibilities include wearable beacons that transmit information on worker movements or onsite location. This data can be used to improve temporary positioning of toilets, lifting equipment, safety passages and other features.



2 Accelerating Technology Development for Automated Construction Sites

Technologies for Automated Mountain Tunnel Construction

In November 2018, we built a real-scale mock-up of a tunnel as a base for developing technologies needed in automated mountain tunnel construction, and began demonstration and verification tests. The tunnel is 55 meters long and has a cross-sectional area of 76 square meters. It assumes a two-lane highway cross section.

As a first step, we are working to automate concrete spraying work. Taking account of the specific work environment and geological conditions, and after having programmed nozzle positions, orientations, and spray patterns in accordance with the required spray position and range, spray thickness, and intended surface shape, the machine will then move its arm and boom automatically and conduct concrete spraying.

We will add measurement management technologies required for gauging spray thickness and shape and identifying material properties. By further establishing work procedures and methods suited to site conditions through full-scale experiments in the mock-up tunnel, we aim to develop an automated spraying system that can optimally adapt to various site conditions.

In addition to automated spraying, we plan to automate every step of the tunneling process, including drilling, mucking, crown and wall scaling, and installation of rock bolts, and achieve a single-operator system for face work in fiscal 2020.

Demonstration of automated spraying in the mock-up tunnel

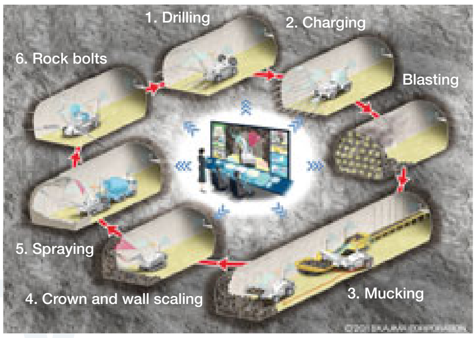


Illustration of tunnel site automation with a single operator

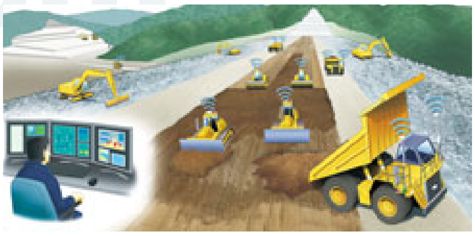
Technology to Automate Dam Construction

In the construction of the Koishiwaragawa Dam (Fukuoka Prefecture), A^{4}CSEL® ("quad axel"), a next-generation construction machinery automation system, was used for the first time to handle full-scale embankment work (for one layer of core material).

A^{4}CSEL® is the first technology in the world that automates work through the use of measuring instruments and a control PC mounted on general-purpose construction machinery. A^{4}CSEL® differs from conventional remote control—it allows a single user to issue work commands that are then autonomously executed by multiple machinery units.

Based on this achievement, we plan to use 20 to 30 automated heavy machinery units for embankment work on the body of the Naruse Dam (Akita Prefecture), a trapezoidal CSG dam,* the construction of which started in 2018. Moreover, we intend to combine other automation technologies including our fully automated sliding formworks in order to automate all steps—from shipment of materials to transportation and placement—in dam body construction, and in so doing explore the possibility of automating civil engineering construction activities to a "factory-like" level. We believe that such a non-labor-intensive, high productivity construction system, when fully realized, will be welcomed not only in Japan, but also overseas, as it can be exported as a package.

* A type of concrete dam made using cemented sand and gravel (CSG) generated by mixing water and cement with sand and gravel, set in a trapezoidal shape.



Commands are issued to automated heavy machinery from the control room

Core material construction for the Koishiwaragawa Dam

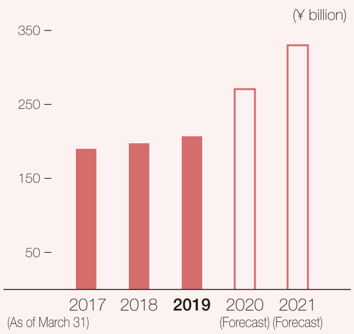
Real Estate Development

Business Policy

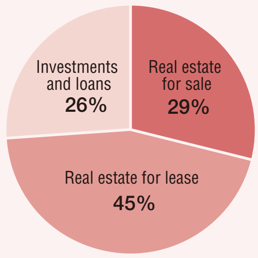
- Structure a medium-to-long-term business platform that contributes to profit stability
- Expand real estate-related businesses with capital efficiency in view
- Respond to a wide range of social demands through real estate-related operations

Business Overview

Domestic Real Estate Development Assets



Assets as of March 31, 2019



Opportunities

- Increasing number of projects where comprehensive solutions are expected
- Growing need for redevelopment due to changes in urban structure
- Increasing social demands for improving facility environments and amenities

Challenges

- Rising facility construction and maintenance costs
- Need to strengthen Group-wide property management capabilities

HIGHLIGHTS

Development Projects in Japan

Project Name	Remarks
Gracia Towers Ebina	East Tower: Completed May 2019 West Tower: Completion scheduled for Jan. 2020
Kajima Fushimi Building (tentative name)	Completion scheduled for Sep. 2019
Haneda Airport Unused Land Zone 1 Redevelopment Project (Phase I)	Completion scheduled for May 2020 (Phase I) Completion scheduled for 2022 (Phase II)
Takeshiba Urban Redevelopment Project (tentative name)	Completion scheduled for May 2020
Hamamatsucho 2-Chome District 4 Block A (Building A3)	Completion scheduled for Mar. 2021
Yokohama Gate Tower	Completion scheduled for fall 2021
Kudan Kaikan Reconstruction Project	Completion scheduled for Jul. 2022
Minato Mirai 21 Central District 37 Block Development Plan (tentative name)	Completion scheduled for Mar. 2023
Hamamatsucho 2-Chome District Type 1 Urban Area Redevelopment Project	Completion scheduled for 2026

Reconstruction of historic building Kudan Kaikan

Business Strategies

Steadily Build a Portfolio of Prime Assets and Short-Term Projects

Real estate development has been expanding as Kajima's third core business alongside civil engineering and building construction. It balances short-term projects with fast turnover and medium-to-long-term projects that generate recurring revenues. Under the current Medium-Term Business Plan (Fiscal 2018–2020), our goal is to invest ¥160 billion over three years and increase quality assets to approximately ¥300 billion.

In fiscal 2018, Kajima's domestic real estate development business invested approximately ¥35 billion. This includes investment in the Minato Mirai 21 area to acquire land, initiate construction and proceed with authorizations and approvals for the Yokohama Gate Tower Project, and for steady progress in existing projects. As a result, domestic real estate development business assets as of March 31, 2019 totaled approximately ¥210 billion.

Earnings are fluctuating due to the replacement of assets in accordance with the Medium-Term Business Plan. However, we aim to further increase earnings, by acquiring income properties on the basis of detailed business feasibility studies and through measures to increase profit that will add new rent income, supplementing a stable income from prime lease assets. Moreover, we aim to further generate gains through sale of lease properties after adding to their value.

By making continuous steady progress with attractive large-scale projects already acquired and undergoing business structuring, while also acquiring outstanding new properties through direct transactions utilizing our client network, we expect to achieve our goals under the Medium-Term Business Plan.

On another note, Group company Kajima Real Estate Investment Advisors Inc. launched a private REIT in fiscal 2018. The REIT had ¥28 billion in assets under management as of March 31, 2019, and is expanding steadily toward its asset target of ¥100 billion in five years. We will create new investment opportunities that provide stable long-term asset management for institutional investors and help maximize investment value by providing distinctive real estate services that make use of the planning, technology and network capabilities of the Kajima Group.

Teruaki Yamaguchi
Executive Vice President
General Manager,
Real Estate Development Division

New Business That Leverages Our Real Estate Development Expertise

In the course of supporting the businesses of our clients, we have cultivated development expertise, and planning and proposal capabilities in areas including business structuring, permits and environmental assessment. Alongside working on our own businesses, we will leverage this expertise and experience in real estate development to provide supporting services for the acquisition of contract awards for attractive projects. Furthermore, we will expand non-asset businesses such as corporate real estate consulting, brokerage and management services for customer assets by restructuring and strengthening real estate-related Group company functions.

With regard to public-private partnership projects that the Japanese government is actively using to develop public real estate, we will continue to make use of the strengths of the construction business and collaborate with companies in other business areas and industries to aggressively propose business plans that create excellent and diverse long-term opportunities.

In addition, while bearing in mind the United Nations' SDGs, we will accelerate the development of green buildings and, as a next-generation urban development project, we will work to implement a smart city in the Haneda Airport Unused Land Zone 1 Redevelopment Project. Moreover, we remain committed to the creation of a sustainable society through real estate development projects that support regional industrial development, job creation, harmonious coexistence with nature, and high-quality education, among other benefits.

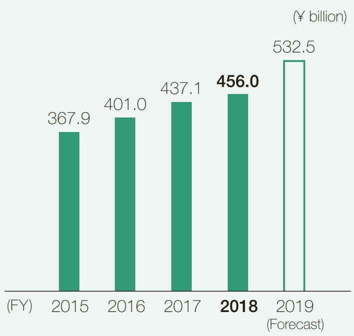
Overseas Operations

Business Policy

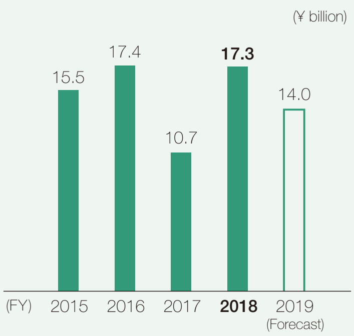
- Be the best in specific markets and business domains
- Create unique business opportunities through Group collaboration

Business Overview

Revenues



Ordinary Income



Opportunities	Challenges
• Diverse opportunities to win contract awards • Creation of new revenue sources	• Achieving a balanced portfolio of real estate assets • Strengthening the business platform

HIGHLIGHTS

Real Estate Development through Indochina Kajima Development Limited

In 2016, Indochina Kajima Development Limited was jointly established by Kajima and Indochina Capital Corporation, a Vietnamese real estate development company, and has since been active in the real estate development arena in Vietnam. A groundbreaking ceremony was held to celebrate the commencement of construction of the joint venture's first project—a hotel development—in Ho Chi Minh City on November 30, 2018.

The project is located on Nguyen Binh Khiem Street, an important tourism and business hub with excellent transport access, only 15 minutes' drive from Tan Son Nhat International Airport and 5 minutes' drive from the central business district. The company is developing a 237-room hotel that will operate under the Wink Hotels* brand upon completion.

Wink Hotels is a Vietnam-based chain that provides reasonably priced, high-quality hotel accommodation to a wide range of Vietnamese and international travelers and businesspersons.

* Wink Hotels is a brand of accommodation-only hotels with a concept that embraces the assemblage of traditional and modern styles of Indochina.

Business Strategies

Building a Close-Knit Group Network by Strengthening the Business Platform

In our overseas operations, we have been establishing various platforms whereby overseas subsidiaries provide professional services tailored to the specific needs of respective markets in their countries. In recent years, we have also been expanding our business domains through M&A.

Rather than developing the Kajima Group's overseas operations by expanding out from Japan, each overseas subsidiary organically grows its own business domains, reaching out and collaborating with sister companies worldwide, which will create a truly close-knit global network. For example, the collaboration between Cockram Construction Australia Pty Ltd and The Austin Company in the U.S. has led to the creation of a new business opportunity providing services to European and U.S. companies with which we have previously had no dealings. In Japan, Kajima's domestic branches are collaborating with Scenario Cockram Ltd. (of Hong Kong) whose forte is the specialty construction of theme parks. In terms of overseas capital investment to Japan, the business relationships that overseas subsidiaries have built and the trust that they have gained from their clients over the years have brought new business opportunities to Kajima.

• United States: Short-term "merchant" development business model has a proven track record of success

In the U.S. real estate development business, Core5 Industrial Partners LLC is focusing on developing distribution warehouses for e-commerce and is vigorously pursuing a short-term development business model. With the wealth of expertise accumulated within the team, the company is running ahead of many of its competitors by providing differentiated and value-added services to its clients with the cooperation of the building construction arms of the Group. It generates steady earnings by leveraging the benefits of working with an abundant number of third-party service providers, controlled by an agile organization of experts. In 2017 Flournoy Development Group, LLC, which develops, constructs and manages apartment communities, joined the Kajima Group. The company is making steady progress and we expect it to start making a solid contribution to the Group's earnings from fiscal 2021. Overall, Kajima U.S.A. Inc. (KUSA) aims to generate stable earnings through a business portfolio that combines short- and long-term projects.

• Asia: Large-scale projects kick off in full swing

Kajima Yankin PPP Co., Ltd., a subsidiary of Kajima Asia Pacific Holdings Pte. Ltd. (KAP), has commenced construction of its first large-scale, mixed-use development project in Yankin Township in Yangon, Myanmar, which entered the preliminary stage in 2017 and is now in full swing. In Singapore, Kajima Development Pte. Ltd., KAP's real estate development business arm, and Singapore Press Holdings Ltd., a Singapore-based media company, are engaged in the joint construction of the Woodleigh Development Project, a mixed-use facility that encompasses residential condominiums and commercial facilities on approximately 2.5 hectares of land. Pre-sales of condominiums are proceeding successfully.

• Australia: M&A synergy

Icon Co Pty Ltd, acquired in 2015, and Cockram Construction, acquired in 2017, became wholly owned subsidiaries and merged into a single entity, Kajima Icon Holdings Pty Ltd (KIH), in December 2018. The merger of Icon, strong in residential construction, and Cockram Construction, strong in non-residential projects such as production facilities, has resulted in a summative reputation as one of the largest full-service construction companies in Australia. KIH is expanding its realm of services to education, medical care, and defense facilities.

Keisuke Koshijima

Executive Vice President
General Manager,
Overseas Operations Division

Cockram Construction Australia Pty Ltd

Acquired in 2017 by Kajima Australia Pty Ltd (KA), headquarters for operations in Oceania. In addition to Australia, Cockram Construction also operates in China, the U.S. and New Zealand, having a competitive advantage in non-residential construction.

The Austin Company

Acquired by KUSA in 2005. Has a competitive advantage in providing design and engineering as well as construction services primarily for manufacturing facilities.

Scenario Cockram Ltd.

A subsidiary of Cockram Construction, majority stake acquired by KA in March 2018. Scenario Cockram specializes in designing, manufacturing, and constructing artificial rocks, special interiors and exteriors, and show-sets for attractions, mainly for theme parks in the U.S. and Asia.

Core5 Industrial Partners LLC

U.S. distribution warehouse development company established in March 2015. Core5 Industrial Partners, capable of developing and realizing short-term returns on investment, is highly competitive in its markets.

Engineering

Business Policy

Construct highly functional and efficient facilities from the viewpoint of production processes.

As a general contractor, Kajima has accumulated an extensive track record and technical capabilities in every phase from planning to construction, through which it is able to provide optimal engineering services for production, logistics, and research facilities of clients in industries where there are needs for advanced and regulated production process management, such as pharmaceuticals, cosmetics, food, datacenters and semiconductors. Furthermore, we develop new technologies for facilities to support new product categories with high potential, such as biopharmaceuticals.

Main Initiatives

The development of optimal production processes to meet the client's management and production plans is critical for production, research and logistics facilities.

In our engineering business, the design, construction, and engineering departments work together to support all phases of a project, from conception and basic planning to design and construction. We are able to lead projects to success with the shortest timeframe without rework since we examine diverse perspectives at the planning stage based on the customer's requirements. In addition, through work analysis of industrial engineering methods and adoption of various production process automation technologies, Kajima is able to create highly productive facilities that achieve a fusion of human and machine labor.

Ensuring product quality is a crucial mission in fields such as pharmaceuticals or foods, while research and production facilities are subject to many strict regulations. Furthermore, companies doing business globally must comply with the regulations of each country they serve. Kajima's engineers are thoroughly versed in the latest domestic and international regulations. In collaboration with specialist consultants in each country, they conduct facility planning in accordance with the necessary specifications and standards, and construct facilities capable of ensuring high product quality.

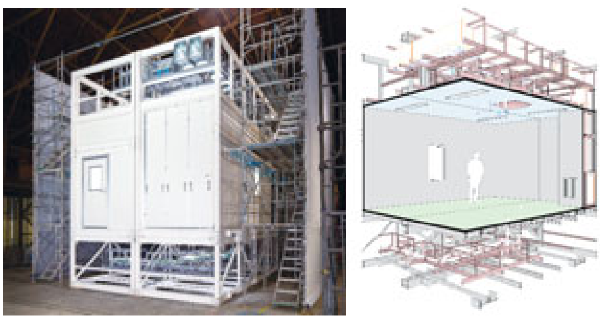
Using core technologies and expertise in facility planning, productivity improvement and environmental protection, we respond to customer needs with smooth project management capabilities from the initial stage of projects.

HIGHLIGHTS | KaMoS (Kajima Modular Facility System) for Pharmaceutical Production Facilities

Rather than constructing an entire building on-site, modularized construction, in which divided units are manufactured at the factory, then transported and assembled on-site, has entered use for various facilities. Its benefits include ensuring building quality while shortening time to facility start-up. KaMoS (Kajima Modular Facility System) is a brand-new modularization technology developed by Kajima, and is specialized for the construction of high-end pharmaceutical manufacturing facilities.

With KaMoS, structure and equipment are integrated and manufactured into each module at the factory, making it possible to build a homogeneous facility capable of high precision in a short period of time. Each module complies with airtightness and hygiene specifications suitable for high-grade bioclean rooms and biocontainment facilities, thereby achieving the high quality and performance required for pharmaceutical facilities.

The modules can be transported in standard shipping containers and assembled on-site. The facility can also be disassembled, transported to a new location, and reassembled. This technology enables the rapid construction of a high-quality bioclean room equivalent to one constructed in Japan anywhere in the world. Post-construction, the production room can be expanded, downsized, partitioned or changed quickly, and the facility can be easily relocated to another site.



KaMoS employs three types of vertically stacked module (ceiling modules, floor modules, and under modules), which are connected in the horizontal plane to form a facility.

Domestic Subsidiaries and Affiliates

Business Policy

As of March 31, 2019, the Kajima Group has 91 domestic subsidiaries and affiliates, consisting of 40 subsidiaries and 51 affiliates. These companies are involved in a wide range of upstream and downstream fields with a focus on construction. Highly skilled experts throughout the Group collaborate to provide comprehensive capabilities at all stages from planning, development, design, engineering, and construction, to post-completion operation and management, and maintenance and repair.

The aim of the Kajima Group's Medium-Term Business Plan is to ensure sustainable growth from fiscal 2021 onward by establishing a Group-wide business platform for growth. Toward this objective, in fiscal 2018 we strengthened profitability in the domestic construction business and upstream and downstream businesses. We did this by enhancing our production capabilities by directly employing people in professions that are in tight supply and developing multi-skilled workers, using BIM in stages from building design and construction, to maintenance and management, providing BCP solutions through Group collaboration, and engaging in initiatives targeting public-private partnerships (PPP) and public real estate (PRE) utilization. In fiscal 2018, consolidated revenues from domestic subsidiaries and affiliates increased to ¥393.7 billion, up 7.4% from the previous fiscal year, and ordinary income was essentially unchanged at ¥19.0 billion.

We will continue to promote collaboration throughout the Group, use means including M&A to shore up and expand capabilities, and diversify revenue sources throughout the lifecycle of buildings and structures.

Performance of Main Domestic Subsidiaries and Affiliates

	FY2018 (¥ billion)		Employees (As of March 31, 2019)
	Revenues	Ordinary Income	
Taiko Trading Co., Ltd.	117.5	1.55	295
Kajima Road Co., Ltd.	134.2	6.71	1,349
Kajima Tatemono Sogo Kanri Co., Ltd.	57.5	3.56	1,785
Chemical Grouting Co., Ltd.	26.2	1.26	292
Kajima Leasing Corporation	9.1	0.88	54
Ilya Corporation	7.4	0.52	178
Kajima Mechatro Engineering Co., Ltd.	11.0	0.10	196
Clima-Teq Co., Ltd.	20.5	0.87	374

HIGHLIGHTS

Directly Employing Workers in Professions in Tight Supply and Developing Multi-Skilled Workers

Kajima Fit Co., Ltd.

Kajima Fit contributes to enhanced construction capabilities and productivity in the construction industry by providing a work environment where people have job security as regular Group employees, and by leveraging the Group's broad expertise to develop workers with multiple skills in construction technology and management. At its technical training facility in Yashio City, Saitama Prefecture, skilled technicians offer instruction and training in basic construction technology and techniques, which are followed by on-the-job training. Kajima Fit's programs develop technologically competent workers who can handle multiple types of work, such as fireproof coating construction and autoclaved lightweight aerated concrete panel construction.

Kajima Fit's multi-skilled team

Kajima Kress Corporation

Kajima Kress actively recruits technical interns from Vietnam and trains them as onsite welding technicians. Since 2017, Kajima Kress has accepted 22 trainees. On completion of the Architectural Welding Qualification, a certification for architectural steel welding specialists, trainees proceed to assignments at construction sites as welders.

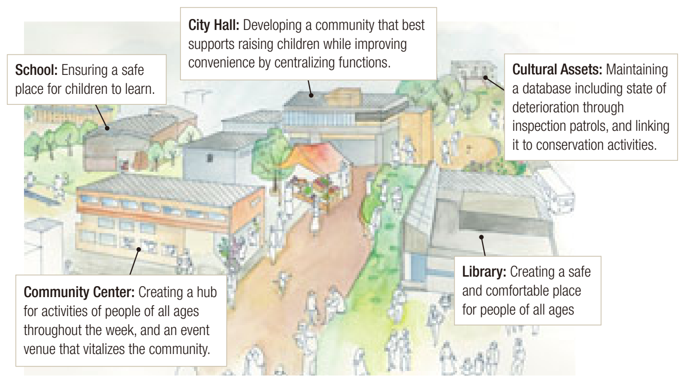
Trainees from Vietnam at the start of their technical internship

HIGHLIGHTS

Collaborative Group PRE Initiatives

Kajima Tatemono Sogo Kanri Co., Ltd.

In March 2019, Higashiyamato City awarded a contract for comprehensive facility management to Kajima Tatemono Sogo Kanri. Comprehensive management of public and other facilities is an integrated approach that improves efficiency and ensures appropriate management by agglomerating contracts with respective facilities and departments of local government bodies. Through the comprehensive capabilities of the Kajima Group, Kajima Tatemono Sogo Kanri is pursuing public facility management that is safe, secure, and best serves the community.



Model for comprehensive management of public and other facilities

Foundations Supporting Strength and Growth

Technologies

Kajima strives to be an industry leader in construction technologies. Having established a reputation in railways, dams, skyscrapers and seismic damping, we have expanded our business domains to meet the needs of the times. We will continue to lead the way in developing essential technologies with the enterprising spirit that we have passed on since our establishment to satisfy customer needs and carve a path into a new era.

R&D Strategy in the Medium-Term Business Plan

Drastically improve productivity
Human and machine collaboration

Smart production, turn construction site into automated factory

- Reduce the number of workers and automate by using machines, robots and ICT
- Promote technological development by leveraging BIM/CIM

Address social issues and customer needs
Trailblazing R&D

- Large-scale urban development
- Maintenance and management/ Lifecycle engineering
- Environment/Energy
- Disaster prevention and mitigation/BCP
- Better performance and higher added value

Strengthen R&D platform
Human resources + Capital + External resources

- Priority investment in key themes
- Promote Group collaboration
- Explore and introduce innovative technologies/ideas
- Utilize external resources

R&D Investment

FY2018 ¥15 billion

Cumulative for Plan Period ¥50 billion

Recent Track Record in Developing Key Technologies

Seismic damping	Container Damper System (CDS) seismic-damping system for warehouses with automated rack systems
Seismic damping	D^{3}SKY®-RC major earthquake-responsive TMD* for reinforced concrete structures
Seismic damping	D^{3}SKY®-c compact, low-cost TMD for medium- and low-rise buildings
Productivity	KENLOGI and K-Field systems for improving the efficiency of materials and equipment management/ operation
Productivity	Hybrid fire-resistant coating method that efficiently utilizes two types of fire-resistant coating
Productivity	Cut and Crush Method® for instantaneous pile-head concrete crushing and removal
Productivity	New Kote-King concrete finishing robot

* TMD: Tuned Mass Damper

Seeking Out and Introducing Cutting-Edge Technologies in Japan and Overseas

Looking to generate R&D outcomes that will transform its business going forward, Kajima will consider alliances and M&As with companies and research institutions in Japan and overseas, including small and medium-sized enterprises and venture firms, to create construction technologies that incorporate AI, IoT, robotics and other cutting-edge/innovative technologies and ideas.

In September 2018, we opened a business location in Silicon Valley in the United States. Technical staff have been stationed in the Silicon Valley Office of WiL KK (Head Office: Minato-ku, Tokyo), which invests in venture companies and other businesses, to help us pursue open innovation that integrates the technologies of venture companies with our own. We will seek out venture companies possessing new technologies that improve productivity and match them with development groups within the Company to accelerate commercialization of these technologies.

Research and Technology Development Underpinning Kajima's Creativity

Tapping into the enterprising spirit it has passed down, Kajima has developed many technologies to meet the demands of the times. For example, we have consistently led Japan and the rest of the world in seismic damping and seismic isolation technologies, including Japan's first oil damper for construction use that we developed in 1995. We have established high-performance seismic damping and seismic isolation technologies, including the latest HiDAX-R® oil damper and the D^{3}SKY® super-large TMD for seismic damping in skyscrapers. However, the development of disaster prevention technologies does not stop here. Combining elemental technologies and incorporating big data will enable the development of even more sophisticated technologies.

More specifically, a high-sensitivity seismic observation network covering all of Japan has been established and surface surveillance via satellite has become possible, giving rise to expectations that these high-precision data will be disseminated via public institutions. We will work to build a more effective disaster-prevention system by accessing these data in real time and by utilizing AI and IoT.

Employing big data will also be a key factor in accelerating technological development. For instance, in addition to the environmental/energy performance enhancements we have developed for buildings thus far, we would like to make use of biometric data measured with wearable terminals to provide users with safer and more secure and comfortable living environments. In ways such as these, we intend to bring about a more prosperous and sustainable society.

To achieve this goal, it is essential that we as an organization are flexible enough to make the best use of human resources with a broad range of specialties. We are committed to pursuing the development of technology that will serve as a foundation for Kajima's creativity by conducting personnel exchanges among research institutes, design departments and construction sites, and by investigating cutting-edge technologies and engaging in technology marketing through open innovation.

Kazuo Kojima
Executive Vice President
Responsible for Research and Technology Development

Highlight

Kajima Technical Research Institute Celebrates Its 70th Anniversary

Kajima Technical Research Institute (KaTRI) was established in 1949 based on the philosophy of then Company president Morinosuke Kajima that "constant research and creativity will lead to society's progress and prosperity." As the first technical research institute established by a construction company, KaTRI has consistently played a central role in upholding Kajima's reputation for technology.

In September 2013, KaTRIS became the first technical research institute of a Japanese construction company to open overseas, in Singapore. It has continued to evolve as a research center leading the way in the Kajima Group's advanced activities globally. While building a network with Singaporean government- and university-affiliated institutions, KaTRIS has been establishing a track record in providing technical support to Kajima Group companies overseas and technical consulting to local developers and design/engineering companies.

Kajima Technical Research Institute at its establishment in 1949

Human Resources

Human resources are key assets that underpin our corporate activities. To create and provide high-quality services and make lasting contributions to society, it is important that employees exercise their individual skills and take pride in being members of the Kajima Group.

Developing Human Resources

The Kajima Group is actively developing its human resources, as it believes in the importance of training highly-skilled specialists across a broad range of fields as well as management personnel capable of coordinating those specialists to fully meet the expectations of customers and the general public. The Group's human resource development policies rest on three pillars: **(1) giving young and mid-career employees opportunities to acquire professional skills, knowledge and experience, (2) giving mid-level and higher management personnel opportunities to acquire management knowledge and experience, and (3) promoting personnel exchange within the Group.** On-the-job training (OJT) is our fundamental approach in human resource development, but we are also expanding off-the-job training, including tier-specific specialist education in all organizations, Group-wide management training, and opportunities for employees around the world to study both in Japan and overseas.

(1) Strengthening the Development of Young and Mid-Career Employees

To quickly develop autonomous and capable personnel, Kajima takes a systematic and flexible approach to providing practical experience in each division. Over the past few years, we have extended the reach of our practical construction training for engineers, as well as other training, to include mid-career employees with the aim of continually raising the level of employee expertise.

We also provide training programs at overseas subsidiaries and offer opportunities for overseas study. These programs foster global human resources with a broad perspective, specialized skills, and the strong communication skills needed in international markets.

Note: Number of employees sent to study abroad over the most recent three years: 5 in fiscal 2017; 8 in fiscal 2018; 12 in fiscal 2019 (projected)

(2) Fostering Management Personnel

To foster management personnel who will drive the Kajima Group's business overall, we provide opportunities for employees to acquire managerial experience in challenging and responsible positions, and are expanding personnel exchange and joint training within the Group. We are also systematically expanding our entry-, mid- and advanced-level training to ensure the acquisition of essential management and leadership skills.

