Kajima Integrated Report 2022

KAJIMA
Integrated Report
2022

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Information about initiatives that support sustainable value creation, corporate governance, and other information including a dialogue between the President and an outside director.

Financial and Corporate Information

Various financial and non-financial data, company information, and stockholder information.

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 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 (FY2021–2023).

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, *Environmental Reporting Guidelines* of Japan's Ministry of the Environment and *Final Report. Recommendations of the Task Force on Climate-related Financial Disclosures* of the TCFD.

Environment
Social
Governance
Guidance for Collaborative Value Creation

Scope of Report

Period
This report covers fiscal 2021 (April 1, 2021–March 31, 2022), except where otherwise stated. "Fiscal 2021" and "FY2021" are used in this report to refer to the fiscal year ended March 31, 2022.

Organization
Kajima Group
Note: Quantitative data regarding the environment only covers Kajima Corporation in Japan.

Publication
November 2022
(Previous report: November 2021 / Next report scheduled: November 2023)

Online Information

Corporate Website	https://www.kajima.co.jp/english/
Investor Relations	https://www.kajima.co.jp/english/ir/
Sustainability Initiatives	https://www.kajima.co.jp/english/sustainability/

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.
Fiscal years are years ended March 31 of the following calendar year. For example, fiscal 2022 in the text is the year ended March 31, 2023.

Kajima's Corporate Philosophy

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.

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.

Kajima Group Vision

In a business environment changing at an ever-accelerating pace, Kajima created a vision that is designed to ensure that internal and external stakeholders understand the course the Kajima Group has charted to the future. The Kajima Group Vision consists of the Vision Statement, which articulates the Kajima Group's future direction, and the Values we will uphold in realizing the Vision Statement.

Positioning of the Corporate Philosophy, Kajima Group Vision, Material Issues and the Medium-Term Business Plan

- Corporate Philosophy
- Kajima Group Vision
- Material Issues
- Goals for 2030
- Medium-Term Business Plan (FY2021–2023)

Medium-Term Business Plan Progress, pages 26–29

Vision Statement

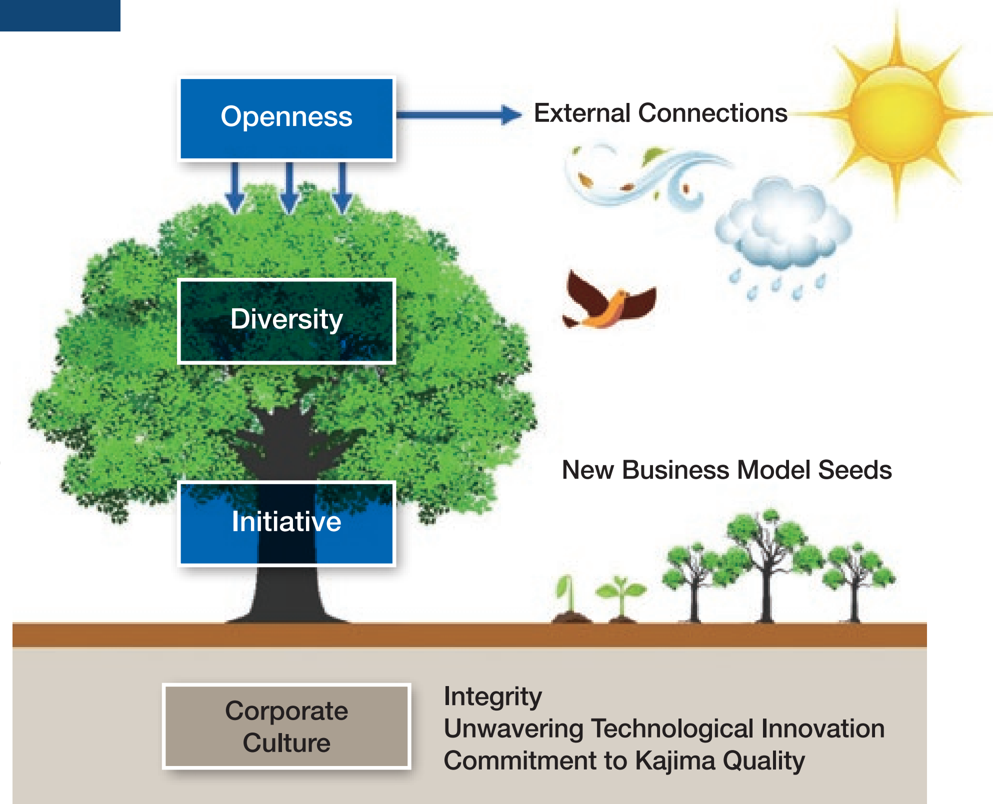
Willingness to take on new challenges leveraging the power of ideas and technology to make imagination and amazement a reality

Values

Openness
Having the ability to adapt to changes by seeking external resources and stimuli necessary for business creation and research and development

Diversity
Placing importance on diverse human resources and work styles, and having the receptiveness to recognize sharp ideas and different values

Initiative
Being able to take the initiative and having the creativity to put together mechanisms for new value areas



Corporate Value Drivers

Message from the President

We aim to be a company that retains the trust of society and customers by continuously evolving construction processes and enhancing the value chain to create and provide new forms of value.

Hiromasa Amano

President, Representative Director

To Our Stakeholders

The Kajima corporate philosophy advocates, "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." This philosophy is Kajima's management foundation, and has inspired us to overcome various difficulties and grow as a company throughout our history.

Since its founding, Kajima has passed along an enterprising spirit of proactively and resolutely taking on challenges. We have contributed to the economic and industrial development of Japan through trailblazing projects ranging from railways, dams, power plants, and other social infrastructure, to Japan's first skyscraper.

At the very heart of every one of these achievements have been Kajima's people and technology, through which we have built trust, achieved growth, and increased our contribution to society. Rather than focusing on short-term profits, we aspire to earn the trust and sincerely fulfill the expectations of our customers and society by fully deploying our technology and doing great work with a long-term perspective. We have kept this commitment in the past and present, and will continue to do so in the future.

Our mission is to benefit society and the public good by providing high-quality social capital. Buildings and other structures remain in use for many years, and our responsibility for them extends throughout their lifespan. We will continue to create value by providing a wide range of services around the world, from upstream to downstream, with a focus on the construction and real estate development businesses.

FY2021 in Retrospect

In fiscal 2021, more than a few projects in Japan and overseas were canceled or postponed due to the COVID-19 pandemic. However, initiatives including those in the overseas real estate development business resulted in net income attributable to owners of the parent of ¥103.8 billion, thereby meeting our earnings target. We have also consistently generated net income of over ¥100 billion in five of the past six fiscal years. Our current business plan has gotten off to a smooth start despite the uncertainty in our business environment, and we have enhanced the stability of Group management while creating new income sources.

We have significantly improved our ability to generate cash flows with stable profits in the construction business and short-term turnover-type businesses in the real estate development business. Doing so has enabled the Group to make proactive investments that will generate stronger earnings in the future, provide stockholder returns through dividends and share buybacks, and raise wages for Group employees. Our efforts to improve compensation for skilled workers in the construction industry, including those at our business partners, started a long time ago, and we will continue and enhance related measures.

We will continue to identify risks and opportunities in our global construction and real estate development operations, and make strategic decisions to mobilize the Group's comprehensive capabilities based on accurate information and analyses. Our immediate business environment will remain uncertain; nevertheless, we are at a key juncture for growing further as a company and meeting the expectations of our stakeholders.

Near-Term Environment for Contract Awards in Japan

Prices for materials, equipment, energy, and other inputs are rising worldwide due to factors including rising global construction demand and the market turmoil caused by the situation in Ukraine. Uncertainty regarding future events has increased as a result.

We expect the environment for contract awards in Japan to benefit from stable construction demand, including renewal of aging infrastructure and construction of facilities related to renewable energy, along with large-scale redevelopment projects and construction of production and logistics facilities in central Tokyo and regional urban centers. At the same time, we must consider how to reflect price increases amid competition for contract awards and be even more circumspect when deciding which projects to pursue.

Public works projects tend to allow for timely adjustments to reflect price increases after signing a contract. However, for private sector contracts, which account for about 70% to 80% of our non-consolidated construction orders, upward revisions from the original contract often need to be negotiated. This necessitates careful attention to price estimates and contract details in the process leading up to a contract award.

The cost of living is rising in tandem with prices in general. As the scope of this impact continues to expand, its effect on construction will increase given the wide array of materials, equipment, and labor employed in the industry. We have reflected on and learned from instances when our performance deteriorated due to taking on contracts for which we miscalculated procurement cost projections during periods where the economy transitioned from deflation to inflation. We are therefore careful in drawing up estimates to reflect costs accurately. Furthermore, we are countering rising material and equipment prices in ways such as finalizing designs at the initial stage of projects and employing building information modeling (BIM) to accelerate procurement.

The number of large-scale projects we handle has increased in recent years, including construction projects exceeding ¥100 billion. Taking on a new project involves decisions that carry forward several years into the future. As such, I will make decisions that enable us to fully employ our resources.

Medium-Term Business Plan Progress

We formulated the Kajima Group Vision and Goals for 2030 for the Kajima Group Medium-Term Business Plan (FY2021–2023), which has three key measures based on our material issues: further strengthen core businesses, strive to create new value, and establish a strong management foundation and promote ESG measures for growth and transformation.

Medium-Term Business Plan Progress, pages 26–29

As always, execution is more important than planning. I am convinced that we will achieve outstanding results through all Kajima Group employees taking personal responsibility for executing our plan.

Digitalization and Digital Transformation

Digitalization and enhancing the value chain are the key concepts I have been expounding since becoming President in 2021. They are essential for the success of the Medium-Term Business Plan.

In recent years, our operations have become more sophisticated and expansive as projects have become extremely large and complex. Digitalization facilitates the codification of personal and tacit knowledge, thus making wisdom and experience available for the future; it also helps us maintain and improve the quality and efficiency of our work. Moreover, the construction industry will also implement restrictions on overtime work in fiscal 2024. Digitalization is key for shortening the working hours of employees at construction sites and empowering diverse work styles, and as such we are promoting it throughout the Group.

The Construction RX Consortium is an initiative launched in September 2021 by construction companies to promote new values. The consortium aims to improve productivity throughout the industry, and to make it more attractive to work in. Member companies collaborate beyond their internal frameworks to develop synergistic construction robotics, software, and IoT technologies.

We look forward to a number of positive outcomes from the Construction RX Consortium. Transferring technologies and skills, saving labor, and improving productivity are shared issues throughout the construction industry. The consortium will increase opportunities for member companies to use one another's robotics technologies and to extensively collaborate in deploying each other's unique technological capabilities in areas such as IoT. Doing so will steadily shorten development timeframes, improve development efficiency, reduce costs, and accelerate adoption. The coming shortage of personnel is an issue all members face, and I have high expectations that the consortium will succeed at improving productivity and making the construction industry more attractive to work in.

Civil Engineering (Digital Transformation), page 35
Building Construction (Digital Transformation), page 39

The construction industry seems to have fallen behind the manufacturing industry in many respects, which may well make it the final frontier. Kajima is optimizing and evolving its management foundations through digital transformation so that it can use digital technologies to address new social and customer issues in the digital society.

Enhancing the Value Chain

The second key concept is enhancing the value chain. This involves strengthening the functions of value chain components upstream and downstream—ranging from real estate development, engineering, and design to civil engineering, building construction, maintenance, and management—while ensuring that they work together organically to create greater value.

Specifically, we are using BIM data at all stages from building design to maintenance and management, and structuring methods for channeling building maintenance data back to upstream construction processes. We are also evolving business processes in ways such as enhancing collaboration among departments and facilitating the transition from the design stage to the construction phase. In addition, we are strengthening the construction business by acquiring additional design and engineering companies. We are also capturing ancillary profit opportunities that have synergies with existing businesses, such as infrastructure ownership and operation, exemplified by the 2021 acquisition of the business that operates the Atami Beach Line toll road, and businesses to develop power plants that use renewable energy in Europe. Furthermore, we are steadily investing in ancillary markets to expand our business domain.

Value Chain, pages 22–23

Strategies for Growing Our Overseas Operations

We have been building our overseas operations since the 1980s. The proportion of Group revenues that our overseas operations account for has continued to increase as a result of strategic investments and ongoing initiatives to build business platforms in the countries and regions we serve.

In addition to maintaining a steady focus on localizing management, we have expanded our businesses in North America, Europe, and Oceania largely through M&A. Although the number of employees at overseas subsidiaries has been steadily increasing as revenues have grown, the number of employees assigned from Head Office has remained roughly the same over the past 10 years. This is a strong indicator of how the executives and employees of companies we have acquired are producing results as part of the Kajima Group. We will retain our strategic focus on acquiring carefully selected partners with corporate cultures that are compatible with that of the Group.

On the other hand, we have grown our construction and real estate development businesses in Asia through alliances and collaboration with local partners, rather than through M&A. Economic development will certainly continue in Southeast Asia despite the pronounced impact of the COVID-19 pandemic. Anticipating post-pandemic growth, we will first restore performance in our existing businesses and invest in promising fields such as the hotel development business in Vietnam.

Our overseas operations are one of the Kajima Group's growth engines, and we will steadily expand our global network with a long-term perspective and build a medium- to long-term international business portfolio.

Overseas Operations, pages 46–47

Forward-Looking Initiatives

Long-Term Management Directions through 2050

Advances in information technology over the last 20 years, recent trends in addressing climate change, and emerging geopolitical risks suggest that technological development and social change will certainly accelerate in the future. Moreover, the resulting evolution of the global and domestic market environments, as well as changes in the values and requirements of society and customers, suggest that a historic transformation is inevitable.

Regardless of these changes, the Group is tasked with helping to make people's lives safe, secure, and comfortable, and we must meet the expectations of society while helping to protect the global environment.

As a company, we envision both cultural transformation and growth. We intend to meet the future expectations of society by complementing our core construction and real estate development businesses with service businesses that offer management capabilities, technology, and knowledge. We will also expand our business domain to include cyberspace and outer space.

Innovation

Kajima is committed to technological innovation and has been developing and applying new technologies with an aggressive, enterprising spirit. However, society is changing so dramatically that we will not be able to keep pace if we rely solely on our own R&D.

The key values of the Kajima Group Vision we formulated last year are openness, diversity, and initiative. The Kajima Group's businesses have centered on contract work, and as such these values are an area where we can do better. We need to share and convey these values and cultivate understanding both internally and externally to incorporate innovation into the Group's growth.

Kajima Group Vision, page 3

In that regard, we are focused on hiring and developing diverse human resources and on collaborating with external partners.

Starting with an investment in startup support funds in 2018, we assigned employees to Silicon Valley in the United States, and built relationships with companies in different industries and various start-ups with advanced technologies such as AI and robots. We have also assessed thousands of potential candidate companies and built a successful track record of feasibility tests and collaboration.

In addition, we will complete The GEAR in Singapore by the end of fiscal 2023, where we will relocate the Kajima Technical Research Institute Singapore Office (KaTRIS). We plan to promote open innovation with external companies, government agencies, universities, and other organizations.

We established the Innovation & Incubation Office at the Head Office in October 2021 as a hub for open innovation. It is responsible for exploration of advanced technologies, collaboration, and for planning new businesses utilizing knowledge we have acquired. We are also inculcating a culture of innovation, admittedly a weak point for the Group, with internal forums and conferences while providing educational opportunities to open the minds of junior and mid-level employees.

Sustainability

Sustainability is increasingly important for Group management and for our stakeholders. We are focusing on three areas: investment in our people, restructuring multilayered subcontracting, and carbon neutrality initiatives.

Investing in Our People

The COVID-19 pandemic, digitalization, and ongoing work-style reforms have dramatically changed people's work values. Consequently, we see hiring, nurturing, and deploying people as the Group's lifeline. The key to our ability to generate sustainable growth is to share our corporate philosophy and the Kajima Group Vision, and train highly specialized professionals who can address rapid environmental change while meeting the expectations of society and customers, as well as talent who can manage these professionals.

We are structuring training systems that allow all employees to autonomously and continuously improve their abilities, and are using a talent management system as the organizational basis for drawing on the abilities of each employee.

Expansion into new business areas requires the Group to strategically allocate personnel; in other words, strategically redeploy people. We may bring people into the Group via M&A, which we consider to be a form of human resource investment.

We also encourage employee growth in both theoretical and practical terms. We have training facilities designed for encouraging employee interaction and we are also constructing a hands-on training facility designed to improve the quality control capabilities of our employees and develop the next-generation workforce.

In addition, the Group is promoting the creation of a free and open organization where diverse people can work enthusiastically. We are enhancing systems that enable employees to continue working securely even as they navigate various life events. In recent years, the percentage of new female graduates hired for the managerial track at Kajima has risen above 20%, and the number of female employees in managerial positions is gradually increasing. Our challenge is to promote active roles for women in construction management and other work related to construction sites. We will promote the creation of an environment that helps female employees work anywhere, including in busy front-line departments. The Group also intends to draw inspiration from overseas subsidiaries, where many female employees are leading their organizations as executives and on-site managers.

Although developing people and promoting diversity takes time, I would like the Group to steadily implement measures with an unwavering determination to dispel the conventional image of the construction industry.

The newly established Sustainability Committee and other deliberative bodies will address systematic human resource development and diversity from a long-term perspective as a matter of policy.

Human Resources, pages 49–51

Progress in Restructuring Multilayered Subcontracting

The longstanding multilayered subcontracting structure of Japan's construction industry has problems in terms of safety, quality control, and transparent compensation.

We need to improve this structure. The Kajima Group is limiting the scope of contracts to secondary subcontracting, in principle, and increasing compensation for skilled workers. As a prime contractor, we are also implementing ongoing initiatives to create a safe work environment that we can monitor effectively.

During discussions about the implementation of reforms, our partner companies asked us to provide steady work and reduce sudden process changes. We have responded with initiatives such as disclosing planned orders and construction information to key companies as quickly as possible, and contracting directly with partner companies that provide labor.

Japan's general contractors typically do not directly employ skilled workers. It is therefore often the case that skilled workers work at Kajima's site one day, and at another company's site the next. Skilled workers are shared throughout the industry, so Kajima will not achieve meaningful results by acting alone. However, this structure is changing, albeit slowly. I look forward to cooperation between the Japan Federation of Construction Contractors and the Ministry of Land, Infrastructure, Transport and Tourism to improve the multilayered subcontracting structure through industrywide sustainability initiatives.

Human Rights, Supply Chain, and Safety (Restructure Multilayered Subcontracting), page 53

Carbon Neutrality Initiatives

The world is moving toward carbon neutrality, and one of the areas in which we can contribute as a construction company is renewable energy facilities. We are participating in the construction of Japan's first commercial offshore wind farms at Akita Port and Noshiro Port, and we are also participating in three new offshore wind farm construction projects as a preferred contractor. We will address expanding demand by building on our track record to acquire knowledge and technology with the goal of making greater contributions.

Civil Engineering (A Unique Track Record in Commercial Offshore Wind Power Construction in Japan, with Three Provisional Contract Awards), page 36

In the field of construction materials, we are focusing on the development and application of eco-friendly concretes such as CO_2-SUICOM®, the world's only commercially available CO_2-negative concrete that absorbs and fixes CO_2. In January 2022, we began participating in the NEDO Green Innovation Fund Project, "Development of Technology for Producing Concrete and Cement Using CO_2." Proposed and adopted as a consortium, the project is working to resolve technical and cost issues.

Environment (Facilitating the General-Purpose Adoption of Innovative Carbon-Negative Concrete), page 59

In addition, customer requests for wood-frame, mass-timber structures and zero energy buildings (ZEB) that reduce CO_2 emissions during building usage have been increasing over the past several years. As two important design proposal themes, we will proactively promote these types of building through initiatives that leverage the Group's experience and capabilities.

Environment (Eco-Friendly Buildings Contributing to Carbon Neutrality), page 58

The Kajima Group has the goal of achieving carbon neutrality (i.e., net zero emissions) by 2050. Guided by the Kajima Environmental Vision: Triple Zero 2050, we are implementing initiatives to reduce CO_2 emissions from our businesses and employ carbon offsets.

We believe that we can meet our emissions reduction target for fiscal 2030 by employing hybrid and all-electric construction machinery on-site, using lower-emission decarbonized fuels, and switching to green electricity. We intend to meet our emissions elimination target for fiscal 2050 by complementing current initiatives with collaboration among leading-edge companies. The Group has a customer network that spans most industries. It offers the potential for collaborative technological exploration, including the development of innovative low-carbon equipment with construction machinery manufacturers or cooperating with other industries to develop new decarbonized fuels.

Environment (Toward Achieving Carbon Neutrality by 2050), page 56

Closing Thoughts

Manufacturing industries tend to have a faster turnaround, but projects in the construction industry tend to take several years to complete and require collaboration with a wide array of customers, partner companies, and other stakeholders. This process must be backed by communication and understanding, and is the basis on which our accomplishments will be evaluated and recognized. Digitalization and other influences are also leading to constant process evolution, which is a key factor that allows Kajima to remain the company of choice among customers and partner companies. Furthermore, we certainly need transformational initiatives because evolution is crucial for attracting outstanding people. They also help us generate sustainable growth as they create new sources of revenue through enhancement of the value chain.

Inspired by our corporate philosophy and our commitment to the seven material issues we have identified, we will help to resolve social issues and generate sustainable growth by delivering sophisticated technologies and services in markets including disaster readiness, maintenance, renewal, and renovation. We will also proactively research and develop eco-friendly materials to contribute globally to realizing a sustainable society and continue to earn the trust of our customers.

Kajima has passed along the thinking of its people and its technologies over a history spanning more than 180 years. We are counting on your continued understanding and support as we take on challenges with new ideas to give shape to creativity and inspiration.

History of Kajima

Since its establishment in 1840, Kajima has created venues for human life and endeavor. This has included the development of social infrastructure such as railways and dams as well as office, commercial and residential facilities. Through our construction business, we have helped to build a society where people can live safely, securely and comfortably.

Following the end of Japan's Edo period through each of its imperial eras (from Meiji, Taisho, Showa and Heisei to the current Reiwa), Kajima has been known for its leadership in fields ranging from Western-style buildings and railways to dams and skyscrapers. This attests to the ability of our businesses to meet contemporary demands, continuously passing on an enterprising spirit that remains ahead of the times to take on the challenges of the future with technology.

1840–

Foundation and Leadership in Western-Style Buildings

Kajima's history began in 1840 when founder Iwakichi Kajima opened a carpentry business in Nakahashi Masaki-cho, Edo (now Kyobashi, Chuo-ku, Tokyo). Iwakichi, who was successful enough to frequent the residences of *daimyo* (feudal lords), expanded his business to Yokohama, where construction was booming as an open port under the Treaty of Amity and Commerce between Japan and the United States. Following the construction of the Ei-Ichiban Kan, which housed Yokohama's first foreign trading company, he became widely associated in the public mind with Western-style buildings.

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

1880–

Leadership in Railways and Dams

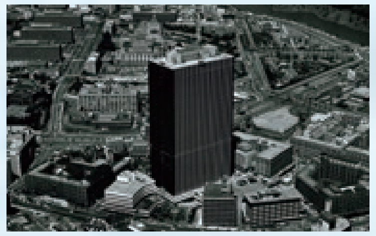
Iwazo Kajima, the second generation of the family to run the Company, established Kajima Gumi in 1880 and started a subcontracting business for railways. The Company built numerous railways as well as a substantial reputation in the railway field. Then, to meet the rapidly growing demand for electricity, Kajima completed the Ohmine Dam, Japan's first concrete high dam. It was the first of many projects that contributed significantly to Japan's development and established the Kajima name in the field of dam construction.

Japan's first high dam made of concrete, Ohmine Dam (Kyoto, 1924). Submerged in 1964 with the construction of the Amagase Dam

1960–

Rising to the Challenge of Skyscrapers

In 1968, we completed the Kasumigaseki Building, Japan's first skyscraper, establishing the construction technologies to make Kajima's name a leader in the field. We then went on to build skyscrapers throughout the country. At the core of this technological development was the Kajima Technical Research Institute, which we established in 1949 as the first such facility in Japan's construction industry. In the 1980s, we responded to calls for greater skyscraper safety by leading the world in the development of seismic damping and other technologies.