Note: A total of 490 persons took these courses in fiscal 2018.

(3) Encouraging Intra-Group Personnel Exchange

To foster human resources and promote exchange within the Group, Kajima actively conducts personnel exchange and OJT, including rotation of personnel among Group companies in Japan and overseas (429 participants as of the end of fiscal 2018) and training in Japan for engineers and other personnel from overseas Group companies such as KOA and Chung-Lu Construction (15 participants in fiscal 2018).

Diversity & Inclusion

(1) Promoting Active Roles for Women

Kajima believes it is essential to create an environment in which people from diverse backgrounds – from different sexes, nationalities, religions and degrees of disability – take on active roles in which they can fully express their individuality and skills. We have been promoting active roles for women as part of our efforts in this regard.

Our targets are to double the number of female engineers and women in managerial positions over the five-year period from 2014 and to triple the number in both categories over a 10-year period. To achieve these targets, in 2016 we formulated Kajima Corporation First Action Plan, based on the Act on Promotion of Women's Participation and Advancement in the Workplace, with the aim of having women account for 20% or more of main career track hires and, while maintaining this level, to double the number of women in managerial positions.

The range of work done by female employees, including work outside of Japan, has expanded. In particular, the number of female engineers overseeing construction site fieldwork is growing.

Engineers overseeing construction at Woodleigh Development Project (Singapore)

(2) Improving Work-Life Balance

To improve the balance between work and private life not only for women but for all employees, Kajima has been creating workplace environments and enhancing systems to reassure employees that they can continue working in active roles while attending to various life events such as raising children and caring for family members.

We encourage men and women to share the responsibility of raising children, and our efforts to promote this have led to an increase in the number of male employees taking advantage of the flexible, shortened work-hour program for parenting. As for family caregiving, we held a total of 13 seminars at the Head Office and all branches in fiscal 2018 to address the "2025 Problem," referring to the year by which Japan's entire baby-boomer generation will be 75 years of age or older. At the same time, we distributed an in-house publication titled *Support Handbook for Balancing Work and Nursing Care Responsibilities* to all employees. In fiscal 2019, we will hold additional seminars for employees residing in the Tokyo metropolitan area, and distribute an additional copy of the handbook to each employee for use by the employee's parents.

Going forward, we will encourage employees to take their allotted leave and will promote "no overtime" days, in addition to stepping up efforts to facilitate work-life balance through support for volunteer activities, parenting and family caregiving.

(3) Enhancing Personnel Systems to Realize Flexible Work Styles

Kajima is enhancing its personnel systems and programs to establish workplace environments in which each and every employee can work with enthusiasm and realize flexible work styles that take into account the workloads and other special features of each workplace.

Enhancements to Personnel Systems and Programs

Implemented in November 2018

- Established new system giving supervisors more discretion over subordinates' daily starting and finishing times
- Introduced calculation of annual paid leave by the hour
- Introduced system of minimum break time between work shifts
- Enhanced system of flex-time hours for parents
- Enhanced program for balancing work and medical treatment

Implemented in April 2019

- Established new program for family support leave

Scheduled to be introduced in fiscal 2019

- Telecommuting program
- Rehiring program for former Kajima employees

Improving Employee Health

Kajima has set up a clinic within the Head Office to make it easier for employees to receive medical examinations, and works closely with all business locations nationwide to manage employee health from a medium-to-long-term perspective. We ensure that employees undergo regular medical examinations and receive treatment advice, and actively provide healthcare guidance from health nurses and other follow-up. Emphasizing preventive care and early response with respect to employee mental health, we conduct stress checks in line with the Industrial Safety and Health Act to improve self-care (health management by employees themselves) and workplace environments. The overall results of the stress checks conducted in fiscal 2018 (comprehensive health risk) showed stress levels about 20% lower than the national average.

These efforts have been held in high regard, and as a result, Kajima was selected under the 2019 Certified Health & Productivity Management Outstanding Organizations (White 500) Recognition Program by the Ministry of Economy, Trade and Industry. It was the second year in a row for Kajima to be selected. We will continue ascertaining the health issues facing employees and undertaking various efforts to improve employee health.

Katsunori Ichihashi
Executive Officer
General Manager, Executive Office,
Overseeing Human Resources
Department and Center for
Shared Administrative Services

In its corporate philosophy, Kajima advocates "working together as one to pursue creative progress and development founded on both rational, scientific principles and a humanitarian outlook." This humanitarian and family-oriented tradition is a source of our competitiveness, and we will continue to adhere to this philosophy as we move forward.

Nevertheless, our business environment is constantly changing. While maintaining the competitive advantages we have cultivated thus far, we need to steadily expand our business domains both upstream and downstream on the construction value chain and extend those domains globally. Given the increasingly diversified workforce needed for these purposes, we will not be able to succeed amid intensifying competition unless we put the right people in the right places.

We intend to utilize the new HR systems set to go into effect this autumn to get a detailed understanding of the motivations and characteristics of individual employees, and then consider compatibility with the wide spectrum of careers and fields in which they can fully exercise their capabilities.

With all employees at the Kajima Group making use of their individual experience and aptitude to enhance their professional lives, we hope to set in motion a virtuous cycle in which the Group achieves sustainable growth that enables both our employees and the Group to prosper materially and spiritually.

Building a Relationship of Mutual Trust with Customers

QSE Policy
(common to the three areas of quality assurance, safety and health, and the environment)

Quality assurance, safety and health, and environmental management are fundamental to production and corporate survival. By establishing and continuously improving management systems to comply with relevant laws, ordinances, and other societal requirements, Kajima works to produce efficiently while earning the trust of clients and society.

Quality Assurance Policy

Kajima provides products and services that satisfy clients, from marketing to follow-up services, allowing them to place orders with a sense of reassurance and trust.

1. We ensure product quality by heeding and addressing client requirements and responding while thoroughly implementing the Plan-Do-Check-Act (PDCA) cycle.
2. We enhance research and development and plan ways to improve quality and increase operational efficiency.

Safety and Health Policy

Safety is the barometer of a company's capabilities and ethics. We therefore collaborate with partner companies with strong management to eliminate construction-related accidents and injuries so we can maintain public trust in the construction industry while pursuing sustainable corporate progress.

1. We work to prevent accidents and incidents stemming from human error by focusing on the workplace, equipment, and site conditions and by using point-call-and-response practices as routine workplace procedures.
2. We strive to create safe and comfortable working environments by facilitating close communication between Kajima and partner companies and by ensuring close coordination between people, machinery, and equipment.

Environmental Policy

Kajima, as the company "Building for the Next 100 Years," pursues a unique long-term environmental vision, doing its part in the broader social efforts to preserve the environment and ensure economic sustainability.

1. We work to reduce the environmental impact of our business and take into consideration the entire lifecycle of the structures we construct. We thereby seek to help build societies which use materials responsibly, have a low carbon footprint, and harmonize with nature.
2. As a standard for achieving these goals, Kajima:
   - Creates innovative technologies that help safeguard the environment and use resources sustainably;
   - Engages in construction management processes to prevent environmental damage caused by hazardous materials used in construction projects; and
   - Cooperates with the public, including by proactively disclosing information.

Quality

Based on the trust it has earned from customers and its reputation for providing reliable quality over its long history, Kajima has continued to receive project opportunities. Operating since 2015 under the slogan of "Building with the heart and soul of a craftsman," we will maintain our principle of focusing primarily on construction site operations in providing services of value to both customers and the public at large.

Management System

Kajima has received ISO 9001 certification in both its civil engineering and building construction businesses and has been managing quality accordingly. These certifications cover relevant Head Office departments, the Technical Research Institute, the Architectural Design Division and branches. Overseas Group companies have obtained relevant certifications. The civil engineering and building construction businesses have both prepared manuals and implementation guidelines and are implementing their own management systems.

Civil Engineering Business

A Civil Engineering Work Manual was prepared in 1996 and has been subsequently revised as necessary in order to provide civil engineering structures that meet the demands of customers, regulations and interested parties; improve customer satisfaction; effectively carry out quality assurance, safety and health, and environmental management; and improve overall performance.

Building Construction Business

In 2002, Kajima developed the Kajima Building Construction Total Management System (KTMS), the industry's first such system, as a manual for mission-critical tasks. KTMS sets out the work flow, construction site administrative rules, document storage rules and other guidelines that serve as the basis for project operation. We have made numerous revisions since then to ensure that these guidelines remain relevant in view of diversifying and increasingly sophisticated customer needs, the establishment of and need for stricter compliance with new laws and regulations, and quality assurance/environmental incidents that have occurred both inside and outside the Company.

Under the Medium-Term Business Plan (Fiscal 2015-2017) formulated in May 2015, the building construction business prioritized becoming involved in projects from the early stages, focusing on productivity improvements, and quickly discovering and addressing construction risks. Accordingly, in 2017 we began implementing KTMS-2017, which contains across-the-board revisions incorporating these priorities as routine procedures.

Kajima Head Office ISO 9001 and ISO 14001 Certifications	Certification Name	Certifying Body
Kajima Corporation	ISO 14001:2015	MSA
Management System Assessment Center Co., Ltd. Note: All 11 branches are registered (International Division is registered under the civil engineering business.)		Recertified: November 28, 2017 Valid through: December 16, 2020
Kajima Corporation civil engineering business	ISO 9001:2015	MSA
Kajima Corporation building construction business	ISO 9001:2015	MSA
Note: ISO 9001 certifications for relevant Head Office departments, the Technical Research Institute, the Architectural Design Division and branches are covered as a whole under "civil engineering business" or "building construction business."		Recertified: November 28, 2017 Valid through: December 23, 2020
Engineering Division	ISO 9001:2008	MSA

Other Certifications, etc.	Certification Name	Certifying Body
Architectural Design Division, Head Office of ARMO Co., Ltd.	ISO/IEC 27001:2013	BSI
Engineering Division	ISO 27001:2013	MSA
International Division	OHSAS 18001:2007	MSA

Certifications, etc., of Domestic and Overseas Group companies	Certification Name	Certifying Body
Kajima Road Co., Ltd.	ISO 9001:2015	MSA
	ISO 14001:2015	MSA
Kajima Environment Engineering Corporation	ISO 14001:2015	MSA
Kajima Tatemono Sogo Kanri Co., Ltd.: cleaning services (7 properties), facility management (1 property)	ISO 9001:2015	MSA
Kajima Mechatro Engineering Co., Ltd.	ISO 9001:2008	MSA
	Eco-Action 21	Institute for Promoting Sustainable Societies
Kajima Renovate Construction Co., Ltd.	ISO 9001:2015	JIC Quality Assurance Ltd.
	ISO 14001:2015	JIC Quality Assurance Ltd.
Clima-Teq Co., Ltd.	ISO 9001:2015	MSA
	ISO 14001:2015	MSA
Kobori Research Complex Inc.	ISO 9001:2015	MSA
Toshi Kankyo Engineering Co., Ltd.	ISO 14001:2015	MSA
	ISO 27001:2013	MSA

Framework for Ensuring Safety

Kajima is responsible for the safety and health management of everyone involved in construction site operations. Our role as the prime contractor is to develop plans and manage risks so that foremen and workers from partner companies involved in operations at construction sites can perform their duties confident that their equipment and working environment are safe.

In fiscal 2018 at Kajima construction sites in Japan, there were 66 accidents with lost work time of four or more days, including one fatal accident. The frequency rate of accidents resulting in lost work time of four or more days was 0.68, and the rate for accidents resulting in lost work time of one or more days was 1.49, resulting in a severity rate of 0.11. Under the slogan "Think safety! Make today accident free," we will continue to do our utmost to ensure a safety-first approach to work.

Safety Performance

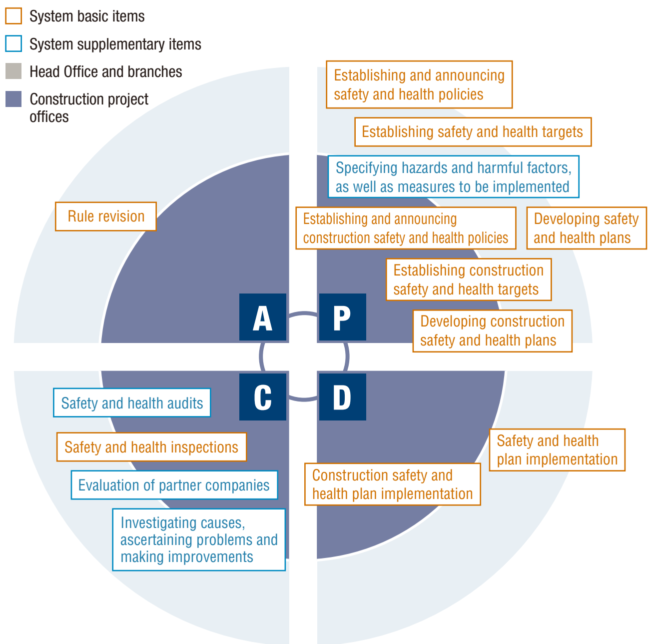
(FY)		2014	2015	2016	2017	2018
Accident frequency rate	Lost work time of 4 or more days	0.93	0.80	0.66	0.78	0.68
	Lost work time of 1 day or more	1.99	1.37	1.14	1.41	1.49
Accident severity rate		0.16	0.28	0.18	0.36	0.11
No. of accidents		102	83	64	70	66
No. of fatalities		2	3	2	4	1
Cumulative working hours (Millions of hours)		109.32	104.25	97.15	89.65	96.71

Frequency rate: The number of fatalities and injuries at worksites per one million cumulative working hours
Severity rate: The severity of illnesses and injuries represented by the number of workdays lost per one thousand cumulative working hours

Management System

Kajima has been implementing safety and health management in conformance with the Construction Occupational Health and Safety Management System (COHSMS).

We follow a Plan-Do-Check-Act (PDCA) cycle of reviewing our safety and health policies as necessary based on the performance and circumstances of the previous fiscal year, and then formulating Company-wide safety and health targets and plans for the current fiscal year. Starting from the Company-wide policies formulated through this cycle, we narrow down the range of issues to determine the priority items to be implemented at individual construction project offices as well as those for the Head Office, branches and partner companies supporting them. We then use these items as a foundation for establishing construction safety and health policies, targets, and plans for each construction site, to be shared with partner companies in carrying out construction work. In addition, by focusing on actual workplaces, equipment, and site conditions through regular patrols, we will keep improving safety and health levels.




Receiving Ministry of Health, Labour and Welfare award (Ensuring Health: Improving Health) as an outstanding workplace contributing to safety and health in connection with the Fukuoka High-District-Family-Simplified Court Building Construction Project

President Oshimi takes part in a construction site patrol during National Safety Week

Relationships with Business Partners

Partner companies are essential to Kajima's supply chain.

In selecting partner companies for construction work, we utilize outside organizations as well as our in-house system to evaluate candidates and manage the selection process to confirm that these companies have suitable construction capabilities. We conduct all procurement, including for equipment and materials, in a transparent, fair and appropriate manner in accordance with the Kajima Group's Corporate Code of Conduct. This means we observe laws, maintain equitable relationships with partner companies, eradicate antisocial activities, respect the cultures and customs of all nations and people, prohibit discrimination and unfair treatment, prohibit child labor and forced labor, and address environmental issues.

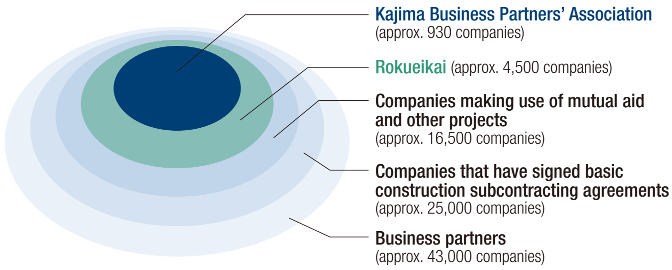
In the Medium-Term Business Plan (Fiscal 2018-2020), we have positioned "securing the next generation of workers" as a key tactic, with measures aimed at ensuring mutually beneficial relationships with our partner companies in five areas: hiring activities, improving the treatment of construction workers, education and training, workplace environments, and management platform.

Working together with the Kajima Business Partners' Association and Rokueikai

Kajima's partner companies formed the Kajima Business Partners' Association (approximately 930 companies nationwide), which engages in various projects in the spirit of mutual aid, as well as Rokueikai (approximately 4,500 companies nationwide), whose primary purpose is accident prevention activities. By coming together with partner companies through these organizations, Kajima forms strong partnerships that will ensure quality and safety.

Kajima Business Partners' Association

Robust construction capabilities are essential to creating buildings and structures of reliable quality and safety. Comprising corporate partners that work with Kajima to bolster combined construction capabilities, the Kajima Business Partners' Association was established in 1974 by construction subcontractors who play key roles in the production system. In the spirit of mutual aid, the association carries out joint projects necessary for improving the financial status of its members. It also conducts a variety of projects aimed at providing compensation/relief to victims of industrial accidents, fostering engineers and technicians, and improving construction standards. Working to strengthen collaboration and facilitate communication with Kajima, reinforce the management structure of members, and systematize guidance for members, the association has created an environment that is beneficial and efficient for both Kajima and its subcontractors. Among general contractors, such a framework is unique to Kajima.



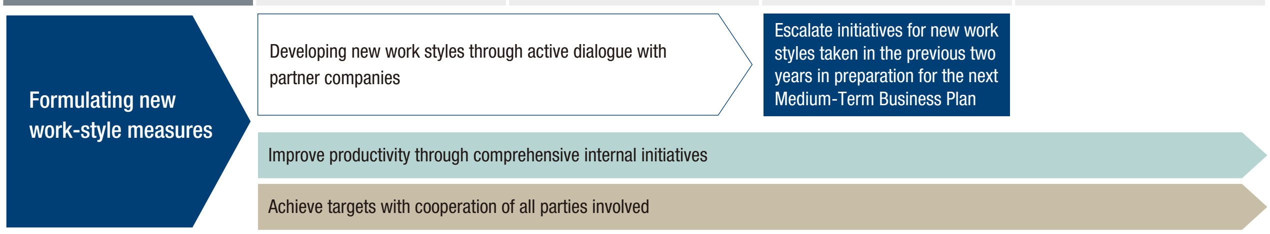
Pushing for a Five-Day Work Week

Kajima is increasing the implementation of a five-day work week at construction sites (site closures 104 days each year*) in stages, beginning with a target of 50% of sites by the end of fiscal 2019. In the second stage, we will leverage internal initiatives aimed at improving productivity to achieve implementation at 75% of sites by the end of fiscal 2020. Our ultimate goal is to have all construction sites operating on a five-day work week by the end of fiscal 2021.

* 365 days x 2/7 (five-day work week) ≈ 104 days

Five-day work week targets and implementation rates

FY2017	FY2018	FY2019	FY2020	FY2021
Targets	—	50%	75%	100%
Actual	30%			



Environment

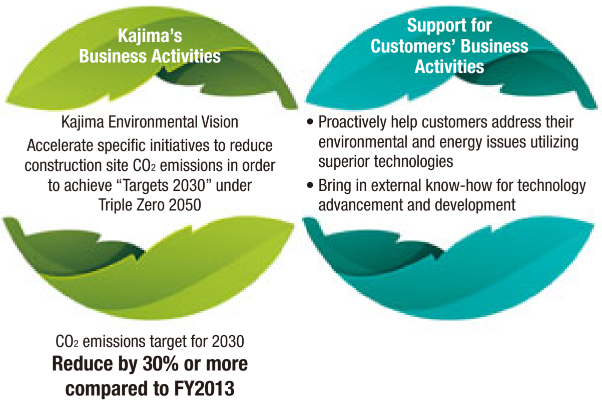
Kajima Environmental Vision: New Targets for Triple Zero 2050

The priority environmental focus in the Medium-Term Business Plan (Fiscal 2018-2020) announced last year is "pursue environmental and energy opportunities for the business activities of the Kajima Group and its customers." We are stepping up specific efforts in our own business activities to reduce carbon dioxide (CO_2) emissions at construction sites, as well as utilizing our superior technologies to help customers address their environmental and energy issues.

Formulated in 2013, the Kajima Environmental Vision: Triple Zero 2050 is the basis of our environmental initiatives. Our ultimate goals in the areas of CO_2 reduction, resource recycling and harmonious co-existence are, respectively, zero carbon, zero waste, and zero impact. In particular, to reflect the signing of the Paris Agreement and the rise in ESG investment, we established new targets for reducing CO_2 emissions. We aim to reduce our CO_2 emission intensity (t-CO_2/¥ hundred million of sales) by 30% compared to fiscal 2013 by 2030, and by 80% no later than 2050.

We developed the Environmental Data Evaluation System (edes) in fiscal 2018 to reduce energy use at construction sites, and conducted trial runs at several sites. (See page 60 for details.)

Strengthening Long-Term Environmental and Energy Initiatives



Triple Zero 2050 (Revised May 2018)

	Social Goals	Triple Zero 2050	Targets 2030	Environmental Targets
Building a More Sustainable World	**Lower CO_2 Emissions** Balancing greenhouse gas emissions from human activities with the Earth's capacity for CO_2 absorption	**Zero Carbon** Aiming for a zero carbon footprint by reducing the Group's greenhouse gas emissions (Scope 1, 2, and 3 emissions) by at least 80% compared to fiscal 2013	**Group-wide** Reduce Group-wide greenhouse gas emissions (Scope 1 and 2 emissions) per unit of sales to 30% of fiscal 2013 level or lower (equivalent to a 30% reduction of total emissions with fixed construction amount); contribute to the reduction of Scope 3 emissions as well, through joint efforts in the supply chain **Construction Operations** Lower construction site greenhouse gas emissions per unit of sales to 30% of fiscal 2013 level or lower **Architectural Design** Lower CO_2 emissions in the operation stage of newly completed buildings by at least 30% compared to Japan's energy-saving standard Mainstream ZEB Ready buildings and pursue net ZEB for flagship projects	**Three-year (FY2018-2020) environmental targets have been set for each sector and activities are under way** **(See pages 60-61 for details.)**
	Recycle Resources Pursuing zero emissions by employing state-of-the-art infrastructure maintained and operated using sustainable resources	**Zero Waste** Aiming to eliminate waste from construction operations by ensuring zero landfill disposal of waste during construction, utilizing sustainable materials, and making buildings last longer	Completely eliminate final landfill waste from construction operations Achieve a usage rate of recycled materials of at least 60% for principal construction materials (steel, cement, ready-mixed concrete, crushed stone and asphalt)	
	Harmoniously Co-Existing with Nature Valuing the continuous benefits of ecosystem services by minimizing the impact of human activities on the environment and living creatures	**Zero Impact** Aiming to minimize the overall environmental impact of construction operations by limiting their effect on nature and living creatures while promoting the restoration of biodiversity and new ways to make use of its benefits	Promote biodiversity restoration projects Build a portfolio of effective projects and make them hubs for biodiversity-related networking	
	Common Foundation Initiative Areas	• Management of hazardous substances: Ensure preventative measures (especially for soil contamination and asbestos) and proper management of chemical substances • Conduct research and technology development • Actively distribute information in and outside the Company		

Helping Customers Address Their Environmental and Energy Issues

Kajima provides technologies and services to support the business activities of its customers and help them address their environmental and energy issues in the areas of lower CO_2 emissions, recycling resources, and harmoniously co-existing with nature.

Business Activity Support to Address Customers' Environmental and Energy Issues

Lower CO_2 Emissions

- Zero energy buildings (ZEB)
- Energy management
- Renewable energy utilization

etc.

Recycling Resources

- High-efficiency energy recovery from organic waste
- Advanced wastewater treatment system
- Energy recycling

etc.

Harmoniously Co-Existing with Nature

- Soil and groundwater contamination control
- Waste and hazardous substance treatment
- Green infrastructure

etc.

Highlight 1: Lower CO_2 Emissions

Helping substantially cut CO_2 emissions not only during construction but also during the manufacture of construction materials and during facility operation

Kajima completed the F-Place (Fujisawa Community Hall and Vocational Center Multipurpose Public Complex) in February 2019. We were awarded this contract through a competitive bidding process that involved a comprehensive evaluation based on a design/build package order formula. This public structure, which obtained Comprehensive Assessment System for Building Environmental Efficiency (CASBEE) third-party certification, employs barrier-free universal design to give everyone easy access, as well as natural lighting, natural air circulation, and a solar power generation system for higher energy-saving performance. During a building's lifecycle, CO_2 emissions are highest following handover to the customer, but we will be assisting in significantly reducing CO_2 emissions during the building's operation as well.

The EcocreteR[3] ultra-low-carbon concrete developed by Kajima was used extensively for the first time in constructing this facility. EcocreteR[3] is an eco-friendly concrete that uses recycled waste ready-mixed concrete* as a raw material, thereby helping recycle resources and reduce CO_2 emissions. For this project, 6,000 cubic meters of such concrete was used in the building's skeleton, reducing by about 600 tons the volume of waste ready-mixed concrete generated in Fujisawa City during the construction period and cutting CO_2 emissions during concrete manufacture by about 480 tons compared with conventional concrete.

* Ready-mixed concrete returned to the plant unused for some unavoidable reason, such as its use in inspections when taking delivery

Highlight 2: Resource Recycling

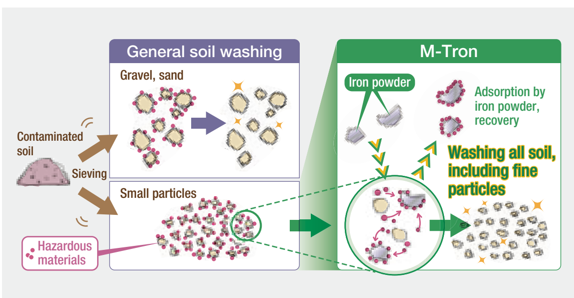
"M-Tron®" full remediation technology for soil contaminated with heavy metals

2016 Engineering Commendation Award from The Engineering Advancement Association of Japan (ENAA) and 2016 Environmental Award from the Japan Society of Civil Engineers (JSCE)

Soil contamination as a result of naturally occurring arsenic and/or lead often extends over wide areas, and contaminated soil has also been confirmed at former sites of metal-processing, chemical and many other types of plants. Upon determining the presence of heavy metals such as arsenic or lead, the conventional approach has been to excavate the contaminated soil, move it off-site, and replace it with the same volume of uncontaminated soil. The excavated soil can also be decontaminated on-site but, as contaminants cannot be completely removed from fine-particle soil, residual soil and the muddy water containing hazardous materials must be moved off-site as industrial waste.

Combining this washing approach with Kajima's M-Tron technology enables full remediation of soil contaminated with heavy metals. M-Tron uses special iron powder with superior adsorption properties to adsorb heavy metals, and then employs a strong magnetic field generated by a superconducting magnet to efficiently recover the iron powder that has adsorbed hazardous materials from the mud and thereby remove those materials.

The winner of the 2016 Engineering Commendation Award from The Engineering Advancement Association of Japan (ENAA) and 2016 Environmental Award from the Japan Society of Civil Engineers (JSCE), M-Tron has been applied at shield construction sites, among others.



Management Systems

Kajima operates environmental management systems (EMS) that are compliant with ISO 14001. The Environment Committee is headed by the President and implements initiatives in each of five sectors: civil engineering, building construction, environmental engineering, engineering, and research and development.

Four subcommittees address environmental management, construction environments, sustainable procurement, and biodiversity as cross-sector issues.

Environmental initiatives for domestic Group companies are primarily focused on construction-related companies, due to their high environmental impact.

Summary of Environmental Activities for Fiscal 2018

Fiscal 2018 was the first year of Kajima's newest three-year plan. We revised the CO_2 emission targets in the Kajima Triple Zero 2050 Environmental Vision at the beginning of the fiscal year to reflect the signing of the Paris Agreement and rising investment in ESG. In line with reduction targets set for Japan, we committed to reducing our CO_2 emission intensity (t-CO_2/¥ hundred million of sales) by 30% compared to fiscal 2013 by 2030 and by 80% no later than 2050.

In pursuing lower CO_2 emissions, we changed our benchmark for CO_2 intensity attributable to construction from the fiscal 1990 level to the fiscal 2013 level, far surpassing the 4% CO_2 emissions reduction target with a 9% reduction. In recycling resources, we changed our final disposal rate target in fiscal 2018 to include sludge to promote its recycling. However, the actual rate for the fiscal year was 4.5%, falling short of the target of less than 3%. In seeking to harmoniously co-exist with nature, we caused no environmental impact through hazardous materials or polluted water, although there were two minor procedural violations of the Waste Management and Public Cleansing Act.

As the Soil Contamination Countermeasures Act was set to undergo major revisions in April 2019, Kajima made various preparations during fiscal 2018, including holding briefings for Head Office and branch sales personnel, and "environmental fairs" for customers of individual branches to explain the impact of these revisions on business activities.

Launch of Environmental Data Evaluation System (edes) to Reduce Energy Use at Construction Sites

About 90% of Kajima's CO_2 emissions from its own business activities are generated at construction sites. Nearly 30% of energy consumed on-site is electricity, and 70% is the diesel oil used in heavy machinery and elsewhere. We have been implementing energy-saving activities and offering instruction in fuel-efficient operation, and have ascertained the CO_2 emissions of the Company as a whole using sampling data from studies of energy consumption at construction sites conducted over a set period vis-à-vis the value of finished work.

To effectively reduce CO_2 emissions during construction, it is necessary to know the emissions per construction site and then implement timely and appropriate countermeasures tailored to the conditions of each site.

For this reason, we developed the Environmental Data Evaluation System (edes), which enables users to ascertain and visualize CO_2 emissions for all processes at all construction sites on a monthly basis. The system aggregates and visualizes monthly data on CO_2 emissions, waste generation, and water use from each construction site. Following trials at several sites in fiscal 2018, we put the system into full-scale operation at building construction sites in June 2019. The types, numbers and operating hours of construction machinery operated on-site as well as other information are linked to existing construction management support services and the data is automatically imported into edes, enabling the calculation of CO_2 emissions during construction. By adding the CO_2 emissions from electricity consumption and from the fuel used in vehicles conveying soil/sand and waste, the system has enabled us to ascertain actual figures for each work site on a monthly basis.

As indicated in Triple Zero 2050, we will accelerate our efforts to lower CO_2 emissions by comparing the figures for each construction site and branch to derive effective reduction measures, and by deploying these measures at other locations nationwide.

Environmental Targets (FY2018-2020) and FY2018 Actual Figures

		Three-Year (FY2018–2020) Targets	FY2018 Targets	FY2018 Results
Lower CO_2 Emissions	Construction	Reduce CO_2 emissions per unit of sales attributable to construction by 8% compared to fiscal 2013	Reduce CO_2 emissions by 4%	Reduced CO_2 emissions by 9%
	Design	Secure conformance with QCDSE (Quality, Cost, Design, Safety, Environment) mandatory standards in Building Energy Efficiency Act	Implement action plans that conform with mandatory standards in Building Energy Efficiency Act	Set and managed original issues in line with building use
		Develop industry-leading CO_2 emissions targets	Actively utilize labeling programs such as the Building Energy-efficiency Labeling System (BELS)	Numerous projects for which efforts are underway to obtain BELS, CASBEE New Structure, CASBEE Wellness Office, LEED NC and other certifications One CASBEE New Structure certification obtained
			Achieve corporate targets for energy efficiency (20% reduction)	23.2% reduction
Recycle Resources	Construction	Less than 3% landfill waste including sludge	Less than 3% landfill waste including sludge	Final disposal rate of 4.5% (including sludge)
	Design	Implement green procurement	Propose more than four items, indicate them on working drawings, and verify whether or not the proposed items were ultimately adopted	Average of 5.3 items proposed
		Design buildings with a longer life	Attain a score of at least 3.6 for evaluations based on in-house check sheet	Evaluation: Average of 3.64
Harmoniously Co-Existing with Nature		Implement outstanding biodiversity projects	Implement more than six outstanding biodiversity projects per year	Selected nine outstanding projects
		Reduce the environmental impact of construction (particularly through management of hazardous materials and polluted water management, etc.)	Limit the environmental impact of construction (particularly through management of hazardous materials and polluted water, etc.)	No environmental impact from hazardous materials or polluted water (Two minor procedural violations of the Waste Management and Public Cleansing Act)
Common Foundation Initiative Areas	Implement R&D and promote technologies and services that support Triple Zero 2050 objectives			
	R&D	Implement research and technology development that contributes to preservation of the environment and sustainable use More than six examples of deploying research or technology results to onsite operations over the three-year period	Environmental contribution R&D projects: 6 Environmental contribution technology projects deployment: 2	Designated environmental topics: 18 Results deployed: 3 instances
	Environment Engineering	Promote environmental management in concert with Group companies Make technical innovations and create projects based on Triple Zero 2050	Improve environment-related proposal capabilities, pursue project making	Strengthened efforts in four priority fields Efforts toward next-generation technologies/projects, environmental fairs held in collaboration with branches (3 times)
	Engineering	Provide customers with high-environmental performance production facilities	Confirm Triple Zero 2050 approaches and measures for dealing with chemical substances in projects	Confirmation at Division Design Review, project review committees (reviews conducted for all 14 target projects)

Material Flow

Input

		FY2018
Construction sites	• Energy	
	· Electricity (kWh)	93,580,000
	· Diesel oil (kℓ)	75,703
	· Kerosene (kℓ)	2,137
	• Water (m³)	713,000
	• Main construction materials (t)	2,189,000
Offices	• Energy	
	· Electricity (kWh)	25,440,000
	· Heavy oil (kℓ)	11
	· Kerosene (kℓ)	10
	· Gas (m³)	157,000
	· Heating/Steam/Cooling (GJ)	16,755
	• Water (m³)	156,000

Output

		FY2018
Construction sites	• CO_2 emissions (t)	251,000
	• Construction surplus soil (m³)	750,000
	• Hazardous materials collected	
	· Materials containing asbestos (t)	56,926
	· CFCs and halon (t)	1.5
	· Fluorescent tubes (t)	77.9
	• Construction waste (t)	1,994,000
	• Final disposal volume (t)	85,000
Offices	• CO_2 emissions (t)	14,000
	• Volume of waste (t)	2,036.4

Message from the Chairman of the Board of Directors

"I would like to increase opportunities to discuss the Company's future vision."

Mitsuyoshi Nakamura
Chairman; Representative Director

Kajima's Board of Directors has continued to evolve since outside directors were brought on board in 2015.

Over the past year, the Governance Committee was established in December 2018 as a voluntary discretionary committee to deliberate on officer appointments and remuneration, and following the General Stockholders' Meeting in June 2019, the number of outside directors was increased from three to four and a stock remuneration system for internal directors was introduced. These initiatives will help strengthen Kajima's corporate governance, and are the result of the preparations we have made.

Undertaking such systemic and structural reforms is of course necessary to earn the trust of outside parties, but in terms of genuinely improving the Group's corporate value, I regard the transformation in the nature of discussions conducted at Board of Directors meetings and the greater time now spent in debates rather than on reports as important changes.

Until the second year or so after outside directors were called on, directors responsible for execution of operations took a passive stance, merely replying to outside directors' questions and suggestions, which were backed by deep insight and global experience. But now, internal directors not only respond to outside directors' questions and suggestions, they increasingly solicit outside directors' views on business direction and other matters. This has turned Board of Directors meetings into venues for sound and vigorous debate. Indeed, after in-depth discussions on technology development and business models at the most recent Board of Directors meeting, it was decided to continue raising such issues as agenda items. Changes such as these are the result of efforts to give outside officers, including outside Audit & Supervisory Board members, a better understanding of the Company not only through Board of Directors meetings but also through tours of branches and construction sites and through opportunities for dialogue with managers.

That said, the Board of Directors only meets once a month, and it must make legally stipulated decisions on certain matters within the limited time available. In reviewing and exchanging opinions on the past year's activities, both internal and external directors indicated a desire to engage with project managers to discuss specific agenda items and in certain instances to visit their construction sites. We hope to increase opportunities for interaction with outside officers to discuss the future vision of the Company, including having them attend branch meetings in which construction site and project office managers participate, and even visit overseas subsidiaries.

Over the past four years, Kajima has been fortunate in its lineup of outside directors and outside Audit & Supervisory Board members, who have not only supervised and audited management but also helped steer discussions toward dramatic progress. As we move forward, one of my key roles will be to continue making the Board of Directors function better.

Taking the opinions of stakeholders and the general public into account, I pledge to fulfill my roles and responsibilities as the chairman of the Board of Directors, enhance the quality of discussions at Board of Directors meetings, and strengthen corporate governance to improve corporate value.

Corporate Governance

Fundamental Stance

Kajima's fundamental commitment on corporate governance is to ensure fair and transparent corporate activities using enhanced management supervision by the Board of Directors and Audit & Supervisory Board. This is combined with risk management and accountability achieved via internal controls and systematic steps to secure compliance.

Kajima will continue to strengthen its corporate governance based on the Corporate Governance Code outlined by the Tokyo Stock Exchange.

Overview of Corporate Governance Structure

Kajima has elected to use a Company with an Audit & Supervisory Board structure, with a Board of Directors to make key business decisions and monitor business execution and an Audit & Supervisory Board to audit the execution of duties by directors.

The Board of Directors meets once a month and additionally as needed. In addition to nine internal directors with expert knowledge of the Company's businesses, the Board has four outside directors, who add an independent perspective on key decisions and enhance management supervision. The Board of Directors has a total membership of 13 persons, and is headed by the chairman.

To support the sustainable growth and progress of the Group for years to come, appointees to the Board of Directors must have the ability to apply the knowledge they have cultivated in their respective fields, such as business, finance, and technology. Candidate selection is based on the corporate philosophy, and by taking into consideration the diversity and appropriate size of the Board of Directors, while pursuing a balance of knowledge, experience and abilities. Five Audit & Supervisory Board members, including three outside Audit & Supervisory Board members, also attend Board of Directors meetings.

The Governance Committee, comprising outside directors and outside Audit & Supervisory Board members, has been established as an advisory organ to the Board of Directors in addition acting in the capacity of discretionary nomination and remuneration committees, thereby ensuring greater objectivity and transparency. Furthermore, an executive officer system has been introduced to separate and bolster supervisory and operational execution functions, and a Management Committee and a Joint Committee of Directors and Executive Officers have been established to improve the efficiency of operational execution.

The Audit & Supervisory Board comprises two inside and three outside members, including finance and accounting experts, and meets once a month in principle. Audit & Supervisory Board members attend important meetings, including Board of Directors meetings, and audit the actions of directors, with the support of the Office of Audit & Supervisory Board Members. They also work closely with independent auditors and the Audit Department, receiving information from the Compliance and Risk Management Committee and Internal Control Evaluation Committee on Financial Reporting concerning the implementation of internal controls, and working to enhance the effectiveness and efficiency of auditing.

Governance Structure: Company with an Audit & Supervisory Board

Directors	13 persons (including 4 outside directors) Term: 2 years
Audit & Supervisory Board members	5 persons (including 3 outside members)
Executive officer system	Yes
Independent directors	7 persons

Progress in Strengthening Corporate Governance

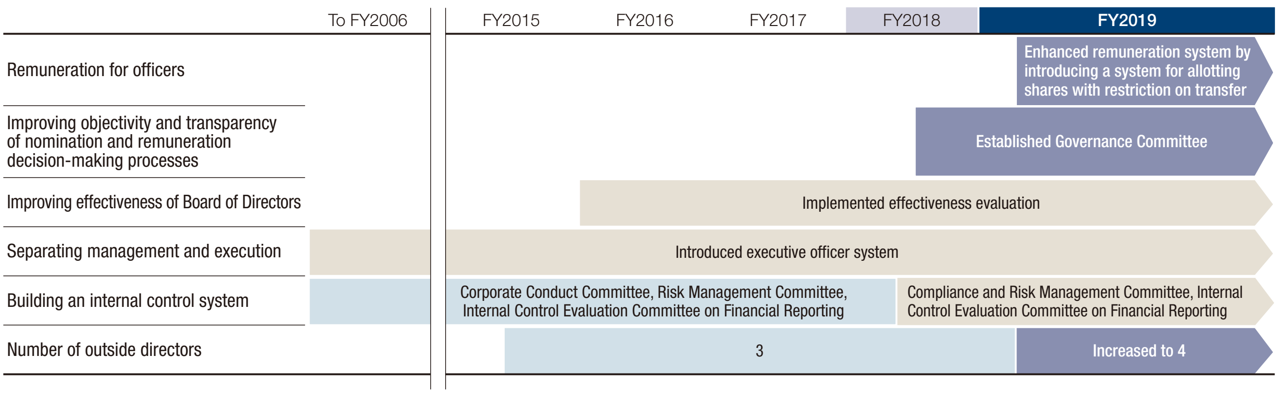
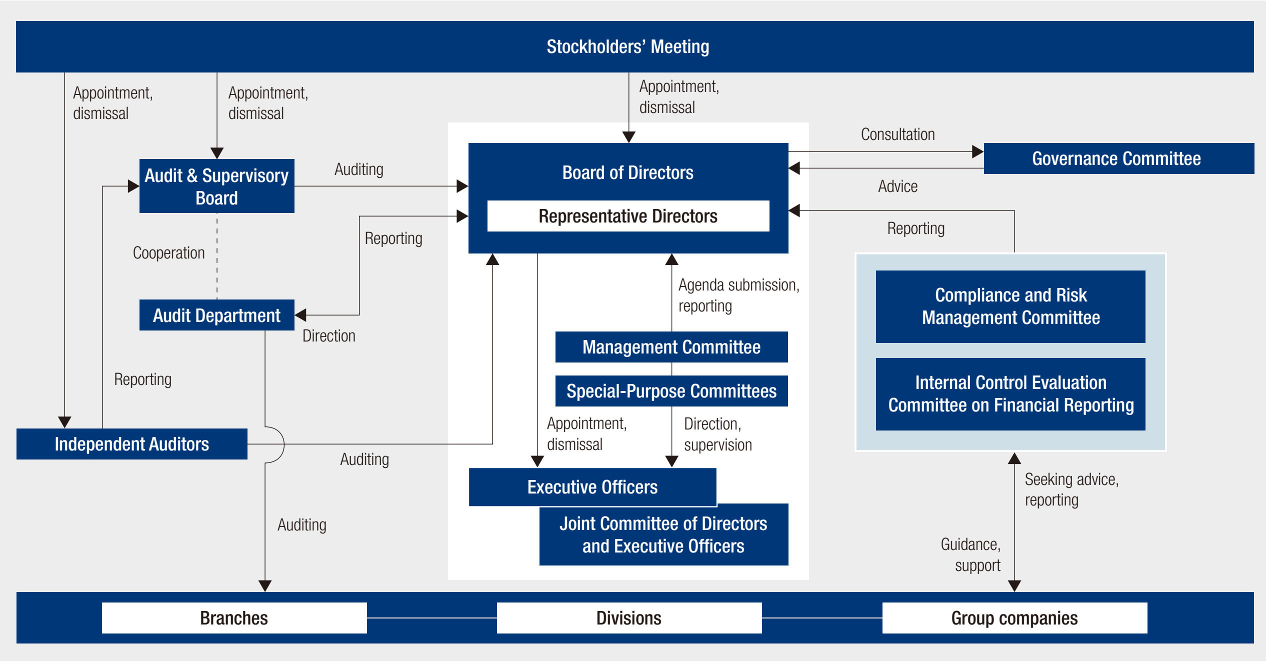


Diagram of Corporate Governance Structure



Governance Committee

Agenda items at last four meetings (December 2018–June 2019)

- Agenda items of meetings of the Governance Committee
- Officer remuneration system (including composition, standards, guidelines for determining remuneration)
- Composition of Board of Directors, requirements for executives on management team, and nomination guidelines
- Operational enhancements and other measures to improve the Board of Directors' effectiveness

The Governance Committee was established in December 2018 as an advisory organization to the Board of Directors in order to reinforce the Kajima Group's corporate governance system. In setting up this committee to discuss critical corporate governance issues, including personnel matters and remuneration of directors, and to offer recommendations to the Board of Directors, the Company aims is to ensure objectivity and transparency regarding such matters. The committee comprises all of Kajima's outside directors and outside Audit & Supervisory Board members, with Director Koji Furukawa serving as chair.

Outside Director Support System

The Executive Office is responsible for providing support to outside directors, and the Office of Audit & Supervisory Board Members is responsible for providing support to outside Audit & Supervisory Board members. In addition to providing orientations prior to Board of Directors meetings, these offices also supply outside officers with the information they need to serve in their positions.

Outside directors meet regularly with Kajima management. In addition, they receive tours of branch offices and construction sites. This enhances management supervision by ensuring that the outside directors have an accurate understanding of Kajima's business.

Outside Directors and Outside Audit & Supervisory Board Members

Kajima appoints four outside directors and three outside Audit & Supervisory Board members, with an emphasis on securing a high degree of independence. Appointees must satisfy certain requirements for independent directors as defined by stock exchanges, and all are registered with the Tokyo Stock Exchange and Nagoya Stock Exchange as independent directors.

Major Internal Meetings in FY2018

Board of Directors	14 meetings
Management Committee	36 meetings
Joint Committee of Directors and Executive Officers	11 meetings
Audit & Supervisory Board	15 meetings

Basis for Appointing Outside Directors

Name	Independent director	Major concurrent positions	Reason for appointment	Attendance in FY2018	
Koji Furukawa	Yes	Advisor, Mitsubishi Corporation	Koji Furukawa provides valuable insight from his extensive experience in senior management positions with leading organizations in different industries, including Mitsubishi Corporation, Mitsubishi Motors Corporation, Japan Post Bank Co., Ltd., and Japan Post Network Co., Ltd. His appointment was based on his past advice to Kajima management and his appropriate oversight of business execution.	14 of 14 Board of Directors meetings	2 of 2 Governance Committee meetings
Masahiro Sakane	Yes	Councilor, Komatsu Ltd.; Outside Director, Takeda Pharmaceutical Company Limited	Masahiro Sakane provides valuable insight from his experience leading a global manufacturer. He served as President and later Chairman and then Councilor at Komatsu Ltd. He is also an Outside Director for Takeda Pharmaceutical Company Limited. His appointment was based on his past advice to Kajima management and his appropriate oversight of business execution.	14 of 14 Board of Directors meetings	2 of 2 Governance Committee meetings
Kiyomi Saito	Yes	President, JBond Totan Securities Co., Ltd.; Outside Audit & Supervisory Board Member, Showa Denko K.K.	Kiyomi Saito provides valuable insight from her extensive experience gained as a business leader and entrepreneur. She served as Executive Director at Morgan Stanley and is the President & Representative Director of JBond Totan Securities Co., Ltd. (which she founded as JBond Co., Ltd.). She is also an Outside Audit & Supervisory Board Member at Showa Denko K.K. Her appointment was based on her past advice to Kajima management and her appropriate oversight of business execution.	14 of 14 Board of Directors meetings	2 of 2 Governance Committee meetings
Yukio Machida	Yes	Attorney; Outside Audit & Supervisory Board Member, Asahi Mutual Life Insurance Co.; Outside Director, Mizuho Bank, Ltd.	Yukio Machida brings specialized knowledge as a prosecutor and attorney, and provides valuable input from a neutral and objective perspective based on insight gained from his extensive legal experience. His appointment was based on these credentials. (Outside Audit & Supervisory Board Member until June 2019)	14 of 14 Board of Directors meetings 15 of 15 Audit & Supervisory Board meetings	2 of 2 Governance Committee meetings

Basis for Appointing Outside Audit & Supervisory Board Members

Name	Independent director	Major concurrent positions	Reason for appointment	Attendance in FY2018	
Masahiro Nakagawa	Yes	–	Masahiro Nakagawa possesses considerable knowledge relating to finance and accounting. He served as Director at Sumitomo Mitsui Banking Corporation and President & CEO of SMBC Trust Bank Ltd. His appointment was based on the neutral and objective opinions he is able to provide by drawing upon his extensive experience with financial institutions.	11 of 11 Board of Directors meetings 10 of 10 Audit & Supervisory Board meetings	2 of 2 Governance Committee meetings
Shuichiro Sudo	Yes	–	Shuichiro Sudo provides valuable input from a neutral and objective perspective, based on insight gained from his extensive experience in senior management positions at insurance companies including The Dowa Fire and Marine Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. His appointment was based on these credentials.	14 of 14 Board of Directors meetings 15 of 15 Audit & Supervisory Board meetings	2 of 2 Governance Committee meetings
Kazumine Terawaki	Yes	Attorney; Outside Director, Toshiba Machine Co., Ltd.; Outside Audit & Supervisory Board Member, Kewpie Corporation; External Audit & Supervisory Board Member, Shoko Chukin Bank, Ltd.	Kazumine Terawaki brings a wealth of legal experience, valuable insight, and a broad range of business experience, including appointments as an outside audit and supervisory board member at multiple listed companies. His appointment was based on these credentials. (Appointed in June 2019)	–	–

Evaluating the Effectiveness of the Board of Directors

Kajima evaluates the effectiveness of its Board of Directors once a year in order to enhance the Board's function. Each year, external experts are also asked to review the evaluation method. Below is an overview of the findings of the review conducted in June 2019.

Scope of Discussions

- Quantitative and qualitative analyses comparing aspects including the number of agenda items discussed at Board of Directors meetings, the deliberation time, and the content of discussions, with previous fiscal years
- Progress made in addressing issues raised at Board of Directors meetings
- Future points for improvement (e.g. selection of agenda topics, meeting administration)

(Based on discussions with all members of the Board of Directors, including outside directors and outside Audit & Supervisory Board members)

Evaluation Results
(Board of Directors meeting held on June 11, 2019)

Quantitative and Qualitative Analyses

- Sufficient discussion time is being allocated to ensure vigorous discussions at Board of Directors meetings.
- The management team actively takes into consideration issues raised at Board of Directors meetings and continually works to improve governance and operations.

It was determined that a suitable structure had been put in place for the Board of Directors to exercise its decision-making and supervisory functions, and that Board of Directors meetings were being effectively administered.

Key Issues Raised and Responses

	Key issue raised	Response
1	Need for more opportunities for outside officers to freely participate in discussions and make recommendations to the Board of Directors, in order to ensure objectivity and transparency.	The Governance Committee, which comprises only outside directors and outside Audit & Supervisory Board members, has been established as an advisory organ to the Board of Directors.
2	In light of allegations that have arisen, ensuring that the Company's compliance with the Anti-Monopoly Act is never again called into question.	The Kajima Regulations for Preventing Collusion were formulated based on the review, integration and revision of various existing regulations governing compliance and procedures.
3	Introduction of a remuneration system that improves long-term corporate value and ensures directors share the benefits and risks of stock value fluctuations with stockholders.	Following numerous discussions on the officer remuneration system and remuneration standards, a stock remuneration system was introduced.
4	In light of accidents that have occurred at worksites, recognition of the importance of enhancing workplace safety and implementation of respective countermeasures.	Workplace patrols are being conducted by two newly appointed Executive Officers in Charge of Safety, sensors and safety devices are being installed on heavy equipment, and other specific countermeasures are being taken.

Principal Matters for Deliberation (Discussion) by Board of Directors (July 2018–May 2019)

1. Follow-up on Kajima Group Medium-Term Business Plan

(Excerpted opinions from outside directors)

- It is important that progress in implementing medium-to-long-term measures and investment plans be monitored, and in future the Board should submit reports on post-M&A outcomes and other matters.
- The profitability of construction projects outside Japan needs to be improved.

2. Establishment of Governance Committee

3. Introduction of stock remuneration for officers

4. Establishment of Kajima Regulations for Preventing Collusion

5. Occurrence of industrial accidents and safety management issues and measures

6. Participation in venture capital projects in search of cutting-edge technologies

7. Acquisition of student dormitory development and operation company in Poland

Officer Remuneration

Kajima has established policies on determining the amounts of officer remuneration, etc.

To ensure objectivity and transparency when deciding officer remuneration, the Governance Committee, comprising outside directors and outside Audit & Supervisory Board members and chaired by an outside director, discusses matters including basic approaches to officer remuneration, remuneration systems, and remuneration standards, and the Board of Directors will deliberate and decide on such matters based on advice and recommendations from the committee.

Kajima provides remuneration to officers in the form of fixed monthly remuneration and variable performance-linked remuneration (bonus), determined by position (including position as an executive officer for directors concurrently serving in that role) and tenure, within parameters determined by resolution at stockholders' meetings. Non-full-time officers are paid only monthly remuneration.

A resolution was passed at the 122nd Ordinary Stockholders' Meeting held on June 25, 2019, to introduce a remuneration system for allotting shares with restriction on transfer (up to ¥300 million in monetary remuneration receivables to be provided each year as remuneration through shares with restriction on transfer, with the transfer restriction period to extend from the day the shares are allotted through the day the recipient resigns from his/her position as director or executive officer) for the purposes of ensuring that directors share the benefits and risks of stock value fluctuations with stockholders and increasing directors' incentive to increase stock value and corporate value.

Total remuneration for Audit & Supervisory Board members is decided at Audit & Supervisory Board meetings according to working conditions, within parameters determined by resolution at stockholders' meetings.

Details of Officer Remuneration

	Remuneration amount	Directors[1]	Outside directors	Audit & Supervisory Board members
Monthly remuneration	Directors: Up to ¥60 million/month Audit & Supervisory Board members: up to ¥15 million/month	●	●	●
Performance-linked remuneration (bonus)	Up to ¥300 million/year[2]	●	—	—
Remuneration in shares with restriction on transfer	Up to ¥300 million/year	●	—	—

1. Excluding outside directors
2. In principle, performance-linked remuneration (bonus) is calculated by multiplying the standard bonus amount established for respective position and tenure by the percentage change in consolidated ordinary income (consolidated ordinary income for the current year divided by average consolidated ordinary income for the previous three years) and by a coefficient that takes into comprehensive consideration such factors as performance levels in light of the business environment. This coefficient will be limited to a maximum of 2.0 and will be determined by resolution by the Board of Directors.

FY2018 Remuneration for Directors and Audit & Supervisory Board Members

(¥ million)

Position	Total remuneration	Monthly remuneration	Bonus	Stock remuneration	Recipients
Directors (excluding outside directors)	720	513	206	—	11
Audit & Supervisory Board members (excluding outside members)	56	56	—	—	2
Outside directors and outside Audit & Supervisory Board members	100	100	—	—	7

Policy on Constructive Dialogue with Stockholders

Kajima has instituted the following systems and measures to foster constructive, mutual dialogue with stockholders and investors to help ensure sustainable growth and increase corporate value for the Kajima Group over the medium to long term.

(1) The financial director and the executive officer in charge of the Corporate Planning Department oversee dialogue with stockholders and investors.

(2) The Corporate Communication Group within the Corporate Planning Department plays the central role in fostering this dialogue. The group shares information as needed to encourage organic coordination among all involved departments.

(3) In addition to one-on-one meetings, earnings briefings and construction site tours are held regularly to increase opportunities for dialogue between the Company and its stockholders and investors.

(4) The opinions expressed by stockholders and investors during these dialogues are regularly reported in a timely and appropriate manner to the Board of Directors and other bodies.

(5) Insider information is appropriately handled in the context of dialogue with stockholders and investors in accordance with prescribed internal rules.

Construction site tour of Kajima Fushimi Building (tentative name)

At this pilot site for the Kajima Smart Future Vision, participants were briefed on efforts to improve productivity via management approaches utilizing the latest robotics technology and the application/testing of ICT, and on systems for the central management of project information from upstream through post-completion.

Main IR Activities in FY2018

Activity	Times conducted	Description
Briefings for analysts and institutional investors	4	Earnings briefings with the president were held at the end of Q2 and the fiscal year. IR teleconference briefings were held at the end of Q1 and Q3.
Events such as site tours for analysts and institutional investors	1	Conducted construction site tour of Kajima Fushimi Building (tentative name).
IR activities for institutional investors outside of Japan	Regularly	Participated in two conferences arranged by securities companies, mainly holding one-on-one meetings with institutional investors. Telephone and individual meetings were also provided upon request.
Release of documents via IR website	Regularly	Released earnings briefing documents, Fact Book, quarterly earnings reports, and data on contract awards via Kajima's investor relations website: https://www.kajima.co.jp/english/ir/

Risk Management

Based on effective and efficient risk management systems, the Kajima Group makes best efforts to identify risks in day-to-day operations and prevent them from materializing. The Group also strives to keep improving corporate value by winning the trust of stockholders, clients, and others with timely information disclosure.

Group-Wide Risk Management System

Kajima conducts Group-wide activities to eliminate or reduce operational risks. The Management Committee and special-purpose committees deliberate on countermeasures to deal with such risks, including for new businesses and real estate development investments.

With respect to operational risks such as legal compliance violations, the Compliance and Risk Management Committee (chaired by the president) ascertains and evaluates the operational status of the Group's risk management system, deliberates on risk management policies and responses to major risks, and reports as necessary to the Board of Directors.

The Risk Management Liaison Committee, which comprises the persons in charge at the Head Office department responsible for risk management, meets regularly to report and share information pertinent to the Kajima Group on risks that have materialized, revisions to laws and regulations, social trends, circumstances at other companies, and risk management and communication methodologies, and reports important information to the Compliance and Risk Management Committee as appropriate.

The Administration Division, which serves as the secretariat for the Compliance and Risk Management Committee, centrally manages information on risks that have materialized and continually follows up on measures addressing these risks.

Risk management initiatives at the start of the fiscal year include analyzing incidents of risk and social trends from recent years, selecting aspects of corporate activities requiring priority management as "priority risk management issues," applying these across the Group, and implementing risk management from the perspective of mitigation. For risks that have materialized, effective risk management is ensured through the PDCA cycle and includes mandatory reporting in accordance with the Standards for Reporting to the Compliance and Risk Management Committee and organization-level measures to contain risks and prevent their recurrence. Group companies inside and outside Japan adopt standardized systems in line with those of Kajima and independently introduce risk management initiatives in collaboration with Kajima.