Kasumigaseki Building upon completion (1968)

1980–

Expansion into Overseas Business

Kajima's overseas business grew rapidly in the 1960s, with the redevelopment of Little Tokyo in Los Angeles, United States. We established Kajima U.S.A. Inc. in the U.S. in 1986, Kajima Europe Ltd. in the U.K. in 1987, and Kajima Overseas Asia Pte. Ltd.* in Singapore in 1988. With the addition of Kajima Corporation (China) Co., Ltd., Chung-Lu Construction Co., Ltd., and Kajima Australia Pty Ltd., our overseas network now encompasses six regional bases, through which we are actively developing businesses that are rooted in local communities.

* Now Kajima Asia Pacific Holdings Pte. Ltd.

Redevelopment of Little Tokyo, the foremost Japanese neighborhood in the United States

2000–

Branching Out into Real Estate Development

The impetus for Kajima's full-scale entry into the development of large-scale mixed-use facilities was the development of Shiki New Town (Saitama Prefecture), which is one of the largest such projects in Japan. In the 2000s, we began participating in urban renewal projects, including the Akihabara Development Project and the Toranomon 4-chome Project. Since then, we have leveraged our technological skills and comprehensive capabilities as a general contractor-developer with design-build capabilities to conduct multi-use urban development.

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

2020–

Kajima Today

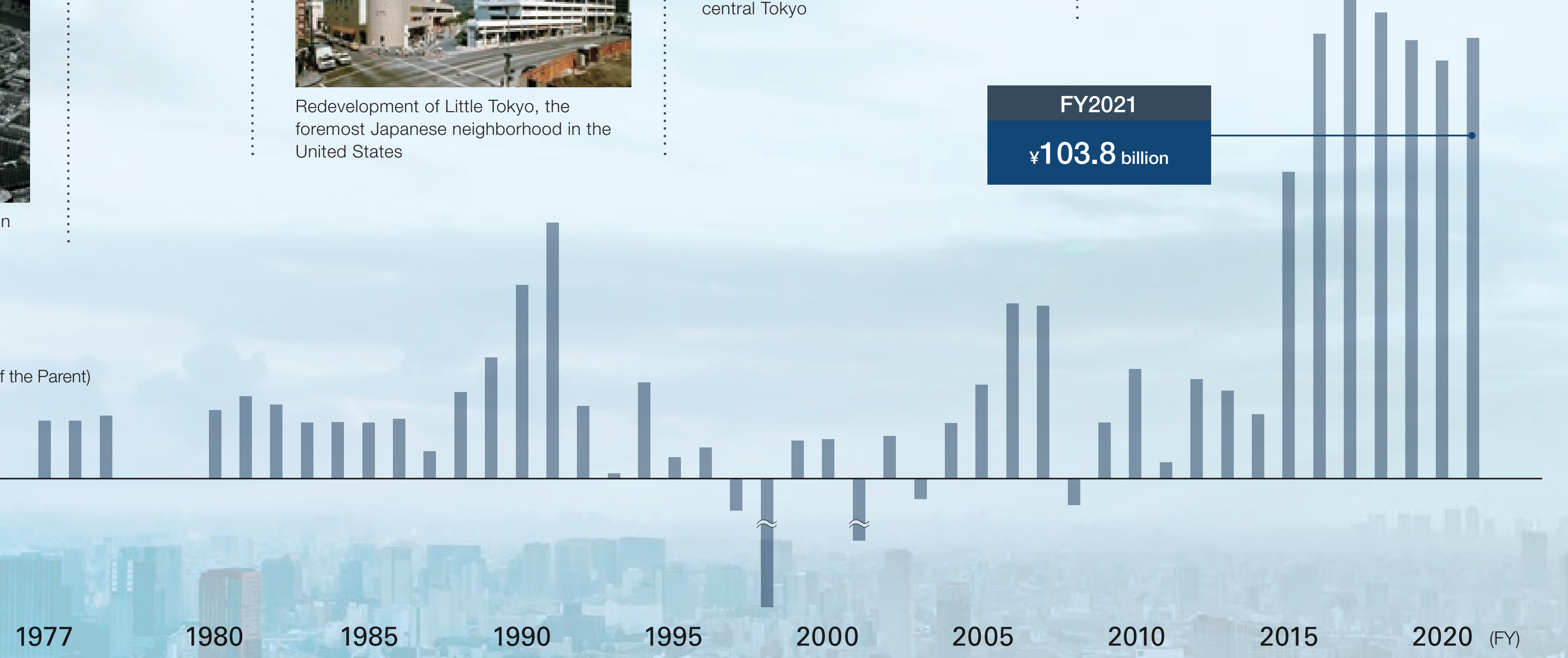
Kajima will maintain its enterprising spirit as it moves ahead on initiatives with a view toward the future.

Construction for one of Japan's largest offshore wind farms

HANEDA INNOVATION CITY, a mixed-use facility development combining cutting-edge technologies and culture

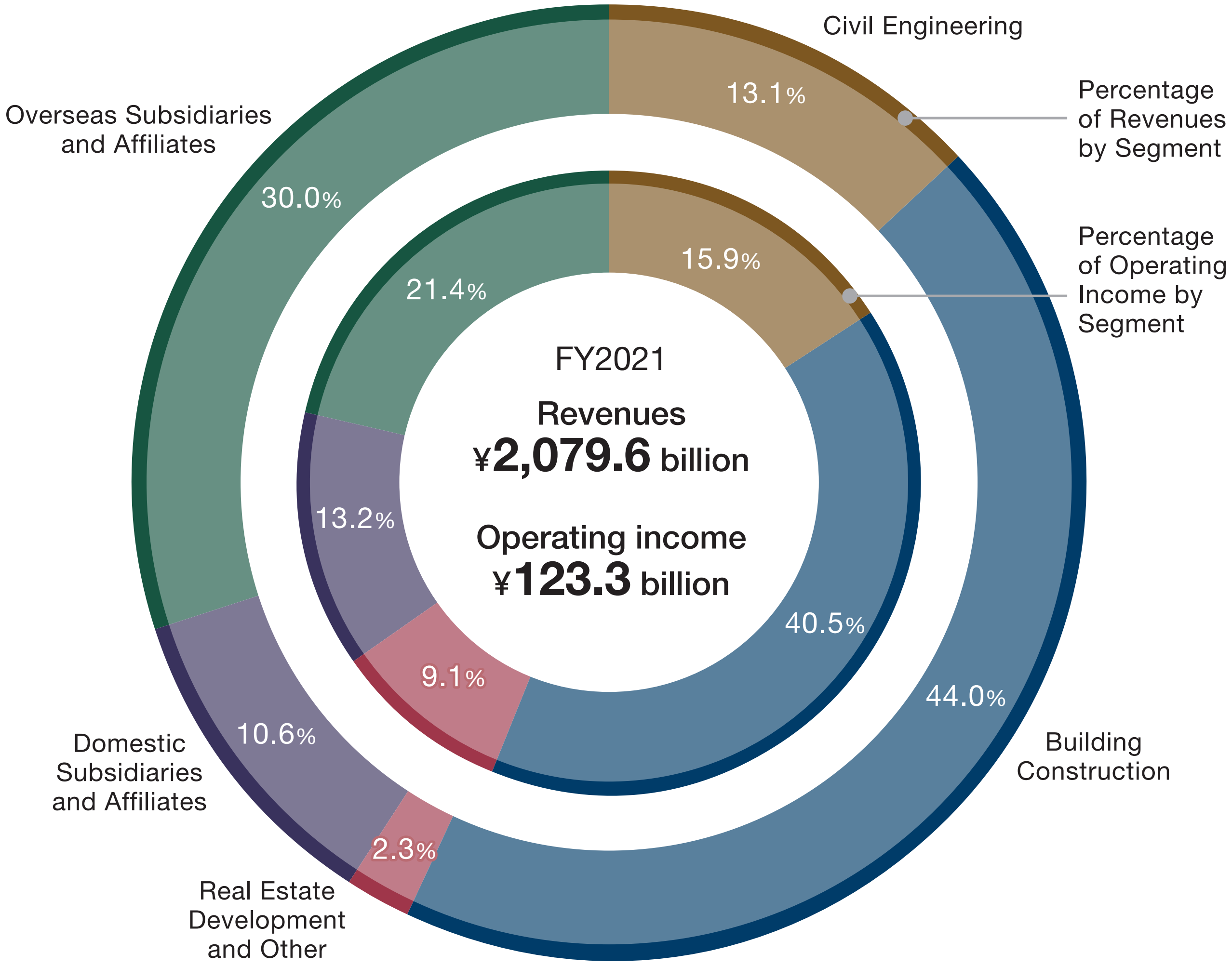
Consolidated Net Income

(Net Income Attributable to Owners of the Parent)



The Kajima Group's Businesses

The Kajima Group has established regional headquarters in North America, Asia, Europe and Oceania in addition to Japan, and has contributed to the development of industry and the economy through its construction, engineering, real estate development and other businesses. We are further enhancing the advanced design-build capabilities we have cultivated since our founding, as well as the business creation and management capabilities of the real estate development business, which we have nurtured over the long term, and are also expanding and utilizing our open innovation network. By doing so, we aim to meet the needs of society and our customers both in Japan and overseas, and to provide the highest standard of urban spaces, buildings, and infrastructure.



Revenues by Segment

Civil Engineering	¥271.8 billion	Building Construction	¥920.6 billion
Real Estate Development and Other	¥52.4 billion	Domestic Subsidiaries and Affiliates	¥316.1 billion
Overseas Subsidiaries and Affiliates	¥623.9 billion	Consolidated Adjustments	–¥105.3 billion

(Revenues by Region)

Japan	¥1,455.5 billion	North America	¥388.8 billion	Asia	¥95.4 billion
Europe	¥41.4 billion	Oceania	¥96.8 billion	Other Regions	¥1.6 billion

Operating Income by Segment

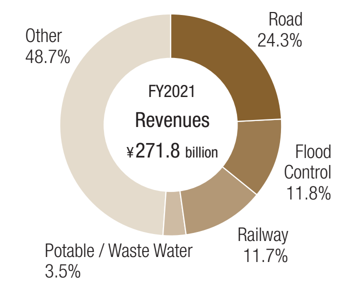
Civil Engineering	¥19.6 billion	Building Construction	¥50.1 billion
Real Estate Development and Other	¥11.2 billion	Domestic Subsidiaries and Affiliates	¥16.2 billion
Overseas Subsidiaries and Affiliates	¥26.4 billion	Consolidated Adjustments	–¥0.4 billion

FY2021 Results | **Business Overview** | **Breakdown**

Civil Engineering Business
Pages 34–37

Revenues	¥271.8 billion
Operating income	¥19.6 billion
Gross profit margin	16.5%

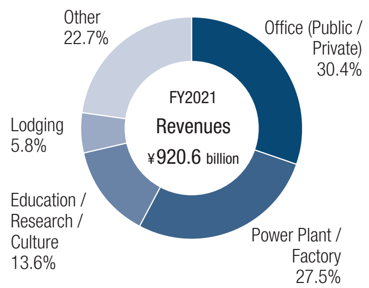
We design and construct infrastructure facilities such as dams, bridges, tunnels, and roads. We also construct renewable energy facilities for a carbon neutral society and carry out renewal of aging infrastructure. Overseas, we are promoting business targeting Taiwan and Southeast Asia.



Building Construction Business
Pages 38–41

Revenues	¥920.6 billion
Operating income	¥50.1 billion
Gross profit margin	10.3%

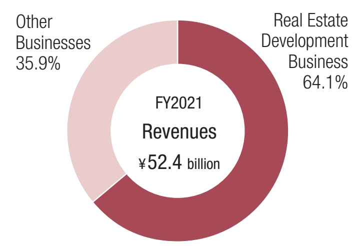
We design and construct buildings such as offices, production facilities, research institutes, hospitals, and schools in Japan. We are involved in an increasing number of projects from the planning and design stages, and by integrating the planning, development, design, and engineering capabilities of the Group, we pursue construction that meets the needs of our customers and society as a whole.



Real Estate Development Business and Other
Pages 42–43

Revenues	¥52.4 billion
Operating income	¥11.2 billion
Gross profit margin	27.1%

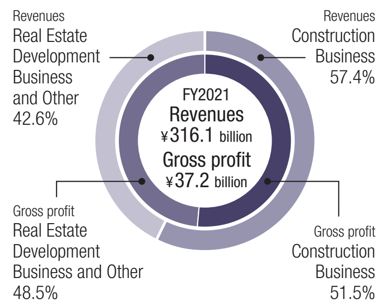
We develop, sell, and lease offices, hotels, and housing, primarily in the Tokyo metropolitan area and regional urban centers, and also engage in the general design and engineering of designs and structures. In the real estate development business, we create high-quality assets through synergies with our construction business, and are building a portfolio that has good regional balance, as well as balance between holding-type businesses and turnover-type businesses.



Domestic Subsidiaries and Affiliates
Pages 44–45

Revenues	¥316.1 billion
Operating income	¥16.2 billion
Gross profit	¥37.2 billion
Net income	¥14.7 billion

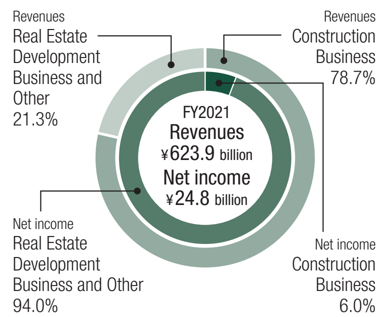
We engage in a wide range of businesses in both upstream and downstream fields of construction, including specialized construction such as road paving, ground improvement, interior design, and equipment, as well as survey and design, building leasing, design and construction support, and building management. We are also working to build an advanced value chain through Group collaboration.



Overseas Subsidiaries and Affiliates
Pages 46–47

Revenues	¥623.9 billion
Operating income	¥26.4 billion
Gross profit	¥65.3 billion
Net income	¥24.8 billion

In North America, Asia, Europe, and Oceania, we engage in businesses in building construction, design, and real estate development, according to the characteristics of each region. We are expanding our business domains and building a global network through alliances with overseas companies, M&A, and other measures. In addition to distribution warehouses, housing, and mixed-use facilities, we also develop renewable energy facilities.



Value Creation Process

The Kajima Group will use its strengths in areas such as social infrastructure, urban development and building construction as the base to reinforce its core businesses and take on challenges to create new corporate value in response to the dramatic changes taking place around the world. By doing so, we aim to help resolve social issues and achieve sustainable growth.

Social Issues and Global Trends

INPUTS

Forms of Capital, pages 16–17

Diverse human resources who earn trust
Human Capital

Technology development to address social issues
Intellectual Capital

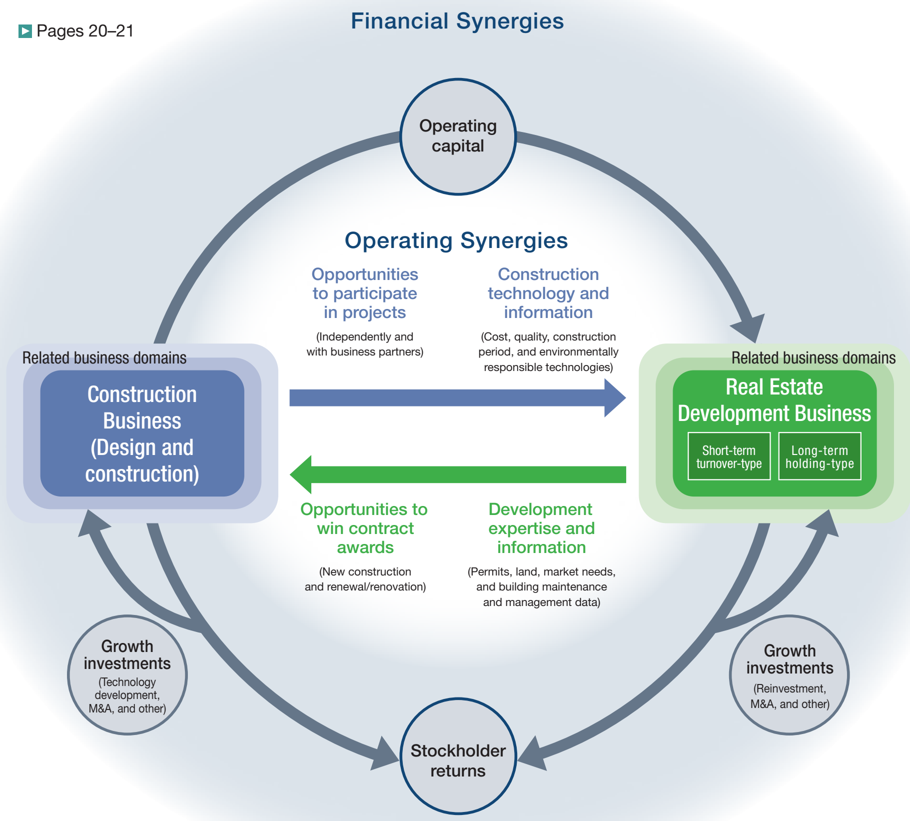
Financial foundation underpinning Group management
Financial Capital

Structure for promoting businesses rooted in local communities
Manufactured Capital
Social and Relationship Capital

Low-impact, environmentally responsible business activities
Natural Capital

Business Model

Pages 20–21



Kajima Group Strength

Sources of Value Creation, pages 18–19

Comprehensive capabilities, with highly skilled experts coordinating all phases of construction and real estate development business

Sources of Value Creation

Human resources | Technology

Corporate culture nurtured over our long history

Safety and health | Environment | Quality

OUTPUTS

Businesses and services

Civil Engineering

Design and construction of infrastructure such as dams, bridges, tunnels, highways, and renewable energy projects

Pages 34–37

Building Construction

Design and construction of buildings such as offices, production facilities, laboratories, hospitals, and schools

Pages 38–41

Real Estate Development

Domestic real estate development, sales, and leasing businesses

Pages 42–43

Domestic Subsidiaries and Affiliates

Specialized construction including road paving, ground improvement, interior design, and equipment, and other businesses including survey and design, building leasing, BIM support, and building management

Pages 44–45

Overseas Operations

Building construction, design, real estate development and other businesses, mainly in North America, Asia, Europe, and Oceania

Pages 46–47

OUTCOMES

Resolving social issues while growing sustainably

Hire and develop diverse human resources

Human Capital

- Promotion of flexible work styles
- Diverse workforce
- Number of female employees in managerial positions: 189*
- Percentage of employees working at overseas subsidiaries and affiliates: 30.9% (consolidated)

Create innovation

Intellectual Capital

- Promotion of open innovation
- Number of patents registered: 202*
  Number of patents published: 224*

Funding for growth and stockholder returns

Financial Capital

- Net income attributable to owners of the parent: ¥103.8 billion
- Return on equity: 11.4%
- Dividend payout ratio: 27.9%

Co-create value with partners

Manufactured Capital
Social and Relationship Capital

- Safety of construction sites
- Securing workers in the construction industry over the medium to long term
- Restructuring multilayered subcontracting
- Revitalization of local communities
- Promotion of smart society initiatives
- Overseas revenues/Total revenues ratio: 30.0%

Contribute to a carbon neutral society

Natural Capital*

- Reduction in CO_2 emissions per unit of sales attributable to construction at domestic construction sites: 36.4% (compared with FY2013)
- Final disposal rate for construction waste: 2.4%

* Kajima Corporation only

Page 2 Kajima's Corporate Philosophy

Page 3 Kajima Group Vision

Pages 24–25 Material Issues

Pages 26–29 Medium-Term Business Plan (FY2021–2023)

Corporate Value Drivers

Forms of Capital

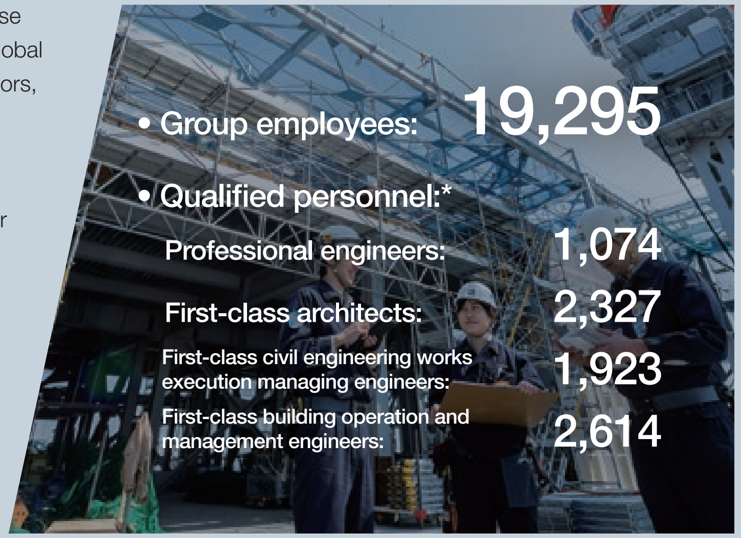
Kajima does business using the following six forms of capital acquired over its 180-year history. We will retain and strengthen these forms of capital to sustain growth and increase corporate value by continuing to create value for society.

Diverse Human Resources Who Earn Trust

Human Capital

In each of the countries where it operates, Kajima's diverse human resources play a vital role in the operation of its global portfolio of businesses. Through their day-to-day endeavors, our employees contribute to people's trust in Kajima by meeting the expectations of business partners and other stakeholders.

Kajima will generate sustainable growth amid the major changes in its operating environment by respecting the individuality and values of all employees, while collaboratively creating systems that enable them to fully exercise their abilities.



Technology Development to Address Social Issues

Intellectual Capital

Kajima is a technology-driven company, and in 1949 was first in Japan's construction industry to open a technical research institute.

Today, Kajima is implementing work-style reforms and addressing the declining number of skilled workers by accelerating initiatives to improve productivity, with a focus on automation, mechanization, and digitalization. Our goal for civil engineering is to develop technologies for automated construction sites, while our goal for building construction is the Kajima Smart Future Vision.

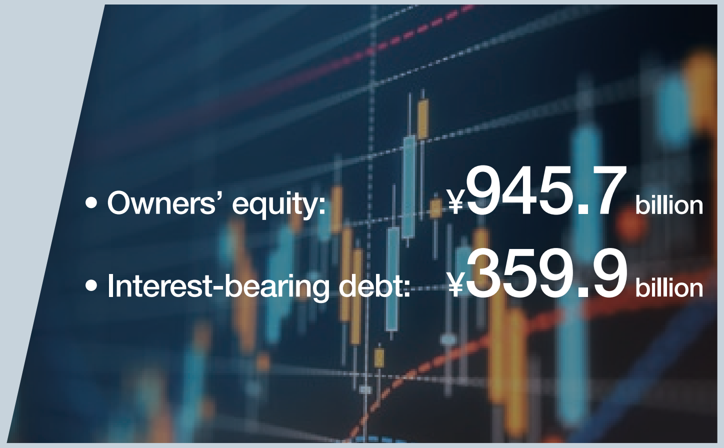
In addition, we are leveraging our open innovation network spanning Japan, Singapore, and the United States to investigate advanced technologies, which will enable us to better meet diversifying needs.

Financial Foundation Underpinning Group Management

Financial Capital

Kajima operates construction and real estate development businesses globally. Furthermore, we use the stable cash flow from our construction business to grow our real estate development business, thereby supporting solid performance. The synergies between the construction business and real estate development business make for exceptionally stable group management, and a sound financial foundation.

We continue to make aggressive and multifaceted investments for growth while maintaining financial discipline.

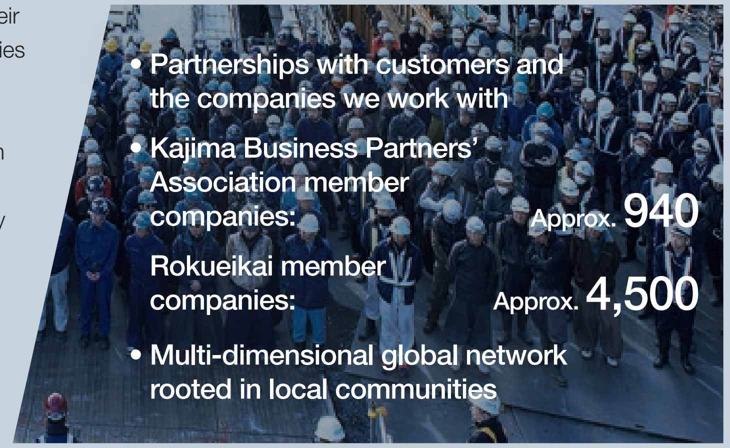


Structure for Promoting Businesses Rooted in Local Communities

Manufactured Capital | Social and Relationship Capital

Construction companies in Japan typically do not have their own manufacturing facilities. Kajima's production capabilities are supported by a network of outstanding partner companies. The number of skilled workers in Japan's construction industry is declining, in line with the decline in the nation's working population. We therefore emphasize collaboration with partner companies and are energetically supporting initiatives to hire and train essential personnel.