Risk Management Framework

Special-Purpose Committees to Ascertain Business Risk and Deliberate on Measures

Committee name	Chairperson	Purpose
Development Steering Committee	General Manager, Real Estate Development Division	Deliberates and reports on investments in Japanese real estate development projects, and on the commercialization or sale of important real estate properties and other ongoing projects
PFI Civil Engineering Committee PFI Building Committee	General Manager, Civil Engineering Management Division General Manager, Building Construction Management Division	Deliberate and report on Group-wide response policies and frameworks related to PFI and other projects, individual projects involving business risks such as investment, and response policies concerning the formation of consortia of companies
Overseas Development Project Steering Committee	General Manager, Real Estate Development Division	Deliberates and reports on plan content and profitability, etc., regarding investment in major real estate development projects of overseas subsidiaries and of the Overseas Operations Division, as well as major plan changes, and any transfer of a relevant development project
Overseas Business Steering Committee	General Manager, Overseas Operations Division	Deliberates and reports on important matters concerning overseas business (overseas subsidiaries and overseas operations directly controlled by Head Office)
Business Investment Review Committee	General Manager, Corporate Planning Department	Identifies and discusses risks and issues regarding alliances, M&A, company establishment and new investment projects, other than the above; also provides support for the promotion of such projects
Important Construction Project Review Committees	General Manager, Civil Engineering Management Division General Manager, Building Construction Management Division	Confirm the technical, construction and contractual risks prior to estimate submission for important construction projects in Japan, and articulate policy on estimate submission
Overseas Civil Engineering Project Review Committee Overseas Building Construction Project Review Committee	General Manager, Civil Engineering Management Division General Manager, Building Construction Management Division	Investigate and report on technical, construction, and contractual risks at the time of order receiving for major overseas construction projects; also investigate and report on measures to address any serious problems that may occur during construction

Information Security

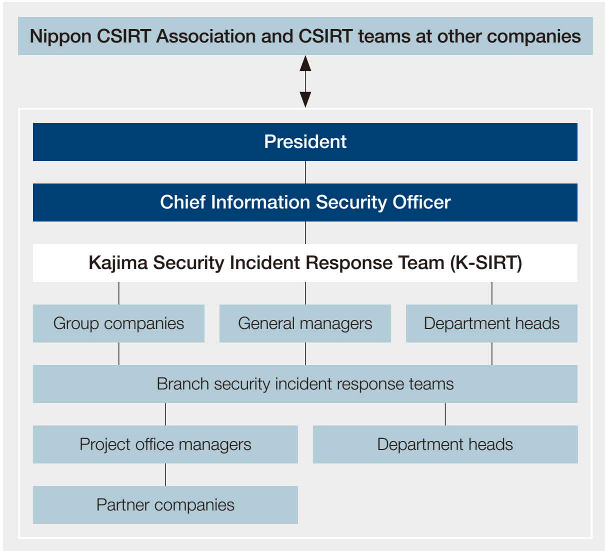
Kajima firmly prioritizes constant risk management and operates an information security policy. Employees throughout the Kajima Group take an annual online course in information security, and training topics include targeted cyber-attacks, which have increased in recent years, as well as new threats such as email phishing attacks.

In the construction industry, project offices are often housed in temporary structures, and there is frequent communication with clients and partner companies during the construction process. These factors increase information security risk. Accordingly, Kajima conducts regular inspections and audits to verify that physical, personal, and technical measures are in place, while continuing to enhance such measures.

For partner companies, Kajima also distributes standard check sheets, awareness posters, and educational materials provided by the Japan Federation of Construction Contractors. The Company is working to improve the level of information security at its partners.

Kajima is addressing today's proliferating cybersecurity threats in accordance with the Cybersecurity Management Guidelines from Japan's Ministry of Economy, Trade and Industry. The Company has set up the Kajima Security Incident Response Team (K-SIRT), a member of the Nippon CSIRT Association. The team stays on top of the latest trends in computer security and cyber-attacks, cooperating on a regular basis with other organizations and CSIRT teams. Kajima is also strengthening its systems for monitoring for unauthorized access, computer viruses, and other incidents and quickly addressing all potential threats.

Information Security Management Framework



Business Continuity Plan: Preparing for Disasters

When an earthquake or other natural disaster occurs, the construction industry must quickly mobilize to ensure business continuity and rapidly restore vital social infrastructure. As a member of the Japan Federation of Construction Contractors, Kajima operates and updates a business continuity plan (BCP) and conducts regular drills to prepare for contingencies. The Company has earned the Business Continuity and Disaster Recovery Certification for Construction Companies[1] and Resilience Certification.[2]

Kajima is also enhancing its cooperation with local governments and public infrastructure operators via disaster preparedness agreements to support recovery after a disaster, as well as preparing Group-wide frameworks capable of rapidly responding to foreseeable disasters such as wind and flood damage.

1. A program offered by the Kanto Regional Development Bureau under the Ministry of Land, Infrastructure, Transport and Tourism to evaluate and certify the basic business continuity capabilities of construction companies.
2. With the aim of enhancing disaster preparedness in Japan, this program provides certification to entities that are actively engaged in business continuity efforts. They are certified as organizations that contribute to national resilience by being prepared for large-scale natural disasters.

Addressing Risks Outside of Japan

Kajima has established an International Emergency Response Committee to oversee the Group's response and ensure the safety of employees and their families when emergencies arise outside of Japan. In the event of a terrorist attack, major earthquake or other disaster outside of Japan, Kajima focuses first on gathering information to verify the safety of employees and their families and next on providing aid to the affected area.

Kajima has compiled a manual on preparedness measures and emergency response in areas where it operates and is currently educating employees on assignment outside of Japan on these topics, as well as providing information and alerts on security, epidemics and other concerns to employees traveling internationally.

Compliance

Kajima recognizes that compliance is the foundation for all corporate activities and has established the Kajima Group Code of Conduct to articulate this stance.

Compliance Framework

Kajima established the Compliance and Risk Management Committee with the aim of ensuring thorough compliance. As for specific measures, under the direction of the General Manager of the Administration Division, the Legal Department's Compliance Office (within the Administration Division) formulates compliance manuals and conducts Group-wide training via online courses, while departments responsible for each business area formulate rules or guidelines and organize training as necessary. The Compliance and Risk Management Committee receives progress reports on the implementation of these measures as appropriate, receives reports on any major incidents that arise, and issues instructions on any necessary measures or improvements.

The Audit Department, an internal audit organization independent of operational organizations, also conducts internal audits as part of its operational audits.

Code of Conduct Online Course Conducted in FY2018

Participants: 17,399 employees, including 7,593 employees from 37 Group companies

Participation rate: 100%

Kajima Group Code of Conduct

1 Fair and Honest Corporate Conduct

1 Observing the law and social norms
2 Emphasizing the needs of society and clients
3 Fair, transparent and free competition, and appropriate trade
4 Protection of intellectual property, rights and assets
5 Transparent relations with government
6 Eradication of antisocial activity
7 Maintaining adequate accounting

2 Harmony with Society

1 Building solid community relations
2 Respecting cultures and customs of all nations and people
3 Timely and appropriate disclosures and communications of information

3 Respect for All People Connected to the Kajima Group

1 Prohibiting discrimination and unfair treatment
2 Providing a safe and secure workplace environment
3 Respecting employees' unique characteristics and promoting individual development
4 No child labor or forced labor

4 Responsibility to the Environment

1 Approach to environmental issues

5 Implementation of Corporate Code of Conduct

1 Education and awareness
2 Establishment of an effective internal monitoring structure

6 Occurrence of Code Violations

1 Accountability and preventive measures
2 Disciplinary action

Prevention of Bid Rigging

An Antitrust Law Committee has been established under the Compliance and Risk Management Committee. A range of ongoing initiatives have also been implemented to establish a bid-rigging prevention framework within the Kajima Group.

On March 23, 2018, Kajima was among defendants charged with violation of the Anti-Monopoly Act (to which Kajima has entered a plea of not guilty in ongoing trial proceedings) in connection with construction work ordered by Central Japan Railway Company for the Chuo Shinkansen Line at Shinagawa Station and Nagoya Station. Additionally, on March 28, 2018, Kajima Road Co., Ltd., a Kajima Corporation subsidiary, was ordered to pay a penalty for violation of the Anti-Monopoly Act in connection with pavement work for Narita International Airport Co., Ltd. The Company takes these charges very seriously and has taken steps to ensure that all bidding activities are performed properly. Determined not to have its compliance with the Anti-Monopoly Act called into question again, the Company formulated the Kajima Regulations for Preventing Collusion based on the review, integration and revision of various existing regulations governing compliance and procedures.

Measures to ensure that personnel are thoroughly familiar with the provisions and meaning of these regulations include in-house notices, Anti-Monopoly Act training sessions held at the Head Office and branches, and instructions issued by Head Office and branch management during fiscal 2018. Enforcement of these regulations is confirmed through in-house audits by attorneys, the Legal Department, and the Audit Department.

Key Revisions of the Kajima Regulations for Preventing Collusion

- Established a basic policy stating that employees should not pursue unlawful or immoral orders and profits, but should give precedence to compliance above all else, and that they should not participate in bidding in bad faith.
- Bidding and estimate processes to be specially managed and audited are no longer limited to conventional public works projects and subsidized private construction work. Construction work with a private component, such as for clients acting in the public interest, is now also included.
- Whenever making a decision on policies and amounts, whether or not there has been contact, information exchange or receipt of documentation from other companies in the same industry must be confirmed.
- Approval procedures for requests from outside parties for support for technical investigations or estimates (for reference purposes) have been clarified.
- Prohibitions on interacting with other companies in the same industry have been expanded and the range of outside meetings requiring approval has been broadened (e.g. not just sales personnel but also certain technical personnel).
- Outside meetings attended by other companies in the same industry, regardless of whether attendance approval was required, are to be reported.
- New reporting and notification obligations have been introduced for employees that learn of unlawful or immoral activities of other officers or employees.
- Group companies in Japan are to be given guidance on establishing systems to prevent collusion and Kajima Corporation is to be involved in confirming that such systems are established and enforced.

Other major measures being implemented to prevent collusion

- Preparation and distribution of the Manual for Compliance with the Anti-Monopoly Act.
- Anti-Monopoly Act workshops held nationwide using case studies designed by attorneys with relevant expertise (participants in fiscal 2018: 2,148 employees, including 189 employees from 24 Group companies)

Anti-Monopoly Act workshop

Whistleblower System

A whistleblower system (a corporate ethics hotline) has been established through which Group employees, employees of partner companies, and others are able to report facts or suspicions concerning wrongdoing in the Group. Anyone can report, anonymously if desired, misconduct or legal violations, including corruption such as bribery involving officers or employees.

In order to ensure the ease-of-use and effectiveness of the system, multiple contact offices have also been established outside the Company.

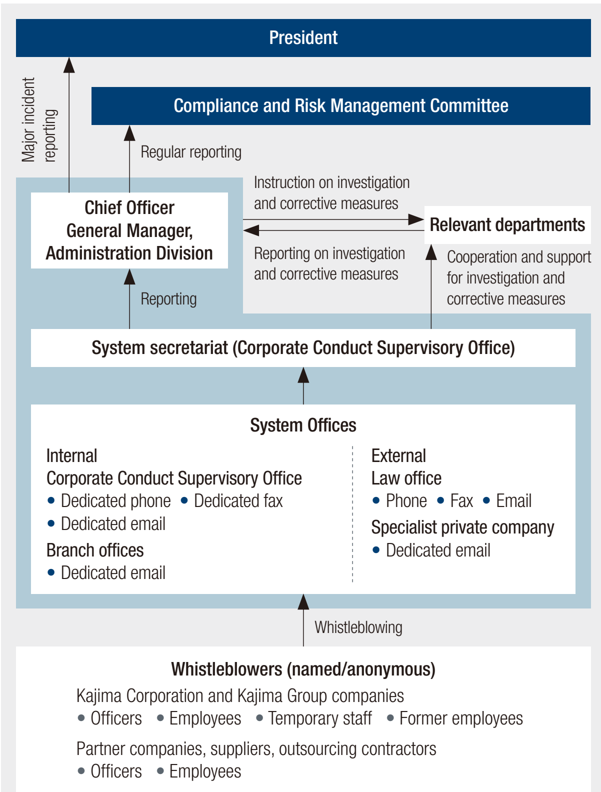
Through online courses and the distribution of information leaflets throughout the Group, Kajima is ensuring that all employees are thoroughly aware of relevant rules and use the system when needed. A separate contact office has also been established for general inquiries and consultations from external stakeholders. Consultation details and personal information are treated as confidential with the same standards as those for whistleblowers.

Whistleblowing Reports

Fiscal 2018: 1 report

System revised as of fiscal 2019 (expansion of eligible reporters and number of whistleblowing channels, etc.); 6 reports as of June 30, 2019

Corporate Ethics Whistleblower System Framework



Note: Each Group company also operates its own whistleblower system

Directors and Auditors (As of June 25, 2019)

Board of Directors

Mitsuyoshi Nakamura

Chairman;
Representative Director

1965 Joined the Company
1996 Director
1999 Managing Director
2002 Senior Managing Director; General Manager, Sales and Marketing Division; and General Manager, Kansai Sales and Marketing Division
2005 President; Representative Director
2015 Chairman; Representative Director (to the present)

Yoshikazu Oshimi

President;
Representative Director

1974 Joined the Company
2005 Executive Officer; General Manager, Yokohama Branch
2008 Managing Executive Officer
2009 General Manager, Building Construction Management Division
2010 Senior Executive Officer
2013 General Manager, Kansai Branch
2015 Executive Vice President; President (to the present); Representative Director (to the present)

Naoki Atsumi

Representative Director;
Executive Vice President

1986 Joined the Company
1995 Director
1997 Managing Director
2000 Senior Managing Director
2002 Representative Director; Executive Vice President; Responsible for Executive Office, Human Resources and Audit
2005 Representative Director (to the present); Executive Vice President (to the present); General Manager, Corporate Planning Division; Responsible for CSR and Overseeing Executive Office, Audit Department, New Business Department, Affiliated Business Department and IT Solutions Department

Hiroyoshi Koizumi

Representative Director; Executive Vice President; General Manager, Building Construction Management Division

1973 Joined the Company
2004 Managing Director, Kajima Overseas Asia Pte Ltd
2008 Executive Officer
2010 Managing Executive Officer
2013 Senior Executive Officer; General Manager, Building Construction Management Division (to the present)
2015 Representative Director (to the present); Executive Vice President (to the present)

Masayasu Kayano

Director; Executive Vice President; General Manager, Civil Engineering Management Division, Responsible for International Civil Engineering Operations

1974 Joined the Company
2001 Chief Secretary
2007 Executive Officer; General Manager, Tokyo Civil Engineering Branch
2009 Managing Executive Officer
2011 General Manager, Civil Engineering Management Division (to the present); Overseeing Machinery and Electrical Engineering Department
2012 Senior Executive Officer
2014 Director (to the present); Executive Vice President (to the present)
2015 Responsible for International Civil Engineering Operations (to the present)
2019 Representative Director (to the present)

Hiroshi Ishikawa

Director; Executive Vice President; General Manager, Sales and Marketing Division

1989 Joined the Company
1997 Representative Director; Vice President, Kajima Leasing Corporation
2000 Director
2002 Managing Director
2004 Senior Managing Director
2005 Director (to the present); Senior Executive Officer; General Manager, Sales and Marketing Division
2007 Responsible for Sales and Marketing
2016 Executive Vice President (to the present)
2019 General Manager, Sales and Marketing Division (to the present)

Ken Uchida

Director; Managing Executive Officer;
General Manager, Treasury Division

1979 Joined the Company
2012 President, Kajima Europe Ltd.
2015 Executive Officer
2017 Managing Executive Officer (to the present); General Manager, Treasury Division (to the present); Director (to the present)

Nobuyuki Hiraizumi

Director

1984 Joined the Company
2005 Principal Economist, Research Department, Policy Research Institute, Ministry of Finance
2007 Senior Manager, Asset Management Service Department, Real Estate Development Division
2009 Retired from the Company; Advisor, Avant Associates, Inc. (to the present)
2012 Director (to the present)

Koji Furukawa

Director*

1962 Joined Mitsubishi Corporation
1999 Director, Senior Executive Vice President, Mitsubishi Corporation
2004 Vice Chairman of the Board, Mitsubishi Motors Corporation
2007 Chairman and CEO, Representative Director, Japan Post Bank Co., Ltd.
2009 Chairman and CEO, Representative Director, Japan Post Network Co., Ltd.
2012 Chairman and CEO, Representative Director, Japan Post Co., Ltd.
2013 Advisor, Japan Post Co., Ltd.; Advisor, Mitsubishi Corporation (to the present)
2015 Director (to the present)

Masahiro Sakane

Director*

1963 Joined Komatsu Ltd.
1989 Director, Komatsu Ltd.
1999 Executive Vice President, Representative Director, Komatsu Ltd.
2001 President, Representative Director, Komatsu Ltd.
2003 President and CEO, Representative Director, Komatsu Ltd.
2007 Chairman of the Board, Representative Director, Komatsu Ltd.
2010 Chairman of the Board, Director, Komatsu Ltd.
2013 Councilor, Komatsu Ltd. (to the present)
2015 Director (to the present)

Shoichi Kajima

Director;
Senior Advisor

1953 Director
1959 Executive Vice President; Representative Director
1978 Vice Chairman; Representative Director
1984 President; Representative Director
1990 Co-Chairman and CEO; Representative Director
1994 Director (to the present); Senior Advisor (to the present)

Audit & Supervisory Board

Kiyomi Saito

Director*

1973 Joined Nikkei Inc.
1975 Joined Sony Corporation
1984 Joined Morgan Stanley
1990 Executive Director, Morgan Stanley
2000 President, JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.) (to the present)
2015 Director (to the present)

Yukio Machida

Director*

1969 Public Prosecutor, Tokyo District Public Prosecutor's Office
2002 Director-General, Public Security Investigation Agency
2004 Superintending Prosecutor, Sendai High Public Prosecutor's Office
2004 Deputy Prosecutor-General, Supreme Public Prosecutor's Office
2005 Retired from Public Prosecutors' Office; Registered as attorney
2015 Audit & Supervisory Board Member
2019 Director (to the present)

Toshinobu Nakatani

Audit & Supervisory Board Member

1976 Joined the Company
2010 General Manager, Accounting Department, Treasury Division
2011 Executive Officer; Deputy General Manager, Treasury Division
2015 Managing Executive Officer; Overseeing Audit Department
2016 Audit & Supervisory Board Member (to the present)

Koji Fukada

Audit & Supervisory Board Member

1980 Joined the Company
2007 General Manager, Accounting Department, Yokohama Branch
2013 General Manager, Administration Department, Yokohama Branch
2015 General Manager, Audit Department
2017 Audit & Supervisory Board Member (to the present)

Masahiro Nakagawa

Audit & Supervisory Board Member**

1981 Joined the Sumitomo Bank, Limited
2010 Director and General Manager, Real Estate Corporate Business Office, Sumitomo Mitsui Banking Corporation
2013 President and CEO, SMBC Trust Bank Ltd.
2015 Representative Director & Deputy Chief Executive, SMBC Trust Bank Ltd.
2018 Audit & Supervisory Board Member (to the present)

Shuichiro Sudo

Audit & Supervisory Board Member**

1964 Joined The Dowa Fire and Marine Insurance Co., Ltd.
1991 Director, The Dowa Fire and Marine Insurance Co., Ltd.
1996 Managing Director, The Dowa Fire and Marine Insurance Co., Ltd.
1998 President, Representative Director, The Dowa Fire and Marine Insurance Co., Ltd.
2001 President, Representative Director, Nissay Dowa General Insurance Co., Ltd.
2006 Chairman, Representative Director, Nissay Dowa General Insurance Co., Ltd.
2010 Representative Director, Aioi Nissay Dowa Insurance Co., Ltd.
2012 Audit & Supervisory Board Member (to the present)

Kazumine Terawaki

Audit & Supervisory Board Member**

1980 Public Prosecutor, Tokyo District Public Prosecutor's Office
2014 Director-General, Public Security Investigation Agency
2015 Superintending Prosecutor, Sendai High Public Prosecutors Office
2016 Superintending Prosecutor, Osaka High Public Prosecutors Office
2017 Retired from Public Prosecutors' Office; Registered as attorney
2019 Audit & Supervisory Board Member, (to the present)

* Outside Director as defined in Article 2, Item 15, of the Companies Act.
** Outside Audit & Supervisory Board Member as defined in Article 2, Item 16, of the Companies Act.

Social Contribution Activities

Guided by its corporate philosophy, the Kajima Group fulfills its social responsibilities through its business operations, addresses social and regional issues, and contributes to sustained social development.

Centered on construction and real estate development, Kajima's business operations at offices and construction sites significantly impact local communities. As a member of the communities in which we operate, we participate in local activities as an important means of communication. Beyond our day-to-day business operations, we leverage our technologies, experience, personnel and networks in our social contribution activities. This includes contributing to disaster preparedness and recovery, community support, environmental protection, education, support for cultural and artistic activities through foundations, and volunteer work by employees.

Education for the Next Generation

Support for Global Japan Studies Summer Program at the Institute of Advanced Studies on Asia, The University of Tokyo

As part of the Global Japan Studies Summer Program of the University of Tokyo's Institute of Advanced Studies on Asia, about 20 international students from Europe, the U.S. and Asia and their professor visited Kajima with the aim of gaining a better understanding of postwar and contemporary Japan.

Students were briefed by an architect from the Architectural Design Division on Kajima's technologies, which combine functionality and craftsmanship and embody universal design principles, and Kajima's efforts to create new environments and spaces in Japan, where society is aging at an unprecedented pace.

Explanation of universal design at a building

Community Support and Environmental Protection

Producing Eelgrass Seedlings with Local Elementary School Students

Kajima Technical Research Institute's Hayama Marine Science Laboratory, a member of the Hayama Eelgrass Council since 2005, joined with the Hayama Fisheries Cooperative, local elementary schools and NPOs in growing eelgrass beds for coastal environment restoration.

Senior researchers visited Hayama Municipal Isshiki Elementary School to give classes on coastal environments, the role of eelgrass, and the cultivation technology for eelgrass seedlings developed by Kajima. The students then sowed seeds in biodegradable pots labeled with their names, and placed them in a water tank. The seeds should become seedlings around April, when they will be transplanted to a nearby coastal area.

Lecture by senior researcher

Sowing seeds in biodegradable pots

Support for Cultural and Artistic Activities

Kajima Sculpture Competition

The Kajima Sculpture Competition is carried out with support from the Kajima Foundation for the Arts, and the Kajima Foundation. Since its establishment in 1989 as a part of the Company's 150th anniversary commemoration project, the competition has been held every other year under the theme of Sculpture, Architecture & Space. It has become an important stepping stone for young sculptors, as the only indoor sculpture exhibition in Japan emphasizing a close connection between sculpture and architectural space.

Kajima Foundations Promote Science, Culture and Art

As a good corporate citizen, Kajima actively supports academic, cultural and artistic activities. In particular, it has promoted academic and cultural activities for many years through five foundations.

The Kajima Foundation

Since 1976, the Kajima Foundation has been improving living environments by enhancing urban and residential neighborhoods and promoting effective use of national land and resources. It also works to promote academic and cultural development in Japan, offering research grants and supporting researcher exchanges. In fiscal 2018, 68 projects were funded, with grants and assistance totaling ¥80.66 million. Research results of funded projects are presented each year.

The Kajima Foundation for the Arts

The Kajima Foundation for the Arts, established in 1982, provides grants for research in the arts, related publications, international exchange, and projects to foster art dissemination, aiming to foster the arts and enrich Japanese culture. In fiscal 2018, a total of 87 projects were funded, with a total value of ¥70.6 million. Every year, the Kajima Foundation for the Arts Awards are held to recognize those who have produced outstanding results from their research, and to give them an opportunity to present their achievements.

Kajima Institute of International Peace

Established in 1966, the Kajima Institute of International Peace promotes international peace and strives to contribute to Japan's security. It studies and provides funding for research on international peace and security, economic matters, and issues concerning Japan's foreign relations, and then publishes the research findings.

Atsumi International Scholarship Foundation

The Atsumi International Scholarship Foundation has been providing student scholarships and developing international exchange programs since 1994. To date, it has granted scholarships to 290 students, including 12 in fiscal 2018, from 51 countries and regions. To build long-lasting networks among recipients, in recent years the foundation has also been hosting the Asia Future Conference in major cities across Asia (Seoul in fiscal 2018), and sponsors domestic and international forums, workshops, and study tours led by former program scholars, who now teach and pursue research at universities worldwide.

Kajima Ikueikai Foundation

The Kajima Ikueikai Foundation, established in 1956, provides scholarships and financial assistance to university students in Japan, including students from other countries. In fiscal 2018, the Foundation provided scholarships to a total of 82 students, including six international students, with a total value of ¥52.5 million.

Principal Subsidiaries and Affiliates in Japan

	Company name	Business description
Design and Consulting	Ilya Corporation	Interior design, consulting, interior construction, procurement for furniture and artwork
	ARMO Co., Ltd.	Architectural design, facility design, and presentation
	ARTES Corporation	Building structure design, consulting, and construction engineering
	Engineering & Risk Services Corporation	Asset evaluation, soil environmental assessment, and disaster risk assessment
	Landscape Design Inc.	Property exterior structure design, landscape planning, greening consulting, and town planning proposals
	Retec Engineering Inc.	Survey and diagnosis of civil engineering structures, new construction and repair/ reinforcement design, and measurement management
	Avant Associates, Inc.	Urban planning, town planning support, public real estate utilization (PRE), public-private partnerships (PPP), and area management
	Global BIM Inc.	BIM-related information processing, software sales, and operational consulting
Procurement and Construction	Taiko Trading Co., Ltd.	Sale and rental of construction equipment and materials, and subcontracting for various construction projects
	Chemical Grouting Co., Ltd.	Ground improvement, foundation construction, and soil remediation
	Kajima Road Co., Ltd.	Paving of roads, bridges, airports, etc., and manufacture and sale of paving materials
	Japan Sea Works Co., Ltd.	Ocean port and coastal protection work, and geological surveying
	Kajima Kress Corporation	Temporary staffing, subcontracting for construction projects, calculation and preparation of construction plans
	Kajima Environment Engineering Corporation	Environmental and consulting work focused on water and waste
	Kajima Mechatro Engineering Co., Ltd.	Construction machinery manufacturing
	Kajima Renovate Construction Co., Ltd.	Repair and reinforcement work for civil engineering structures, and sales of repair materials
	Clima-Teq Co., Ltd.	Integrated facility construction, and renovation
	Kajima Fit Co., Ltd.	Subcontracting for various construction projects by providing directly-employed skilled workers
	Clima Works Co., Ltd.	Subcontracting for various facility construction projects by providing directly-employed skilled workers
Real Estate Development and Management	Kajima Tatemono Sogo Kanri Co., Ltd.	Building management
	Kajima Tokyo Development Corporation	Leasing and operational management of real estate, and hotel management (Hotel East 21 Tokyo)
	East Real Estate Co., Ltd.	Leasing, management, brokerage and appraisal of real estate
	Kajima Yaesu Kaihatsu Co., Ltd.	Real estate leasing and operational management
	Niigata Bandaijima Building Co., Ltd.	Real estate leasing and operational management
Sales and Services	Kajima Services Co., Ltd.	Travel agency, product sales, and business services
	Act Technical Support, Inc.	Temporary staffing and human resources placement, and events planning
	Kajima Leasing Corporation	Planning of construction projects, building and equipment leasing
	Kajima Information Communication Technology Co., Ltd.	Design, operation and management of the Kajima Group's information communication technology infrastructure and various computer systems
	Toshi Kankyo Engineering Co., Ltd.	Collection, transportation and processing of waste
	K-PROVISION Co., Ltd.	Public relations and advertising planning and production, as well as video production
	Kajima Real Estate Investment Advisors Inc.	Real estate asset management, consulting, and buying, selling, and brokerage of beneficial interests of a trust
Book Publishing	Kajima Institute Publishing Co., Ltd.	Editing and publishing of books and publications
Hotel and Leisure	Azuma Kanko Kaihatsu Co., Ltd.	Golf course management (Takasaka Country Club)
	Hotel Kajima no Mori Co., Ltd.	Hotel management in Karuizawa, Nagano Prefecture
	Kajima Resort Corporation	Sale and management of vacation home property in Tateshina, Nagano Prefecture, as well as golf course management (Kajima Minamitateshina Golf Course)
	Atema Kogen Resort, Inc.	Hotel and golf course management (Atema Kogen Resort Belnatio)
	Nasu Resort Corporation	Golf course management (Nasu Chifuriko Country Club)
	Shinrinkohen Golf Club Co., Ltd.	Golf course management
	Kajima Karuizawa Resort, Inc.	Management of a golf course, hotel, and ski resort (President Resort Karuizawa)
Greening and Insurance	Katabami Kogyo Co., Ltd.	Greening landscaping, mountain forest management, and agency handling of property, casualty, and life insurance

Principal Subsidiaries and Affiliates Overseas

Kajima Europe Ltd.