In addition, our construction and real estate development businesses involve many stakeholders, from customers to community residents. Kajima proactively engages with these diverse stakeholders to build good relationships.

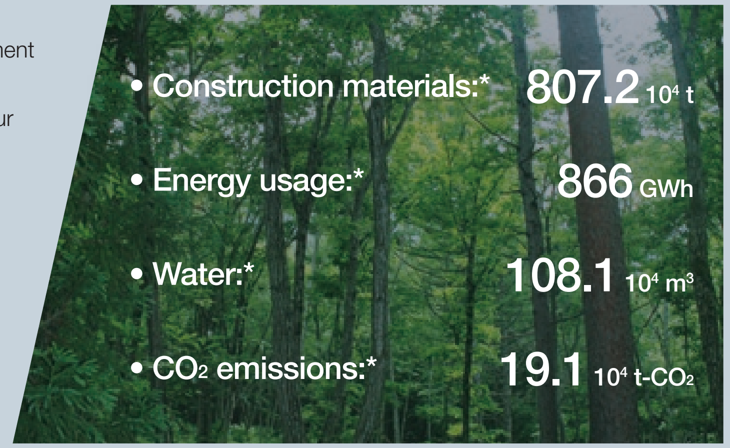


Low-Impact, Environmentally Responsible Business Activities

Natural Capital

Kajima's core construction and real estate development businesses have the potential to alter the natural environment over the long term.

We quantitatively assess the environmental impact of our business activities, in terms of energy (electricity and fuel consumption), water resources, CO_2 emissions, and waste, and implement relevant initiatives to reduce the impact on natural capital. Moreover, we aim to contribute to a sustainable society in ways such as promoting the restoration of biodiversity and new ways to make use of its benefits.



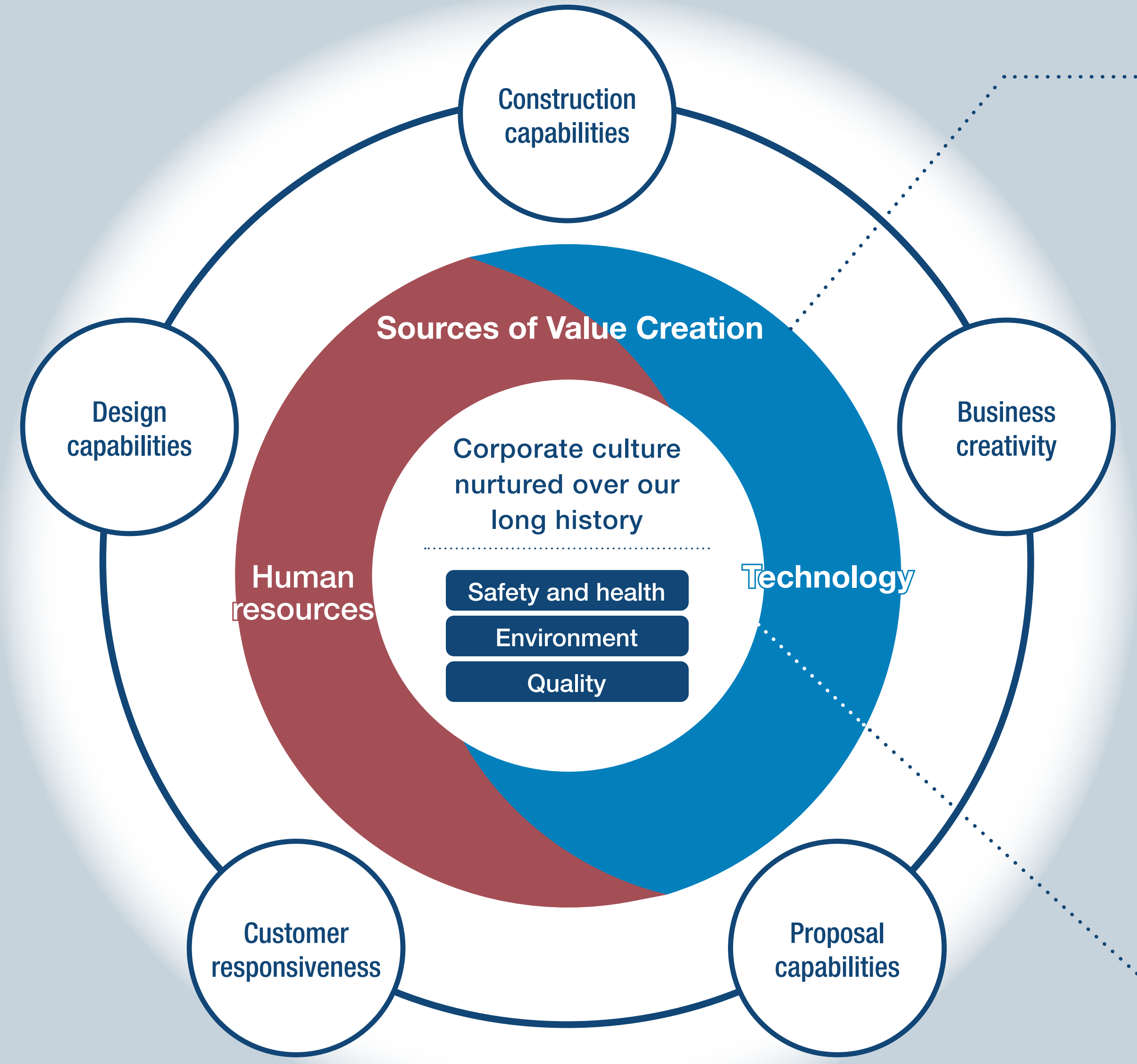
Note: Figures are as of March 31, 2022
* Kajima Corporation only

Sources of Value Creation

Kajima has nurtured the sources of value creation since its founding. Throughout our history, our commitment to safety, health, quality, and the environment has been the foundation that supports construction activities, and is fundamental to Kajima's continued existence. One source of value creation is our talented human resources. Inspired by our corporate culture that emphasizes partnership with customers and partner companies, they have helped lead the industry by taking on challenges in new fields. Another value source is our diversified technology, which is focused on our construction and real estate development businesses and meets both societal and customer needs.

Kajima Group Strength

Comprehensive capabilities, with highly skilled experts coordinating all phases of construction and real estate development business



Design Capabilities and Construction Capabilities

Our ability to produce superior quality, using advanced design and engineering technologies to meet challenging construction requirements, including large scale, high complexity, and short turnaround

Business Creativity

Our ability to generate business in collaboration with customers and partners by applying construction technology capabilities and real estate development expertise

Proposal Capabilities and Customer Responsiveness

Our ability to add value by staying attuned to society and customers, understanding their true needs, and organically linking design, construction, business creativity, and internal and external networks

Sources of Value Creation: Human Resources

Kajima leads by taking on challenges in new fields, and that proactive and resolute enterprising spirit is embodied by our employees. This mindset fuses knowledge and experience, and each generation of Kajima employees informs and inspires the next. In this way, we develop human resources who can create buildings and structures to the highest standards.

Our Starting Points

- An enterprising spirit passed along since our founding
- A humanitarian and family-oriented outlook

How We Encourage Cultural Continuity

- Incorporating changing personal values and other aspects into systems to recruit diverse human resources, support various work styles, and encourage employees to take on challenges
- Developing talent management systems
- Enhancing facilities to train the next generation of employees

Sources of Value Creation: Technology

Technology is essential in creating buildings and civil engineering structures that withstand the tests of time and serve multiple generations. For over 180 years, Kajima has used its sophisticated portfolio of technologies to create spaces for people's lives and activities.

Our Starting Points

- First in Japan's construction industry to open a technical research institute, in 1949
- A commitment to Kajima quality in every construction project that goes back to our founding
- Bringing in top-class researchers from outside the Group

How We Encourage Cultural Continuity

- Making tacit knowledge visible and digital, so wisdom and experience can be passed on
- Promoting joint research and development with various partners, including universities, research institutes, leading companies, and startups in Japan and globally
- Leveraging our open innovation network spanning Japan, Singapore, and the United States to explore cutting-edge technologies, and building The GEAR, our open innovation hub for Southeast Asia

Basic Policy, and Policies on Safety and Health, the Environment, and Quality Assurance

SEQ Policy

Safety and health, environmental management and quality assurance are fundamental to construction activities and corporate survival. By establishing and continuously improving management systems to comply with relevant laws, ordinances and other social requirements, Kajima works to conduct efficient construction activities while earning the trust of clients and society.

Safety and Health Policy

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

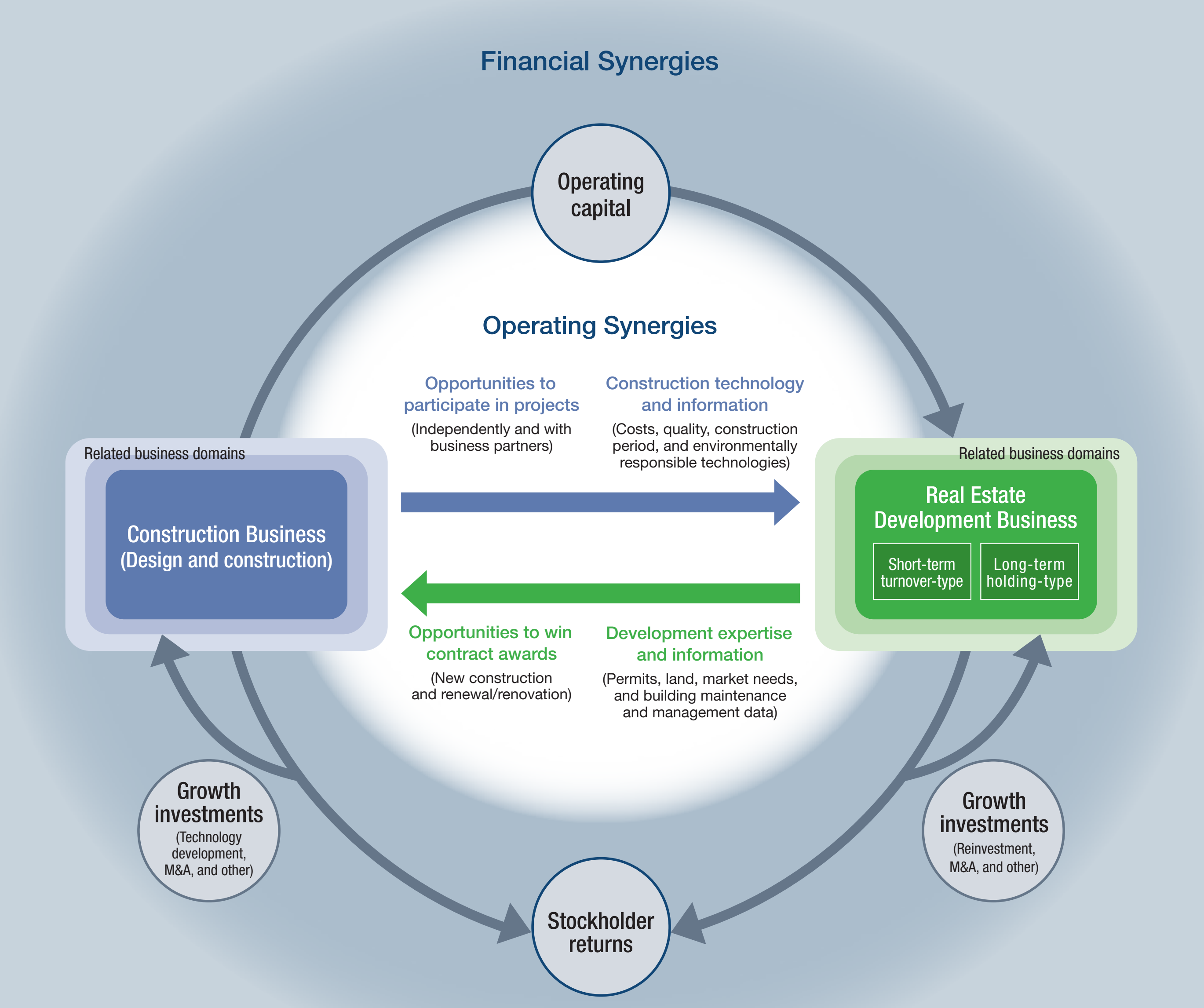
Environmental Policy

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.

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.

Business Model



We deliver added value throughout the entire construction value chain with a focus on the construction and real estate development businesses, in Japan and overseas.

Kajima began with construction, and our construction business does much more than simply giving life to blueprints. We mobilize our design capabilities, construction technology strengths, and outstanding supply chains to build structures that address the true needs of our clients. We also constantly upgrade and optimize our processes in terms of safety, environment, quality, delivery, and cost (SEQDC) to maximize the value of each project. The construction business is labor intensive and highly dependent on close ties between construction sites and local communities, so we have rooted it in the regions we serve in Japan and around the world.

The real estate development business is a capital-intensive investment business that uses cash generated by the construction business as well as external funds procured at favorable rates based on the creditworthiness of the construction business. It also creates opportunities for the construction business to win contract awards and makes a significant contribution to Group profitability through the sharing of knowledge about overall project profitability, quality requirements, costs, and other aspects. In addition, the high-quality real estate assets that we develop and own contribute to our business performance as a stable source of income, while also enabling us to reflect operational data in design and other upstream segments of our construction value chain.

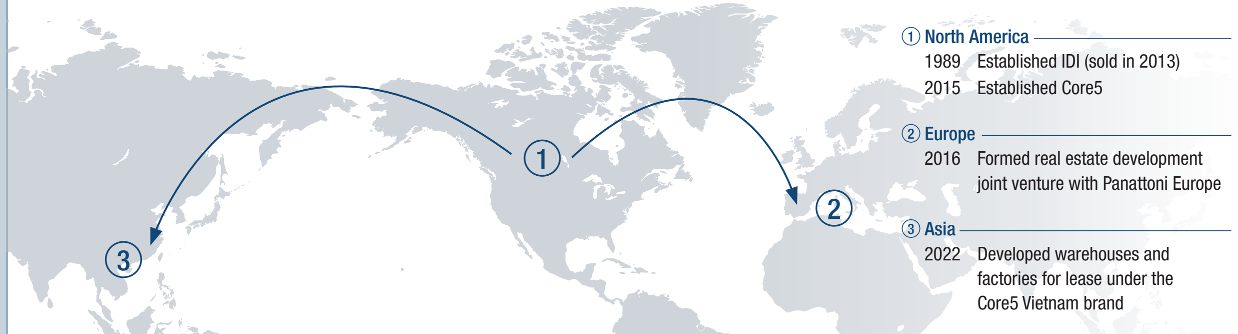
The construction business and the real estate development business offer different profit opportunities and risk profiles. However, this combination of businesses with different characteristics and global operations creates a synergistic and complementary relationship that adds stability to Group management. Other benefits include enabling the Group to hire and develop outstanding people, engage in medium- and long-term research and development, take on challenges in new businesses and regions, and provide appropriate returns to shareholders.

Business in Markets Outside Japan

In our overseas operations, our construction and real estate development businesses cooperate internationally, and we have used M&A to expand into new businesses and markets.

Having structured a supply chain network and earned the trust of Japan-affiliated customers, the construction business now receives contract awards and strong praise from companies based in other countries and regions as well. Moreover, the real estate development business accommodates the features of the regions in which it operates, with examples including the distribution warehouse market that is expanding in step with the global growth of e-commerce, and large-scale mixed-use developments in rapidly growing Asian economies. In our overseas operations, real estate development accounts for a greater proportion of our business than in Japan. Outside Japan, our strength lies in leveraging feedback from construction departments to deliver high-quality, on-time real estate development projects. Thanks to Kajima's unique strengths, the real estate development business is able to forge partnerships with other companies and generate opportunities for the construction business to win contract awards. This close relationship between the two businesses supports strong earnings.

Real Estate Development: Distribution Warehouses




Bourbon Logistics Center I (U.S.)

In North America, Kajima U.S.A. Inc. entered the distribution warehouse development business with the establishment of Industrial Developments International, Inc. (IDI) in 1989, and has continued to acquire expertise over many years. Established in 2015, Core5 Industrial Partners, LLC. takes advantage of the expertise we accumulated at IDI. It accurately identifies market demand for distribution warehouses and deploys its site selection capabilities to develop properties that anticipate the needs of user companies. In working with the construction companies of Kajima U.S.A., Core5 is able to reduce construction risks and has established a business model that is highly competitive and profitable.

With the reputation built through our track record in North America, in 2016 we formed a real estate development joint venture with Panattoni Europe, a major distribution warehouse development corporate group. It primarily develops distribution warehouses in Poland, whose central location makes it an ideal logistics hub for Europe. Collaboration with the construction companies of Kajima Europe Ltd. has also supported the high quality of its development projects.

Indochina Kajima Development Ltd., a joint venture in Vietnam, at first studied entry into the industrial real estate market for factories and warehouses for lease to industrial and logistics companies, and in 2022 Kajima initiated marketing under the Core5 Vietnam brand.

Serving Customers Worldwide

The strong trust of our customers in the regions we serve and our global network of Group companies support our ability to win contract awards.

Overseas contract awards from Japan-affiliated companies	Contract awards in Japan from companies headquartered overseas	Overseas contract awards from companies headquartered in a third country
Factories and other facilities, primarily in Asia and North America	Primarily factories and data centers	Largely construction in Asia ordered by North American customers

Corporate Value Drivers

Value Chain

Based on the advanced construction technologies we have cultivated since our founding, our businesses deploy capabilities from pre-planning, development, design and engineering in the upstream part of the construction value chain to downstream management and maintenance. In doing so, we provide customers and society in Japan and around the world with urban spaces, buildings and infrastructure built to the highest standards.

	Pre-Planning & Development	Design & Engineering	Construction	Operation & Management	Maintenance & Renovation
Functions and Services	Surveys / Marketing; Finance; Master planning; Project planning / Business planning	Schematic design; Design development; Contract documentation	Procurement; Construction planning; Construction management; Construction supervision	Building management; Asset management; Facilities management; Property management; Securitization of assets; Energy services	Maintenance; Renewal / Renovation
Overview	We are involved in urban development projects from the initial upstream stages, including business planning, project planning, land acquisition, funding, and partner selection. When engaging in large-scale construction projects, our in-depth involvement from the pre-planning and design stages helps us ensure that costs and schedules stay on track.	We address an array of requirements, regulatory restrictions, and obstacles to build structures that meet customer needs. This is possible through our continued pursuit of function and design, our sophisticated architectural design technologies that take into account ease of construction and maintenance, and our expertise in specialist engineering for pharmaceutical facilities, dams, bridges, and tunnels, as well as in real estate development projects.	We plan safe, environmentally responsible construction methods, procure materials and labor, carry out reliable construction and quality control, and deliver buildings on time. On-site construction processes are led by Kajima engineers with advanced expertise and experience, supported by partner companies with specialized technologies and extensive experience in their respective fields.	Kajima owns, leases, and manages real estate; operates hotels, golf courses, and toll roads; and provides services tailored to the characteristics of individual facilities. Our management services optimally meet the needs of each customer in areas such as building and facility management, ICT system utilization, waste disposal, and energy supply.	In response to customer needs, Kajima provides construction and services that deliver functional improvements, reduce energy consumption, and enhance earthquake resistance, thereby extending the lifespan of buildings and structures while ensuring continued safety and security. Leveraging the latest technologies, we aim for appropriate and high-quality renewal and renovation, including proposals for renewing aging infrastructure and demolishing buildings at their end-of-life.
Primary Strengths and Technologies	● Systems for providing value to customers in all phases of construction and real estate development		● Human resources, technologies, and networks for providing optimal services		
	● Extensive networks that generate diverse business opportunities ● Construction technologies combined with real estate development expertise ● Long-term perspective based on operation, maintenance, and management data ● Track record in global real estate development projects including distribution warehouses, mixed-use developments, and resorts	● The superior quality of Kajima design ● Construction technologies that support production systems, distribution systems, and manufacturing environments ● Technical research institutes and open innovation network ● Seismic damping and isolation technologies	● Industry presence and extensive track record of projects that use advanced technologies ● Smart construction technologies and automated construction technologies for heavy construction equipment ● Excellent partner company network	● High-quality real estate portfolio in Japan and around the world ● Pursuit of investment efficiency through approaches integrating real estate and finance, including private REITs ● Provision of comprehensive management services throughout the building lifecycle	Development and application of new technologies ● System for counteracting the effects of long-period earthquakes in existing skyscrapers: Tuned mass damper (TMD) seismic control system ● Infrastructure renewal: Smart Deck Renewal (SDR) System ● Building demolition: Kajima Slash Cut Method ● Infrastructure maintenance and management: Systems using optical fibers ● Earthquake safety diagnostic system: q-NAVIGATOR®
Strategies for Further Strengthening Kajima (Medium-Term Business Plan)	● Maximize customer value by enhancing the value chain		● Build and enhance global platforms		
	● Increase profits through proactive investment in the real estate development business ● Pursue product planning aligned with the new normal	● Strengthen proposal, design-build, and engineering capabilities with a focus on growth areas	● Further promote the development of next-generation construction systems ● Restructure multilayered subcontracting; maintain and strengthen the supply chain	● Expand the investment cycle of the real estate development business and diversify its portfolio ● Promote business in new areas such as infrastructure operation	● Focus on priority areas including infrastructure renewal and building renewal and renovation

Case Study Yokohama Gate Tower Project

Location: 2-5 Takashima 1-chome, Nishi-ku, Yokohama City, Kanagawa Prefecture, Japan

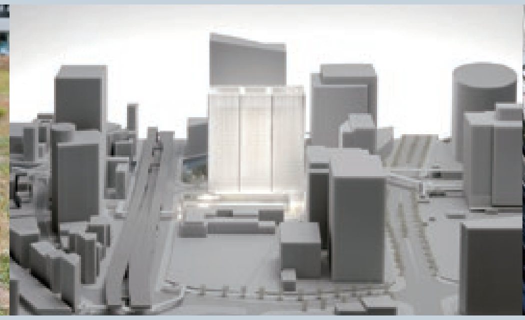
Operators: Kajima Real Estate Development Division, Sumitomo Life Insurance Company, and Mitsui Sumitomo Insurance Company, Limited

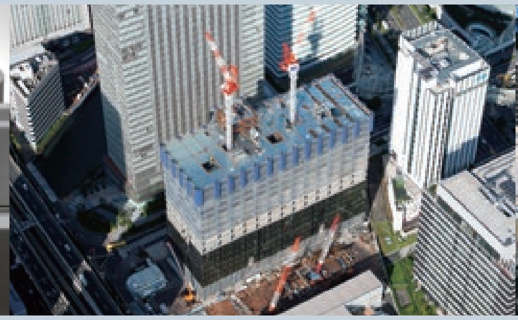
Design: Kajima Architectural Design Division

Uses: Offices, stores, and a planetarium

Construction: Joint venture of Kajima Corporation, Tekken Corporation, and Omata KK. Corporation

Completion: September 2021; grand opening in March 2022





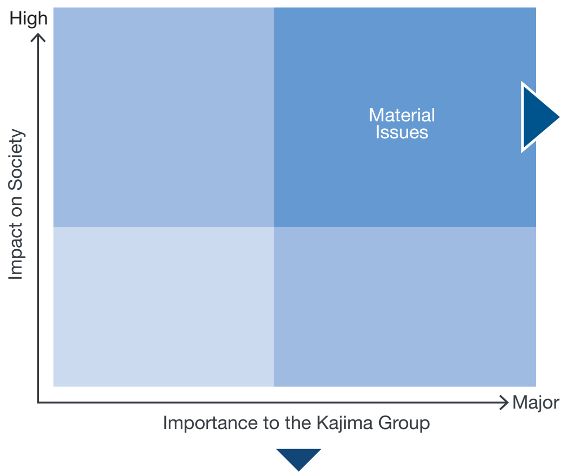
	Pre-Planning & Development	Design & Engineering	Construction	Operation & Management	Maintenance & Renovation
Specific Initiatives	The City of Yokohama made an open request for proposals and selected a consortium of companies led by Kajima, based on the quality of the consortium's proposal regarding its business and operation plans, facility plans, disaster preparedness, and environmental measures. The plan envisioned office spaces that accommodate a variety of work styles, and a planetarium as a major attraction.	Faced with complex issues, ranging from increasingly diverse social needs and operator requirements to the impact on the urban landscape and the environment, we proposed and built a facility with outstanding functions and quality. Moreover, the integrated design of the project's buildings, structures, and facilities makes the most of the merits of Kajima's involvement in the development, design, and construction processes.	We also addressed difficult construction conditions, such as subway proximity, and completed a high-quality building within the construction period with zero accidents resulting in lost work time. Taking on the challenge of innovative construction processes that make full use of digital technology, we improved productivity and conducted various feasibility demonstrations that contributed to advances in technology.	As a leased office building, the Kajima Group handles integrated facility operation and management, including building management and energy services. In cooperation with tenant Yokohama SDGs Design Center, we are implementing strategies to attract and excite visitors through events and art.	Kajima Group Technologies for Maintenance and Management ● Kajima Smart BM, an optimized building management service that employs IoT and AI ● Efficient and continuous energy management that leverages specialized expertise ● BIM-FM, a facility management system based on building information modeling ● OCTPUS, an energy-saving air conditioning system
Project Participants (Key Departments & Group Companies)	Kajima Real Estate Development Division, Sales and Marketing Division, Architectural Design Division, and Yokohama Branch; Landscape Design Inc.; and Avant Associates, Inc.	Kajima Architectural Design Division; ARMO Co., Ltd.; ARTES Corporation; Ilya Corporation; and Landscape Design Inc.	Kajima Yokohama Branch; Taiko Trading Co., Ltd.; Katabami Kogyo Co., Ltd.; Kajima Road Co., Ltd.; One Team, Inc.; and Global BIM Inc.	Kajima Real Estate Development Division and Engineering Division; Kajima Property Management Co., Ltd.; Avant Associates, Inc.; and Kajima Tatemono Sogo Kanri Co., Ltd.	