■ **United Kingdom**
Kajima Europe Ltd.
Kajima Partnerships Ltd.
Kajima Properties (Europe) Ltd.

■ **France**
Kajima France Development S.A.R.L.
Kajima Europe Lou Roucas S.A.R.L.

■ **Czech Republic**
Kajima Czech Design and Construction s.r.o.

■ **Poland**
Kajima Poland Sp. z o.o.
Student Depot Sp. z o.o.

Kajima Asia Pacific Holdings Pte. Ltd.

■ **Singapore**
Kajima Asia Pacific Holdings Pte. Ltd.
Kajima Overseas Asia Pte. Ltd.
Kajima Overseas Asia (Singapore) Pte. Ltd.
Kajima Design Asia Pte Ltd
Kajima Development Pte. Ltd.
International Facility Engineering Pte. Ltd.

■ **Indonesia**
PT Kajima Indonesia
PT Senayan Trikarya Sempana
PT Jimbaran Greenhill

■ **Thailand**
Thai Kajima Co., Ltd.
Ramaland Development Co., Ltd.
Bang Tao Beach Ltd.

■ **Malaysia**
Kajima (Malaysia) Sdn. Bhd.

■ **Vietnam**
Kajima Vietnam Co., Ltd.
Indochina Kajima Development Ltd.

■ **The Philippines**
Kajima Philippines Inc.

■ **Hong Kong**
Allied Kajima Ltd.

■ **India**
Kajima India Pvt. Ltd.

■ **Myanmar**
Kajima Myanmar Co., Ltd.
Kajima Yankin PPP Co., Ltd.

Kajima Australia Pty Ltd

Melbourne
Kajima Australia Pty Ltd
Kajima Icon Holdings Pty Ltd
Icon Developments Australia Pty Ltd

Shanghai
Cockram Projects (Shanghai) Construction & Engineering Co Ltd

Hong Kong
Scenario Cockram Limited

Kajima Corporation (China) Co., Ltd.

Shanghai

Chung-Lu Construction Co., Ltd.

Taiwan

Kajima U.S.A. Inc.

Atlanta
Kajima U.S.A. Inc.
Kajima International Inc.
KBD Group, Inc.
Batson-Cook Company
Kajima Real Estate Development Inc.
Core5 Industrial Partners LLC
Batson-Cook Development Company

Columbus
Flournoy Construction Company
Flournoy Development Company

Los Angeles
KCS West, Inc.
Kajima Development Corporation

Honolulu
Hawaiian Dredging Construction Company, Inc.

Cleveland
The Austin Company

New York
Development Ventures Group, Inc.
Anglebrook Golf Club

León (Mexico)
Kajima Alberici Construcciones S.A. de C.V.

Executive Officers (As of July 31, 2019)

President
Yoshikazu Oshimi

Executive Vice Presidents
Naoki Atsumi

Hiroyoshi Koizumi
General Manager, Building Construction Management Division

Masayasu Kayano
General Manager, Civil Engineering Management Division, Responsible for International Civil Engineering Operations

Teruaki Yamaguchi
General Manager, Real Estate Development Division

Kazuo Kojima
Responsible for Building Structures and Research and Technology Development, Overseeing Intellectual Property and License Department

Hiroshi Ishikawa
General Manager, Sales and Marketing Division

Hiromasa Amano
General Manager, Tokyo Architectural Construction Branch

Masaru Ozaki
Responsible for Architectural Design Division

Keisuke Koshijima
General Manager, Overseas Operations Division

Masao Oka
Responsible for Mechanical and Electrical Facilities

Senior Executive Officers
Yutaka Takeda
General Manager, Administration Division, Overseeing Public Relations Office, and Safety and Environmental Affairs Department

Takao Nomura
General Manager, Yokohama Branch

Koichi Matsuzaki
General Manager, Kansai Branch

Jun Matsushima
Deputy General Manager, Tokyo Architectural Construction Branch

Yoshihisa Takada
Deputy General Manager, Civil Engineering Management Division, Overseeing Machinery and Electrical Engineering Department

Shigeru Tomoda
Deputy General Manager, Sales and Marketing Division

Hideya Marugame
General Manager, Engineering Division

Managing Executive Officers
Hitoshi Ito
Deputy General Manager, Building Construction Management Division

Isao Kinoshita
General Manager, Hokkaido Branch

Masaru Kazama
General Manager, Tokyo Civil Engineering Branch

Yutaka Katayama
General Manager, Chubu Branch

Takeshi Katsumi
General Manager, Corporate Planning Department, Overseeing Affiliated Business Department and IT Solutions Department

Takeshi Tadokoro
General Manager, Kanto Branch

Hiroshi Shoji
General Manager, Tohoku Branch

Ken Uchida
General Manager, Treasury Division

Takaharu Fukuda
Director, Kajima Technical Research Institute

Norio Kita
General Manager, Architectural Design Division

Yasuhiko Yamada
Deputy General Manager, Tokyo Architectural Construction Branch

Osamu Shimoyasu
Senior Supervisory Engineer, Civil Engineering Management Division

Koh Kimura
Senior Supervisory Engineer, Civil Engineering Management Division

Hidenobu Yoshida
General Manager, Shikoku Branch

Executive Officers
Takao Shinkawa
General Manager, Environmental Engineering Division

Yoshihiko Riho
Deputy General Manager, Civil Engineering Management Division

Kiyomi Aikawa
General Manager, Civil Engineering Design Division

Masahito Tanaami
Deputy General Manager, Architectural Design Division

Hiroshi Kunihira
Deputy General Manager, Architectural Design Division

Katsunori Ichihashi
General Manager, Executive Office, Overseeing Human Resources Department and Center for Shared Administrative Services

Eiichi Tanaka
General Manager, Nuclear Power Department

Michiya Uchida
President, Kajima U.S.A. Inc.

Koji Sugimoto
President, Kajima Overseas Asia Pte. Ltd.

Shuichi Oishi
President, Kajima Development Pte. Ltd.

Kazuyoshi Yonezawa
Deputy General Manager, Tokyo Architectural Construction Branch

Koji Ikkatai
Deputy General Manager, Engineering Division

Mitsuharu Kodoi
General Manager, Project Development Group, Civil Engineering Management Division, Responsible for Safety (Civil Engineering)

Ryuzo Ikegami
General Manager, Chugoku Branch

Shinichiro Shiozawa
Deputy General Manager, Sales and Marketing Division

Munehisa Yoshimi
Deputy General Manager, Sales and Marketing Division

Mitsuru Niizuma
Deputy General Manager, Administration Division; Chief Secretary, Executive Office

Nobuhiro Kobayashi
Deputy General Manager, Tokyo Architectural Construction Branch

Katsuhisa Takekawa
Deputy General Manager, Building Construction Management Division, Responsible for Safety (Construction)

Tadashi Fujimura
Deputy General Manager, Architectural Design Division

Hidemitsu Yoshihiro
President, Kajima Road Co., Ltd.

Miki Ito
Deputy General Manager, Tokyo Architectural Construction Branch

Tetsuya Ashida
General Manager, Hokuriku Branch

Takahiko Tsukaguchi
Deputy General Manager, Real Estate Development Division

Yoshinori Moriyama
Senior Supervisory Engineer

Masatoshi Bando
Deputy General Manager, Civil Engineering Management Division

Noboru Sakata
General Manager, Civil Engineering Technology Department, Civil Engineering Management Division

Takeshi Kayano
General Manager, Architectural Planning Department, Building Construction Management Division

Kenichi Nakajima
General Manager, International Division

Hiroyuki Komori
General Manager, Kyushu Branch

Yasuo Murakami
Deputy General Manager, Sales and Marketing Division

Masami Moriguchi
Deputy General Manager, Tokyo Civil Engineering Branch

Yasushi Kurokawa
Deputy General Manager, Architectural Design Division

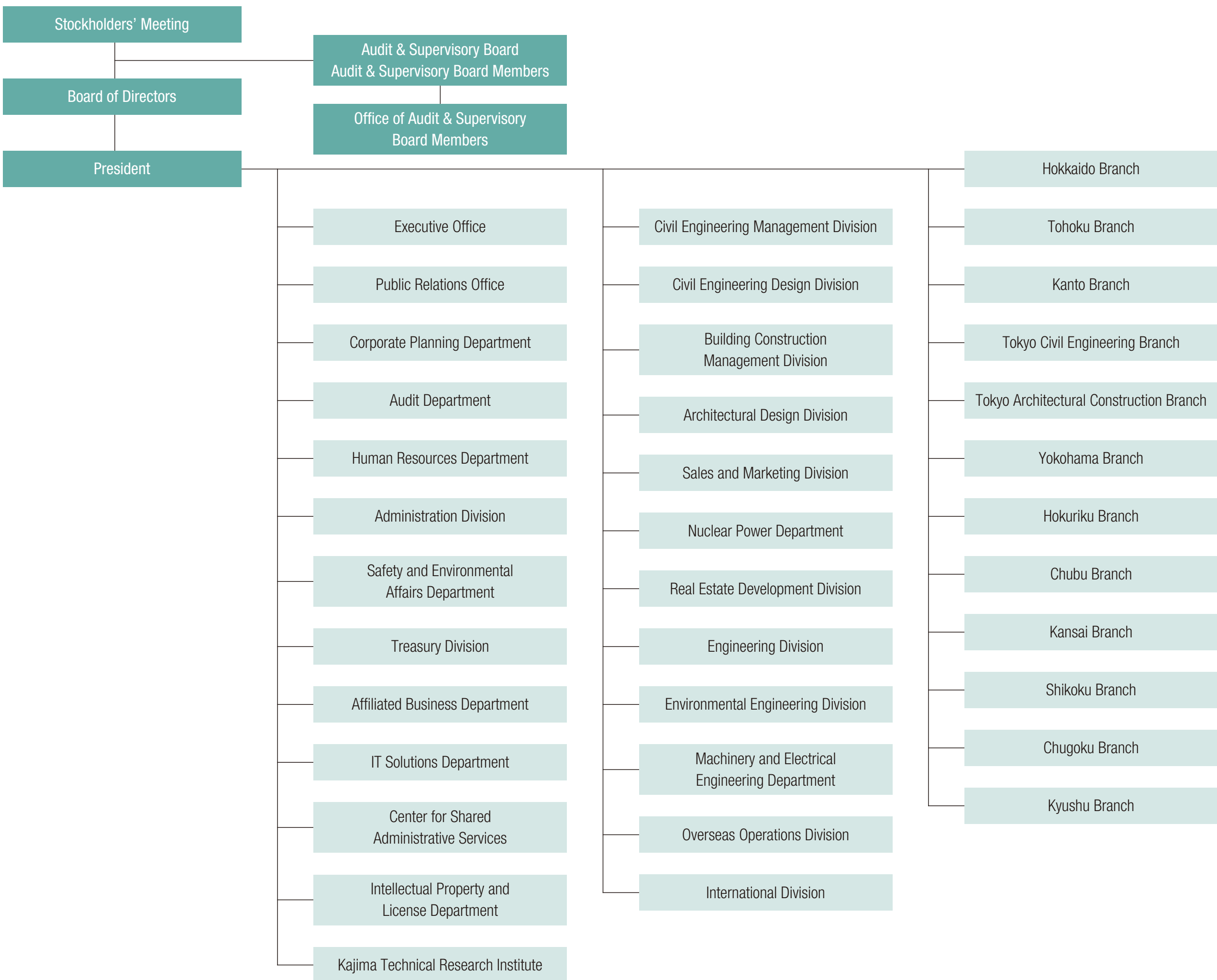
Company Information

Corporate Profile

Company Name	Kajima Corporation
Head Office	3-1, Motoakasaka 1-chome, Minato-ku, Tokyo 107-8388, Japan
Established	1840
Incorporated	1930
Paid-in Capital	Over ¥81,400 million
Number of Employees*	7,783 (non-consolidated), 20,058 (Group)
Business Domains	Construction, real estate development, architectural design, civil engineering design, engineering, and other
Offices*	Head Office; Real Estate Development Division, Engineering Division, and Overseas Operations Division; Kajima Technical Research Institute; Mechanical Technology Center; 12 branches; 27 offices in Japan; 43 offices outside Japan (in 18 countries and regions)
Group Companies*	242 companies (including 91 in Japan and 151 outside Japan)

* As of March 31, 2019

Corporate Organization



Stockholder Information (As of March 31, 2019)

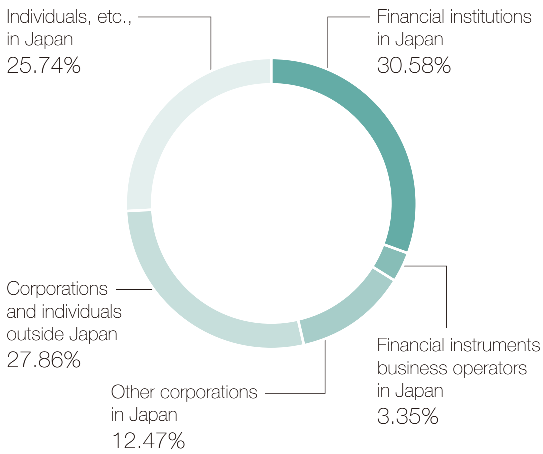
Number of Shares – Authorized	1,250,000,000
Number of Shares – Issued and Outstanding	528,656,011 (including treasury stock of 8,802,167 shares)
Number of Stockholders	56,596 (up 1,639 from fiscal 2017 end)

Major Stockholders

Stockholders	Number of shares (Thousand shares)	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,174	7.73
Japan Trustee Services Bank, Ltd. (Trust Account)	30,078	5.79
Shoichi Kajima	15,792	3.04
Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,302	1.98
Japan Trustee Services Bank, Ltd. (Trust Account 9)	9,742	1.87
Sumitomo Mitsui Banking Corporation	9,508	1.83
Japan Trustee Services Bank, Ltd. (Trust Account 7)	9,034	1.74
Kajima Employee Stock Ownership	8,432	1.62
The Kajima Foundation	7,235	1.39
JP Morgan Chase Bank 385151	7,145	1.37

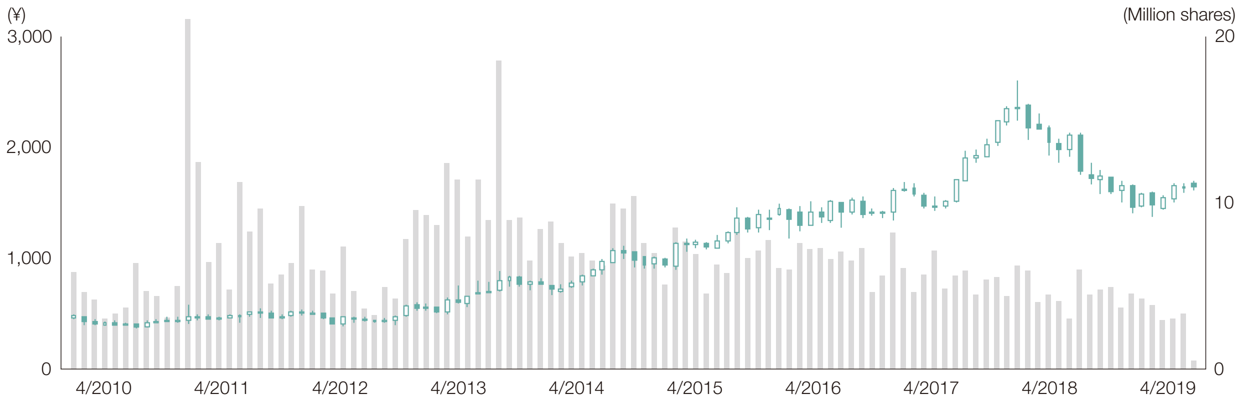
Notes 1. In addition to the above, Kajima Corporation has 8,802,000 shares of treasury stock.
2. Shareholding was computed excluding total treasury stock

Stock Ownership Breakdown



* The 88,021 units of treasury stock are included under "Individuals and other." The 25 units of stock held in the name of the Japan Securities Depository Center, Incorporated, are included under "Other corporations."

Stock Price



* On October 1, 2018, a reverse split was made (two shares consolidated into one) and the stock unit number was changed (from 1,000 shares to 100 shares).
The above stock price has been calculated with April 1, 2010 as the supposed date of the reverse split.

External Recognition

FTSE4Good
FTSE Blossom Japan
MSCI Japan ESG Select Leaders Index
MSCI Japan Empowering Women Index (WIN)
レジリエンス認証
2019 健康経営優良法人 Health and productivity ホワイト500
DIVERSITY 100 2017

INTEGRATED REPORT

Financial Review 2019

Year ended March 31, 2019

Contents

Summary and Forecast of Business Performance

Amounts less than ¥0.1 billion have been rounded down.

Overview of Business Performance

During the fiscal year ended March 31, 2019, despite an overall growth trend in the global economy, the economies of certain countries and regions witnessed a slowdown and concerns over the future outlook mounted as the effects of trade problems from the latter half of the year gradually became evident.

The Japanese economy continued to pick up moderately with an increase in capital investment backed by improvements in corporate earnings and recovery in personal consumption reflecting the robust employment and income environment, despite sluggish exports and weaknesses in certain production segments due to the effects of the series of natural disasters in Japan and the trade problems.

In the Japanese construction market, construction demand remained stable supported by capital investments for function-upgrading and labor-saving mainly in the manufacturing industry, as well as large-scale redevelopment projects in the Tokyo metropolitan area. While shortages in certain materials and labor were evident due to the increase in construction volume, the effect on construction costs was limited.

As a result, the Kajima Group's consolidated financial results for the fiscal year ended March 31, 2019 were as follows.

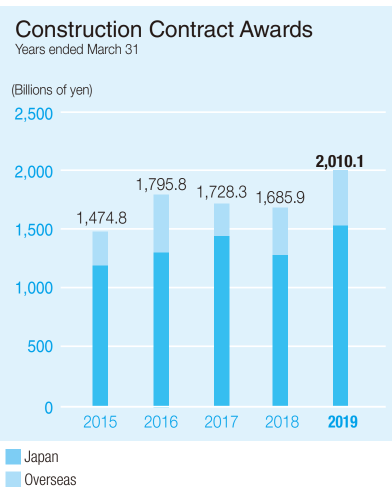
Construction contract awards totaled ¥2,010.1 billion, up 19.2% from ¥1,685.9 billion in the previous fiscal year, mainly due to increases in building construction and in overseas subsidiaries and affiliates. On a non-consolidated basis, contracts awarded to Kajima Corporation (hereinafter, the "Company"), including those for real estate development and other projects, totaled ¥1,444.4 billion, up 20.4% from ¥1,200.0 billion in the previous fiscal year.

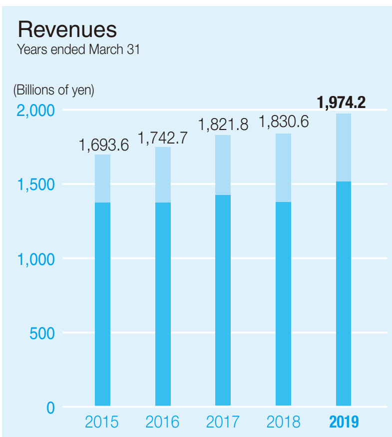
Consolidated revenues totaled ¥1,974.2 billion, up 7.8% from ¥1,830.6 billion in the previous fiscal year, mainly due to an increase in building construction.

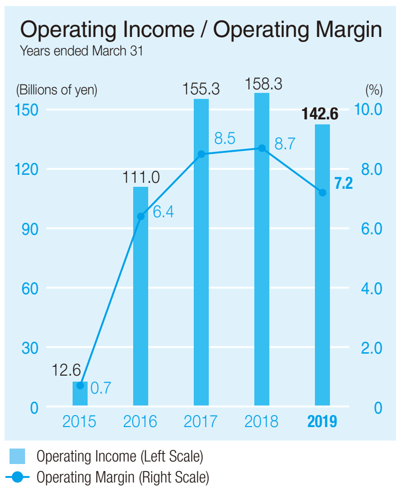
On the profit front, operating income totaled ¥142.6 billion, down 9.9% from ¥158.3 billion in the previous fiscal year, mainly due to a decrease in gross profit in civil engineering. Net income attributable to owners of the parent came in at ¥109.8 billion, a decrease of 13.4% from ¥126.7 billion in the previous fiscal year, due to an increase in extraordinary losses mainly as a result of Kajima Road Co., Ltd., a consolidated subsidiary of the Company, recording a provision for loss on Anti-Monopoly Act.

The gross profit margins in civil engineering and building construction were 19.0% and 12.5% respectively for the fiscal year under review, both of which exceeded the forecast (civil engineering: 15.7%, building construction: 11.7%), due to a decrease in costs as a result of ongoing productivity improvements and the streamlining of construction. Other factors included construction costs remaining more stable than initially expected and additional design change orders for certain construction projects.

While overall profits decreased on a consolidated basis compared to the previous fiscal year, profits exceeded the forecast since segments including real estate development and other businesses, domestic subsidiaries and affiliates and overseas subsidiaries and affiliates managed to secure solid operating income.







Overview of Performance by Business Segment

Results by business segment were as follows. (Segment results stated include intersegment sales and transfers.)

Civil Engineering

(Civil engineering in the construction business operated by the Company)

Revenues totaled ¥301.0 billion, down 17.9% from ¥366.5 billion in the previous fiscal year, falling short of the high levels recorded in the previous fiscal year both in Japan and overseas.

Segment profit totaled ¥35.2 billion, a decrease of 38.6% from ¥57.4 billion in the previous fiscal year, mainly due to the decrease in revenues.

(Billions of yen)

(Years ended March 31)	2019	2018	2019/2018 (%)
Revenues	301.0	366.5	(17.9)
Segment profit	35.2	57.4	(38.6)

Building Construction

(Building construction in the construction business operated by the Company)

Revenues totaled ¥928.0 billion, up 23.3% from ¥752.6 billion in the previous fiscal year, due to steady progress in the completion of a large volume of construction projects in hand.

Segment profit was also up, at ¥79.6 billion, an increase of 12.3% from the ¥70.9 billion recorded in the previous fiscal year, due to the increase in revenues.

(Billions of yen)

(Years ended March 31)	2019	2018	2019/2018 (%)
Revenues	928.0	752.6	23.3
Segment profit	79.6	70.9	12.3

Real Estate Development and Other Businesses

(Real estate development business, architectural, structural and other design business and engineering business operated by the Company)

Revenues totaled ¥51.2 billion, up 11.5% from ¥45.9 billion in the previous fiscal year, mainly due to sales of real estate.

Segment profit decreased to ¥5.4 billion, down 20.7% from the ¥6.8 billion recorded in the previous fiscal year, mainly due to a decline in gross profit in businesses related to design and engineering, despite an increase in gross profit in the real estate development business.

(Billions of yen)

(Years ended March 31)	2019	2018	2019/2018 (%)
Revenues	51.2	45.9	11.5
Segment profit	5.4	6.8	(20.7)

Domestic Subsidiaries and Affiliates

(Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by domestic subsidiaries and affiliates)

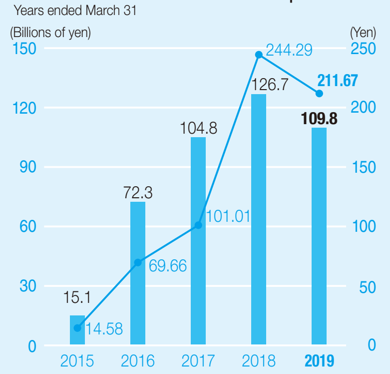
Revenues increased to ¥389.6 billion, up 7.1% from ¥363.9 billion in the previous fiscal year, as a result of increases in revenues in the construction business and sales of construction materials.

Segment profit was roughly in line with the previous fiscal year at ¥16.5 billion, up 1.4% from ¥16.2 billion.

(Billions of yen)

(Years ended March 31)	2019	2018	2019/2018 (%)
Revenues	389.6	363.9	7.1
Segment profit	16.5	16.2	1.4

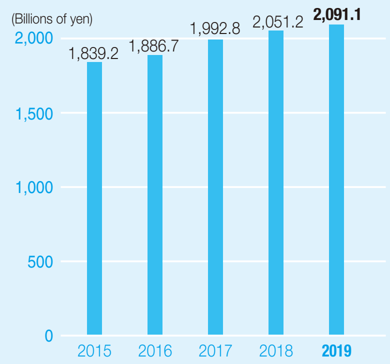
Net Income Attributable to Owners of the Parent / Basic Net Income per Share
Years ended March 31



Net Income Attributable to Owners of the Parent (Left Scale)
Basic Net Income per Share (Right Scale)

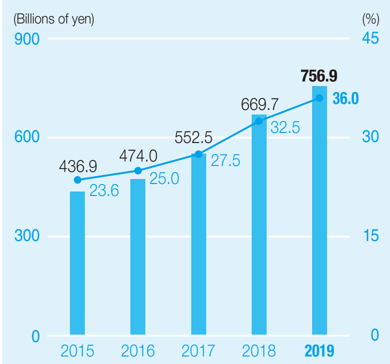
Note: The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, basic net income per share for the fiscal years ended March 31, 2018 and 2019 is calculated as if the consolidation of shares had been conducted at the beginning of the fiscal year ended March 31, 2018.

Total Assets
As of March 31



Note: From the beginning of the fiscal year ended March 31, 2019, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28 issued by the Accounting Standards Board of Japan on February 16, 2018). Accordingly, total assets as of March 31, 2018 were restated to reflect this change.

Total Equity / Owners' Equity Ratio
As of March 31



Total Equity (Left Scale)
Owners' Equity Ratio (Right Scale)

Overseas Subsidiaries and Affiliates

(Construction business, real estate development business and others overseas such as in the North America, Europe, Asia, Oceania and other areas operated by overseas subsidiaries and affiliates)

Revenues remained roughly in line with the previous fiscal year at ¥455.9 billion, up 4.3% from ¥437.1 billion.

Segment profit rose to ¥6.2 billion, an increase of 272.4% from ¥1.6 billion in the previous fiscal year, primarily due to improvements in the gross profit margin in the construction, real estate development and other businesses.

(Billions of yen)

(Years ended March 31)	2019	2018	2019/2018 (%)
Revenues	455.9	437.1	4.3
Segment profit	6.2	1.6	272.4

Analysis of Financial Position

Assets, Liabilities and Equity

From the beginning of the fiscal year ended March 31, 2019, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28 issued by the Accounting Standards Board of Japan on February 16, 2018). Accordingly, in the analysis of financial position, year-end comparisons and analyses have been carried out using restated figures for the previous fiscal year to reflect the said accounting standard.

As of March 31, 2019, total assets were ¥2,091.1 billion, an increase of ¥39.9 billion compared with ¥2,051.2 billion at the end of the previous fiscal year. Main factors underlying the difference included an increase in notes and accounts receivable–trade and an increase in investments in securities, which reflected gains from higher market values of stockholdings, despite a decrease in cash and cash equivalents.

Total liabilities were ¥1,334.2 billion, a decrease of ¥47.1 billion compared with ¥1,381.4 billion at the end of the previous fiscal year. This was mainly due to a decrease in advances received on construction projects in progress.

Total equity was ¥756.9 billion, representing an increase of ¥87.1 billion compared with ¥669.7 billion at the end of the previous fiscal year.

As a result, the owners' equity ratio improved to 36.0%, up 3.5 points compared with 32.5% at the end of the previous fiscal year.

Cash Flows

Cash flows from operating activities generated a net cash inflow of ¥30.3 billion, compared with ¥120.4 billion in the previous fiscal year. This cash inflow resulted mainly from income before income taxes with adjustment for depreciation and amortization, which exceeded the main cash outflows of a net increase in receivables and the payment of income taxes.

Investing activities resulted in a net cash outflow of ¥25.3 billion, compared with ¥47.3 billion in the previous fiscal year. The main contributing factors were outflows of payment for purchases of property and equipment and disbursements for loans, which exceeded the main cash inflows from proceeds from sales of property and equipment.

Financing activities resulted in a net cash outflow of ¥75.0 billion, compared with ¥53.0 billion in the previous fiscal year. Primary cash outflows were net of financing and repayment of short-term borrowings, long-term debt, commercial paper and bonds, as well as cash dividends paid.

As a result of the above, cash and cash equivalents totaled ¥315.4 billion, a decrease of ¥73.8 billion, compared with ¥389.3 billion at the end of the previous fiscal year.

Statements of Cash Flows Highlights

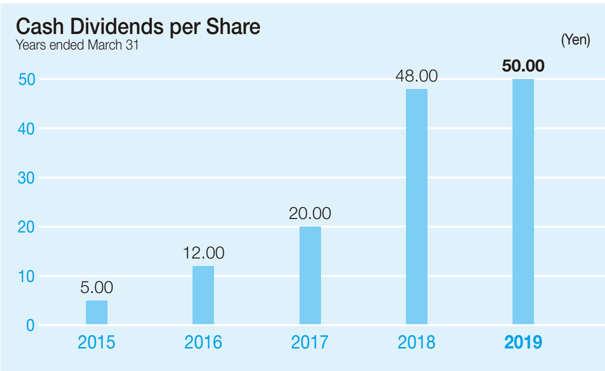
(Billions of yen)

(Years ended March 31)	2019	2018	2017
Net cash provided by operating activities	30.3	120.4	187.5
Net cash used in investing activities	(25.3)	(47.3)	(31.9)
Net cash used in financing activities	(75.0)	(53.0)	(20.5)
Cash and cash equivalents, end of year	315.4	389.3	367.4

Basic Profit Allocation Policy and Payment of Dividends*

The Company's basic policy for profit allocation aims to distribute stable amounts of dividend with a target range of a 20 to 30% payout ratio, while securing adequate consolidated equity capital, as well as to provide stockholder returns with consideration of business performance, financial condition and business environment. The Company will utilize internal reserves for investments which contribute to sustainable growth while maintaining financial soundness.