Material Issues

In July 2019, we looked at the relationship between the Kajima Group's business activities, the measures in Medium-Term Business Plan (FY2018–2020) and social issues, starting with the SDGs. We then grouped the results into seven categories to identify our material issues for both solving social issues and achieving sustainable growth for the Kajima Group. In March 2021, in conjunction with the formulation of the Kajima Group Vision and Medium-Term Business Plan (FY2021–2023), we revised these material issues to take into consideration significant changes in the social environment, including the COVID-19 pandemic and accelerating shift toward carbon neutrality.

Determination of Material Issues

Issue Mapping



1
- Revitalization of local communities
- Responding to changing work styles
- Increasing sophistication of urban functions

2
- Maintaining and renewing social infrastructure

3
- Improving disaster preparedness and resilience
- Increasing sophistication of disaster preparedness measures
- Supporting disaster recovery

4
- Responding to climate change
- Promoting efficient use and ensuring a stable supply of energy
- Preserving biodiversity
- Promoting resource recycling

5, 6
- Assuring and improving quality
- Increasing labor productivity
- Improving employment conditions for skilled workers
- Nurturing human resources
- Strengthening partnerships
- Ensuring occupational safety
- Championing diversity

7
- Conducting fair business practices
- Ensuring compliance
- Respecting human rights

Based on the chart above, we identified issues that are important to the Kajima Group and have a major impact on society. We have condensed, reorganized and labeled these as seven material issues: four to which the Kajima Group can contribute through its businesses and three that form the basis for business sustainability.

Process for Revising Material Issues

1. Organize recent changes in the social environment and their impacts on the Kajima Group
2. Exchange opinions with external experts
3. Consider issues together with the Medium-Term Business Plan to identify points that should be revised, and create a revision proposal
4. Obtain feedback from each department on the proposed revisions
5. Reflect changes in the Medium-Term Business Plan and obtain approval from the Board of Directors
6. Review periodically

Our Material Issues and Related SDGs

		Direction of Initiatives for Material Issues	Specific Initiatives: Contribution through Customers' Businesses	Specific Initiatives: Contribution through Our Businesses	Related SDGs
Society	1	**Creating functional urban, regional and industrial infrastructure capable of meeting new needs** Kajima proposes sophisticated value in the fields of building construction, infrastructure construction, urban development and industrial infrastructure to meet diversifying needs resulting from changes in values and behavioral patterns. Combining experience and new technologies, Kajima creates functionality that facilitates life, work and wellness.	• Creating comfortable and attractive spaces • Improving productivity and product quality through engineering technologies • Improving workplace productivity and wellness	• Conducting large-scale, mixed-use redevelopment projects	3, 8, 11
			• Constructing smart cities and a smart society		
Society	2	**Developing sustainable and long-lasting social 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.	• Technologies for extending building lifespan • Technologies for maintaining and renewing infrastructure • Increasing sophistication of facility and building management	• Acquiring quality assets in the real estate development business • Participating in infrastructure operation and public-private partnerships	9, 11, 12
Society	3	**Providing technologies and services for disaster preparedness that support safety and security** 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.	• Increasing sophistication of seismic damping and isolation technologies • Responding to climate change with resilient buildings and structures • Proposing BCP solutions	• Structuring supply chains that take BCP into account • Strengthening disaster response capabilities	9, 11
Environment	4	**Contributing to society's transition to a carbon-free footprint** Kajima contributes to society's transition to a carbon-free footprint by reducing CO_2 emissions during construction and by developing energy-efficient technologies and eco-friendly materials, as well as by building, developing and operating power generation facilities that use renewable energy, developing green buildings, and managing energy efficiently. We are also committed to recycling resources and harmoniously co-existing with nature based on Kajima Environmental Vision: Triple Zero 2050.	• Delivering zero-emission and other energy-efficient buildings • Structuring optimal energy systems • Constructing power generation facilities that use renewable energy • Promoting green infrastructure	• Reducing CO_2 emissions during construction • Developing green buildings • Renewable energy projects • Developing and using eco-friendly materials	7, 12, 13, 14, 15
			• Achieve Triple Zero 2050		

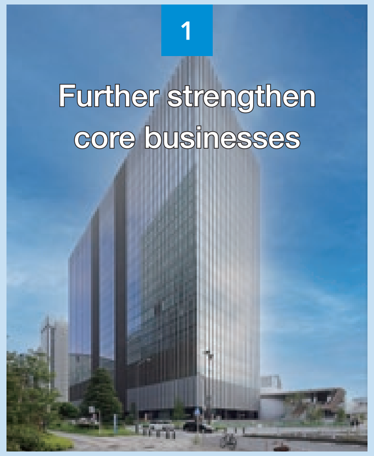
		Direction of Initiatives for Material Issues	Platform for Business Sustainability	Related SDGs
Platform for Business Sustainability	5	**Focusing on unwavering technological innovation and Kajima quality** Kajima strives to build sustainable next-generation construction systems and create new value by developing technologies and carrying out digital transformation to improve productivity and safety. In addition, in order to deliver buildings and infrastructure to customers with confidence, we continuously improve the quality of inspection and assurance systems with a commitment to ensuring building, infrastructure and environment quality, safety and security.	• Promoting technology development and digital transformation to improve productivity and safety and to create new value • Ensuring safe, high-quality buildings through rigorous quality assurance systems • Mechanizing, automating and employing ICT in construction • Kajima Smart Future Vision	11, 12
Platform for Business Sustainability	6	**Construction that emphasizes people and partnerships** Kajima promotes work-style reform at construction sites, secures construction 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.	• Ensuring occupational health and safety • Promoting work-style reform and securing construction personnel • Reforming the multilayer subcontracting structure • Training and developing people with an emphasis on diversity • Using open innovation	3, 4, 5, 8, 10, 17
Platform for Business Sustainability	7	**Practicing corporate ethics** 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.	• Ensuring rigorous compliance • Enhancing risk management systems and process management • Conducting fair supply chain management • Respecting human rights	16

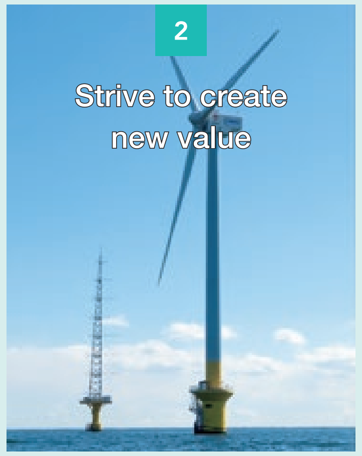
Medium-Term Business Plan Progress

In fiscal 2021, we launched the Kajima Group Medium-Term Business Plan (FY2021–2023). It sets out important measures and financial targets for the Group, with due consideration for the medium- to long-term Goals for 2030, as based on the Kajima Group Vision and material issues. Despite the intensely competitive environment projected, the plan's theme is supporting the Group's future development by investing to drive medium- to long-term growth while maintaining and improving business performance.

We have made steady progress in the first year of the Medium-Term Business Plan, and we will continue to promote measures and investments aimed at medium- to long-term profit growth.

Three Pillars / Goals for 2030





Goals for 2030

1
- Promote sustainable growth by utilizing intangible and tangible assets as well as digital and conventional technologies, while building a strong value chain
- Build efficient production systems by applying factory processes to construction sites and visualizing the entire supply chain

2
- Acquire new revenue sources in promising fields to solve social challenges
- Establish an open innovation promotion system, and create various new businesses

3
- Achieve Target 2030 as a step toward fulfilling the Kajima Environmental Vision: Triple Zero 2050
- Achieve safe, secure and comfortable worksites that all construction engineers will find attractive
- Build free and open organizations with diverse human resources
- Pursue research and development based on the world's most advanced knowledge to direct the business

Financial Targets

	FY2021 results	FY2022 forecast	FY2023 target	FY2024–2026 target	FY2030 target
Revenues	¥2,079.6 billion	¥2,270 billion	Approx. ¥2,250 billion	—	—
Net income attributable to owners of the parent	¥103.8 billion	¥85 billion	¥95 billion or more	Reliably ¥100 billion or more	¥130–150 billion or more
Return on equity	11.4%	—	Above 10% level		

Key Measures and Specific Outcomes

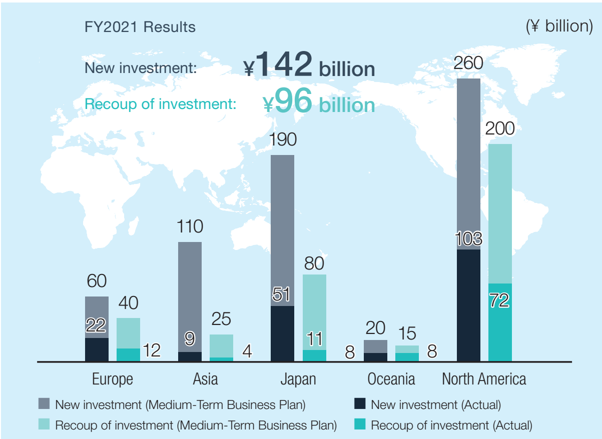
Key measures	Specific outcomes of key measures in FY2021
1 Further strengthen core businesses ❶ Strengthen proposal, design-build, and engineering capabilities with a focus on growth areas ❷ Further promote the development of next-generation construction manufacturing systems ❸ Maximize customer value by expanding the business domain ❹ Increase profits by proactive investment in the real estate development business ❺ Build and enhance global platforms	• Received contract awards for large-scale construction in priority areas, including large-scale mixed-use facilities, distribution facilities, and production facilities • M&A and capital alliances targeting domestic and overseas design and engineering, information system development, specialized construction, and other companies • Participated as a cooperating company in the construction of offshore wind farm projects: two in Akita Prefecture and one in Chiba Prefecture • Initiated construction tests of A^4CSEL for Tunnel (an automated construction technology) in an actual tunnel • Expanded the application of robotic, digital, and remote control technologies based on the Kajima Smart Future Vision • Completion and opening of Yokohama Gate Tower (in Minato Mirai 21 Central District 58), which Kajima developed, designed and constructed • Established a system for promoting local redevelopment projects and enhanced our regional strategy (domestic real estate development business) • Investment and capital recovery in distribution warehouse development business (37 new projects begun and 22 projects sold in the United States and Europe)
2 Strive to create new value ❶ Proactively promote businesses in solving social challenges ❷ Explore and create new businesses by promoting open innovation ❸ Enhance functions for envisioning future society	• Entered the business of developing renewable energy power plants in Poland • Established a supply joint venture in Shikaoi-cho, Kato-gun, Hokkaido to produce and sell hydrogen • Established Atami Infrastructure Management LLC. and acquired the business that operates the Atami Beach Line toll road • Construction of our Singapore office and research center The GEAR progressed smoothly toward completion in 2023 • Established the Construction RX Consortium to promote robot development (105 member companies as of July 31, 2022) • Investment in and joint research and development with multiple startups that have digital and other cutting-edge technologies
3 Establish a strong management foundation and promote ESG measures for growth and transformation ❶ Accelerate Triple Zero 2050 activities ❷ Secure next-generation workforce while maintaining and strengthening the supply chain ❸ Develop people and systems to promote growth and transformation ❹ Strategically promote research and development and DX (DX: Digital transformation)	• Launched the Sustainability Committee to promote ESG management • Conducted a CO_2 emissions survey at overseas sites in 14 countries, and will acquire SBT international certification for FY2023 greenhouse gas reduction targets • Achieved 100% domestic on-site operation of the Environmental Data Evaluation System (edes), and implemented reduction activities tailored to actual conditions • Kajima Head Office Building and Nishichofu Complex converted to 100% green electricity • Participated in the NEDO* Green Innovation Fund Project "Development of Technology for Producing Concrete and Cement Using CO_2" * New Energy and Industrial Technology Development Organization • 34 people from partner companies, including executive candidates and skilled workers, attended Kajima Partner College • Relocated the Head Office functions of civil engineering and building construction departments for closer business collaboration and more efficient organizational management

Investment Plan Progress

During the plan period, the Kajima Group has positioned forward-looking investment as a priority and plans to invest a total of ¥800 billion and recover a total of ¥360 billion through the sale of properties in the real estate development business. In fiscal 2021, we invested ¥252 billion and recovered ¥107 billion, with both figures around the 30% progress mark against plan. We will invest in the domestic and overseas real estate development businesses where we are strong, raise productivity, and secure a future workforce. In addition, having newly established a Strategic Investment Budget, we will implement various initiatives, such as promoting global open innovation and creating new businesses (including those that can help solve social challenges) with the aim of preparing for rapid progress.

(¥ billion)	FY2021 results	Medium-Term Business Plan (FY2021–2023)
Domestic/overseas real estate development businesses [Recoup of investment]	193 [107]	640 [360]
Domestic real estate development business [Recoup of investment]	51 [11]	190 [80]
Overseas real estate development business [Recoup of investment]	142 [96]	450 [280]
R&D and digital investment	18	55
Strategic Investment Budget	21	60
Other	20	45
Total	252	800
Net investment	145	440

Domestic/Overseas Real Estate Development Businesses



Strategic Investment

Established Atami Infrastructure Management LLC. and acquired the business that operates the Atami Beach Line toll road in Shizuoka Prefecture.

Financial Measures and Stockholder Returns

Holding of Listed Stocks including Cross-Shareholdings

The Medium-Term Business Plan calls for Kajima to sell stocks totaling ¥30 billion over three years. In fiscal 2021, the first year of the plan, we identified and sold 16 publicly listed stocks with a value of ¥14.8 billion.

Reduction status	FY2021 results	FY2023 target
Number of stocks sold (including partial sale)	16 stocks	—
Amount of sale	¥14.8 billion	Three-year total ¥30 billion or more

Stockholdings	As of March 31, 2021	As of March 31, 2022
Number of stocks [Publicly listed stocks]	320 stocks [144 stocks]	316 stocks [135 stocks]
Balance sheet amount	¥266.5 billion	¥258.7 billion

Stockholder Returns

We increased dividends in accordance with our stockholder return policy, which is to strive for a dividend payout ratio of 30%, as well as to flexibly contribute to stockholder returns by acquiring our own shares and other means with consideration of business performance, financial condition and business environment.

	FY2020 results	FY2021 results	FY2022 forecast
Annual dividends per share	¥54.00	¥58.00	¥58.00
Basic net income per share	¥193.13	¥208.00	¥172.61
Dividend payout ratio	28.0%	27.9%	33.6%
Acquisition of own shares	¥10 billion	¥20 billion	—

Material Issues and Medium-Term Business Plan KPIs

	Material issues Pages 24–25		Medium-Term Business Plan key measures Page 27	KPIs	FY2021 results	FY2023 targets
Society	1	Creating functional urban, regional and industrial infrastructure capable of meeting new needs	1	Strengthen proposal, design-build, and engineering capabilities with a focus on growth areas	Civil Engineering: Renewable energy domain sales	¥26 billion	¥30 billion per year
				Increase profits by proactive investment in the real estate development business	Investment by domestic and overseas real estate development businesses	¥193 billion	Three-year total: ¥640 billion
				Build and enhance global platforms	Investment by overseas real estate development business	¥142 billion	Three-year total: ¥450 billion
	2	Developing sustainable and long-lasting social infrastructure	1	Strengthen proposal, design-build, and engineering capabilities with a focus on growth areas	Civil Engineering: Infrastructure upgrade domain sales	¥11 billion	¥20 billion per year
				Maximize customer value by expanding the business domain	Building Construction: Renovation sales	¥180 billion	¥200 billion per year
					Building Construction: Number of buildings installed with Kajima Smart BM	19 buildings	20 buildings per year
	3	Providing technologies and services for disaster preparedness that support safety and security	2	Proactively promote businesses in solving social challenges	Number of buildings that employ BCP solutions	97 buildings	60 buildings or more per year
			1	Strengthen proposal, design-build, and engineering capabilities with a focus on growth areas	Number of projects that use optical fiber monitoring for disaster prevention	6 projects	Three-year total: 10 projects
Environment	4	Contributing to society's transition to a carbon-free footprint	3	Accelerate Triple Zero 2050 activities	Reduction of CO_2 emissions per unit of sales (Scope 1 and 2)	36.4% reduction vs. FY2013	7% reduction vs. FY2021 (target revised from 26% reduction vs. FY2013)
Platform for business sustainability	5	Focusing on unwavering technological innovation and Kajima quality	1	Further promote the development of next-generation construction manufacturing systems	Civil Engineering: Construction site PH (Cost of sales/Total working hours)	13.8% improvement vs. FY2016	15% improvement vs. FY2016
					Building Construction: Percentage of sites that use smart production	10.2%	50% or more
	6	Construction that emphasizes people and partnerships	3	Secure next-generation workforce while maintaining and strengthening the supply chain	Implementation of construction systems that limit the scope of contracts to secondary subcontractors, in principle	72.4%	100%
					New E Award recipients (incentive system for outstanding skilled workers)	735	800 people per year
				Develop people and systems to promote growth and transformation	Number of female employees in managerial positions	164	FY2024: 162 (three-fold increase from 54 in FY2014)
			2	Explore and create new businesses by promoting open innovation	Strategic investment	¥21 billion	Three-year total: ¥60 billion
	7	Practicing corporate ethics	3	Secure next-generation workforce while maintaining and strengthening the supply chain	Kajima Group Conduct Guidelines for Business Partners survey coverage (major business partners)	Trial basis	100%
					Serious legal violations	0	0

Message from the General Manager of the Treasury Division

Financial management aiming for boosted efficiency of cash flow, assets, and capital

Ken Uchida
Director, Senior Executive Officer,
General Manager, Treasury Division

Review of the Previous Fiscal Year and Response to Current Economic Conditions

Results for the previous year of fiscal 2021, the first year of Medium-Term Business Plan (FY2021–2023) ("the current Medium-Term Business Plan"), exceeded targets, backed mainly by solid performance in the overseas real estate development business and success in curbing downward pressure on profits in the domestic and overseas construction businesses, despite the impact of the COVID-19 pandemic. Our focus on investments for growth, especially in the real estate development business in Japan and overseas, began with Medium-Term Business Plan (FY2018–2020) ("the previous medium-term business plan"), so it is something we have been pursuing for four years now. We are now seeing positive outcomes, particularly in the overseas real estate development business. Moreover, we will continue to position market-oriented investments in real estate development as a growth driver, and proceed with investments for enhancing Group capabilities in the construction business and relevant upstream and downstream fields, including R&D, digitalization, and strategic investments in new markets. We are committed to generating results from all of our investments.

That said, the start of the second year of the current Medium-Term Business Plan has coincided with dramatic changes in our operating environment. There is still no foreseeable return to 'normal' following the COVID-19 pandemic. In addition, we are faced with higher-than-expected global inflation, rising interest rates, the rapid depreciation of the yen, and the emergence of geopolitical instability due to factors including the situation in Ukraine. We did not foresee some of these circumstances when we formulated the current Medium-Term Business Plan and its performance targets for fiscal 2022. The depreciation of the yen is representative. As our overseas construction and real estate development businesses are strongly rooted in the areas where they operate and their cash flows are primarily denominated in local currencies, the impact on earnings from foreign exchange gains or losses on cross-border transactions will be limited. On the other hand, the rapid rise in the prices of imported materials in the domestic construction business will negatively impact construction profits. In addition, the increased proportion of overseas businesses in the Group results may significantly impact the consolidated statement of income and balance sheet upon conversion into yen. Consequently, the relative composition of our portfolio of domestic and overseas businesses and profit by segment, the balance of interest-bearing debt held in Japan and overseas, and the volatility of outstanding debt will be affected.

Under these circumstances, we will nevertheless work to maintain and improve overall consolidated operating results. We will also refer to benchmarks including return on assets (ROA) and return on invested capital (ROIC) as we initiate a new and appropriate reconciliation of earnings and the balance sheet in overseas operations. In this turbulent economic environment, we will address these issues from a medium- to long-term perspective while assessing the impact on fiscal 2022.

Construction Business and Its Finances

Through a series of in-depth discussions with customers from the early stages of construction concept, schematic design, and design development leading into the construction phase, we strive to ensure profitability at the time of contract award. In the construction phase, we also ensure gross profits are maintained through productivity improvements based on timely decision-making, efficient construction planning, technology development, and strengthening the supply chain.

The necessary tools and strategies are many and various, and continuous improvement is essential. For example, we have expanded the use of the A⁴CSEL ("quad accel") automated construction system from dams to tunnels. We are also addressing the problem of worker shortages by providing support and training to subcontractors to help them hire and develop workers, offering financial incentives to skilled workers, and resolving multilayered subcontracting issues. Other tools include precise digital twin modelling of construction projects that minimizes the gap between virtual and actual construction. Ensuring gross profit from construction projects is essential to securing the financial resources for the ongoing implementation of such tools and strategies. Specifically, our R&D investment, including investments in digitalization, totaled about ¥18 billion in fiscal 2021. Given that this figure is equivalent to approximately 1% of construction revenues and most of it is allocated to the construction business, we cannot overlook the potential for it to exert downward pressure on gross profit from construction projects.

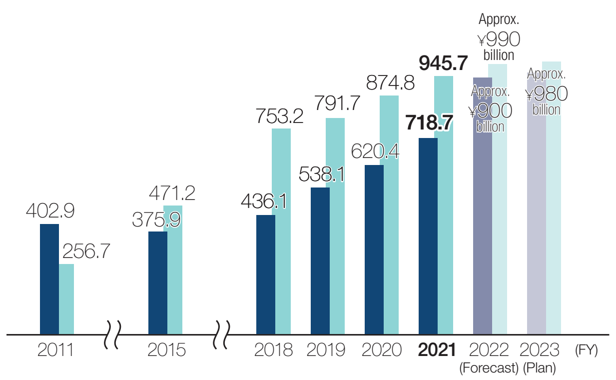
Working capital management is also important. In Japan's construction industry, there is always a timing delay between the collection of receivables from customers and payments to subcontractors. Although we work with customers to improve payment terms, the revision of longstanding business practices agreed with each customer will take time. On the other hand, payments to subcontractors come under the provisions of the Construction Business Act and Subcontract Act. As such, shorter payment schedules are highly encouraged from the perspective of protecting small- and medium-size companies. Asymmetries in the receipt and payment of funds slow the cash conversion cycle. In addition, the increasing size of construction projects in recent years has also increased the financial burden on the general contractor during construction. The construction business operates under a flow business model that basically does not depend on assets, and so smooth funding flow and a shorter cash conversion cycle are key to better working capital management. Specifically, as cash flow is governed by the payment terms of each contract, it is vital to implement day-to-day management and thereby minimize the timing difference between customer receivables and subcontractor payments.