The Company paid an annual dividend of ¥50 per share for the fiscal year ended March 31, 2019, consisting of a year-end dividend of ¥26 per share and an interim (end of second quarter) dividend of ¥24 per share. The Company also plans to pay an annual dividend of ¥50 per share (including an interim dividend of ¥25 per share) for the fiscal year ending March 31, 2020.



Note: The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, the above-mentioned dividends per share are calculated as if the consolidation of shares had been conducted at the beginning of the fiscal year ended March 31, 2018.

* The forecasts contained herein are based on information available as of the date of the announcement, May 15, 2019. Actual results may differ materially from the forecasts due to various factors.

Forecast for the Fiscal Year Ending March 31, 2020*

Despite the need to keep a close watch on trends in the global economy given uncertainty going forward, the Japanese economy is expected to continue growing moderately as capital investment and personal consumption improve, backed by strong corporate earnings and various government policies.

In the Japanese construction market, construction investment is expected to be brisk over the short term due to robust private-sector demand backed by advances in technological innovations as well as the increase in public-sector investments relating to the plan for national resilience, despite concerns over soaring construction costs due to tightening supply and demand for materials and equipment as well as labor.

Furthermore, in the medium-to-long-term, various elements including diversification and increased sophistication of social and customer needs, as well as quantitative and qualitative changes in construction investments are expected to bring about changes in the business environment.

Incorporating this outlook, the Kajima Group, in accordance with the "Kajima Group Medium-Term Business Plan (Fiscal 2018-2020)," will deal appropriately with the current increase in construction volume and secure stable profits, while working to achieve sustainable growth by proactively promoting ESG-oriented policies and addressing social issues through its businesses taking into account the SDGs adopted by the United Nations.

The consolidated financial forecast for the fiscal year ending March 31, 2020, is as follows.

Consolidated revenues are forecast to increase by 3.3% to ¥2,040.0 billion, compared with ¥1,974.2 billion in the fiscal year under review. Operating income is forecast at ¥118.5 billion, down 16.9% from ¥142.6 billion. Net income attributable to owners of the parent is forecast at ¥90.0 billion, down 18.1% from ¥109.8 billion.

* The forecasts contained herein are based on information available as of the date of the announcement, May 15, 2019. Actual results may differ materially from the forecasts due to various factors.

Business-Related Risks

Risk factors that investors should consider before making decisions concerning the Kajima Group include, but are not limited to, the risks listed below. The Group precludes, diversifies and hedges these and other business-related risks and uncertainties to the largest extent practically possible in order to minimize their impact on its corporate activities. Any forward-looking statements in this section are based on judgments made by the Company's management as of March 31, 2019.

1. Changes in the Business Environment

Drastic and adverse changes in the construction and real estate development markets, including an unexpected decrease in demand for construction, a rapid increase in costs of primary construction materials, or changes in prices or supply and demand in the real estate market, could affect the Kajima Group's results and financial position.

2. Changes in Construction Costs

Long-term, large-scale construction projects are vulnerable to rapid increases in prices of primary construction materials, which could cause construction costs to increase unexpectedly. Such changes could affect the Kajima Group's results and financial position.

3. Fluctuations in Interest and Foreign Exchange Rates

Sharp increases in interest rates or substantial changes in foreign exchange rates could affect the Kajima Group's results and financial position.

4. Fluctuations in Asset Value and Profitability

A significant drop in the value and profitability of the Kajima Group's assets, including real estate for sale, real estate used in operations, and investment securities, could affect the Group's results and financial position.

5. Country Risk

The Kajima Group operates in North America, Europe, Asia, Oceania, and other regions around the world. Significant political, economic or legal changes occurring in these regions could affect the Group's results and financial position.

6. Changes in the Environment Surrounding Private Finance Initiatives

Private finance initiative projects typically extend over a long period of time, during which significant changes in the operating environment could affect the Kajima Group's results and financial position.

7. Defective Construction or Other Services

Major defects in the various services provided by the Kajima Group, including design and construction, could affect the Group's results and financial position.

8. Counterparty Credit Risk

The credit problems of customers, subcontractors, joint venture partners or other counterparties could lead to bad debts, construction delays or other problems that could affect the Kajima Group's results and financial position.

9. Changes in Regulations Concerning Deferred Income Tax Assets

The Kajima Group expects to fully utilize deferred income tax assets outstanding as of March 31, 2019, for the purpose of offsetting taxable income in the future. However, unexpected events including, but not limited to, changes in tax regulations may partially prevent the Group from doing so.

10. Changes to Laws and Regulations

The Kajima Group operates in the Japanese construction industry, which is subject to a variety of laws and regulations including the Construction Business Act, the Building Standards Act, the Building Lots and Buildings Transaction Business Act, the National Land Use Planning Act, the City Planning Act, and the Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade. Revisions of these laws, the enactment of new laws or regulations, or changes to applicable standards could affect the Group's results and financial position. In addition, any litigation against the Group could affect its results and financial position if the outcome differs from the Group's position or predictions.

Consolidated Balance Sheet

KAJIMA Corporation and Consolidated Subsidiaries

Note: In the financial statements and notes, all yen and U.S. dollar amounts are rounded to the nearest million yen and thousand dollars respectively, except where otherwise stated.

	As of March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 315,451	¥ 389,349	$ 2,841,901
Marketable securities (Notes 3 and 18)	422	188	3,802
Operational investments in securities (Notes 3 and 18)	12,384	12,388	111,568
Notes and accounts receivable—trade (Notes 8 and 18)	701,965	626,715	6,324,009
Allowance for doubtful accounts (Note 18)	(841)	(854)	(7,577)
Inventories:			
Construction projects in progress	52,050	54,079	468,919
Development projects in progress, real estate for sale and other (Note 8)	136,600	124,978	1,230,631
Other current assets (Notes 8 and 18)	104,367	87,019	940,242
Total current assets	1,322,398	1,293,862	11,913,495
PROPERTY AND EQUIPMENT:			
Land (Notes 4, 5, 6 and 8)	178,077	182,701	1,604,297
Buildings and structures (Notes 5, 6 and 8)	122,350	134,905	1,102,252
Machinery, equipment and other	19,520	19,796	175,856
Construction in progress (Note 6)	11,753	3,527	105,883
Total property and equipment	331,700	340,929	2,988,288
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 3, 8 and 18)	280,321	255,148	2,525,414
Investments in unconsolidated subsidiaries and affiliates (Notes 8 and 18)	46,654	40,149	420,306
Long-term loans receivable (Notes 7, 8 and 18)	3,583	15,036	32,279
Long-term loans to unconsolidated subsidiaries and affiliates (Notes 8 and 18)	46,319	39,281	417,288
Allowance for doubtful accounts (Note 18)	(3,706)	(7,615)	(33,387)
Deferred tax assets (Note 14)	4,022	15,096	36,234
Other (Note 12)	59,885	59,340	539,506
Total investments and other assets	437,078	416,435	3,937,640
TOTAL	¥ 2,091,176	¥ 2,051,226	$ 18,839,423

See notes to consolidated financial statements.

	As of March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	**2019**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 18)	¥ **85,193**	¥ 67,811	$ **767,505**
Commercial paper (Notes 10 and 18)	**35,000**	61,000	**315,315**
Current portion of long-term debt (Notes 8, 9 and 18)	**20,747**	52,642	**186,910**
Notes and accounts payable—trade (Note 18)	**530,421**	509,027	**4,778,568**
Advances received:			
Construction projects in progress (Note 11)	**146,076**	187,648	**1,316,000**
Development projects in progress, real estate for sale and other	**13,833**	13,489	**124,622**
Income taxes payable (Note 18)	**17,666**	28,787	**159,153**
Accrued expenses	**38,014**	38,999	**342,468**
Other current liabilities	**175,374**	144,248	**1,579,945**
Total current liabilities	**1,062,324**	1,103,651	**9,570,486**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 9 and 18)	**160,308**	166,121	**1,444,216**
Deferred tax liabilities (Note 14)	**1,963**	929	**17,685**
Deferred tax liabilities on revaluation surplus of land (Note 4)	**20,695**	20,714	**186,441**
Liability for retirement benefits (Note 12)	**60,191**	57,705	**542,261**
Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates	**1,205**	1,279	**10,856**
Other long-term liabilities (Note 8)	**27,566**	31,031	**248,343**
Total long-term liabilities	**271,928**	277,779	**2,449,802**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 17, 19 and 20)			
EQUITY (Notes 13 and 24.a):			
Common stock, authorized, 1,250,000,000 shares; issued, 528,656,011 shares*	**81,447**	81,447	**733,757**
Capital surplus	**43,268**	45,304	**389,802**
Retained earnings	**507,094**	424,195	**4,568,414**
Treasury stock—at cost, 9,748,800 shares in 2019 and 9,697,405 shares in 2018* (Notes 24.b and 24.c)	**(6,642)**	(6,567)	**(59,838)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	**111,417**	97,469	**1,003,757**
Deferred loss on derivatives under hedge accounting (Note 19)	**(371)**	(223)	**(3,342)**
Revaluation surplus of land (Note 4)	**18,618**	18,663	**167,730**
Foreign currency translation adjustments	**250**	7,225	**2,251**
Defined retirement benefit plans (Note 12)	**(1,803)**	(1,491)	**(16,243)**
Total	**753,278**	666,022	**6,786,288**
Noncontrolling Interests	**3,646**	3,774	**32,847**
Total equity	**756,924**	669,796	**6,819,135**
TOTAL	¥ **2,091,176**	¥ 2,051,226	$ **18,839,423**

*The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, the number of shares is calculated as if the consolidation of shares had been conducted at the beginning of the financial year ended March 31, 2018.

See notes to consolidated financial statements.

Consolidated Statement of Income

KAJIMA Corporation and Consolidated Subsidiaries

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	**2019**
REVENUES:			
Construction projects	**¥ 1,776,346**	¥ 1,645,462	**$ 16,003,117**
Real estate and other (Note 6)	**197,923**	185,164	**1,783,090**
Total revenues	**1,974,269**	1,830,626	**17,786,207**
COST OF REVENUES:			
Construction projects	**1,559,913**	1,421,641	**14,053,270**
Real estate and other (Note 6)	**163,185**	150,061	**1,470,135**
Total cost of revenues	**1,723,098**	1,571,702	**15,523,405**
Gross profit	**251,171**	258,924	**2,262,802**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**108,548**	100,550	**977,910**
Operating income	**142,623**	158,374	**1,284,892**
OTHER INCOME (EXPENSES):			
Interest and dividends	**9,956**	8,328	**89,694**
Interest expense	**(3,432)**	(3,349)	**(30,919)**
Foreign currency exchange gain	**91**	643	**820**
Equity in earnings of unconsolidated subsidiaries and affiliates	**3,180**	3,421	**28,649**
Equity in earnings of partnership	**6,921**	5,232	**62,351**
Reversal of doubtful accounts	**3,122**	2,153	**28,126**
Loss on investments in silent partnership	**(767)**	—	**(6,910)**
Gain on sales or disposals of property and equipment—net (Note 6)	**3,824**	2	**34,450**
Gain on sales of marketable and investment securities—net (Note 3)	**20**	418	**180**
Valuation loss on marketable and investment securities (Note 3)	**(630)**	(3)	**(5,676)**
Gain on sales of investments in unconsolidated subsidiaries and affiliates	**165**	—	**1,486**
Loss on liquidation of subsidiaries and affiliates	**—**	(2)	**—**
Loss on impairment of long-lived assets (Notes 5 and 6)	**(66)**	(6,647)	**(595)**
Litigation settlement	**(38)**	(131)	**(342)**
Provision for loss on Anti-Monopoly Act	**(8,702)**	—	**(78,396)**
Reversal of foreign currency translation adjustments	**—**	4,383	**—**
Other—net	**1,207**	4,816	**10,875**
Other income —net	**14,851**	19,264	**133,793**
INCOME BEFORE INCOME TAXES	**157,474**	177,638	**1,418,685**
INCOME TAXES (Note 14)**:**			
Current	**39,413**	46,786	**355,072**
Deferred	**7,883**	4,300	**71,018**
Total income taxes	**47,296**	51,086	**426,090**

See notes to consolidated financial statements.

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	**2019**
NET INCOME	**110,178**	126,552	**992,595**
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**(339)**	227	**(3,054)**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 109,839**	¥ 126,779	**$ 989,541**
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 23):			
Basic net income*	**¥ 211.67**	¥ 244.29	**$ 1.907**
Cash dividends applicable to the year*	**50.00**	48.00	**0.450**

*The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, the basic net income per share and cash dividends per share are calculated as if the consolidation of shares had been conducted at the beginning of the financial year ended March 31, 2018.

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

KAJIMA Corporation and Consolidated Subsidiaries

	Years Ended March 31					
	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
	2019		2018		**2019**	
NET INCOME	¥	**110,178**	¥	126,552	$	**992,595**
OTHER COMPREHENSIVE INCOME (Note 21):						
Unrealized gain on available-for-sale securities		**10,094**		18,139		**90,937**
Deferred (loss) gain on derivatives under hedge accounting		**(90)**		132		**(811)**
Revaluation surplus of land		**—**		10		**—**
Foreign currency translation adjustments		**(7,744)**		(1,109)		**(69,766)**
Defined retirement benefit plans (Note 12)		**(316)**		(2)		**(2,847)**
Share of other comprehensive income (loss) in unconsolidated subsidiaries and affiliates		**618**		(2,666)		**5,568**
Total other comprehensive income		**2,562**		14,504		**23,081**
COMPREHENSIVE INCOME	¥	**112,740**	¥	141,056	$	**1,015,676**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:						
Owners of the parent	¥	**112,454**	¥	141,422	$	**1,013,099**
Noncontrolling interests		**286**		(366)		**2,577**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

KAJIMA Corporation and Consolidated Subsidiaries

Years Ended March 31, 2019 and 2018

	Thousands	Millions of Yen					
						Accumulated Other Comprehensive Income	
	Outstanding Number of Shares of Common Stock*	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting
BALANCE, APRIL 1, 2017	518,988	¥ 81,447	¥ 45,304	¥ 319,834	¥ (6,506)	¥ 79,330	¥ (409)
Net income attributable to owners of the parent	—	—	—	126,779	—	—	—
Cash dividends paid:							
Final for prior year, ¥26.00 per share*	—	—	—	(13,494)	—	—	—
Interim for current year, ¥20.00 per share*	—	—	—	(10,379)	—	—	—
Reversal of revaluation surplus of land	—	—	—	1,455	—	—	—
Purchase of treasury stock	(30)	—	—	—	(61)	—	—
Net change in the year	—	—	—	—	—	18,139	186
BALANCE, MARCH 31, 2018 (as previously reported)	518,959	81,447	45,304	424,195	(6,567)	97,469	(223)
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates	—	—	—	—	—	3,859	—
BALANCE, APRIL 1, 2018 (as restated)	518,959	81,447	45,304	424,195	(6,567)	101,328	(223)
Net income attributable to owners of the parent	**—**	**—**	**—**	**109,839**	**—**	**—**	**—**
Cash dividends paid:							
Final for prior year, ¥28.00 per share*	**—**	**—**	**—**	**(14,531)**	**—**	**—**	**—**
Interim for current year, ¥24.00 per share*	**—**	**—**	**—**	**(12,454)**	**—**	**—**	**—**
Change in ownership interest of the parent due to				**—**			
transactions with noncontrolling interests	**—**	**—**	**(2,036)**	**—**	**—**	**—**	**—**
Reversal of revaluation surplus of land	**—**	**—**	**—**	**45**	**—**	**—**	**—**
Purchase of treasury stock	**(52)**	**—**	**—**	**—**	**(31)**	**—**	**—**
Change in treasury stock arising from change in equity in entities accounted for using equity method	**—**	**—**	**—**	**—**	**(44)**	**—**	**—**
Net change in the year	**—**	**—**	**—**	**—**	**—**	**10,089**	**(148)**
BALANCE, MARCH 31, 2019	**518,907**	**¥ 81,447**	**¥ 43,268**	**¥ 507,094**	**¥ (6,642)**	**¥ 111,417**	**¥ (371)**

	Millions of Yen					
		Accumulated Other Comprehensive Income				
	Revaluation Surplus of Land	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2017	¥ 20,109	¥ 10,952	¥ (1,527)	¥ 548,534	¥ 4,019	¥ 552,553
Net income attributable to owners of the parent	—	—	—	126,779	—	126,779
Cash dividends paid:			—			
Final for prior year, ¥26.00 per share*	—	—	—	(13,494)	—	(13,494)
Interim for current year, ¥20.00 per share*	—	—	—	(10,379)	—	(10,379)
Reversal of revaluation surplus of land	(1,446)	—	—	9	—	9
Purchase of treasury stock	—	—	—	(61)	—	(61)
Net change in the year	—	(3,727)	36	14,634	(245)	14,389
BALANCE, MARCH 31, 2018 (as previously reported)	18,663	7,225	(1,491)	666,022	3,774	669,796
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates	—	—	—	3,859	—	3,859
BALANCE, APRIL 1, 2018 (as restated)	18,663	7,225	(1,491)	669,881	3,774	673,655
Net income attributable to owners of the parent	**—**	**—**	**—**	**109,839**	**—**	**109,839**
Cash dividends paid:						
Final for prior year, ¥28.00 per share*	**—**	**—**	**—**	**(14,531)**	**—**	**(14,531)**
Interim for current year, ¥24.00 per share*	**—**	**—**	**—**	**(12,454)**	**—**	**(12,454)**
Change in ownership interest of the parent due to transactions with noncontrolling interests	**—**	**—**	**—**	**(2,036)**		**(2,036)**
Reversal of revaluation surplus of land	**(45)**	**—**	**—**	**—**	**—**	**—**
Purchase of treasury stock	**—**	**—**	**—**	**(31)**	**—**	**(31)**
Change in treasury stock arising from change in equity in entities accounted for using equity method	**—**	**—**	**—**	**(44)**		**(44)**
Net change in the year	**—**	**(6,975)**	**(312)**	**2,654**	**(128)**	**2,526**
BALANCE, MARCH 31, 2019	**¥ 18,618**	**¥ 250**	**¥ (1,803)**	**¥ 753,278**	**¥ 3,646**	**¥ 756,924**

*The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, number of shares and per share figures are calculated as if the consolidation of shares had been conducted at the beginning of the financial year ended March 31,2018.

See notes to consolidated financial statements.

Year Ended March 31, 2019

	Thousands of U.S. Dollars (Note 1)					
					Accumulated Other Comprehensive Income	
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting
BALANCE, MARCH 31, 2018	$ 733,757	$ 408,144	$ 3,821,576	$ (59,162)	$ 878,099	$ (2,009)
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates	—	—	—	—	34,766	—
BALANCE, APRIL 1, 2018 (as restated)	733,757	408,144	3,821,576	(59,162)	912,865	(2,009)
Net income attributable to owners of the parent	—	—	**989,541**	—	—	—
Cash dividends paid:						
Final for prior year, $0.252 per share*	—	—	**(130,910)**	—	—	—
Interim for current year, $0.216 per share*	—	—	**(112,198)**	—	—	—
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	**(18,342)**	—	—	—	—
Reversal of revaluation surplus of land	—	—	**405**	—	—	—
Purchase of treasury stock	—	—	—	**(279)**	—	—
Change in treasury stock arising from change in equity in entities accounted for using equity method	—	—	—	**(397)**	—	—
Net change in the year	—	—	—	—	**90,892**	**(1,333)**
BALANCE, MARCH 31, 2019	**$ 733,757**	**$ 389,802**	**$ 4,568,414**	**$ (59,838)**	**$ 1,003,757**	**$ (3,342)**

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income					
	Revaluation Surplus of Land	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2018	$ 168,135	$ 65,090	$ (13,432)	$ 6,000,198	$ 34,000	$ 6,034,198
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates	—	—	—	34,766	—	34,766
BALANCE, APRIL 1, 2018 (as restated)	168,135	65,090	(13,432)	6,034,964	34,000	6,068,964
Net income attributable to owners of the parent	—	—	—	**989,541**	—	**989,541**
Cash dividends paid:						
Final for prior year, $0.252 per share*	—	—	—	**(130,910)**	—	**(130,910)**
Interim for current year, $0.216 per share*	—	—	—	**(112,198)**	—	**(112,198)**
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	—	—	**(18,342)**	—	**(18,342)**
Reversal of revaluation surplus of land	**(405)**	—	—	—	—	—
Purchase of treasury stock	—	—	—	**(279)**	—	**(279)**
Change in treasury stock arising from change in equity in entities accounted for using equity method	—	—	—	**(397)**	—	**(397)**
Net change in the year	—	**(62,839)**	**(2,811)**	**23,909**	**(1,153)**	**22,756**
BALANCE, MARCH 31, 2019	**$ 167,730**	**$ 2,251**	**$ (16,243)**	**$ 6,786,288**	**$ 32,847**	**$ 6,819,135**

*The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, per share figures are calculated as if the consolidation of shares had been conducted at the beginning of the financial year ended March 31,2018.

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

KAJIMA Corporation and Consolidated Subsidiaries

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	**2019**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 157,474**	¥ 177,638	**$ 1,418,685**
Adjustments for:			
Income taxes—paid	**(50,878)**	(48,070)	**(458,360)**
Depreciation and amortization	**19,166**	19,380	**172,667**
Decrease in provision for doubtful accounts	**(2,956)**	(2,220)	**(26,631)**
Foreign currency exchange loss (gain)	**237**	(1,930)	**2,135**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(3,180)**	(3,421)	**(28,649)**
Increase in provision for loss on Anti-Monopoly Act	**8,702**	—	**78,396**
Reversal of foreign currency translation adjustments	**—**	(4,383)	**—**
Valuation loss on marketable and investment securities	**630**	3	**5,676**
Gain on sales or disposals of property and equipment—net	**(3,824)**	(2)	**(34,450)**
Gain on sales of marketable and investment securities—net	**(20)**	(418)	**(180)**
Gain on sales of investments in unconsolidated subsidiaries and affiliates	**(165)**	—	**(1,486)**
Loss on impairment of long-lived assets	**66**	6,647	**595**
Changes in operating assets and liabilities:			
Increase in receivables	**(79,361)**	(13,955)	**(714,964)**
(Increase) decrease in inventories	**(13,495)**	18,780	**(121,577)**
Increase in operational investments in securities	**—**	(2,232)	**—**
Increase (decrease) in payables	**25,374**	(9,266)	**228,595**
Decrease in advances received	**(39,992)**	(25,208)	**(360,288)**
(Decrease) increase in accrued expenses	**(256)**	3,984	**(2,306)**
Increase in liability for retirement benefits	**2,025**	1,297	**18,243**
Increase in other assets	**(14,124)**	(11,334)	**(127,243)**
Increase in other liabilities	**22,146**	14,092	**199,514**
Other—net	**2,821**	1,098	**25,412**
Net cash provided by operating activities	**30,390**	120,480	**273,784**
INVESTING ACTIVITIES:			
(Increase) decrease in time deposits excluding cash equivalents—net	**(2,287)**	1,635	**(20,604)**
Payment for purchases of marketable and investment securities	**(8,121)**	(394)	**(73,162)**
Payment for investments in unconsolidated subsidiaries and affiliates	**(7,502)**	(4,410)	**(67,586)**
Proceeds from sales and redemption of marketable and investment securities	**291**	1,323	**2,622**
Proceeds from sales and redemption of investments in unconsolidated subsidiaries and affiliates	**192**	3,847	**1,730**
Payment for purchases of property and equipment	**(23,407)**	(12,731)	**(210,874)**
Proceeds from sales of property and equipment	**22,545**	1,200	**203,108**
Payment for purchase of intangible assets	**(2,771)**	(2,081)	**(24,964)**
Purchases of shares of subsidiaries resulting in change in scope of consolidation (Note 22)	**(2,434)**	(158)	**(21,928)**
Disbursements for loans	**(12,003)**	(29,894)	**(108,135)**
Proceeds from collection of loans	**13,248**	7,036	**119,351**
Other—net	**(3,097)**	(12,728)	**(27,900)**
Net cash used in investing activities	**(25,346)**	(47,355)	**(228,342)**
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	**18,699**	2,255	**168,459**
Repayment of commercial paper—net	**(26,000)**	(14,000)	**(234,234)**
Proceeds from issuance of long-term debt	**15,363**	20,840	**138,405**
Repayment of long-term debt	**(52,719)**	(46,878)	**(474,946)**
Proceeds from issuance of bonds	**—**	10,000	**—**
Repayment of finance lease obligations	**(972)**	(1,205)	**(8,757)**
Cash dividends paid	**(26,985)**	(23,873)	**(243,108)**
Other—net	**(2,394)**	(238)	**(21,568)**
Net cash used in financing activities	**(75,008)**	(53,099)	**(675,749)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(3,934)**	1,850	**(35,441)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(73,898)**	21,876	**(665,748)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**389,349**	367,473	**3,507,649**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 315,451**	¥ 389,349	**$ 2,841,901**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries

Year Ended March 31, 2019

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Kajima Corporation (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRSs").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to $1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2019, include the accounts of the Company and its 137 (128 in 2018) significant subsidiaries.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Another 33 (35 in 2018) subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 72 (71 in 2018) affiliates were accounted for using the equity method.

(The Company, its subsidiaries and affiliates are collectively referred to as the "Group".)

Goodwill, the excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary or affiliate at the date of acquisition, is amortized using the straight-line method over its useful life that goodwill is expected to have an effect.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from intercompany transactions is also eliminated.

As of March 31, 2019, the Company had 2 special purpose entities (2 in 2018) which were established and are being operated for the purpose of liquidation of real estate, and as such are not consolidated in accordance with Japanese GAAP. The total assets and liabilities of such special purpose entities were ¥42,782 million ($385,423 thousand) and ¥42,773 million ($385,342 thousand), respectively, as of March 31, 2019, and ¥43,091 million and ¥43,082 million, respectively, as of March 31, 2018. The Company recognized lease payments of ¥3,327 million ($29,973 thousand) and ¥3,321 million based on lease agreements of real estate for the years ended March 31, 2019 and 2018, respectively. Certain domestic subsidiaries recognized revenues of ¥252 million ($2,270 thousand) from repair works for the year ended March 31, 2019. The investment in silent partnership was ¥5,933 million ($53,450 thousand) and ¥5,737 million as of March 31, 2019 and 2018, respectively, and its related distributed profit was ¥1,527 million ($13,757 thousand) and ¥1,512 million for the years ended March 31, 2019 and 2018, respectively.

The breakdown and changes of fully consolidated companies and companies accounted for using the equity method are summarized below:

(1) Breakdown as of March 31, 2019

1) Number of consolidated subsidiaries	:	137 Taiko Trading Co., Ltd., Kajima Road Co., Ltd., Kajima Leasing Corporation, Chemical Grouting Co., Ltd., Kajima Tatemono Sogo Kanri Co., Ltd., Kajima U.S.A. Inc. (KUSA) and its 31 subsidiaries, Kajima Overseas Asia Pte. Ltd. (KOA) and its 44 subsidiaries, Kajima Europe Ltd. (KE) and its 20 subsidiaries, Kajima Europe B.V. (KEBV), Kajima Australia Pty. Ltd. (KA) and its 25 subsidiaries, Chung-Lu Construction Co., Ltd., and 6 subsidiaries of the Company
2) Number of unconsolidated subsidiaries accounted for using the equity method	:	33 ARTES Corporation, Japan Sea Works Co., Ltd. and 31 other companies
3) Number of affiliates accounted for using the equity method	:	72 Katabami Kogyo Co., Ltd. and 71 other companies

(2) Changes for the year ended March 31, 2019

1) Newly consolidated companies	:	3 subsidiaries of KUSA and 8 subsidiaries of KOA due to establishment and acquisition
2) Companies excluded from consolidation	:	1 subsidiary of KE and 1 subsidiary of KEBV due to liquidation

3) Companies newly accounted for using the equity method : 3 affiliates due to establishment

4) Companies excluded from the equity method : 2 subsidiaries and 2 affiliates due to liquidation and sales of shares and interests

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Japanese accounting standards prescribe that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRSs or accounting principles generally accepted in the United States of America ("U.S. GAAP") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized costs of research and development; and (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. Unification of Accounting Policies Applied to Foreign Affiliates for the Equity Method — Japanese accounting standards require adjustments to be made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign affiliates in accordance with either IFRSs or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized costs of research and development; and (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. Business Combinations — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred.

e. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

f. Inventories — Construction projects in progress are stated at cost as determined on a specific project basis. Related general and administrative expenses and financial charges are principally excluded from such costs.