Real Estate Development Business and Its Finances

Our program of investments in real estate development, carrying over from the previous medium-term business plan, is now in what is effectively its fourth year, and we have secured the necessary financial resources from consolidated operating cash flow, primarily from solid cash flow in the construction business. We broadly categorize real estate development business assets as rental assets that produce stable income and short-term merchant development assets for sale. In Japan and overseas, we try to attain a suitable balance between the two categories according to regional circumstances and portfolio considerations. The short-term merchant development business performed better than forecast in fiscal 2021, particularly in North America and Europe, and so acted as a driver for consolidated performance and helped curb the increase in interest-bearing debt by enabling recovered capital to be allocated for reinvestment. The ability of the real estate development business to accelerate its cash conversion cycle has significantly improved capital efficiency.

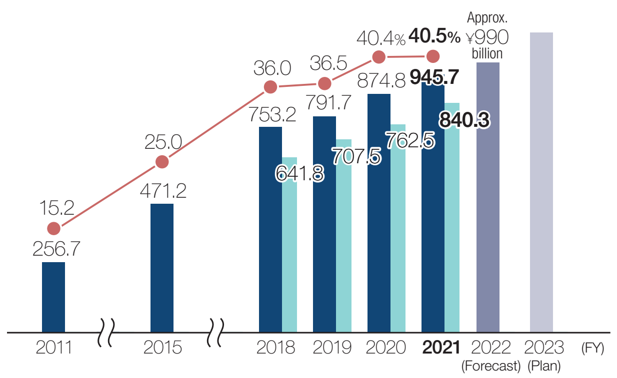
We will continue to invest a certain amount in the real estate development business as an earnings driver. However, the real

Real Estate Development Assets / Owners' Equity



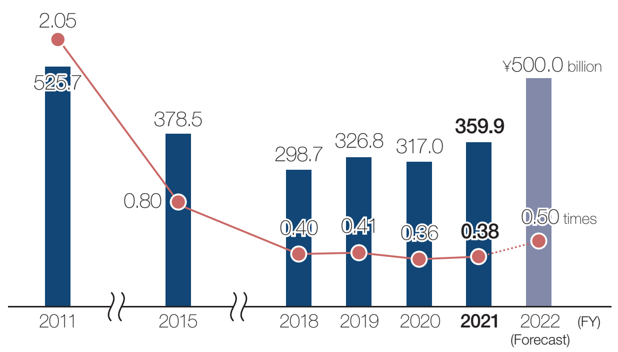
■ Real estate development assets ■ Owners' equity

Owners' Equity / Owners' Equity Ratio / Adjusted Equity Capital



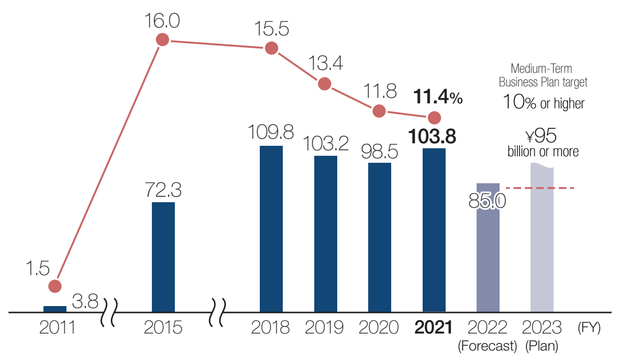
■ Owners' equity ● Owners' equity ratio ■ Adjusted equity capital (Excluding revaluation surplus)

Interest-Bearing Debt / Debt-to-Equity Ratio



■ Interest-bearing debt ● Debt-to-equity ratio

Net Income Attributable to Owners of the Parent / ROE



■ Net income attributable to owners of the parent ● ROE estate development business is a stock-model business and can easily tie up capital, so it must be operated with a rapid cash conversion cycle that generates revenues and profits quickly. In addition, the cumulative effect of investment will lead to an increase in the balance of interest-bearing debt. Leverage from the use of interest-bearing debt increases project profitability, but looking forward, overseas interest rates are starting to rise, so we must make investment decisions even more carefully in consideration of interest rates and the business outlook in the areas we operate. When making decisions on individual projects, we will consider internal rate of return (IRR), primarily for sales businesses, and net operating income (NOI), primarily for leasing businesses. Also, on a business segment basis, we will consider whether return on invested capital (ROIC) exceeds weighted-average cost of capital (WACC; assumed to be 4.0–5.5%) and whether the potential risk is appropriate in relation to equity capital.

Furthermore, at the Group level, with consideration for the unique characteristics of our consolidated balance sheet, which presents the construction business and the real estate business in combination, we will carry out a multifaceted assessment, which includes determining whether any skew has arisen in terms of debt-to-equity ratio or other indicators, and whether there is any sign of overdependence on interest-bearing debt.

Investment in New Businesses and Markets

We will continue to invest in new businesses and markets with a focus on technology exploration. For example, we expanded the use of A[4]CSEL from dams to tunnels. We will also reflect the skills and knowledge we have gained through construction of Japan's first commercial offshore wind power facility in our self-elevating platform (SEP) vessel, which is scheduled to enter service in 2023. In addition to operating the toll road business we acquired, we will use it as a test bed for new road-related technologies. In these and other ways, we aspire to pioneer new frontiers and are combining external knowledge with our unique construction technology to open up new technological horizons.

On the other hand, it is vital that we measure the financial benefits of the projects we invest in. We conduct regular reviews to determine whether to stay in or withdraw from each project. We are also structuring an investment system that can keep pace with the speed of technological innovation, which is driving both progress and obsolescence.

Sustainability Management

Corporate management is now evaluated on new axes that are evolving year by year, including ESG, the SDGs, decarbonization, and sustainability. Programs to develop global sustainability reporting standards are well under way. Under these circumstances, strategy formulation must take into account financial and non-financial considerations, and the interactions between the two. The diversity of disclosure formats, the adoption of which is currently at the discretion of companies, may impair comparability and may not fully reflect the relative importance of any given reporting item for a particular company. We need to make our disclosure easier to understand and more comprehensive while addressing current trends in the development of standards for reporting and disclosure formats.

We have already introduced four types of sustainable financing. At their core, both the construction business and the real estate development business should provide the world with infrastructure for human activity where people are able to live with nature, and it should be an industry that embodies sustainability in its broadest sense. As such, when structuring financing, we are involved in proactive, ongoing initiatives to earn a reputation for sustainability. In principle, we use sustainable financing when securing long-term funds. Totaling about ¥30 billion, sustainable financing already accounts for more than 20% of our consolidated long-term interest-bearing debt balance of ¥145 billion, and we intend to increase this ratio as much as possible in the future.

Holding of Listed Stocks Including Cross-Shareholdings

Our goal under the current Medium-Term Business Plan is to sell cross-shareholdings totaling ¥30 billion or more during the three years through fiscal 2023. We have been steadily moving toward this goal while spending time to resolve the corporate mentality underlying our historical use of cross-shareholdings as a token of long-term trust and solidarity with corporate allies. Our basic policy is to hold stocks only if they contribute to increased corporate value, and to sell them when that rationale weakens. We have regularly measured the significance of shareholdings using indicators including order volume, future plans, construction profitability, and dividend yield. We have also used our cost of capital as a benchmark, and intend to begin using other metrics that add rigor to our analysis.

One issue emerging in this process is that of investments in startups or for technology acquisition, among our investments for growth such as R&D, digital, and strategic investments. In many cases we choose to pursue a capital alliance, which is more effective than a business alliance, thereby increasing our portfolio of unlisted equities. However, the current framework of the Corporate Governance Code and corresponding disclosure guidelines do not provide adequate accommodation for differentiating between cross-shareholdings (that we should reduce) and investments for growth, so we would like to provide supplementary explanations.

Stockholder Returns Policy

When formulating the current Medium-Term Business Plan, we revised our basic stockholder returns policy, which is to strive for a dividend payout ratio of 30%, as well as to flexibly contribute to stockholder returns by acquiring own shares and other means with consideration of business performance, financial condition, and business environment. This policy is unchanged. Implementation of sustainability management, including an emphasis on human capital, also requires us to provide returns to a wide range of stakeholders. Just as important as stockholder returns, our contributions and returns to customers, partner companies that support construction and supply chains, the Group employees, the general public including the neighborhoods that host our construction sites, and the global environment are all indispensable, and so we must adopt a balanced approach.

While assessing the impact on owners' equity when economic downturns lead to the deterioration of operating income and a decline in asset value, we should consider how to maintain sustainable returns. Conversely, we should consider how to expand the range of returns when favorable economic conditions support our performance. Under this range of possible conditions, we look at operating cash flow and returns on investment to make decisions about deploying cash, with the goal of providing stockholder returns through a combination of dividends and acquisition of own shares. We have set a target for return on equity (ROE) of 10% or higher. In our management we will improve our profitability to accomplish higher earnings per share (EPS) as the means to enhance stockholder returns.

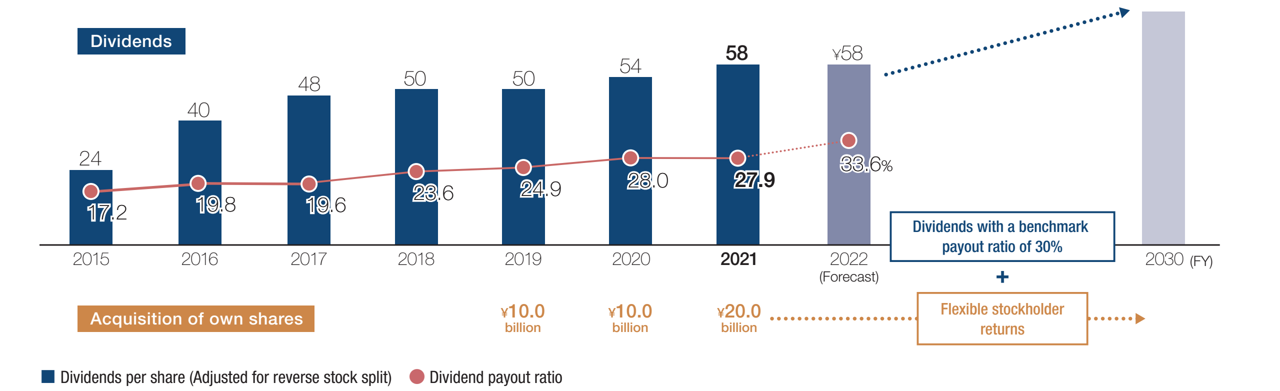
Our Approach to Sustainable Financing

Type	Fiscal year when structured	Amount	Years to maturity	Sustainability-related aspects
Green bonds	2019	¥10.0 billion	5	Construction financing and refinancing for two green projects
Sustainability bonds	2021	¥10.0 billion	5	SEP vessel construction, sustainability technology R&D investment, and hub construction in Singapore
Positive impact financing	2021	¥7.0 billion	5	Evaluation of the environmental, social, and economic impact of our business activities
	2021	¥3.0 billion	5	
Sustainability-linked loans	2022	¥1.5 billion	5	CDP climate change score: A– or higher

Reduction of Cross-Shareholdings

FY	Issues held	Listed	Unlisted	Carrying amount (fair value)	Issues sold	Proceeds from sale
2015	385	181	204	¥224.4 billion	13	¥1.3 billion
2020	320	144	176	¥266.5 billion	20	¥9.4 billion
2021	316	135	181	¥258.7 billion	17	¥14.8 billion
2023	–	–	–	–	¥30.0 billion or more during FY2021–2023	

Stockholder Returns



Civil Engineering

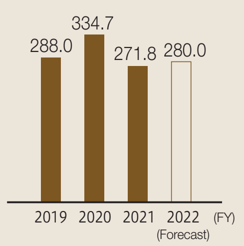
We will quickly respond to changes in existing markets and accelerate business initiatives to resolve social issues.

Given Japan's need to address intensifying natural disasters and the renewal of aging infrastructure, the civil engineering business will keep contributing to society by engaging in measures to strengthen national resilience as well as delivering quality infrastructure that ensures people's safety and security. Also, in the drive toward carbon neutrality, we intend to develop the renewable energy sector into one of our principal medium- to long-term income sources by steadily undertaking projects and acquiring knowledge and expertise in design, construction, procurement and management of contracts.

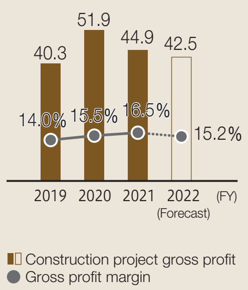
Masaru Kazama
Senior Executive Officer,
General Manager, Civil Engineering Management Division

Business Overview

Revenues

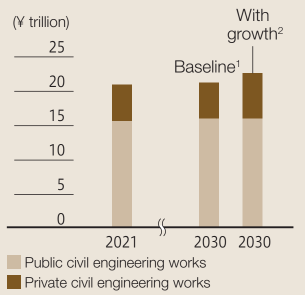


Construction Project Gross Profit / Gross Profit Margin



Market Environment

Medium-Term Forecast for Construction Investment in the Civil Engineering Field



Source: 1.2 Medium-to long-term forecast for construction investment and supply and demand through 2035, *Construction Economic Report No. 74*, Research Institute of Construction and Economy
1. Economic expansion at the current potential growth rate
2. Market performance reflecting effect of economic policies

Outlook for Kajima Construction Amount by Field

Construction field	Outlook
Dams, roads, railways, bridges, water and sewage facilities, other	→
Renewable energy power plants and related Page 36	↗
Renewal (renewal and renovation) Page 37	↗

Strengths

- Extensive construction track record and industry presence
- Technology development capabilities for taking on challenges in new technologies and fields and seeing them through to practical application
- Design and construction capabilities that meet all customer needs

Risks

- Supply chain disruptions
- Rapidly increasing material and equipment prices
- Shortage of workers for the next generation as fewer people enter the construction industry

Opportunities

- Accelerating societal needs for national resilience measures and decarbonization
- Expansion of renewable energy field and infrastructure maintenance and renewal field
- Ability to develop and implement labor-saving technologies that use ICT

Business Policies

- Strengthen efforts in targeting projects that leverage comprehensive engineering capabilities
- Focus on growth areas and new business areas
- Further innovation of production systems that use ICT
- Enhance construction capabilities and expand the scale of business in collaboration with Group companies and construction companies with specialized skills

Progress in FY2021

• Demonstrated comprehensive engineering capabilities

New contracts were below target due to factors including lower private sector construction order volume, despite firm government construction contracts. At the same time, over the past several years we have been steadily focusing on projects that require comprehensive engineering capabilities before construction, such as offshore wind farms and ECI[1] projects. Design and construction departments are working together to implement frontloading to obtain preferential negotiation rights.

1. Early contractor involvement. A type of construction contract in which the general contractor is involved from the early stages of the project and provides input at the design stage.

• Promoted new initiatives to resolve social issues

We have acquired the business that operates the Atami Beach Line toll road, which we are now using as a representative example for renewing and maintaining infrastructure and to demonstrate the testing and introduction of eco-friendly technologies. The eco-friendly concrete CO_2-SUICOM (Page 59) was adopted as a NEDO[2] Green Innovation Fund Project.

2. New Energy and Industrial Technology Development Organization

Future Initiatives

• Strengthen the foundation for winning new contracts and generating earnings

We will increase the number of bids to ensure a steady supply of new contracts for projects we expect to be profitable, while maintaining and growing earnings. In addition, we will promote information sharing and technology transfer by digitalizing construction technologies and on-site management expertise, and will also hire and train personnel who can utilize ICT and CIM to formulate optimal construction plans. We aim to achieve safer, more efficient construction with lower costs.

• Focus on renewable energy, infrastructure renewal, and new business fields

We will further enhance our system for designing, constructing, and contracting offshore and onshore wind farms. We will also systemically minimize the social impact of traffic restrictions in the course of highway renewal work. In the overseas civil engineering business, we will focus on winning new contracts in Southeast Asia following a fiscal 2021 shield tunnel construction contract award in Taiwan. Furthermore, we will strengthen our competitiveness and create business opportunities through M&A and alliances involving construction companies with specialized skills.

• Apply A^{4}CSEL to tunnel construction

We are evolving the A^{4}CSEL automated construction system beyond its core application in dam construction into use for mountain tunnel construction. We are conducting actual-scale feasibility demonstrations at the Kamioka Test Tunnel in Hida, Gifu Prefecture to verify development results including the introduction of unmanned work in areas with high risk of collapse to improve safety, automated technologies that improve productivity, and blasting technologies that reduce over-excavation.

Digital Transformation

A^{4}CSEL: The Leader in Automated Construction

In Akita Prefecture, Kajima's proprietary A^{4}CSEL system is being used for automated embankment construction at the Naruse Dam, one of the largest trapezoidal cemented sand and gravel dams in Japan. As many as 23 units of automated heavy machinery including dump trucks, bulldozers, and vibrating rollers are expected to operate simultaneously at peak times. The unprecedented scale and speed of construction makes the site one of the most advanced of its kind in the world.

Since the start of automated construction in fiscal 2020, the knowledge obtained from construction data has been fed back into software programs and ongoing improvements have been made as construction continues. As a result, the amount of concrete poured per hour has increased from 500 cubic meters in the first year to 750 cubic meters in the second year. Our goal for fiscal 2022, the third year, is to continuously pour 900 cubic meters per hour, an unprecedented amount among projects of this kind. In addition, we have developed a futuristic centralized remote control system through which this and two other sites employing A^{4}CSEL have been successfully controlled simultaneously from Kajima Head Office.

The next-generation construction manufacturing system A^{4}CSEL is central to our continued leadership in automated construction.

A^{4}CSEL in use for embankment construction at Naruse Dam

A Unique Track Record in Commercial Offshore Wind Power Construction in Japan, with Three Provisional Contract Awards

Japan's Largest Offshore Wind Power Project under Construction

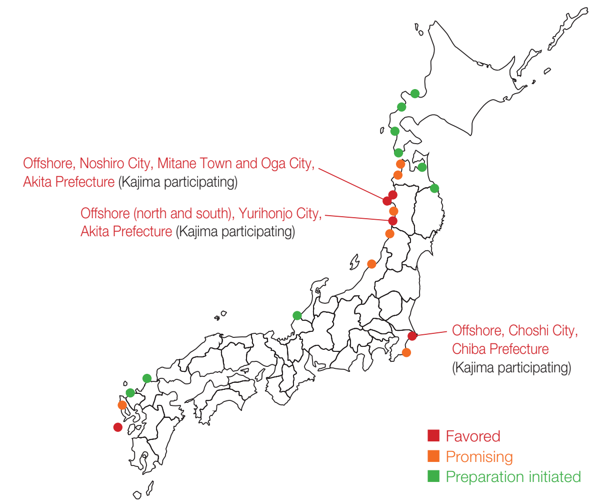
Offshore wind power generation is a promising new source of renewable energy for Japan because higher average wind speed compared to onshore power generation supports stable power generation.

Kajima has been constructing onshore wind farms for about 30 years, and is now involved in offshore wind power. We were responsible for the structural design and construction of the wind turbine foundations and the wind observation tower of Japan's first bottom-fixed offshore wind power generation facility, located off the coast of Choshi, Chiba Prefecture (experimental research began in 2009). Building on this experience and track record, Kajima is now constructing the Akita Port & Noshiro Port Offshore Wind Farm Projects (operator: Akita Offshore Wind Corporation), the first commercial offshore wind farms in Japan.

These projects involve the installation of a total of 33 bottom-fixed offshore wind turbines in port areas managed by Akita Prefecture. With a total capacity of 138.6 MW, they will be among the largest wind farms in Japan. We have been involved in the project from the planning stage, and are responsible for engineering, procurement, design, and installation of the foundations and underwater cables. Construction of the wind turbine foundations began in April 2021 and the installation of the wind turbines began in July 2022, with completion scheduled for December 2022.

Wind Turbine No. 1 (as of July 2022)

Status of Offshore Wind Power Farm Construction Plans



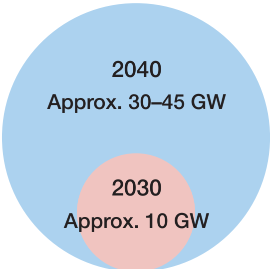
Prepared using materials from the Ministry of Economy, Trade and Industry's Advisory Committee for Natural Resources and Energy, Subcommittee for Energy Conservation and New Energy, Subcommittee for the Electricity and Gas Businesses, and Subcommittee for the Commercial Introduction of Renewable Energy and Next-Generation Power Networks

Participation in Three New Offshore Wind Power Projects

In December 2021, based on the Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities (Act on the Use of Renewable Energy Marine Areas), the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism selected companies to participate in the following offshore wind power generation projects: Offshore Wind Power Generation Project off the Coast of Noshiro City, Mitane Town and Oga City, Akita Prefecture (Operator: Akita Noshiro Mitane Oga Offshore Wind); Offshore Wind Power Generation Project off the Coast of Yurihonjo City, Akita Prefecture (Operator: Akita Yurihonjo Offshore Wind); and Offshore Wind Power Generation Project off the Coast of Choshi City, Chiba Prefecture (Operator: Chiba Choshi Offshore Wind). Kajima and Japan Offshore Wind & Marine Contractors Co., Ltd. (JOW&MC) will be jointly responsible for construction work in cooperation with these three operators.

JOW&MC is a Japanese subsidiary of Van Oord Offshore Wind BV in the Netherlands, which is involved in more than 40 offshore wind power projects in Europe. Kajima and JOW&MC will combine their advanced technological capabilities to cooperate in executing these projects smoothly.

Government Targets for Offshore Wind Power



Source: *Overview of the Vision for Offshore Wind Power Industry (1st)*, Public-Private Council on Enhancement of Industrial Competitiveness for Offshore Wind Power Generation, Ministry of Economy, Trade and Industry and Ministry of Land, Infrastructure, Transport and Tourism

Promoting Development of Related Technologies

The construction of bottom-fixed offshore wind farms requires large self-elevating platform (SEP) vessels. In preparation for upcoming projects, we have invested with Penta-Ocean Construction Co., Ltd. and Yorigami Maritime Construction Co., Ltd. to build a SEP vessel equipped with a 1,600-ton lifting capacity crane. The vessel is due to begin operating in April 2023.

In March 2022, we also started research and development with Hitachi Zosen Corporation on the optimization and mass production of floating foundations for offshore wind turbines and hybrid mooring systems for floating platform wind turbines, for which we expect construction demand to grow. We will promote lower-cost wind power generation as part of the NEDO Green Innovation Fund project.

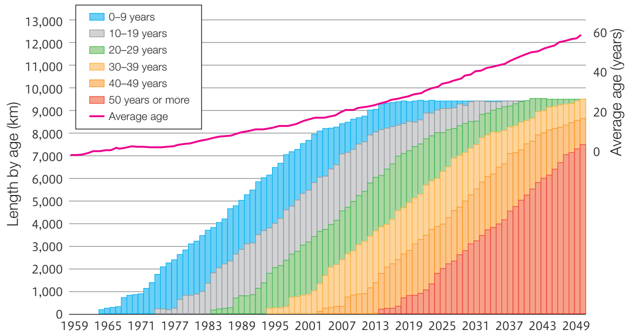
Outstanding New Technologies for the Infrastructure Renewal Market

Trends in the Expressway Renewal Market

Roads built during Japan's post-war period of high economic growth are deteriorating at an increasing rate due to factors including age, increased large-vehicle traffic, and the use of de-icing agents. Large-scale renewal and renovation projects are under way.

Three expressway companies currently manage about 9,000 kilometers of expressways, of which about 40% has been in service for more than 30 years. In 2014, the companies announced a provisional large-scale renewal and renovation plan that includes construction to replace 224 kilometers of deteriorated reinforced concrete deck slabs on steel bridges with precast deck slabs. The cost of this 15-year project is projected to be ¥1,642.9 billion. In 2015, the Ministry of Land, Infrastructure, Transport and Tourism issued a business permit for renewal work as specified in the Act on Special Measures concerning Road Construction and Improvement, and a series of orders for deck slab renewal work has followed.

Expressway Age



Reference: *East, Central and West Japan Expressway Renewal Plan*, NEXCO

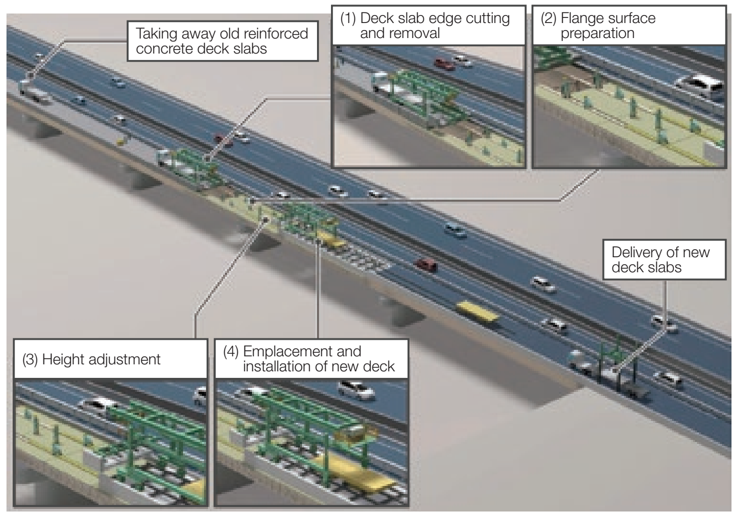
Development of the Smart Deck Renewal System

We developed the Smart Deck Renewal (SDR) System in 2019 in preparation for the coming period of large-scale road bridge deck renewal in Japan.

Road bridge deck slab renewal involves cutting the edges of and removing existing damaged deck slabs, removing rust from and repairing the existing framework of steel girders, and installing new deck slabs. Our SDR System uses precast deck slabs in consideration of quality, workability, and construction time. With this system, we can meet the need for a desk slab replacement method that minimizes the negative social impact of traffic restrictions, suppresses noise and vibrations for nearby traffic and surrounding facilities, and ensures safety.

In the SDR System, deck replacement work is divided into four steps: (1) edge cutting and removal of existing deck slabs; (2) steel girder flange surface preparation; (3) adjustments to match height of existing deck slabs; and (4) emplacement and installation of new deck slabs. Each specialized component of the process moves forward simultaneously in a longitudinal direction like a moving assembly line. In this way, the system reduces the time required to complete these four steps to about one-sixth that required by the conventional method. In addition, we have developed a new lightweight deck slab removal and replacement machine as a substitute for the large cranes formerly used to remove and replace deck slabs. This machine significantly improves quality by reducing the load on existing steel girders, and is expected to minimize the need for traffic restrictions and enhance safety by eliminating the need to rotate deck slabs as they are lifted by a crane.

The SDR System is being used for the first time as part of the Kan-Etsu Expressway Anogawa Bridge Deck Slab Replacement Project we are conducting for East Nippon Expressway Co., Ltd. (NEXCO East), which began in April 2021.



SDR System overview

Kan-Etsu Expressway Anogawa Bridge, where deck slab renewal work will be carried out using the SDR system

Working toward Further Functional Enhancements

We launched an upgraded version of the SDR System with variable width orientation in 2022. For example, deck slabs formerly had to be replaced at the same time for two lanes running in the same direction. The new variable width system, however, allows work on a single lane at a time, which further minimizes the need for traffic restrictions. In April 2022, we conducted an actual-scale public demonstration that confirmed the high speed of our system, which is capable of shortening the deck slab replacement process by as much as 90% compared with conventional methods. In addition, we expect that establishing a plant to manufacture precast deck slabs near the construction site will reduce construction costs by about 20% by lowering slab production and transportation costs.

We will actively propose this system for actual construction work, and conduct research and development to enhance its functions through automation and other means.

Building Construction

We will build a strong organization by upgrading smart construction technologies and working closely with Group companies.

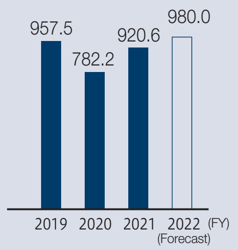
Leveraging our accumulated technological capabilities and expertise, we will accelerate the development of technologies for super-tall skyscrapers and construction robots, as well as CO_2 emissions reduction measures at construction sites to become carbon-neutral. This will enable us to upgrade our proposals to meet the new needs of customers and society. We will continue to provide high-value-added services that respond to changes in the market environment by increasing the functionality of digital twin and smart construction technologies through BIM and by working closely with Group companies, as well as by building a strong organization that leverages our comprehensive design-build capabilities.

Koichi Matsuzaki
Executive Vice President,
General Manager, Building Construction Management Division

Business Overview

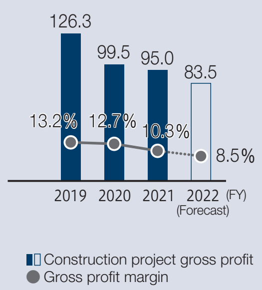
Revenues

(¥ billion)



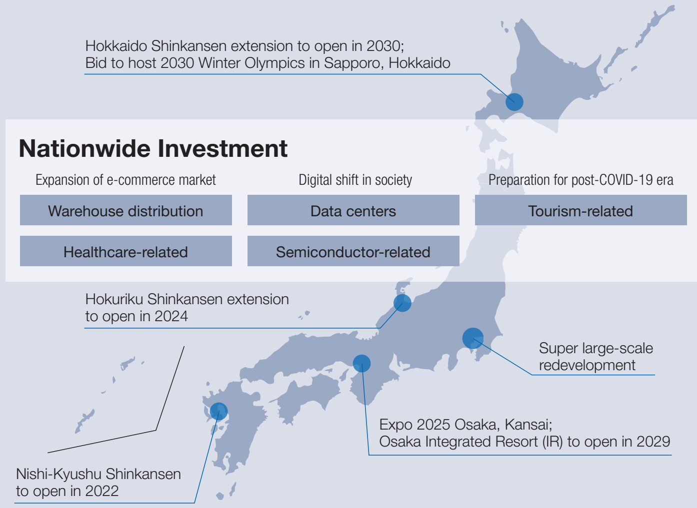
Construction Project Gross Profit / Gross Profit Margin

(¥ billion)



Market Environment

Construction Investment in the Building Construction Field



Strengths

- Reliability of established smart construction and digital twin technologies
- Project execution expertise leveraging BIM operation systems and comprehensive design-build capabilities
- Collaboration with Group companies covering the entire value chain from upstream to downstream of the construction business

Risks

- Changes in the market environment due to factors such as the COVID-19 pandemic and global price increases
- Decrease in the number of skilled construction workers to become the next-generation workforce
- Changes in the work environment due to the Act on the Arrangement of Related Acts to Promote Work Style Reform, to be applied to the construction industry from April 2024

Opportunities

- Increase in demand in fields such as data centers, semiconductor factories, and pharmaceutical plants
- Social needs for realizing a carbon-neutral society
- Development of productivity-enhancing technologies through the application of ICT and digital transformation

Business Policies

- Develop and advance next-generation construction systems
- Deepen digital twin technologies through BIM
- Respond to customer needs by leveraging comprehensive design-build capabilities
- Build a management foundation capable of growth through collaboration with Group companies

Progress in FY2021

• Enhancement of operational efficiency at our construction sites

To improve work efficiency, we expanded our support system for construction sites by outsourcing certain management tasks, such as inspection work and maintenance of the ICT environment, to Group company One Team, Inc. Moreover, as a measure toward realizing the Kajima Smart Future Vision,[1] we introduced K-Mobile®, a smartphone for workers with functions that enable inter-work communication and coordination, management of materials and equipment, and hazard detection. With the initiatives mentioned, we have been continuing to improve personnel work efficiency and enhance safety management standards.

1. A plan to achieve a 30% improvement in productivity by FY2024 based on the core concepts of "Half of the work with robots," "Half of project management done remotely," and "Digitalization of all processes."

• Utilization of KTMS[2] data

KTMS enables us to minimize risk by adopting a unified approach across administrative departments and construction sites. Consolidating and digitalizing all project information allows real-time information sharing between the Head Office, branches, and construction sites. It also assists administrative departments in providing accurate support and advice through follow-up meetings during construction. By establishing a quantitative evaluation system for construction activities based on accumulated data, including safety, profitability, and productivity data, we will harness big data to enhance our design, construction, and proposal capabilities, customer responsiveness, and business creativity.

2. KTMS, our building construction total management system, incorporates a database of qualitative feedback such as project information, construction status, post-completion maintenance history, and insights gained, as well as quantitative records of the building itself and related work.

Future Initiatives

• Developing businesses with specialized departments in response to market changes

In addition to investment in super large-scale redevelopment projects in central Tokyo, there is active investment in distribution warehouses for the expanding e-commerce market, in data centers and semiconductor-related facilities to support the digital shift, in pharmaceutical plants for vaccine manufacturing, and in tourism-related areas in preparation for the post-COVID-19 era. To fully address all kinds of customer needs, we will utilize our abundant experience in establishing optimal design and construction systems in cooperation with each specialized department, leveraging a wide variety of proposals on structure, cost, construction period, and seismic damping and isolation performance.

• Advancing robotics transformation

Through our participation in the Construction RX Consortium,[3] we will promote the development and use of construction robots and IoT applications to improve on-site productivity, safety, and cost reduction. The Construction BIM Subcommittee aims to establish an integrated BIM process for design, construction, and maintenance management by expanding data linkage among construction companies with specialized skills, in addition to design companies, and to utilize BIM data in conjunction with robotics transformation.

3. A consortium for technological collaboration in the fields of construction robots and IoT. Kajima is one of the managing companies and is the sitting chair. The consortium has a membership of 105 companies, of which 25 are regular members and 80 are cooperating members (as of July 31, 2022).

• Establishing new construction processes

Amid rising material and equipment prices, we are accelerating initiatives to secure procurement under favorable conditions for specific items, such as steel frames. We are doing so both in Japan and overseas through early negotiations on prices with manufacturers based on BIM estimates of necessary quantities. In addition, to further improve quality while complying with statutory overtime limits, it is important to produce design drawings that satisfy client needs and to finalize drawing information at the early stages of each project. We will establish methods for reaching consensus with clients using BIM and a construction design process in collaboration with our design departments.

Digital Transformation

Kajima Smart Future Vision

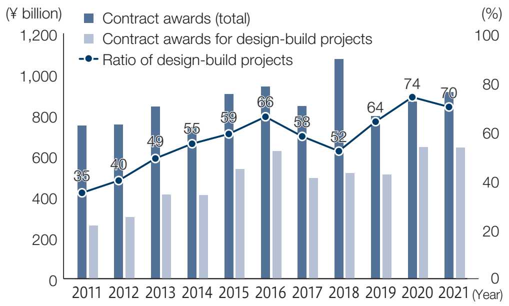
We are further developing and adopting new technologies based on the Kajima Smart Future Vision, which aims to innovate construction processes with digital technology. Specifically, we have introduced a facial recognition access control system at all construction sites, with photo data registered for 280,000 skilled workers. The system has been effective in improving the efficiency of daily labor management and body-temperature screening during the COVID-19 pandemic. In addition, we have introduced about a thousand K-Mobile smartphones at our construction sites. Smartphones feature various applications that enhance work efficiency, such as 3D K-Field, a real-time site management system for materials and equipment, and QRKAZAS™, a keyless management system for elevated work platforms. We have adopted portable welding robots at a total of 30 construction sites. These robots have enabled us to develop new construction methods, such as ultra-narrow gap welding, that can significantly reduce the required amount of welding. For the first time in an actual construction project, we used TawaRemo®, a tower crane remote control system, which contributed to improving operator efficiency and creating a better work environment.

Ultra-narrow gap welding using a portable welding robot

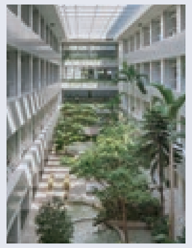
Solutions That Apply Our Comprehensive Design-Build Capabilities

Our architectural design department (Kajima Design) is an important part of the value chain. Working in collaboration with the real estate development business and facility engineering departments to go beyond mere building design, it provides seamless services for the construction businesses of clients as well as the entire building lifecycle. The ratio of design-build projects among total building construction contract awards has been increasing year by year, and now accounts for around 70%. This can be attributed to the competitive advantages of our service offerings in realizing shorter construction periods and cost control, as well as the trend toward diversification of customer requests and bid processes. By strengthening our systems tailored to such needs and providing high-quality building construction, we will expand our services globally and further enhance the value of Kajima's design and construction.

Contract Awards for Design-Build Projects (Non-Consolidated, Building Construction)



Global Design Network



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ARMO
ARTES
ILYA
Landscape Design

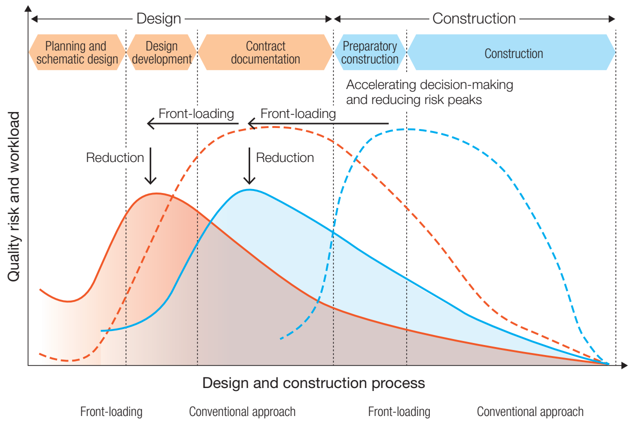
Head Office Architectural Design Division	Branch Architectural Design Departments	Overseas Subsidiary Design Sites	Architectural Design-Related Subsidiaries and Affiliates
	Hokkaido, Tohoku, Kanto, Yokohama, Hokuriku, Chubu, Kansai, Chugoku, and Kyushu	Kajima Associates (North America) Kajima Design Asia (Southeast Asia) Kajima Europe Design and Construction (Europe) Kajima Corporation (China)	ARMO Co., Ltd. ARTES Corporation Ilya Corporation Landscape Design Inc., and others
(Number of employees) Approx. 650	Approx. 300	Approx. 200	Approx. 650

Enhancing Design Quality

We are leveraging cutting-edge digital technologies as we continue to hone our design capabilities. We realize innovative construction processes through building performance design using computer simulation and BIM. These advanced design techniques power proposals that achieve reliable consensus and thereby architectural spaces that offer high customer satisfaction.

The advantages of BIM include sophisticated construction design and planning, with stronger integration of design information and coordination with work processes. Furthermore, front-loading techniques enable earlier decision-making, reduced workload and risk, and enhanced quality. Through these and other approaches, we will continue to pursue 'Kajima Design' in high-quality design-build projects.

The Concept of Front-Loading: Quality Improvement and Risk Reduction

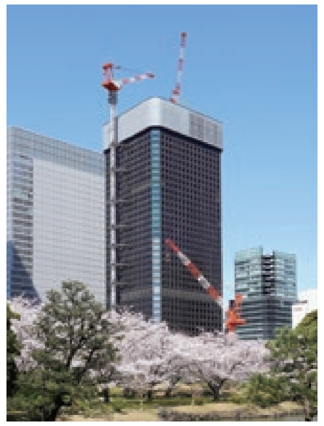


Reference: *Guide to Front-Loading 2019*, Japan Federation of Construction Contractors

Technology to Respond to New Social Issues

We are also working to address pressing social issues and the SDGs through advanced design technologies. This includes reducing building lifecycle CO_2 emissions by promoting ZEB (Page 58) and wood-frame, mass-timber construction, thereby helping to realize a carbon-neutral society. Moreover, we are developing biophilic design and facility programming services, which are used to deliver high-productivity office spaces that contribute to safety, security, and health/wellness. In addition, to contribute to the effective utilization of existing building stock we are working on various renovation technologies, including the roll out of D³SKY®-c, a compact rooftop-mounted seismic damping system that enhances seismic performance without compromising the usability of existing small- and medium-sized buildings, as well as technology to increase the value of existing buildings through energy-saving equipment systems. In these and other ways we provide design-build solutions for a sustainable and prosperous society.

Development of the Kajima Slash Cut Method as a Technology for Demolishing Skyscrapers



Project Overview

Demolition of existing World Trade Center Building and annex

Client: World Trade Center Building Inc.

Work period: August 2021–March 2023

Currently, there are more than 120 large office buildings (i.e., those with floor areas of 5,000 square meters or more) that were built before June 1981 under old seismic standards in the 23 wards of Tokyo. In 1970, when Kajima completed construction of the World Trade Center Building in Minato-ku, Tokyo, it was a major milestone for Japanese skyscrapers. In August 2021, we began the demolition of this building as part of a redevelopment project. This is the first-ever demolition of a skyscraper over 160 meters tall in Japan, with 40 floors. The building is located at a transportation hub, with direct connections to Hamamatsucho Station on JR and Tokyo Monorail lines, and the area around the building features a network of office buildings, subways, and arterial roads. In response to such challenging work conditions, we developed the Kajima Slash Cut Method™, a skyscraper demolition technology that combines safety aspects and a shortened work period. We applied this method to this project.

This method is a refined version of the block demolition method (the mainstream skyscraper demolition method) under which frameworks and slabs are cut into large blocks that are then lowered by crane. While effective in reducing the risk of falling debris, dust scattering and wind dispersal, and noise, the block demolition method can entail increased costs and lengthy construction periods. For the new Kajima Slash Cut Method, we developed a diagonal cutter* that can cut slabs at an angle. Slabs cut at an angle are supported by adjacent slabs, so after cutting, scaffolding can be quickly dismantled in preparation for cutting the next slab. This allows demolition work on lower floors to begin ahead of time, and the overall schedule to be moved forward.

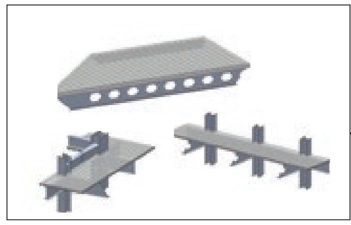
Moreover, the development of a slab cutting and lifting jig* and 4-point automatic lifting device* has streamlined the demolition process in this project, establishing a 5-day demolition cycle per floor. This is expected to shorten the construction period by about 17% compared to previous methods. The new method minimizes dust scattering and wind dispersal, as well as noise, because slab cutting can be performed inside an enclosed building. It is also an environmentally friendly demolition method since cutting work is performed without the use of CO_2-intensive heavy machinery.

Going forward, Kajima will actively propose environmentally friendly demolition technologies, centered on the Kajima Slash Cut Method, along with Kajima Cut and Take Down Method® (applied in the demolition of the former Kajima head office buildings and the Resona Maruha Building), to meet demolition needs for buildings built to old seismic standards.

* Patents pending

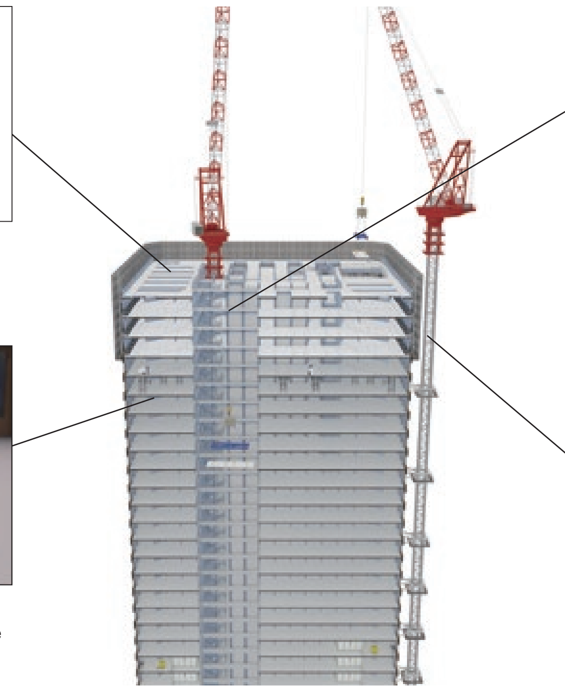
KAJIMA SLASH CUT

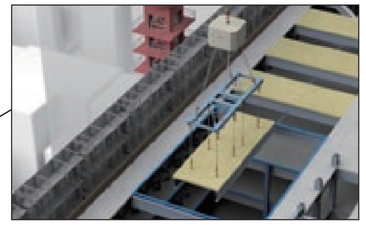
Kajima Slash Cut Method
(Demolition Workflow)



(2) Gas cutting is used to cut steel beams and columns into large blocks, which reduces the problem of dust and metal scraps.

(1) In advance, floors are dismantled into slabs using diagonal cutters inside the enclosed building.





(3) Each block is lowered through a large opening inside the building and broken down into small pieces on the ground floor.

(4) The lowerable scaffold, which serves as the demolition work area, is lowered to the next floor, and steps (1) through (3) are repeated.

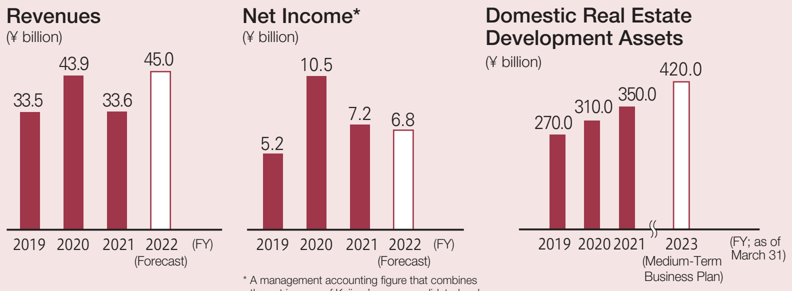
Real Estate Development

We will energetically take approaches unique to Kajima, focusing on the construction value chain, Group synergies, profitability, and investment efficiency.

We will fully take advantage of our strengths in the real estate development business, which combines construction technology and real estate expertise. We will also strengthen profitability and improve investment efficiency by adding quality assets and further promoting the short-term merchant development business model. In addition, we will work to enhance the construction value chain through the generation of additional synergies with the construction business and by increasing Group profit opportunities through REIT management. We will also focus on initiatives to resolve social issues, such as environmental impact and smart cities.

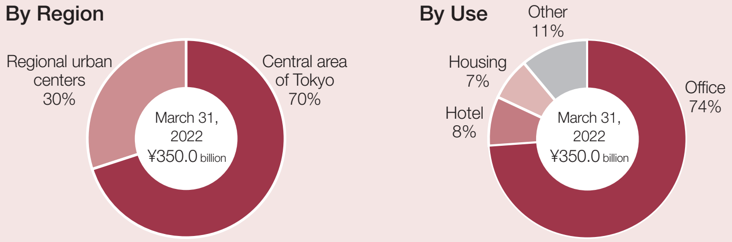
Takahiko Tsukaguchi
Executive Officer, General Manager,
Real Estate Development Division

Business Overview



* A management accounting figure that combines the net income of Kajima's non-consolidated real estate development business and development subsidiaries and affiliates in Japan.

Domestic Real Estate Development Assets



Market Environment

Medium-Term Outlook for Real Estate Market in Japan

Field	Current	Outlook	
Investment market (overall)	Excellent	→	Solid performance overall due to robust demand from overseas investors backed by the weaker yen
Office	Good	→	Although there is overall market weakness, quality has become a clear differentiating factor and high-quality buildings are generally performing well
Housing	Good	→	Generally solid with stable demand
Hotel	Weak	↗	Post-pandemic recovery due to an increase in inbound tourists and other factors
Logistics facilities	Excellent	→	Generally solid due to robust demand

Strengths

- In-house businesses that focus on integrating construction technology from project inception to construction and commercialization
- Diverse business opportunities that leverage the Company's extensive information network
- Pursuit of investment efficiency through approaches integrating real estate and finance, including private REITs

Risks

- Changes in social needs and market environment
- Increased business costs due to inflation and price increases

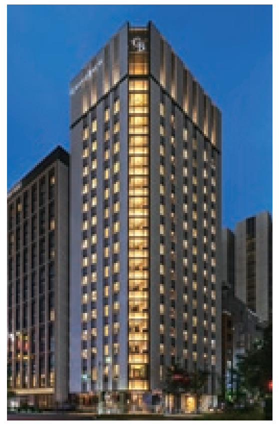
Opportunities

- Increase in redevelopment needs due to urban structural change
- Greater awareness of carbon neutrality and the SDGs
- Growing need for new real estate development brought on by work-style diversification and ongoing digitalization
- Post-pandemic inbound tourism recovery and changes in the business environment

Business Policies

- Create quality assets that generate stable revenues
- Improve profitability by acquiring new real estate for sale and promoting short-term turnover-type businesses
- Conduct business planning and diversify portfolio to address new social and customer needs
- Expand Group profit opportunities by tapping the growth of private REITs

Progress in FY2021


Hotel Grand Bach Tokyo Ginza

- **Steadily moved projects forward and created new business opportunities**

  In fiscal 2021, we made steady progress toward achieving the goals of the Medium-Term Business Plan. Investment totaled about ¥51 billion, capital recovery totaled about ¥11 billion, and assets as of March 31, 2022 totaled approximately ¥350 billion. Yokohama Gate Tower, Hakata Connecta, and Hotel Grand Bach Tokyo Ginza opened in fiscal 2021, and we expect them to contribute to future performance. We are complementing operations in the central area of Tokyo with business in regional urban centers throughout Japan. To that end, we have secured eight new business opportunities in Tokyo, Nagoya, Sendai, Fukuoka, and other locations.