Japanese accounting standards require that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

As a result, gross profit for the years ended March 31, 2019 and 2018, decreased by ¥595 million ($5,360 thousand) and ¥648 million, respectively.

However, in the case of certain overseas subsidiaries, construction projects in progress, development projects in progress and real estate for sale are stated at cost, when not in excess of net realizable value.

g. Capitalization of Interest — Interest costs incurred for real estate development projects conducted by certain overseas subsidiaries have been capitalized as part of the development costs of such projects. Interest expenses capitalized were ¥352 million ($3,171 thousand) and ¥108 million for the years ended March 31, 2019 and 2018, respectively.

h. Marketable Securities, Operational Investments in Securities and Investments in Securities — Marketable securities, operational investments in securities and investments in securities are classified and accounted for, depending on management's intent, as follows:

(1) Trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings;
(2) Held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and
(3) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

All securities held by the Companies are classified as available-for-sale securities. The cost of securities sold is determined based on the moving-average method. Nonmarketable available-for-sale securities are mainly stated at amortized cost or at cost determined by the moving-average method according to their nature. For other-than-temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

i. Property and Equipment — Property and equipment are principally stated at cost, net of accumulated depreciation. Depreciation has been principally computed using the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016.

The estimated useful lives for buildings and structures range from 2 to 50 years, and for machinery, equipment and other, range from 2 to 25 years.

However, in the accounts of certain overseas subsidiaries, depreciation is principally calculated using the straight-line method over the estimated useful lives of the respective assets.

Accumulated depreciation totaled ¥314,362 million ($2,832,090 thousand) and ¥322,376 million as of March 31, 2019 and 2018, respectively.

j. Long-Lived Assets — The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. Allowance for Doubtful Accounts — Allowance for doubtful accounts provided by the Company and its domestic consolidated subsidiaries is stated in amounts considered to be appropriate based on each company's past credit loss experience and an evaluation of potential losses in the receivables and others outstanding. However, the overseas consolidated subsidiaries provide for such possible losses using management's estimate.

l. Retirement Benefits — The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have funded and/or unfunded retirement benefit plans covering their employees. In addition, the Company, certain domestic and overseas consolidated subsidiaries have defined contribution plans.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss on a straight-line basis over 10 years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

m. Asset Retirement Obligations — An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Construction Contracts — Construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

In the overseas consolidated subsidiaries, construction projects are mainly recorded using the percentage-of-completion method.

The revenues posted by way of the percentage-of-completion method for the years ended March 31, 2019 and 2018, were ¥1,638,837 million ($14,764,297 thousand) and ¥1,508,312 million, respectively.

The Companies provided for foreseeable losses on a contract backlog which was recorded in other current liabilities. The accrual for foreseeable losses on the contract backlog was ¥12,852 million ($115,784 thousand) and ¥14,768 million as of March 31, 2019 and 2018, respectively.

o. Costs of Research and Development and Debenture Issuance — All research and development costs and debenture issuance costs are charged to income as incurred. Costs of research and development for the years ended March 31, 2019 and 2018, totaled ¥13,969 million ($125,847 thousand) and ¥10,322 million, respectively.

p. Leases — Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

q. Bonuses to Directors — Bonuses to directors are accrued at the end of the year to which such bonuses are attributable.

r. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

From the beginning of the year ended March 31, 2019, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting"(Statement No.28 issued by the Accounting Standards Board of Japan ("ASBJ") on February 16, 2018) which requires deferred tax assets to be classified as investments and other assets, and deferred tax liabilities to be classified as long-term liabilities.

As a result, in the consolidated balance sheet as of March 31, 2018, "deferred tax assets" in current assets decreased by ¥36,252 million, and "deferred tax assets" in investments and other assets increased by ¥13,295 million. In addition, "other current liabilities" decreased by ¥16 million, and "deferred tax liabilities" in long-term liabilities decreased by ¥22,941 million.

Since the deferred tax assets and deferred tax liabilities of the same taxable entity were offset, total assets as of March 31, 2018 decreased by ¥22,956 million compared with the amount before the change.

s. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts or currency swaps.

t. Foreign Currency Financial Statements — The balance sheet accounts and revenue and expense accounts of the overseas consolidated subsidiaries are translated into Japanese yen at the current exchange rates as of each balance sheet date except for equity, which is translated at the historical exchange rate.

Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

u. Derivatives and Hedging Activities — The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps and interest rate swaps are principally utilized by the Companies to reduce the risks arising from the factors mentioned above. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows:

(1) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and

(2) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The derivative instruments applied for forecasted or committed transactions are measured at fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

The monetary debts and credits denominated in foreign currencies, for which foreign exchange forward contracts or currency swaps are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts or currency swaps qualify for hedge accounting.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is charged to income.

v. Provision for Loss on Anti-Monopoly Act — Provision for loss on Anti-Monopoly Act is provided based on estimated payment for penalties under the Anti-Monopoly Act, which amounted ¥8,702 million ($78,396 thousand) for the year ended March 31, 2019.

w. Per Share Information — Basic net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because the Companies did not have dilutive shares for the years ended March 31, 2019 and 2018.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective financial years including dividends to be paid after the end of the year.

Based on the resolution at the Ordinary Stockholders' Meeting held on June 26, 2018, the Company consolidated its shares at a rate of one share for every two shares, and changed the number of its shares constituting one unit from 1,000 shares to 100 shares, effective October 1, 2018. Accordingly, all share and per share figures are calculated as if the consolidation of shares had been conducted at the beginning of the year ended March 31,2018 to provide data on a basis comparable to the year ended March 31,2019. Such restatements include calculations regarding the Company’s weighted-average number of common shares, basic net income per share, and cash dividends per share.

x. New Accounting Pronouncements

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Companies expect to apply the accounting standard and guidance for financial years beginning on or after April 1, 2021, and are in the process of measuring the effects of applying the accounting standard and guidance in future applicable years.

3. MARKETABLE SECURITIES, OPERATIONAL INVESTMENTS IN SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities, operational investments in securities and investments in securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Current:			
Equity securities	**¥ —**	¥ 100	**$ —**
Government and corporate bonds	**422**	88	**3,802**
Preferred equity investment	**10,156**	10,156	**91,495**
Other	**2,228**	2,232	**20,073**
Total	**¥ 12,806**	¥ 12,576	**$ 115,370**
Non-Current:			
Equity securities	**¥ 270,670**	¥ 246,423	**$ 2,438,468**
Government and corporate bonds	**905**	1,213	**8,153**
Other	**8,746**	7,512	**78,793**
Total	**¥ 280,321**	¥ 255,148	**$ 2,525,414**

The costs and aggregate fair values related to the category of the securities classified as available-for-sale as of March 31, 2019 and 2018, were as follows:

As of March 31, 2019	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	**¥ 106,996**	**¥ 160,046**	**¥ (2,519)**	**¥ 264,523**
Government and corporate bonds	**1,321**	**15**	**(9)**	**1,327**
Other	**1,338**	**451**	**(9)**	**1,780**
Total	**¥ 109,655**	**¥ 160,512**	**¥ (2,537)**	**¥ 267,630**

As of March 31, 2018	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	¥ 100,682	¥ 141,454	¥ (2,081)	¥ 240,055
Government and corporate bonds	1,280	24	(3)	1,301
Other	1,379	401	(5)	1,775
Total	¥ 103,341	¥ 141,879	¥ (2,089)	¥ 243,131

As of March 31, 2019	Thousands of U.S. Dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	**$ 963,928**	**$ 1,441,856**	**$ (22,694)**	**$ 2,383,090**
Government and corporate bonds	**11,901**	**135**	**(81)**	**11,955**
Other	**12,054**	**4,063**	**(81)**	**16,036**
Total	**$ 987,883**	**$ 1,446,054**	**$ (22,856)**	**$ 2,411,081**

The above figures include marketable equity securities temporarily lent to financial institutions based on securities lending agreements in the amount of ¥276 million ($2,486 thousand) and ¥311 million as of March 31, 2019 and 2018, respectively.

The information for available-for-sale securities which were sold during the years ended March 31, 2019 and 2018, was as follows:

Year Ended March 31, 2019

	Millions of Yen		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**¥ 47**	**¥ 22**	**¥ (2)**
Government and corporate bonds	**2**	**0**	**(0)**
Other	**55**	**4**	**(4)**
Total	**¥ 104**	**¥ 26**	**¥ (6)**

Year Ended March 31, 2018

	Millions of Yen		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	¥ 1,187	¥ 424	¥ (6)
Government and corporate bonds	3	0	—
Other	27	0	(0)
Total	¥ 1,217	¥ 424	¥ (6)

Year Ended March 31, 2019

	Thousands of U.S. Dollars		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**$ 423**	**$ 198**	**$ (18)**
Government and corporate bonds	**18**	**0**	**(0)**
Other	**496**	**36**	**(36)**
Total	**$ 937**	**$ 234**	**$ (54)**

The impairment losses on available-for-sale securities were ¥630 million ($5,676 thousand) and ¥3 million for the years ended March 31, 2019 and 2018, respectively.

4. REVALUATION OF LAND

Under the "Law of Land Revaluation", the Company and a domestic consolidated subsidiary adopted a one-time revaluation of their own-use land in Japan to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

5. LONG-LIVED ASSETS

For the year ended March 31, 2018, the Company and a domestic consolidated subsidiary recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of assets
Assets held for rent	Land, Buildings and structures	Chiba Prefecture	1
Idle properties	Land, Buildings and structures	Tokyo and others	8

For purposes of evaluating and measuring impairment, assets held for rent and idle properties are individually evaluated.

The carrying amounts of certain asset held for rent and idle properties were devalued to their recoverable amounts, due to substantial declines in their fair market value.

As a result, the Company and domestic consolidated subsidiaries recognized impairment losses of ¥6,647 million, which consisted of asset held for rent of ¥1,955 million and idle properties of ¥4,692 million for the year ended March 31, 2018.

The recoverable amounts of such assets were measured at the anticipated net selling price at disposition. The Company and domestic consolidated subsidiaries principally used the appraisal value, less the cost of disposal, for calculating the net selling price at disposition.

For the year ended March 31, 2019, information about impairment losses of assets is not disclosed since the effects were immaterial.

6. INVESTMENT PROPERTY

The Companies own certain rental properties such as office buildings and commercial facilities in Tokyo, other areas in Japan and overseas (Indonesia, United Kingdom and others). The net of rental income and operating expenses for those rental properties was ¥8,455 million ($76,171 thousand), and gain on sales or disposals of property and equipment—net was ¥4,027 million ($36,279 thousand) for the year ended March 31, 2019. The net of rental income and operating expenses for those rental properties was ¥9,805 million, gain on sales or disposals of property and equipment—net was ¥21 million and loss on impairment of long-lived assets was ¥6,647 million for the year ended March 31, 2018.

In addition, the carrying amounts, changes in such balances and fair values of such properties were as follows:

Millions of Yen

Carrying amount			Fair value
As of April 1, 2018	**Increase/Decrease**	**As of March 31, 2019**	**As of March 31, 2019**
¥ 156,997	**¥ (8,658)**	**¥ 148,339**	**¥ 314,383**

Millions of Yen

Carrying amount			Fair value
As of April 1, 2017	Increase/Decrease	As of March 31, 2018	As of March 31, 2018
¥ 163,062	¥ (6,065)	¥ 156,997	¥ 322,103

Thousands of U.S. Dollars

Carrying amount			Fair value
As of April 1, 2018	**Increase/Decrease**	**As of March 31, 2019**	**As of March 31, 2019**
$ 1,414,387	**$ (78,000)**	**$ 1,336,387**	**$ 2,832,279**

Notes:
(1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation, if any.
(2) Fair value of properties as of March 31, 2019 and 2018, was measured as follows:
  1) Fair value of domestic properties is principally measured by the Companies in accordance with its Real Estate Appraisal Standard, including adjustments using indexes.
  2) Fair value of overseas properties is principally measured by third-party appraisal reports.

7. LONG-TERM LOANS RECEIVABLE

Long-term loans receivable primarily consist of loans to business partners and customers of the Companies.

8. PLEDGED ASSETS

As of March 31, 2019, the following assets of the Companies were pledged to secure the repayment of current portion of long-term debt of ¥31 million ($279 thousand), long-term debt of ¥21,291 million ($191,811 thousand) and other long-term liabilities of ¥4 million ($36thousand) and to assure the performance by the Companies under certain agreements.

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable—trade	¥ **750**	$ **6,757**
Inventories:		
Development projects in progress, real estate for sale and other	**35,026**	**315,550**
Other current assets	**86**	**775**
Land	**26**	**234**
Buildings and structures	**769**	**6,928**
Investments in securities and Investments in unconsolidated subsidiaries and affiliates	**943**	**8,495**
Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates	**1,008**	**9,081**
Total	¥ **38,608**	$ **347,820**

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2019 and 2018, mainly consisted of bank overdrafts. The weighted-average interest rates of short-term borrowings as of March 31, 2019 and 2018, were 1.40% and 0.92%, respectively.

Long-term debt as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Long-term loans, due 2019 – 2077	**¥ 138,509**	¥ 146,021	**$ 1,247,829**
Corporate bonds, due 2021 – 2026	**40,000**	70,000	**360,360**
Lease obligations	**2,546**	2,742	**22,937**
Total	**181,055**	218,763	**1,631,126**
Current portion included in current liabilities	**(20,747)**	(52,642)	**(186,910)**
Total	**¥ 160,308**	¥ 166,121	**$ 1,444,216**

Long-term loans as of March 31, 2019 and 2018, were primarily from banks and insurance companies. The weighted-average interest rates of long-term loans as of March 31, 2019 and 2018, were 1.61% and 1.40%, respectively. The Company issues corporate bonds to meet its financial needs and the weighted-average interest rates for the outstanding balances of such corporate bonds as of March 31, 2019 and 2018, were 0.26% and 0.49%, respectively. Certain short-term and long-term bank loans of the Company and its domestic consolidated subsidiaries are made under agreements which, as is customary in Japan, provide that the bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the loans, and that the bank may treat any collateral, whether furnished as security for short-term or long-term loans or otherwise, as collateral for all indebtedness to such bank. However, the Company and its domestic consolidated subsidiaries have never received such a request.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2019, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	**¥ 20,747**	**$ 186,910**
2021	**58,819**	**529,901**
2022	**15,434**	**139,045**
2023	**4,758**	**42,865**
2024	**7,127**	**64,207**
2025 and thereafter	**74,170**	**668,198**
Total	**¥ 181,055**	**$ 1,631,126**

Several loan agreements include financial covenants primarily on net assets and interest-bearing debt.

The outstanding balances of such loans as of March 31, 2019 and 2018, were included in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Current portion of long-term debt	**¥ —**	¥ 2,000	**$ —**
Long-term debt	**15,000**	15,000	**135,135**
Total	**¥ 15,000**	¥ 17,000	**$ 135,135**

In addition, the Company entered into committed loan facility agreements aggregating ¥150,000 million ($1,351,351 thousand) with several Japanese banks. There were no outstanding balances under the committed loan facility agreements as of March 31, 2019.

10. COMMERCIAL PAPER

Commercial paper was represented by 94- to 109- day paper issued by the Company with the weighted-average interest rate of (0.00) % and 7- to 203- day paper with the weighted-average interest rate of (0.01)% as of March 31, 2019 and 2018, respectively.

11. ADVANCES RECEIVED ON CONSTRUCTION PROJECTS IN PROGRESS

The Companies normally receive payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

12. RETIREMENT BENEFITS

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have funded and/or unfunded defined benefit plans covering their employees. In addition, the Company, certain domestic and overseas consolidated subsidiaries have defined contribution plans.

Under the defined benefit pension plans, which are all funded, employees terminating their employment are entitled to either a lump-sum payment or an annuity, determined based on the rate of pay at the time of termination and years of service.

The severance lump-sum payment plans, which are mostly unfunded, except for a certain plan that is deemed to be funded where a consolidated subsidiary contributes qualified plan assets to an employee retirement benefit trust, provide for a lump-sum payment to terminated employees, determined based on accumulated points allocated each month according to an employee's job classification and performance, or on the rate of pay at the time of termination and years of service.

Certain consolidated subsidiaries account for their retirement benefit plans using the simplified method.

a. Changes in defined benefit obligation

The changes in defined benefit obligation for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Balance at beginning of year	**¥ 65,161**	¥ 62,998	**$ 587,036**
Current service cost	**4,547**	4,458	**40,964**
Interest cost	**328**	357	**2,955**
Actuarial losses	**294**	731	**2,649**
Benefits paid	**(3,195)**	(3,415)	**(28,784)**
Increase due to change in measurement of retirement benefit obligations from the simplified method to the standard method	**439**	—	**3,955**
Other	**(44)**	32	**(397)**
Balance at end of year	**¥ 67,530**	¥ 65,161	**$ 608,378**

Note: Retirement benefit plans accounted for using the simplified method are excluded.

b. Changes in plan assets

The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Balance at beginning of year	**¥ 10,096**	¥ 9,085	**$ 90,964**
Expected return on plan assets	**64**	66	**577**
Actuarial (losses) gains	**(479)**	503	**(4,315)**
Contributions from the employer	**138**	157	**1,243**
Gain on contribution of securities to retirement benefit trust	**—**	726	**—**
Benefits paid	**(242)**	(441)	**(2,190)**
Balance at end of year	**¥ 9,577**	¥ 10,096	**$ 86,279**

Note: Retirement benefit plans accounted for using the simplified method are excluded.

c. Changes in net defined benefit liability accounted for using the simplified method

The changes in net defined benefit liability accounted for using the simplified method for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Balance at beginning of year	**¥ 1,690**	¥ 1,567	**$ 15,225**
Benefit cost	**276**	318	**2,486**
Benefits paid	**(129)**	(151)	**(1,162)**
Contributions to the funds	**(56)**	(52)	**(505)**
Decrease due to change in measurement of retirement benefit obligations from the simplified method to the standard method	**(209)**	—	**(1,883)**
Other	**(1)**	8	**(8)**
Balance at end of year	**¥ 1,571**	¥ 1,690	**$ 14,153**

d. Reconciliation with the consolidated balance sheet

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Funded defined benefit obligation	**¥ 9,553**	¥ 9,515	**$ 86,063**
Plan assets	**(9,983)**	(10,460)	**(89,937)**
Total	**(430)**	(945)	**(3,874)**
Unfunded defined benefit obligation	**59,954**	57,700	**540,126**
Net liability for defined benefit obligation	**¥ 59,524**	¥ 56,755	**$ 536,252**

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Liability for retirement benefits	**¥ 60,191**	¥ 57,705	**$ 542,261**
Asset for retirement benefits	**(667)**	(950)	**(6,009)**
Net liability for defined benefit obligation	**¥ 59,524**	¥ 56,755	**$ 536,252**

Notes: (1) Retirement benefit plans accounted for using the simplified method are included.

(2) Asset for retirement benefits is included in "other" in investments and other assets in the consolidated balance sheet.

e. Periodic benefit costs

The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Service cost	**¥ 4,547**	¥ 4,458	**$ 40,964**
Interest cost	**328**	357	**2,955**
Expected return on plan assets	**(64)**	(66)	**(577)**
Recognized actuarial losses	**243**	291	**2,189**
Amortization of past service cost	**—**	(37)	**—**
Benefit cost in simplified method	**276**	318	**2,486**
Amount expensed due to change in measurement of retirement benefit obligations from the simplified method to the standard method	**229**	—	**2,063**
Other	**(1)**	2	**(8)**
Net periodic benefit costs	**¥ 5,558**	¥ 5,323	**$ 50,072**

f. Other comprehensive income

Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Past service cost	**¥ —**	¥ (37)	**$ —**
Actuarial (losses) gains	**(525)**	70	**(4,730)**
Total	**¥ (525)**	¥ 33	**$ (4,730)**

g. Accumulated other comprehensive income

Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Unrecognized actuarial losses	**(2,537)**	(2,012)	**(22,856)**

h. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	2019	2018
Equity investments	**55 %**	58 %
Debt investments	**20**	20
Cash and cash equivalents	**10**	9
General accounts with life insurance companies	**9**	7
Other	**6**	6
Total	**100 %**	100 %

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

i. Assumptions

Assumptions used for the years ended March 31, 2019 and 2018, were set forth as follows:

	2019	2018
Discount rate	**0.1% to 0.6%**	0.1% to 0.7%
Expected rate of return on plan assets	**1.0% to 2.5%**	1.0% to 2.5%

j. Defined contribution pension plans

The costs of defined contribution plans were ¥2,774 million ($24,991 thousand) and ¥2,671 million for the years ended March 31, 2019 and 2018, respectively.

13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the financial year in addition to the year-end dividend upon resolution at the stockholders' meeting. Additionally, for companies that meet certain criteria including: (1) having a Board of Directors; (2) having independent auditors; (3) having an Audit & Supervisory Board; and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the financial year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semiannual interim dividends can be paid once a year upon resolution by the Board of Directors as stipulated in the articles of incorporation of the Company.

b. Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the stockholders.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

Based on the resolution at the Ordinary Stockholders' Meeting held on June 26, 2018, the Company consolidated its shares at a rate of one share for every two shares, and changed the number of its shares constituting one unit from 1,000 shares to 100 shares, effective October 1, 2018.

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% and 30.8% for the years ended March 31, 2019 and 2018 respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Deferred tax assets:			
Liability for retirement benefits	**¥ 19,010**	¥ 18,105	**$ 171,261**
Valuation loss on property and equipment	**14,529**	16,522	**130,892**
Other	**51,048**	55,405	**459,892**
Subtotal	**84,587**	90,032	**762,045**
Valuation allowance	**(27,564)**	(26,256)	**(248,324)**
Total	**57,023**	63,776	**513,721**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(47,970)**	(43,414)	**(432,162)**
Other	**(6,994)**	(6,195)	**(63,009)**
Total	**(54,964)**	(49,609)	**(495,171)**
Net deferred tax assets	**¥ 2,059**	¥ 14,167	**$ 18,550**

As of March 31, 2019, certain consolidated subsidiaries of the Company have tax loss carryforwards available to offset future taxable income, which will start expiring in 2020. As for the domestic consolidated subsidiaries, their tax loss carryforwards will gradually expire by 2029. Due to the uncertainty in the realization of such tax loss carryforwards, the Companies have established a valuation allowance to offset part of the related deferred tax assets in the amount of ¥1,707 million ($15,378 thousand) and ¥1,576 million as of March 31, 2019 and 2018 respectively.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2018, was as follows:

	2018
Normal effective statutory tax rate	30.8 %
Expenses not deductible for income tax purposes	0.8
Valuation allowance	(0.7)
Tax credit for income growth	(1.4)
Other—net	(0.7)
Actual effective tax rate	28.8 %

Information for the year ended March 31, 2019, is not disclosed, because the difference was not more than 5% of the normal effective statutory tax rate.

15. BUSINESS COMBINATIONS

Year Ended March 31, 2019

Business Combination by Acquisition

a. Outline of the business combination

(1) Name of acquired company and its business outline

Name of the acquired company: Flournoy Development Group, LLC

Business outline: Development business in North America

Name of the acquired company: Flournoy Construction Group, LLC

Business outline: Construction business in North America

(2) Major reason for the business combination

The acquired companies whose core business is development of multifamily rental properties in the Southern part of the United States provide full professional services by vertically integrating development, construction, and property management divisions.

The Company determined to acquire the above two companies after it has reached the conclusion that the acquisition brings diversification of revenue sources in order to flexibly respond to economic fluctuations in the U.S. real estate market as well as further cooperation between the construction and the development business in the United States by obtaining the new development platform in the residential sector.

(3) Date of business combination

January 5, 2018

(4) Legal form of business combination

Interests acquisition in consideration for cash

(5) Name of the company after the combination

Flournoy Development Group, LLC

Flournoy Construction Group, LLC

(6) Ratio of voting rights acquired

100%

(7) Basis for determining the acquirer

It is based on the fact that a consolidated subsidiary of Kajima U.S.A. Inc., a consolidated subsidiary of the Company, acquired 100% of voting rights by means of interests acquisition in consideration for cash.

b. The period for which the operations of the acquired company are included in the consolidated financial statements

The deemed acquisition date is January 1, 2018. The operations of the acquired companies for the year ended December 31, 2018, were included in the consolidated statement of income for the year ended March 31, 2019, because the financial year end of the acquired companies is December 31 which differs by three months from that of the Company.

c. Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition—Cash	¥ 3,030	$ 27,297
Acquisition cost	¥ **3,030**	$ **27,297**

d. Major acquisition-related costs

Advisory fees to the lawyers and others: ¥48 million ($432 thousand)

e. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

(1) Amount of goodwill incurred

¥619 million ($5,576 thousand)

(2) Reasons for the goodwill incurred

Goodwill was incurred from expected excess earnings power in the future arising from further business development.

(3) Method and period of amortization

The goodwill is amortized on a straight-line basis over 5 years.

f. The assets acquired and the liabilities assumed

The assets acquired and the liabilities assumed at the acquisition date were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 879	$ 7,919
Non-current assets	2,069	18,640
Total assets	¥ **2,948**	$ **26,559**
Current liabilities	¥ 35	$ 315
Non-current liabilities	502	4,523
Total liabilities	¥ **537**	$ **4,838**

g. Amounts allocated to intangible assets, other than goodwill, breakdown by component and Weighted-Average amortization period by component

	Millions of Yen	Thousands of U.S. Dollars	Weighted-Average amortization period
Customer-related assets	¥ **1,107**	$ **9,973**	**5 years**

16. RELATED PARTY TRANSACTIONS

a. Transactions of the Company with affiliates

During the year ended March 31, 2019, the Company sold properties to an affiliate as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2019		2018		2019	
Sales price	¥	17,260	¥	—	$	155,495
Net profit		2,704		—		24,360

The sales price is determined by negotiations based on the appraisal reports issued by the third party.

b. Transactions of the consolidated subsidiaries with affiliates

During the year ended March 31, 2019, a consolidated subsidiary sold a property to an affiliate as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2019		2018		2019	
Sales price	¥	3,350	¥	—	$	30,180
Net profit		1,218		—		10,973

The sales price is determined by negotiations based on the appraisal reports issued by the third party.

17. LEASES

The Companies have a number of operating lease agreements, primarily for office space and computer equipment, which are renewable upon expiration and mainly cancelable.

a. Operating leases as a lessee

The minimum rental commitments under noncancelable operating leases as of March 31, 2019 and 2018, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2019		2018		2019	
Due within one year	¥	8,016	¥	7,036	$	72,216
Due after one year		46,520		46,050		419,099
Total	¥	54,536	¥	53,086	$	491,315

b. Operating leases as a lessor

The minimum rental receivables under noncancelable operating leases as of March 31, 2019 and 2018, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2019		2018		2019	
Due within one year	¥	11,182	¥	7,883	$	100,739
Due after one year		48,377		45,535		435,829
Total	¥	59,559	¥	53,418	$	536,568

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Policy for financial instruments

The Companies use financial instruments, mainly loans from banks, commercial paper and bonds, based on their capital financing plans for construction and development businesses. Cash surpluses, if any, are invested in low-risk financial assets such as deposits. It is the Companies' policy to use derivatives only for actual operating requirements, not for speculation.

b. Nature, extent of risks arising from financial instruments, and risk management for financial instruments

Receivables, such as notes and accounts receivable—trade, are exposed to customer credit risks. The Companies thoroughly enforce credit risk management, which principally includes credit research at the time of obtaining work and timely monitoring of credit standings.

Payment terms of payables, such as notes and accounts payable—trade, are within one year.

Although marketable securities and investments in securities are exposed to the risk of market price fluctuations, the Companies use the internal management system to recognize their fair values periodically.

Loans from banks, commercial paper and bonds are used to raise funds for construction and development business.

Derivatives mainly include foreign exchange forward contracts, currency swaps and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of future demand and collection of foreign-currency-denominated funds, and from changes in interest rates of loans from banks and bonds. Please see Note 19 for more details regarding derivatives.

In addition, the Company entered into committed loan facility agreements aggregating ¥150,000 million ($1,351,351thousand) with several Japanese banks to manage exposure to liquidity risks on raising funds.

c. Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 19 for the details of the fair values of derivatives.

(1) Fair value of financial instruments

The carrying amount, fair value and unrealized gain (loss) of financial instruments as of March 31, 2019 and 2018, were as follows. However, financial instruments whose fair value cannot be reliably determined are not included.