- **Portfolio diversification**

  In fiscal 2021, we complemented our core office building operations with housing and hotel development, and also began developing logistics facilities.

- **Private REIT asset growth**

  We sold our share in NAGOYA FUSHIMI K-SQUARE to Kajima Private REIT, which launched in fiscal 2018, to support the growth of the private REIT. As a result, private REIT assets under management are increasing steadily and totaled approximately ¥60 billion as of March 31, 2022.

- **Environment and SDGs-related initiatives**

  Yokohama Gate Tower hosts the Yokohama SDGs Design Center, while Hakata Connecta uses renewable electric power from dams constructed by Kajima.

Future Initiatives

- **Maximize synergies between construction and real estate development and improve profitability and investment efficiency**

  Under the current Medium-Term Business Plan, we aim to increase earnings by investing ¥190 billion over three years and to increase real estate development assets in Japan to approximately ¥420 billion. We are currently executing a significant number of large-scale projects on our way to achieving the goals of the plan. We will continue to execute real estate development projects unique to Kajima that combine construction technology and real estate expertise. In addition to stable earnings from lease assets, we will increase overall earnings with real estate sales involving short-term turnover-type businesses. Our goal is to establish an earnings structure for segment income of ¥10 billion. By pursuing business with an eye to return on invested capital and other indicators, we will also enhance investment efficiency through capital-saving project schemes and appropriate asset replacement.

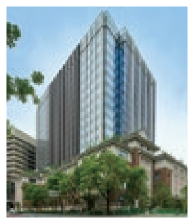
- **Increased earnings from private REIT growth**

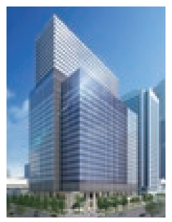
  Kajima Private REIT intends to increase assets to ¥80 billion or more by March 31, 2024. While providing maximum private REIT sponsor support, we will leverage private REIT growth to expand profit opportunities for the Kajima Group's fee business.

- **User-driven product planning**

  Digitalization, diversifying work styles, and the trend toward carbon neutrality are among the factors driving demand for business planning that adapts to new societal and customer needs. We are responding by developing environmentally friendly real estate in ways such as acquiring environmental certifications and switching to green electricity. In addition, through feasibility demonstrations at Haneda Innovation City and other endeavors, we will apply our collective knowledge and expertise to other properties and implement smart cities and smart building development initiatives to resolve future social issues.

Focus
Real Estate Development Projects in Japan


KUDAN-KAIKAN TERRACE


Yokohama Connect Square

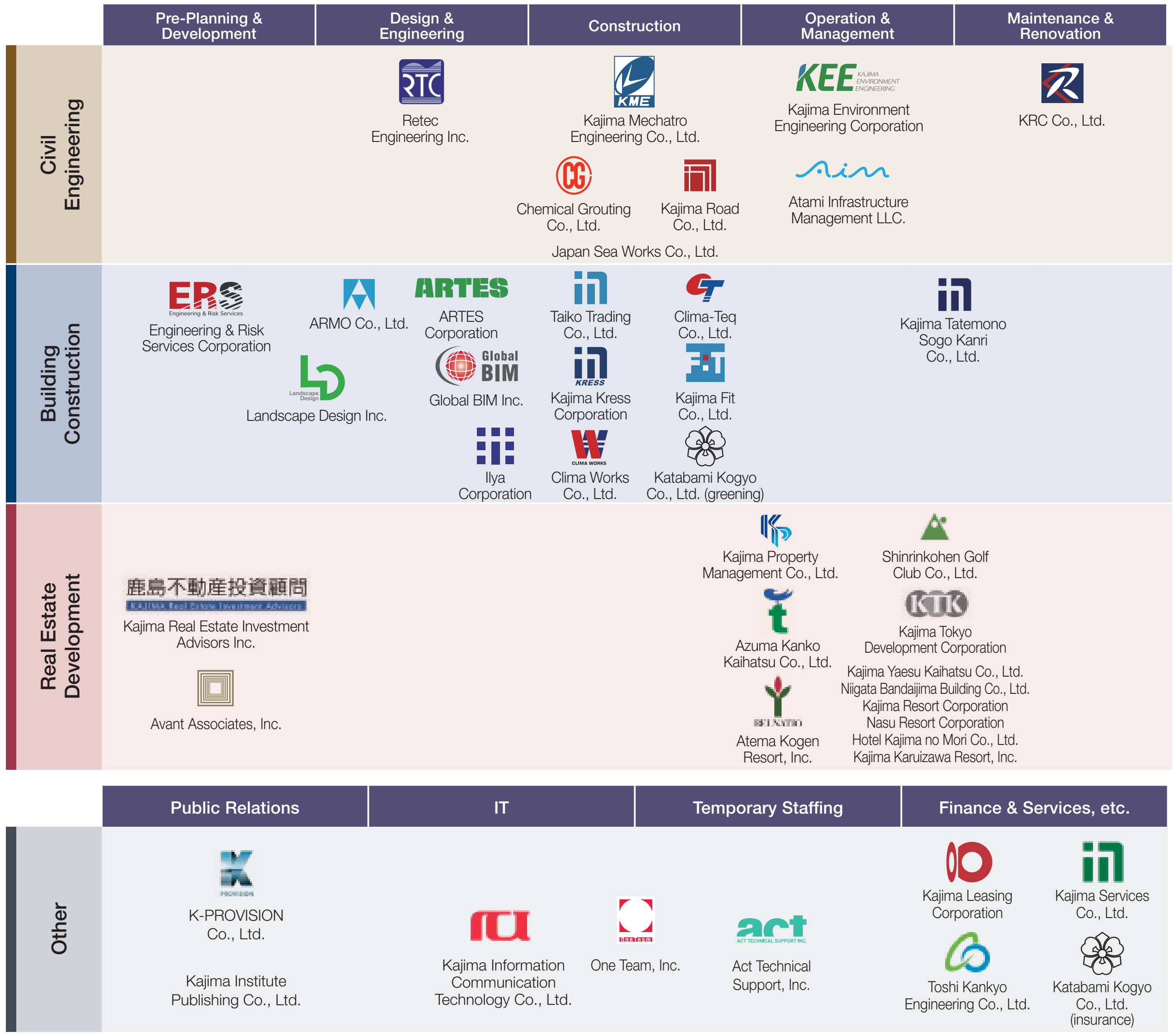
Project name	Primary use	Completion
KUDAN-KAIKAN TERRACE	Office	July 2022
Yokohama Connect Square	Office and hotel	January 2023
Hilton Okinawa Miyakojima Resort	Hotel	February 2023
Kyukan Hakata Ekimae 3-chome Project (tentative name)	Office	April 2023
Omiya Ward Sakuragicho Office Project	Office	May 2023
Haneda Innovation City (Phase II)	Office	June 2023
Kajima Nakasu Nakashimamachi Office Building (tentative name)	Office	June 2023
Park Tower Kachidoki South	Housing	August 2023
HILLSIDE FOREST Yokohama Totsuka	Housing	October 2023
Sendai Chuo 3-chome Project (tentative name)	Office	February 2025

Note: Completion dates are subject to change.

REAL ESTATE DEVELOPMENT

Domestic Subsidiaries and Affiliates

As of March 31, 2022, the Kajima Group has 103 domestic subsidiaries and affiliates (46 subsidiaries and 57 affiliates). With a focus on civil engineering and building construction, these companies are responsible for a wide range of activities in the value chain, from pre-planning and development, design and engineering, and construction, to post-completion operation and management, and maintenance and renovation. We will continue to provide services that meet the needs of society by enhancing our value chain. This will include using BIM to enhance the sophistication of design, streamline construction, and raise the quality of building management, as well as extending the service life of civil engineering infrastructure.



Principal Subsidiaries and Affiliates, pages 86–87

In the civil engineering field, Kajima Road Co., Ltd. has focused development on pavement construction as its core business, Chemical Grouting Co., Ltd. provides comprehensive underground engineering, and Kajima Environment Engineering Corporation handles construction, maintenance, and management of facilities for the appropriate treatment of waste and sewage.

In the building construction field, Taiko Trading Co., Ltd. is a general trading company related to construction materials and equipment, Kajima Tatemono Sogo Kanri Co., Ltd. comprehensively manages building lifecycles, and Clima-Teq Co., Ltd. handles water supply and drainage, sanitation and plumbing, air conditioning, and electrical equipment work.

In the real estate development field, in addition to Avant Associates, Inc., a think tank for urban and community development, and Kajima Property Management Co., Ltd., which manages real estate on behalf of its clients and works to increase asset value, the Group also operates a wide range of hotel and resort businesses, including Kajima Tokyo Development Corporation, which operates Tokyo East 21, and Shinrinkohen Golf Club Co., Ltd., which manages a golf course in Saitama Prefecture.

Furthermore, we have subsidiaries and affiliates that support the Group's overall operations in areas such as public relations, IT, temporary staffing, insurance, and other services.

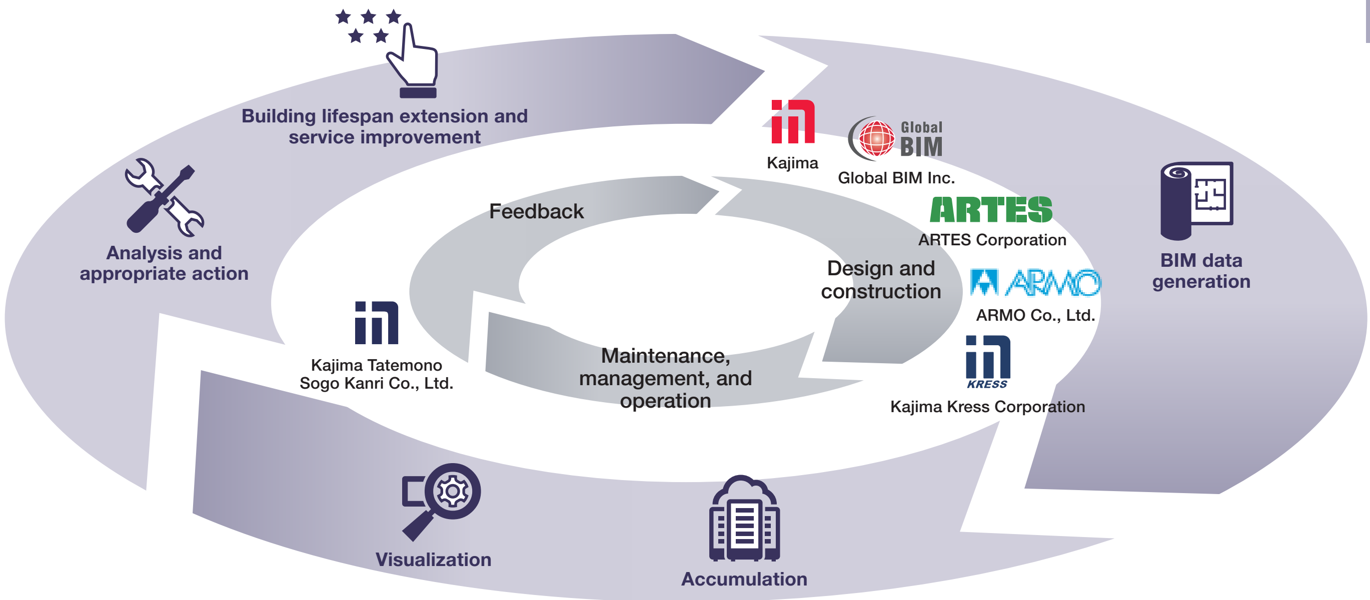
Collaboration with Kajima Tatemono Sogo Kanri: BIM-FM

The Kajima Group has a growing legacy of BIM data covering planning, design, construction, maintenance and management, and renovation, that it continues to pass down throughout Kajima and its subsidiaries and affiliates. Utilizing this BIM data, we establish systems for following a building throughout its lifecycle.

BIM data generated in Kajima's design and construction processes is passed on to Kajima Tatemono Sogo Kanri Co., Ltd., where it is integrated into a BIM-FM (facility management) system that was jointly developed by the two companies. A database of equipment, fittings, and spaces, as well as 2D and 3D drawing information from the BIM data are passed along to and incorporated into the BIM-FM system. Logging and updating the daily management history from computers and smart devices makes it possible to ascertain building conditions and trends and link them to appropriate actions.

We are currently working to broaden the scope of management methods by utilizing augmented/mixed reality to further visually represent management history and information. Overlaying BIM data with the real world on the screen is starting to produce results in terms of visually highlighting items subject to inspection and improving the efficiency of administrative work.

Passing Along and Use of BIM Data by Kajima, Subsidiaries, and Affiliates



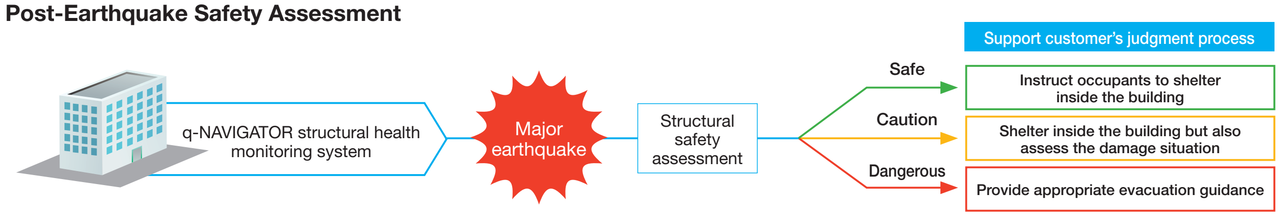
Collaboration across the Kajima Group: q-NAVIGATOR

In the immediate aftermath of an earthquake, building managers and users must sometimes make their own judgments on whether a building is structurally sound or in danger of collapsing. The Kajima Group provides systems and tools that enable building managers without specialized knowledge to carry out emergency inspections and confirmations immediately after a disaster event.

q-NAVIGATOR is a structural health monitoring system developed by Kobori Research Complex Inc. and recommended by the Kajima Group. It uses sensors installed in buildings to measure and estimate their behavior during an earthquake, and promptly assesses building safety to assist building managers and users in making decisions. In principle, all buildings designed and constructed by Kajima that are above a certain size are equipped with this system as standard. Furthermore, Kajima Leasing Corporation provides leasing services that help reduce upfront installation costs, and Kajima Tatemono Sogo Kanri Co., Ltd. provides support for management, operation, renovation, and repair during normal times.

Engineering & Risk Services Corporation provides an emergency inspection checklist, which assists building managers and other parties in visually ascertaining building safety without the use of technology-based systems. This checklist is tailor-made for each building based on prior investigation by construction experts. The checklist format also makes it easy to use for people without expertise in building structure.

Post-Earthquake Safety Assessment



Overseas Operations

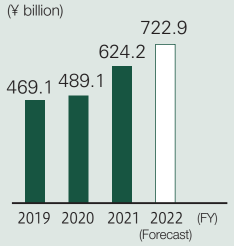
We will leverage our multi-dimensional global network of subsidiaries, well-rooted locally, to provide high-quality, value-added services.

The Kajima Group currently serves 24 countries and regions in North America, Asia, Europe, and Oceania. More than 100 local subsidiaries, conducting business in accordance with the characteristics of their respective markets, form a multi-dimensional network that enables Kajima to provide high-quality, value-added services globally.
We are unique in our best-in-class ability to locally handle all stages of development, including design, construction, operation, and property sale, in an integrated manner, all within the Kajima Group. Targeting further growth, we will manage risks appropriately, expand business platforms, and diversify revenue sources.

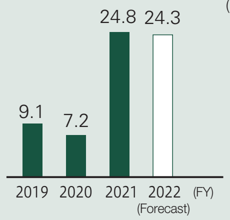
Keisuke Koshijima
Representative Director, Executive Vice President,
General Manager, Overseas Operations Division

Business Overview

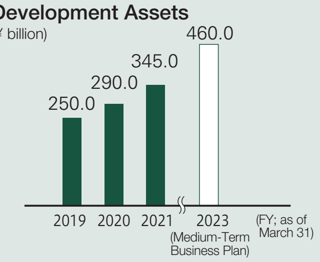
Revenues
(¥ billion)



Net Income
(¥ billion)

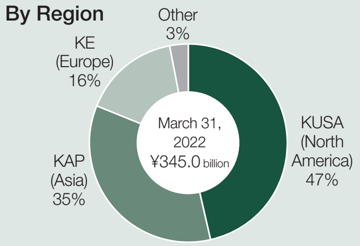


Overseas Real Estate Development Assets
(¥ billion)

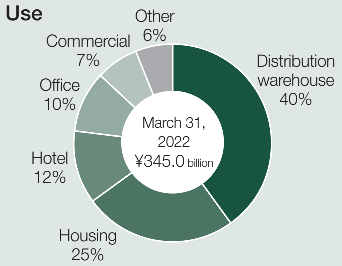


Overseas Real Estate Development Assets

By Region



By Use



Market Environment

Medium-Term Outlook for the Regional Real Estate Development and Construction Markets Kajima Serves

Region	Current	Outlook
North America	Excellent	Generally solid due to robust demand
Asia	Weak	Recovering from the impact of COVID-19
Europe	Excellent	Generally solid due to robust demand
Oceania	Good	Generally solid with stable demand

Strengths

- Multi-dimensional global network based on organizations and businesses well-rooted in each country and region
- Real estate development business being leveraged by our Group's comprehensive capabilities

Risks

- Drastic changes in the political and economic landscape, including inflation, interest rates, and exchange rates
- Worsening security situation, natural disasters, and infectious diseases
- Difficulty in hiring, developing, and retaining in-market talent

Opportunities

- Ongoing robust demand in the distribution warehouse markets of Europe and North America
- Investment in Southeast Asia, which is showing signs of recovery from the impact of COVID-19
- Securing diverse revenue sources

Business Policies

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

Progress in FY2021

- **Succeeded in increasing fiscal 2021 revenues and income over the previous fiscal year**

In fiscal 2021, overseas operations generated approximately 30% of Group revenues and just over 20% of Group net income. Revenues and contract awards in our construction business increased over the previous fiscal year. There are a significant number of works in progress that are moving forward smoothly, mainly in Europe and North America, and we have received contract awards for large-scale projects ranging from distribution warehouses, housing complexes, and data centers to production facilities and public works. In our real estate development business, we sold 17 distribution warehouses in the United States and five in Europe, and also sold rental housing and office properties. Net income in this business increased despite impairment loss recognized for the Yankin development project in Myanmar.

- **Focused on reinforcing business platforms and strategic investments**

The Kajima Group added three overseas companies through M&A during fiscal 2021. The overseas real estate development business invested ¥142 billion in fiscal 2021 with recovery of invested capital totaling ¥96 billion. This represents an approximate 30% achievement rate for the final-year goals of the current three-year Medium-Term Business Plan, indicating that we are on course. In alignment with the features of the regions and markets we serve, we are expanding the business platforms that will generate future earnings.

Future Initiatives

- **Initiatives to achieve targets for fiscal 2022**

In fiscal 2022, given our expectations that both our construction and real estate development businesses will make steady progress in the United States and Europe, and rebound in Southeast Asia, we will pursue bold targets for contract awards, revenues, and income. The construction business will contribute to achieving our targets by collaborating with local general contractors, diversifying its customer base, and further elevating cooperation with our real estate development business in each region and Group companies in different regions. The real estate development business will achieve higher earnings by increasing short-term turnover-type businesses encompassing distribution warehouses and rental housing and accelerating the capital cycle. We will also invest in new businesses to expand our portfolio of assets that will generate stable income in the future.

- **Risk management structure for markets served by overseas operations**

We have established a structure whereby a special-purpose committee assesses and discusses uncertainties such as geopolitical risk, inflation, and rising interest rates on a project-by-project basis. This committee also manages the underlying total value at risk in real estate development projects. Our overseas operations cover geographically diversified markets in North America, Asia, Europe, and Oceania, and we are diversifying our customer base and asset types as well.

- **Hiring and developing the individual talent who will lead our overseas operations in the future**

We will further enhance recruiting, assignment, and training of candidates interested in working overseas and in-market employees. We will also acquire local companies whose corporate culture, operating scale, and markets align with our needs, thereby welcoming more outstanding individuals who believe in Kajima's corporate philosophy.

Focus
Further Expansion of Overseas Real Estate Development Business

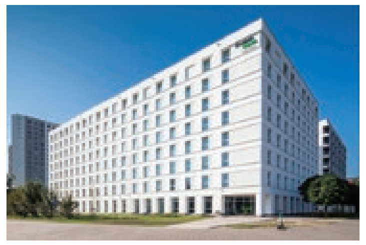
We are expanding our well-balanced business portfolio and strengthening our ability to generate earnings in countries around the world.

In the United States, we launched 27 distribution warehouse development projects in fiscal 2021. We have also been actively investing in the rental apartment market, which is performing well despite rising interest rates.

In Europe, we are expanding our distribution warehouse development business beyond our established market presence in Central Europe to Germany, the Netherlands, Spain, and elsewhere. We are managing 24 private finance initiative projects in the United Kingdom, and we are developing public-private partnership projects and rental housing projects in Ireland. In Poland, we have been investing in the student dormitory development and operation business, which has low susceptibility to economic fluctuations, and have also begun participating in businesses to develop rental housing and renewable energy facilities.

With regard to Southeast Asia, in Singapore we developed a residential condominium property and also acquired an office building in the central business district. Furthermore, in Vietnam, in addition to developing a series of accommodation-only Wink Hotels, we have begun developing rental warehouses and buildings designed to be factories for lease.

Amberleigh South, rental apartment development, Flournoy Development Group, LLC. (United States)



Student dormitory development, Student Depot Sp. z o.o. (Gdansk, Poland)

Sustainability System

Sustainability Committee

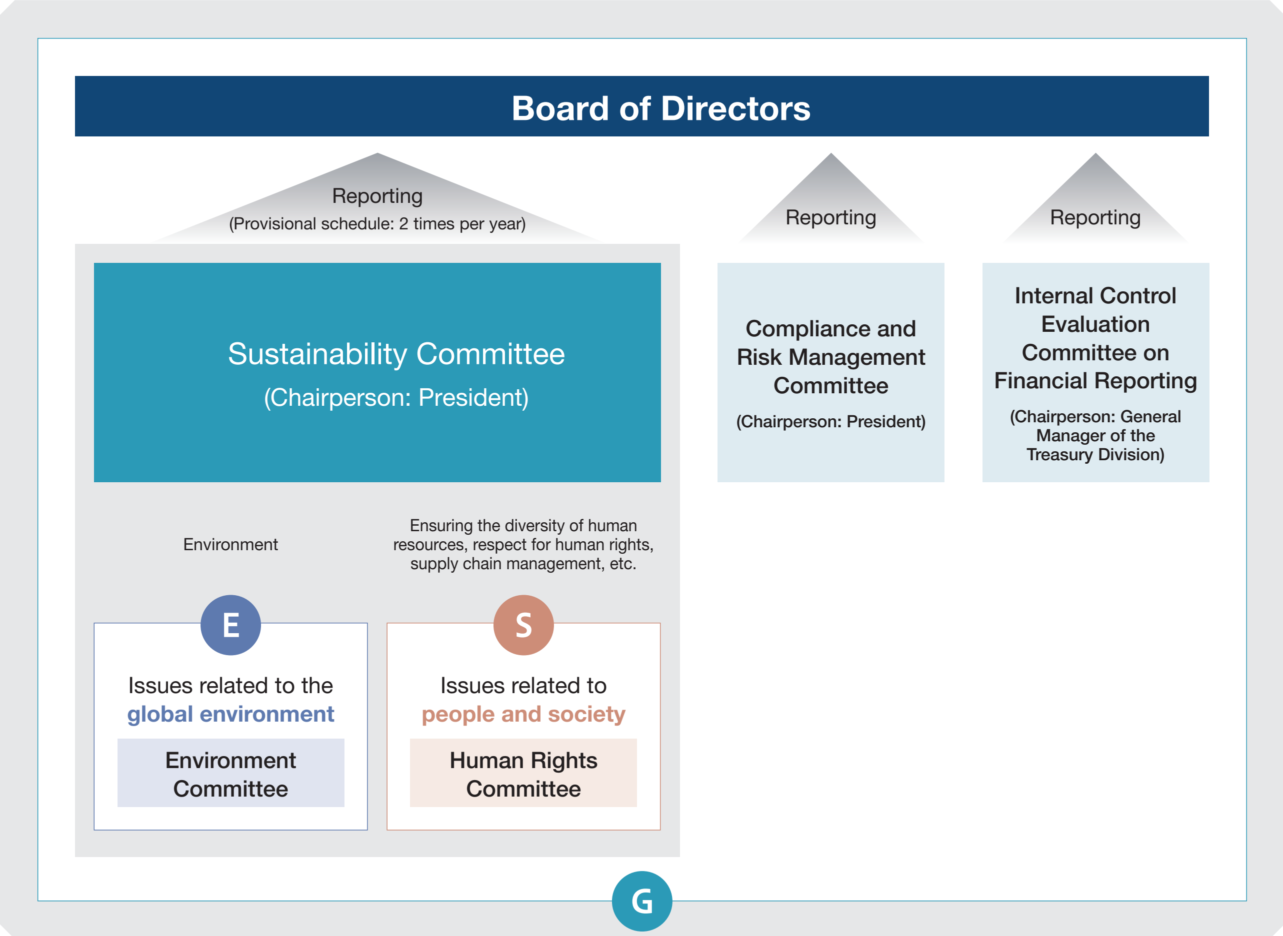
In May 2022, Kajima established the Sustainability Committee with the aim of increasing Group-wide commitment to ESG management and improving corporate value.