	Millions of Yen		
As of March 31, 2019	Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Cash and cash equivalents	¥ 315,451	¥ 315,451	¥ —
Marketable securities and investments in securities			
Available-for-sale securities	267,630	267,630	—
Notes and accounts receivable—trade	701,965		
Allowance for doubtful accounts	(385)		
	701,580	701,787	207
Other current assets			
Time deposits due after three months of the date of acquisition	7,207	7,207	—
Long-term loans receivable	3,583		
Long-term loans to unconsolidated subsidiaries and affiliates	46,319		
Allowance for doubtful accounts	(1,992)		
	47,910	47,976	66
Total	¥ 1,339,778	¥ 1,340,051	¥ 273
LIABILITIES			
Short-term borrowings	¥ 85,193	¥ 85,193	¥ —
Commercial paper	35,000	35,000	—
Current portion of long-term debt	20,747	20,747	—
Notes and accounts payable—trade	530,421	530,421	—
Income taxes payable	17,666	17,666	—
Long-term debt	160,308	160,492	184
Total	¥ 849,335	¥ 849,519	¥ 184

As of March 31, 2018	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Cash and cash equivalents	¥ 389,349	¥ 389,349	¥ —
Marketable securities and investments in securities			
Available-for-sale securities	243,131	243,131	—
Notes and accounts receivable—trade	626,715		
Allowance for doubtful accounts	(628)		
	626,087	626,159	72
Other current assets			
Time deposits due after three months of the date of acquisition	5,202	5,202	—
Long-term loans receivable	15,036		
Long-term loans to unconsolidated subsidiaries and affiliates	39,281		
Allowance for doubtful accounts	(5,867)		
	48,450	48,642	192
Total	¥ 1,312,219	¥ 1,312,483	¥ 264
LIABILITIES			
Short-term borrowings	¥ 67,811	¥ 67,811	¥ —
Commercial paper	61,000	61,000	—
Current portion of long-term debt	52,642	52,739	97
Notes and accounts payable—trade	509,027	509,027	—
Income taxes payable	28,787	28,787	—
Long-term debt	166,121	165,875	(246)
Total	¥ 885,388	¥ 885,239	¥ (149)

As of March 31, 2019	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Cash and cash equivalents	**$ 2,841,901**	**$ 2,841,901**	**$ —**
Marketable securities and investments in securities			
Available-for-sale securities	**2,411,081**	**2,411,081**	**—**
Notes and accounts receivable—trade	**6,324,009**		
Allowance for doubtful accounts	**(3,468)**		
	6,320,541	**6,322,405**	**1,864**
Other current assets			
Time deposits due after three months of the date of acquisition	**64,928**	**64,928**	**—**
Long-term loans receivable	**32,279**		
Long-term loans to unconsolidated subsidiaries and affiliates	**417,288**		
Allowance for doubtful accounts	**(17,946)**		
	431,621	**432,216**	**595**
Total	**$ 12,070,072**	**$ 12,072,531**	**$ 2,459**
LIABILITIES			
Short-term borrowings	**$ 767,505**	**$ 767,505**	**$ —**
Commercial paper	**315,315**	**315,315**	**—**
Current portion of long-term debt	**186,910**	**186,910**	**—**
Notes and accounts payable—trade	**4,778,568**	**4,778,568**	**—**
Income taxes payable	**159,153**	**159,153**	**—**
Long-term debt	**1,444,216**	**1,445,873**	**1,657**
Total	**$ 7,651,667**	**$ 7,653,324**	**$ 1,657**

ASSETS

Cash and cash equivalents and Other current assets (Time deposits due after three months of the date of acquisition)

The carrying amounts of cash and cash equivalents and other current assets (time deposits due after three months of the date of acquisition) approximate fair value because of their short maturities.

Marketable securities and Investments in securities

The fair values of marketable securities and investments in securities, consisting of available-for-sale securities whose fair value can be reliably determined, are mainly measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair values of marketable securities and investments in securities by classification is included in Note 3.

Notes and accounts receivable—trade

The carrying amounts of notes and accounts receivable—trade with short maturities approximate fair value.
The fair values of notes and accounts receivable—trade with maturities of over one year are measured at the amount to be received at maturity discounted at the Companies' assumed corporate discount rate with consideration for the remaining terms and credit risks.

Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates

The fair values of long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates are principally measured by discounting the cash flows at the Companies' assumed corporate discount rate by adding the credit spread to the appropriate indexes such as the yield of government bonds. In addition, the fair values of certain doubtful long-term loans receivable are equivalent to the carrying amount after deduction of allowance for doubtful accounts quoted by the estimated amount to be received subject to collateral and guarantee.

LIABILITIES

Short-term borrowings, Commercial paper, Notes and accounts payable—trade and Income taxes payable

The carrying amounts of short-term borrowings, commercial paper, notes and accounts payable—trade and income taxes payable approximate fair value because of their short maturities.

Current portion of long-term debt

The carrying amounts of the current portion of long-term loans approximate fair value because of their short maturities. The fair values of the current portion of long-term bonds are principally measured at market price.

Long-term debt

The carrying amounts of long-term loans with fluctuating interest rates approximate fair value because the variable interest rates reflect market rates in a short period of time and the credit standing of the Company is not substantially changed. The fair values of long-term loans with fixed interest rates are measured by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate. In addition, the fair values of long-term bonds are principally measured at market price.

DERIVATIVES

The information on the fair values of derivatives is included in Note 19.

(2) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Investments in securities			
Available-for-sale:			
Equity securities	**¥ 6,147**	¥ 6,468	**$ 55,378**
Preferred equity investment	**10,156**	10,156	**91,495**
Other	**9,194**	7,969	**82,830**
Investments in unconsolidated subsidiaries and affiliates	**46,654**	40,149	**420,306**
Total	**¥ 72,151**	¥ 64,742	**$ 650,009**

The carrying amounts mentioned above include the carrying amounts of operational investments in securities, whose fair value cannot be reliably determined, because there are no quoted prices in active markets.

d. Maturity analysis for financial assets and securities with contractual maturities

As of March 31, 2019	Millions of Yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 315,451	¥ —	¥ —	¥ —
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Government and corporate bonds	420	679	224	—
Notes and accounts receivable—trade	652,818	48,347	98	702
Other current assets				
Time deposits due after three months of the date of acquisition	7,207	—	—	—
Long-term loans receivable	1,407	2,522	45	1,016
Long-term loans to unconsolidated subsidiaries and affiliates	96	37,544	377	8,398
Total	¥ 977,399	¥ 89,092	¥ 744	¥ 10,116

As of March 31, 2019	Thousands of U.S. Dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 2,841,901	$ —	$ —	$ —
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Government and corporate bonds	3,784	6,117	2,018	—
Notes and accounts receivable—trade	5,881,243	435,559	883	6,324
Other current assets				
Time deposits due after three months of the date of acquisition	64,928	—	—	—
Long-term loans receivable	12,675	22,721	405	9,153
Long-term loans to unconsolidated subsidiaries and affiliates	865	338,234	3,396	75,658
Total	$ 8,805,396	$ 802,631	$ 6,702	$ 91,135

Please see Note 9 for annual maturities of long-term debt.

19. DERIVATIVES

The Companies enter into derivative financial instruments (“derivatives”), including principally foreign exchange forward contracts, currency swap agreements and interest rate swap agreements.

The Companies do not hold or issue derivatives for trading or speculative purposes and it is the Companies’ policy to use derivatives only for the purpose of reducing market risks and financing costs in accordance with internal regulations.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Companies’ business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major domestic or overseas financial institutions, the Companies do not anticipate any losses arising from credit risk.

a. Derivative transactions to which hedge accounting is not applied

	Millions of Yen			
As of March 31, 2019	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Selling:				
Euro forward	**¥ 1,053**	**¥ —**	**¥ (12)**	**¥ (12)**
U.S. Dollar forward	**948**	**267**	**(21)**	**(21)**
Total	**¥ 2,001**	**¥ 267**	**¥ (33)**	**¥ (33)**

	Millions of Yen			
As of March 31, 2018	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Buying:				
Polish Zloty forward	¥ 3,203	¥ —	¥ 33	¥ 33
Selling:				
Euro forward	2,807	422	57	57
Total	¥ 6,010	¥ 422	¥ 90	¥ 90

	Thousands of U.S. Dollars			
As of March 31, 2019	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Selling:				
Euro forward	**$ 9,486**	**$ —**	**$ (108)**	**$ (108)**
U.S. Dollar forward	**8,541**	**2,405**	**(189)**	**(189)**
Total	**$ 18,027**	**$ 2,405**	**$ (297)**	**$ (297)**

b. Derivative transactions to which hedge accounting is applied

As of March 31, 2019	Hedged item	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	**¥ 243**	**¥ —**	**¥ (2)**
Norwegian Krone forward	Accounts payable—trade	**36**	**—**	**(1)**
Euro forward	Accounts payable—trade	**18**	**—**	**(1)**
Selling:				
Euro forward	Accounts receivable—trade	**12,856**	**766**	**(62)**
Total		**¥ 13,153**	**¥ 766**	**¥ (66)**
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	**¥ 31,797**	**¥ 22,532**	**¥ (340)**
Total		**¥ 31,797**	**¥ 22,532**	**¥ (340)**

As of March 31, 2018	Hedged item	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	¥ 54	¥ —	¥ (3)
Norwegian Krone forward	Accounts payable—trade	76	—	0
Euro forward	Accounts payable—trade	20	—	(0)
Selling:				
U.S. Dollar forward	Accounts receivable—trade	3,892	—	83
Total		¥ 4,042	¥ —	¥ 80
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	¥ 32,994	¥ 31,833	¥ (465)
Total		¥ 32,994	¥ 31,833	¥ (465)

As of March 31, 2019	Hedged item	Contract Amount (Thousands of U.S. Dollars)	Contract Amount due after One Year (Thousands of U.S. Dollars)	Fair Value (Thousands of U.S. Dollars)
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	**$ 2,189**	**$ —**	**$ (18)**
Norwegian Krone forward	Accounts payable—trade	**324**	**—**	**(9)**
Euro forward	Accounts payable—trade	**162**	**—**	**(9)**
Selling:				
Euro forward	Accounts receivable—trade	**115,820**	**6,901**	**(559)**
Total		**$ 118,495**	**$ 6,901**	**$ (595)**
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	**$ 286,459**	**$ 202,991**	**$ (3,063)**
Total		**$ 286,459**	**$ 202,991**	**$ (3,063)**

The fair value of derivative transactions is mainly measured at the quoted price obtained from the financial institution.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the exposure to credit or market risk.

20. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2019, contingent liabilities for loans guaranteed, including related items of a similar nature, amounted to ¥21,016 million ($189,333 thousand).

21. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ **13,936**	¥ 26,644	$ **125,550**
Reclassification adjustments to profit or loss	**585**	(631)	**5,270**
Amount before income tax effect	**14,521**	26,013	**130,820**
Income tax effect	**(4,427)**	(7,874)	**(39,883)**
Total	¥ **10,094**	¥ 18,139	$ **90,937**
Deferred (loss) gain on derivatives under hedge accounting:			
(Losses) gains arising during the year	¥ **(278)**	¥ 304	$ **(2,505)**
Reclassification adjustments to profit or loss	**199**	(146)	**1,793**
Amount before income tax effect	**(79)**	158	**(712)**
Income tax effect	**(11)**	(26)	**(99)**
Total	¥ **(90)**	¥ 132	$ **(811)**
Revaluation surplus of land:			
Adjustments arising during the year	¥ **—**	¥ —	$ **—**
Reclassification adjustments to profit or loss	**—**	—	**—**
Amount before income tax effect	**—**	—	**—**
Income tax effect	**—**	10	**—**
Total	¥ **—**	¥ 10	$ **—**
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ **(7,744)**	¥ 3,274	$ **(69,766)**
Reclassification adjustments to profit or loss	**—**	(4,383)	**—**
Amount before income tax effect	**(7,744)**	(1,109)	**(69,766)**
Income tax effect	**—**	—	**—**
Total	¥ **(7,744)**	¥ (1,109)	$ **(69,766)**
Defined retirement benefit plans:			
Adjustments arising during the year	¥ **(768)**	¥ (221)	$ **(6,919)**
Reclassification adjustments to profit or loss	**243**	254	**2,189**
Amount before income tax effect	**(525)**	33	**(4,730)**
Income tax effect	**209**	(35)	**1,883**
Total	¥ **(316)**	¥ (2)	$ **(2,847)**
Share of other comprehensive income (loss) in unconsolidated subsidiaries and affiliates:			
Gains (losses) arising during the year	¥ **662**	¥ (1,416)	$ **5,964**
Reclassification adjustments to profit or loss	**(44)**	(1,250)	**(396)**
Total	¥ **618**	¥ (2,666)	$ **5,568**
Total other comprehensive income	¥ **2,562**	¥ 14,504	$ **23,081**

22. SUPPLEMENTAL CASH FLOW INFORMATION

The components of assets acquired and liabilities assumed of consolidated subsidiaries which were acquired through the interests and share acquisition during the year ended March 31, 2019 and 2018, as well as a reconciliation between the acquisition cost and the payment for the acquisition were as follows:

	Millions of Yen		Millions of Yen		Thousands of U.S. Dollars	
		2019		2018		**2019**
Current assets	¥	**879**	¥	7,249	$	**7,919**
Non-current assets		**2,069**		815		**18,640**
Goodwill		**619**		1,971		**5,576**
Current liabilities		**(35)**		(7,258)		**(315)**
Non-current liabilities		**(502)**		(242)		**(4,523)**
Acquisition cost		**3,030**		2,535		**27,297**
Accounts payable		**(505)**		(552)		**(4,550)**
Cash and cash equivalents of subsidiaries		**(39)**		(1,825)		**(351)**
Net payment for acquisition	¥	**2,486**	¥	158	$	**22,396**

23. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2019 and 2018, was as follows:

		Millions of Yen	Thousand of Shares		Yen		U.S. Dollars
		Net Income Attributable to Owners of the Parent	Weighted—Average Shares*		EPS*		
For the year ended March 31, 2019:							
Basic EPS							
Net income attributable to common stockholders	¥	**109,839**	**518,925**	¥	**211.67**	$	**1.907**
For the year ended March 31, 2018:							
Basic EPS							
Net income attributable to common stockholders	¥	126,779	518,974	¥	244.29		

*Shares and per share figures are calculated as if the consolidation of shares had been conducted at the beginning of the financial year ended March 31,2018.

24. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

On June 25, 2019, the stockholders of the Company approved the appropriation of retained earnings to pay a dividend of ¥26.00 ($0.234) per share (final for the year ended March 31, 2019) for a total amount of ¥13,516 million ($121,766 thousand).

b. Acquisition of Own Shares

The Company, at the Board of Directors' Meeting held on May 15, 2019, resolved matters related to acquisition of its own shares in accordance with Article 156 of the Companies Act, applicable pursuant to Article 165, Paragraph 3 of the said Act, and the acquisition has been completed.

(1) Reason for acquiring own shares

To expand shareholder returns and improve capital efficiency

(2) Details relating to the acquisition

1) Type of shares to be acquired: Common Stock of the Company

2) Aggregate number of shares to be acquired: 8,000,000 shares (upper limit)
(The ratio to the aggregate number of issued shares (excluding own shares): 1.5%)
3) Aggregate acquisition price of shares: 10,000,000,000 Japanese yen (upper limit)
4) Acquisition period: May 16, 2019 to September 30, 2019

(3) Results of the acquisition

1) Type of shares acquired:	Common Stock of the Company
2) Aggregate number of shares acquired:	6,542,000 shares
3) Aggregate acquisition price of shares:	9,999,769,400 Japanese yen
4) Acquisition period:	May 16, 2019 to June 19, 2019(on a trade basis)
5) Acquisition method:	Market purchase on the Tokyo Stock Exchange

c. Introduction of Restricted Stock Remuneration Plan

The Company, at the Board of Directors' Meeting held on May 15, 2019, reviewed its executive remuneration plan and resolved to introduce a restricted stock remuneration plan (the "Plan") and to submit the proposal concerning the Plan to the 122nd Ordinary Stockholders' Meeting of the Company held on June 25, 2019 (the "Stockholders' Meeting"). This proposal was approved and resolved as originally proposed at the Stockholders' Meeting.

(1) Purpose, etc. of introduction of the Plan

The 108th Ordinary Stockholders' Meeting held on June 29, 2005 approved the maximum amount of monthly remuneration for the Company's Directors of ¥60 million, and the 120th Ordinary Stockholders' Meeting held on June 29, 2017 approved the maximum amount of annual bonuses for the Company's Directors of ¥300 million in total.

With the aim of enhancing motivation of the Company's Directors (the "Targeted Directors", which exclude Outside Directors) to contribute to an increase of the stock value and corporate value of the Company by sharing the benefit and risks of stock value fluctuation with stockholders, the Company allots shares of its common stock to the Targeted Directors that are subject to some restrictions (the "Shares with Restriction on Transfer") described in (2) below, including a transfer restriction period and the Company's right to acquire the shares without contribution if particular conditions are met. Shares with Restriction on Transfer will be awarded apart from the remuneration and bonuses for the Directors mentioned above.

The Company provides monetary remuneration receivables to the Targeted Directors to grant the Shares with Restriction on Transfer. The maximum amount of those receivables shall be ¥300 million per year, comprehensively taking into account factors such as the Targeted Directors' contributions to the Company.

(2) Overview of the Plan

1) Allotment and payment of Shares with Restriction on Transfer

Based on the resolution at the Board of Directors' Meeting, the Company provides monetary remuneration receivables to the Targeted Directors as remuneration related to Shares with Restriction on Transfer , within the annual amount as described above. Shares with Restriction on Transfer are allotted to each Targeted Director by providing such monetary remuneration receivables to the Company in full amount through contribution in kind.

The amount to be paid in for Shares with Restriction on Transfer shall be determined by the Board of Directors of the Company within the scope of an amount that is not particularly advantageous to the Targeted Directors to be granted such Shares with Restriction on Transfer. It shall be based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the relevant resolution of the Board of Directors concerning the issuance or disposal of such shares (if no transaction is executed on such date, the closing price quoted as of the trading day immediately preceding the date shall be applied).

The above monetary remuneration receivables shall be provided to a Targeted Director, on the condition that the Targeted Director has consented to the above contribution in kind and has concluded the restricted stock allotment agreement including details defined in 3) below.

2) Total number of Shares with Restriction on Transfer

The upper limit of Shares with Restriction on Transfer to be allotted in each financial year shall be 600,000 which is the total number of Shares with Restriction on Transfer to be allotted to the Targeted Directors.

However, the total number of said Shares with Restriction on Transfer may be adjusted within a reasonable scope when it becomes necessary to adjust the total number of Shares with Restriction on Transfer to be allotted in the event of stock splits of the Company's common stock (including allotment of the Company's common stock without contribution), reverse stock splits, etc.

3) Details of the restricted stock allotment agreement

Based on the resolution of the Board of Directors of the Company concerning the allotment of Shares with Restriction on Transfer, the restricted stock allotment agreement to be concluded between the Company and each Targeted Director to whom Shares with Restriction on Transfer shall be allotted shall include the following contents.

i) Details of transfer restriction

During the period from the grant date of the Shares with Restriction on Transfer to the date when the Targeted Director retires from either post of the Company's Director or Executive Officer (the "Transfer Restriction Period"), the Targeted Directors to whom Shares with Restriction on Transfer have been allotted may not dispose of such Shares with Restriction on Transfer allotted (the "Allotted Shares") to third parties in any manner, including transfer to third parties, establishment of right of pledge, establishment of a security interest, advancement or bequest (the "Transfer Restriction").

ii) Acquisition of Shares with Restriction on Transfer without contribution

In the event that the Targeted Director to whom Shares with Restriction on Transfer have been allotted retires from either post of the Company's Director or Executive Officer prior to the date immediately preceding the date for the first Ordinary Stockholders' Meeting arriving on or after the commencement date of the Transfer Restriction Period, the Company shall naturally acquire the Allotted Shares without contribution, except when there are legitimate reasons otherwise deemed justifiable by the Company's Board of Director.

In addition, the Company shall naturally acquire without contribution the Allotted Shares for which the Transfer Restriction has not been cancelled pursuant to the reasons for such cancellation described in iii) below when the Transfer Restriction Period stipulated in i) above expires.

iii) Lifting of Transfer Restriction

The Company shall lift the Transfer Restriction for all of the Allotted Shares upon the expiration of the Transfer Restriction Period, on the condition that the Targeted Directors to whom Shares with Restriction on Transfer have been allotted remain in their posts as the Company's Directors or Executive Officers up until the date of the first Ordinary Stockholders' Meeting arriving on or after the commencement date of the Transfer Restriction Period.

However, in the event that such Director leaves his or her post as the Company's Director or Executive Officer prior to the date immediately preceding the date of the first Ordinary Stockholders' Meeting arriving on or after the commencement date of the Transfer Restriction Period, and there are legitimate reasons otherwise deemed justifiable by the Company's Board of Directors, the number of the Allotted Shares for which the Transfer Restriction is lifted and the timing of such lifting shall be adjusted within a reasonable scope as necessary.

iv) Treatment in the event of organizational restructuring, etc

During the Transfer Restriction Period, in the event that approval is given at the Stockholders' Meeting (or at a meeting of the Board of Directors of the Company in the case that approval by the Stockholders' Meeting is not required regarding the organizational restructuring, etc.) for proposals regarding merger agreements under which the Company becomes the non-surviving company, share exchange agreements or share transfer plans under which the Company becomes a wholly-owned subsidiary of another company, or any other proposals regarding organizational restructuring, etc., the Company shall, by resolution of the Board of Directors of the Company and prior to the date on which such organizational restructuring, etc. enters into force, lift the Transfer Restriction for the number of the Allotted Shares reasonably determined by taking into account the period from the commencement date of the Transfer Restriction Period to the day on which such organizational restructuring, etc. is approved.

In such cases, the Company shall naturally acquire without contribution any Allotted Shares for which the Transfer Restriction has not been lifted immediately after the Transfer Restriction has been lifted pursuant to the provisions above.

25. SEGMENT INFORMATION

a. Segment Information

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors of the Company is being performed in order to decide how resources are allocated among the Group and to assess performance of each reportable segment.

The Group operates in a wide and multilateral business. The Company organizes management divisions for each operating segment, such as civil engineering, building construction, real estate development and other, which strategize and develop their business. Also, the Company's domestic and overseas subsidiaries and affiliates cooperate with the Company to expand the range of the Group's business.

Therefore, the Group consists of five reportable segments as follows:

Civil Engineering:	Civil engineering in the construction business operated by the Company
Building Construction:	Building construction in the construction business operated by the Company
Real Estate Development and Other:	Real estate development business, architectural, structural and other design business and engineering business operated by the Company
Domestic Subsidiaries and Affiliates:	Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by domestic subsidiaries and affiliates
Overseas Subsidiaries and Affiliates:	Construction business, real estate development business and others overseas such as in North America, Europe, Asia, Oceania and other areas operated by overseas subsidiaries and affiliates

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies". The profit (loss) of each reportable segment is measured by its operating income (loss). The contracts between the reportable segments are entered into on an arm's-length basis and in the normal course of business.

(3) Information about revenues, profit (loss), assets, liabilities and other items is as follows:

Year Ended March 31, 2019	Millions of Yen							
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	¥ **301,064**	¥ **925,847**	¥ **48,417**	¥ **243,349**	¥ **455,592**	¥ **1,974,269**	¥ **—**	¥ **1,974,269**
Intersegment sales or transfers	**—**	**2,248**	**2,791**	**146,288**	**387**	**151,714**	**(151,714)**	**—**
Total	¥ **301,064**	¥ **928,095**	¥ **51,208**	¥ **389,637**	¥ **455,979**	¥ **2,125,983**	¥ **(151,714)**	¥ **1,974,269**
Segment profit	¥ **35,236**	¥ **79,626**	¥ **5,430**	¥ **16,523**	¥ **6,283**	¥ **143,098**	¥ **(475)**	¥ **142,623**
Other:								
Depreciation	¥ **864**	¥ **2,665**	¥ **3,505**	¥ **5,970**	¥ **6,272**	¥ **19,276**	¥ **(110)**	¥ **19,166**
Amortization of goodwill	**—**	**—**	**—**	**—**	**975**	**975**	**—**	**975**

Year Ended March 31, 2018	Millions of Yen							
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	¥ 366,589	¥ 750,342	¥ 43,458	¥ 233,125	¥ 437,112	¥ 1,830,626	¥ —	¥ 1,830,626
Intersegment sales or transfers	—	2,335	2,452	130,824	18	135,629	(135,629)	—
Total	¥ 366,589	¥ 752,677	¥ 45,910	¥ 363,949	¥ 437,130	¥ 1,966,255	¥ (135,629)	¥ 1,830,626
Segment profit	¥ 57,405	¥ 70,935	¥ 6,849	¥ 16,300	¥ 1,687	¥ 153,176	¥ 5,198	¥ 158,374
Other:								
Depreciation	¥ 1,184	¥ 2,432	¥ 3,939	¥ 5,668	¥ 6,314	¥ 19,537	¥ (157)	¥ 19,380
Amortization of goodwill	—	—	—	—	825	825	—	825

Year Ended March 31, 2019	Thousands of U.S. Dollars							
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	**$ 2,712,288**	**$ 8,340,964**	**$ 436,189**	**$ 2,192,333**	**$ 4,104,433**	**$ 17,786,207**	**$ —**	**$ 17,786,207**
Intersegment sales or transfers	**—**	**20,252**	**25,145**	**1,317,910**	**3,486**	**1,366,793**	**(1,366,793)**	**—**
Total	**$ 2,712,288**	**$ 8,361,216**	**$ 461,334**	**$ 3,510,243**	**$ 4,107,919**	**$ 19,153,000**	**$ (1,366,793)**	**$ 17,786,207**
Segment profit	**$ 317,441**	**$ 717,351**	**$ 48,919**	**$ 148,856**	**$ 56,604**	**$ 1,289,171**	**$ (4,279)**	**$ 1,284,892**
Other:								
Depreciation	**$ 7,784**	**$ 24,009**	**$ 31,576**	**$ 53,784**	**$ 56,505**	**$ 173,658**	**$ (991)**	**$ 172,667**
Amortization of goodwill	**—**	**—**	**—**	**—**	**8,784**	**8,784**	**—**	**8,784**

Notes:
(1) The amount of reconciliations in segment profit, which was loss of ¥475 million ($4,279 thousand) and profit of ¥5,198 million for the years ended March 31, 2019 and 2018, respectively, mainly consists of the elimination of intersegment transactions.
(2) Consolidated segment profit is equal to operating income in the consolidated statement of income.
(3) Assets are not allocated to operating segments.

b. Related Information

(1) Information about products and services

Year Ended March 31, 2019	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	**¥ 1,776,346**	**¥ 68,244**	**¥ 129,679**	**¥ 1,974,269**

Year Ended March 31, 2018	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	¥ 1,645,462	¥ 60,120	¥ 125,044	¥ 1,830,626

Year Ended March 31, 2019	Thousands of U.S. Dollars			
	Construction	Real Estate	Other	Total
Sales to external customers	**$ 16,003,117**	**$ 614,811**	**$ 1,168,279**	**$ 17,786,207**

(2) Information about geographical areas

1) Revenues

Millions of Yen						
2019						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 1,517,029	**¥ 210,167**	**¥ 35,556**	**¥ 119,130**	**¥ 92,192**	**¥ 195**	**¥ 1,974,269**

Millions of Yen						
2018						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 1,369,150	¥ 180,725	¥ 22,028	¥ 127,052	¥ 107,825	¥ 23,846	¥ 1,830,626

Thousands of U.S. Dollars						
2019						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
$ 13,666,928	**$ 1,893,396**	**$ 320,324**	**$ 1,073,243**	**$ 830,559**	**$ 1,757**	**$ 17,786,207**

Note: Revenues are classified by country or region based on the location of customers.

2) Property and equipment

Millions of Yen						
2019						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 253,867	**¥ 10,630**	**¥ 10,257**	**¥ 56,357**	**¥ 580**	**¥ 9**	**¥ 331,700**

Millions of Yen						
2018						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 261,246	¥ 10,813	¥ 10,138	¥ 58,303	¥ 423	¥ 6	¥ 340,929

Thousands of U.S. Dollars						
2019						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
$ 2,287,090	**$ 95,766**	**$ 92,405**	**$ 507,721**	**$ 5,225**	**$ 81**	**$ 2,988,288**

c. Information about impairment losses of assets

	Millions of Yen
	2018
Impairment losses of assets	¥ 6,647

Notes:

(1) Impairment losses of assets of ¥6,647 million for the year ended March 31, 2018, consisted of asset held for rent of ¥1,955 million and idle properties of ¥4,692 million. Please see Note 5 for more details. Information about impairment losses of assets for the year ended March 31, 2019, is not disclosed since the effects were immaterial.

(2) Impairment losses of assets are not allocated to operating segments.

d. Information about goodwill

(1) Amortization of goodwill for the years ended March 31, 2019 and 2018

Millions of Yen		Thousands of U.S. Dollars
2019	2018	**2019**
¥ 975	¥ 825	**$ 8,784**

(2) Carrying amounts of goodwill as of March 31, 2019 and 2018

Millions of Yen		Thousands of U.S. Dollars
2019	2018	**2019**
¥ 2,335	¥ 3,022	**$ 21,036**

Note: Goodwill is not allocated to operating segments.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kajima Corporation:

We have audited the accompanying consolidated balance sheet of Kajima Corporation and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kajima Corporation and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 25, 2019

Member of
Deloitte Touche Tohmatsu Limited

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