Through this reorganization, the system for considering, deciding on, monitoring, and promoting policies related to sustainability, including environmental (E) matters and social (S) matters, in particular ensuring the diversity of human resources, respect for human rights, and supply chain management, was clarified in terms of governance (G).

The Sustainability Committee is chaired by the President, and its members include relevant executive officers. The committee is responsible for considering and making decisions on sustainability policies, as well as monitoring their implementation, and makes regular reports to the Board of Directors.

Based on Sustainability Committee discussions, we are working to further promote ESG management through cooperation within the Company, as well as with subsidiaries and affiliates in Japan and overseas.

Promotion Structure



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

Human Resources

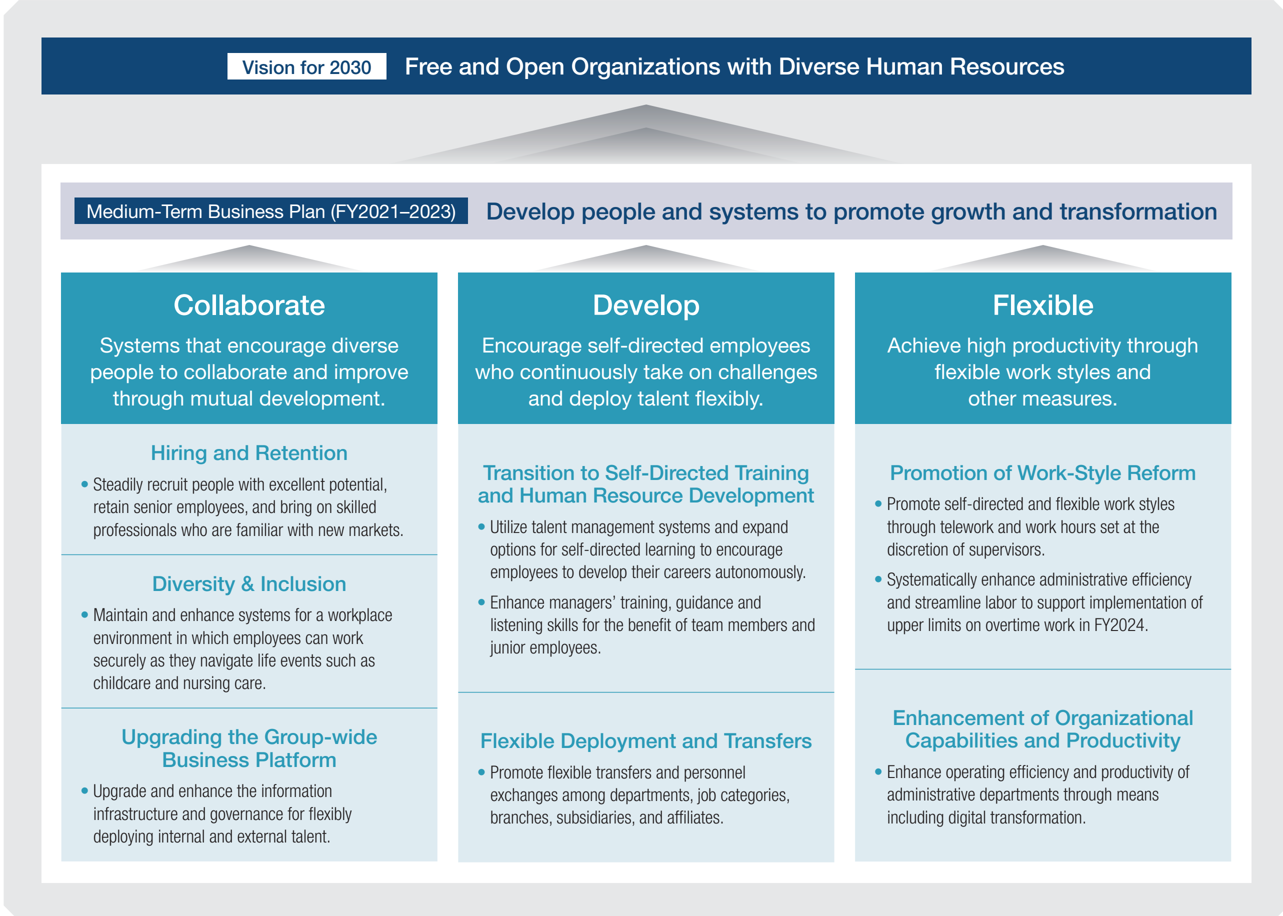
Free and Open Organizations with Diverse Human Resources

The Kajima corporate philosophy advocates "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." Our humanitarian and family-oriented tradition is a source of competitiveness, and we will continue to adhere to this philosophy as we move forward.

At the same time, all employees must enhance their abilities and continue to take on challenges so that Kajima can sustain growth and strengthen competitiveness in its constantly changing business environment. This requires a win-win corporate culture.

Under the Medium-Term Business Plan we launched in fiscal 2021, one of the goals we have set for 2030 is to build free and open organizations with diverse human resources. Furthermore, we have identified developing people and systems to promote growth and transformation as a key measure to implement by fiscal 2023. We will coordinate and implement specific strategies with a sense of urgency under the keywords "Collaborate," "Develop," and "Flexible." Kajima intends to hire diverse people and develop mechanisms that encourage employees to take on challenges, while proactively enhancing Group management structures and strengthening governance.

Human Resource Strategy Overview



Human Resource Development

• Expanding Our Business Domains

The Kajima Group focuses on people and technology in actively cultivating highly skilled specialists who can consistently meet the expectations of customers and society, as well as managers capable of leading those specialists.

We are structuring training systems that empower all employees to continuously acquire and further develop job-related expertise, as well as business and management skills. This will enhance our ability to create new value under the Medium-Term Business Plan.

For example, we are creating an environment in which employees can study on their own initiative according to their career aspirations, level of proficiency, and work needs. We also plan to use video lectures and online courses to help employees enhance their knowledge of business skills, human rights, and liberal arts.

Moreover, we are proactively adopting digital resources for human resource development. In fiscal 2021, about 2,500 employees took basic online courses, and approximately 100 participated in interactive group training and workshops on problem solving and data use.

Ongoing initiatives will help ensure employee growth, which in turn contributes to sustainable growth for the Kajima Group and its businesses.

• Development of Talent Management Systems

It is essential that the Kajima Group strengthens its Group-wide business platform to evolve and grow further. For example, Group subsidiary Kajima Kress Corporation has adopted the same talent management system that Kajima uses for employee data management ranging from job assignments to qualifications and training history, and initiated full-scale operation in July 2022. This initiative improves security and information reliability, and facilitates the smooth transfer of employee data when Kajima Kress employees transfer to Kajima. We will expand the use of this system within the Group to flexibly deploy employees and strengthen governance.

Furthermore, sharing content such as video lectures and online courses within the Group will also lead to more efficient and sophisticated human resource development.

• Expanded Training Facilities for Next-Generation Leaders

In May 2022, a new training facility named KX-Square opened in Toshima-ku, Tokyo, adjacent to KX-Lab, which opened in November 2020 primarily to develop next-generation leaders. In comparison, KX-Square is meant to be a hub where employees can interact. It features multi-purpose spaces and satellite offices that empower self-development through interaction beyond departmental and generational boundaries. The facility expects to complement training and seminar events for junior employees with the opportunity to engage in proactive self-directed study sessions. With KX-Square, we intend to help employees take the initiative in sharing and exploring interests to broaden their careers and skills.

In addition, we are also moving forward with our plans for a hands-on training facility in Yokohama, Kanagawa Prefecture (▶ Page 58) for construction engineers from the Kajima Group and its network of partner companies. Scheduled to open in 2023, this facility will enhance quality control skills and develop the next generation of essential personnel. Under the concept "Feel & Think," programs are structured so that participants learn entirely through hands-on experience. Participants will gain practical experience at models that replicate actual work sites and engage in group discussion to efficiently deepen their knowledge. This experience will be augmented by intensive communication among participants during their stay at the facility.

Study session at KX-Square

Interior rendering of the facility for practical experience and hands-on training

Diversity & Inclusion

• Promoting Active Roles for Female Employees and Work-Life Balance

To drive innovation, Kajima believes it is essential to create an environment where people with diverse backgrounds and characteristics, such as gender, nationality, religion, ability or disability, can achieve their full potential.

In recent years, Kajima has enhanced various systems to help employees work securely and play an active role in the Company while navigating various life events. Examples include expansion of the childcare flextime system to help employees balance work and childcare. In addition, the ratio of regular female employees among new graduate hires has remained above 20% and is increasing (▶ Page 83). We set the target of doubling the number of female employees in managerial positions and engineering positions over the five-year period and then tripling them over the ten-year period starting from fiscal 2014. As a result of the above initiatives, we achieved the ten-year target for managerial positions three years ahead of schedule in fiscal 2021, and we are making progress toward the ten-year target for engineering positions.

Number of Female Employees in Managerial and Engineering Positions

FY	2014	2020	2021	2022	2024 (Target)
Female employees in managerial positions	54	138	164	189	162
Female employees in engineering positions	175	376	414	457	525

In addition, the number of male employees taking childcare leave increased to 42 in fiscal 2021, 2.6 times the previous fiscal year. Of this number, those who took long-term leave of one month or longer doubled from the previous fiscal year to 16. We will also expand our systems to accommodate the revised Child Care and Family Care Leave Act that will come into effect from fiscal 2022. This will include establishing a new postnatal childcare leave system (childcare leave for fathers after childbirth) and a system for dividing childcare leave into multiple leave periods.

Number of Male Employees Taking Childcare Leave

FY	2017	2018	2019	2020	2021
Male employees taking childcare leave	3	8	10	16	42

Interview Women in Leadership: Spotlight on Poland

As CEO of Student Depot, I am at the helm of the largest student housing platform in Poland. The Student Depot Team is diverse. Competence is the main criteria for recruitment and the diversity of each gender is quite balanced within our team, which has a 44:56 male-to-female split, with balanced age representation.

Since Kajima Europe decided to acquire a majority stake of Student Depot in 2019, the number of beds has been increased by 128%. Our common aim is to secure the first-choice position of Student Depot as a purpose-built student accommodation provider in Poland, delivering 1,000 new beds per year. We are creating a truly global community based in Poland.

Jolanta Bubel
CEO, Student Depot Sp. z o.o.

Work-Style Reform and Improved Employee Health

• Office Reorganization and Work-Style Reform at the Head Office

We relocated various departments in the head office area in Minato-ku, Tokyo from July to October 2021, a change that involved about 1,600 people. Our goal was to improve productivity by consolidating building construction and civil engineering operations that were previously dispersed throughout the Akasaka area. The reorganization included a pivot to a new activity-based working environment that supports diverse work styles. We are also creating a communication hub that encourages unity and integration internally and externally.

We established telework regulations in January 2022. We had been using telework as a way to counter infectious diseases and have now made it a permanent option. We are also addressing the urgent issue of applying upper limits on overtime work by fiscal 2024. We will achieve this by sharing initiatives between branches transitioning to a new work style, emphasizing efficiency while maintaining the quality of work.

We are targeting enhanced productivity and creativity through the combination of office style initiatives (tangibles) and work-style initiatives (intangibles).

• Improving Employee Health

Kajima understands that healthy employees are an important management resource. Under the slogan "Promoting the health of employees creates healthier and livelier workplaces!", we are continuously implementing health and productivity management. Our clinic at the Head Office facilitates employee medical examinations, providing regular health checkups, recommending follow-up examinations and treatments, and offering health guidance and other support to maintain and improve health. Furthermore, we have established a system under the guidance of industrial physicians, which shares the results of investigations, discussions, and information analyses conducted by the Central Safety and Health Committee and the Head Office Health Committee to the committees of all domestic branches.

We established the Kajima Group Health and Productivity Management Statement in 2020 and will enhance initiatives to promote health and productivity management.

Kajima Group Health and Productivity Management Statement (Main Points)

1. We will create a vibrant, safe, and secure workplace environment.
2. We will help individual employees take care of, maintain, and promote their health.
3. The outcome of health and productivity management creates a virtuous cycle that will lead to sustainable growth in the Kajima Group and greater well-being for employees and their families.

Human Rights, Supply Chain, and Safety

Human Rights

• Human Rights Due Diligence

We formulated the Kajima Group Human Rights Policy in order to clarify our approach to respecting human rights. Based on this policy, we engage in various activities to fulfill our corporate responsibilities.

In fiscal 2021, we undertook human rights due diligence from the perspectives of "internal structures and systems" and "individual issues" related to respect for human rights. The due diligence included an investigation into the current situation within the Group using a checklist of serious potential issues. The Human Rights Committee will play a central role in reviewing the status and details of these issues, as well as identifying risks, responding appropriately, and reporting the results.

Serious Potential Issues

Harassment, working and living environments at construction sites, insufficient use of paid leave, pressure on rest and leisure time due to tight schedules, violations of the labor-management agreement based on Article 36 of the Labor Standards Act, concealment of work-related injuries, inappropriate disposal of industrial waste, insufficient explanation of construction work to local residents, and other issues.

As for our supply chain, through the supply chain questionnaire described below, we ascertained the current situation and issues, including the working conditions of foreign technical interns. With this as our starting point, we will become more involved in ensuring respect for human rights in our supply chain.

Supply Chain

• Supply Chain Management

Kajima Group Conduct Guidelines for Business Partners

We established the Kajima Group Conduct Guidelines for Business Partners, which are shared with business partners who make up our supply chain. The guidelines set forth matters we request their compliance with, respect for, and strict adherence to—in particular, compliance with laws and regulations, respect for human rights, consideration for the environment, ensuring quality, and other matters.

In addition to items related to compliance with laws and regulations, safety, elimination of involvement with antisocial forces, prevention of corruption, and restrictions on child labor, which are included in basic construction subcontracting agreements, and the basic labor health and safety pledges that we ask our partner companies to sign, the guidelines also incorporate the Kajima Group Code of Conduct. We have sent the guidelines to the 4,500 partner companies who are members of the Rokueikai, and require that they comply with ordering terms and conditions when we procure items from them.

Supply Chain Questionnaire

As part of efforts to monitor understanding and the compliance status of these guidelines among partner companies, we interviewed selected companies and conducted a questionnaire survey of members of the Kajima Business Partners' Association during April and May 2022. The responses to each of the survey's 74 questions were evaluated on a scale of 1 to 5, depending on the progress of relevant initiatives. By calculating the average score for each item, we were able to confirm that in general the required measures were being implemented. However, there was room for improvement, especially among small-scale businesses, regarding the establishment of policies and systems related to compliance and human rights, BCP measures, and initiatives within their own supply chains, so we gave feedback on the survey results and requested improvements.

In order to meet societal demands for legal compliance, respect for human rights, consideration for the environment, and improvement of working environments throughout the supply chain, we will continue to conduct questionnaires regularly and provide guidance and support for making improvements as necessary. Furthermore, through educational activities such as guidebook-based learning and awareness-raising activities at various meetings, we will continue to spread understanding of our guidelines and promote best practices together with partner companies. We are also looking into conducting questionnaire surveys for the supply chains of our overseas subsidiaries and affiliates.

Overview of the Supply Chain Questionnaire

Survey respondents:
Members of the Kajima Business Partners' Association, comprised of partner companies that play a central role in our domestic construction business

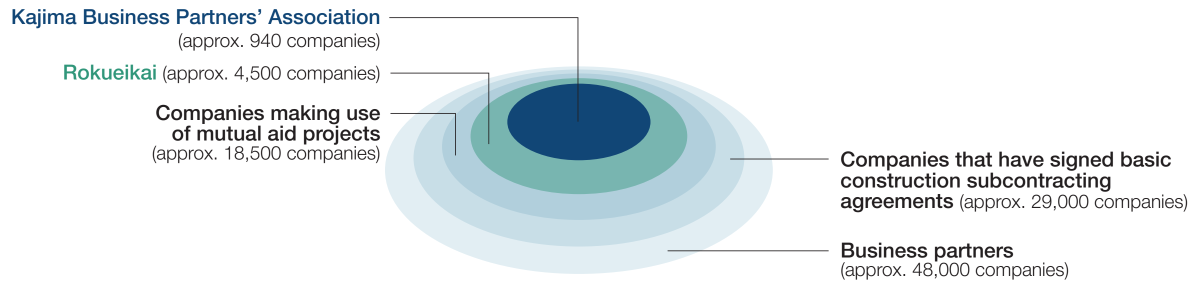
Survey period: April 15 to May 31, 2022

Survey content:
Items covering the 13 articles of the Conduct Guidelines for Business Partners (compliance, human rights, labor practices, environment, information security, BCP, etc.), as well as the status of respect for human rights of non-Japanese employees (including foreign technical interns), and other items about which inquiries from outside parties, including customers, have been increasing

Number of companies that responded: 547
(Response rate: 60.4%)

• Working with Partner Companies

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



• Restructure Multilayered Subcontracting

In Japan, the construction industry's subcontracting structure, which has been in place for many years, is a multilayered structure consisting of primary subcontractors, secondary subcontractors, and lower-tier subcontractors who are responsible for intermediate construction management, provision of labor, and other direct construction functions under the prime contractor, which in turn is responsible for the overall management and supervision of the entire construction project.

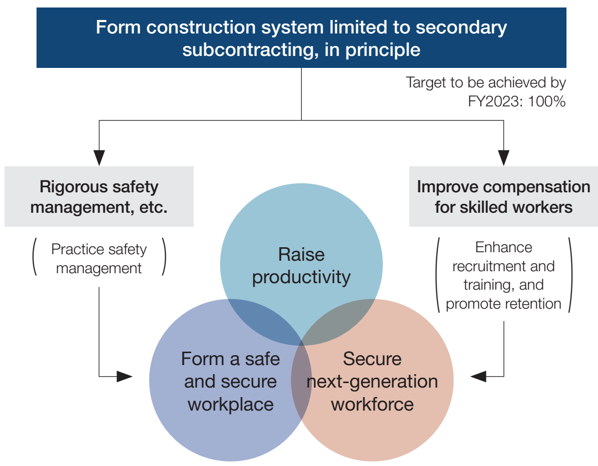
This multilayered subcontracting structure not only hinders construction facilitation and productivity improvements, but is also responsible for preventing advancements in safety and quality guidance and management, and for keeping the wages of skilled workers low.

Since fiscal 2021, Kajima has been tackling the challenge of restructuring multilayered subcontracting (while complying with all laws and regulations) by clarifying where responsibility lies in the construction process to ensure rigorous safety management, etc., and to improve compensation for skilled workers and raise productivity.

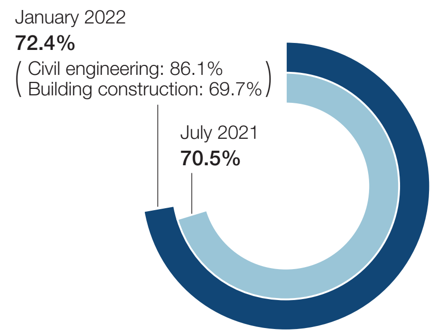
As of April 2021, multilayered subcontracting below the third layer requires branch manager permission. We are conducting analyses in preparation for establishing a construction system limited to secondary subcontractors as soon as possible. Among other matters, the analysis includes branches and worksites nationwide working with partner companies to investigate situations where there is multilayered subcontracting, and the identification of other issues. Kajima will continue making reforms in order to put that system in place (in principle, after clarifying exceptions) at all construction sites from April 2023.

Achieving a construction system that is limited to secondary subcontracting, in principle will lead to improvement in compensation (raising wages for skilled workers) and make the construction industry more attractive to work in, and by extension, is expected to increase the number of young workers who will lead the next generation. In addition, we believe that creating a management system where the prime contractor can more effectively keep an eye on the entire project will lead to appropriately focused safety management that enables a competent primary subcontractor's foreman to properly supervise multiple secondary subcontractors' foremen, and provide appropriate instruction and guidance.

Restructure Multilayered Subcontracting



Progress in Establishing a Construction System with Only Primary or Secondary Subcontracting*



* The ratio of primary and secondary subcontractors among all partner companies entering the site

• Initiatives for Securing the Future Workforce

Kajima Partner College

Kajima Partner College, which was established in collaboration with the Kajima Business Partners' Association for the purpose of developing human resources at partner companies, began offering courses in April 2021. At the college, we have set up a Technical Course to train future Kajima Meisters and a Management Course to train candidates for executive management. We aim to develop human resources who possess a broad perspective and the leadership skills needed not only to fulfill their own job requirements and oversee the projects they supervise, but also at construction sites, the Company, and in the construction industry as a whole. With the courses now in their second year, we will begin training held at Head Office in fiscal 2022. Moreover, we will leverage insights gained from the first year to further enhance training content.

Training at Kajima Partner College

	Technical Course	Management Course
Eligible persons	**For Kajima Meister candidates** • In principle, members of the Kajima Business Partners' Association (members of Rokueikai and secondary subcontracting partner companies with exclusive agreements are also eligible) • Company employee for at least 3 years; under 36 years old (in principle) • CCUS* skilled worker registered individuals (mandatory)	**For executive management candidates** • Member of Kajima Business Partners' Association (primary subcontracting partner companies only) • Company employee for at least 3 years; under 41 years old (in principle) • CCUS* skilled worker registered individuals (mandatory)

* Construction Career Up System (CCUS) is an industry-wide registration system and database for skilled construction workers that tracks qualifications, social insurance enrollment status, on-site work histories, and other information. It is a registered trademark of the Fund for Construction Industry Promotion.

Incentive System for Activities to Strengthen Productivity

As a new measure to support our partner companies, we established the Incentive System for Activities to Strengthen Productivity for members of the Kajima Business Partners' Association. Through this system, we subsidize the full or partial costs each fiscal year (from fiscal 2021 to fiscal 2023) of initiatives that help strengthen the Company's productivity. We will continue to follow up on activities that qualify for the system, and by widely sharing them with partner companies as model examples we will encourage and support measures to improve productivity and secure human resources.

Kajima Meister System and New E Award

As part of our efforts to improve working conditions for skilled workers, we run the Kajima Meister System, a registration and direct financial incentive system for outstanding foremen that offers incentives that are among the highest in the construction industry, and the New E Award, an incentive system for outstanding skilled workers. For the New E Award, in which we select talented workers who have taken part in our construction projects, we have established a youth quota (as a temporary measure from fiscal 2021 to fiscal 2023) in which we prioritize the selection of skilled workers under the age of 40. We will continue working to boost the motivation of young workers and improve their working conditions.

Kajima Meister System and New E Award

Registration and Direct Financial Incentive System for Outstanding Foremen (Kajima Meister System)		Incentive System for Outstanding Skilled Workers (New E Award)
Supermeister Approx. 100 Supermeisters certified from among Meisters (FY2022: 127 people) Per-day incentive of ¥4,000	**Meister** Approx. 500 Meisters (FY2022: 407 people) Per-day incentive of ¥2,000	Approx. 400 people each year (Quota increased from FY2021 to FY2023 to include youth quota; FY2021: 735 people) Per-year incentive of ¥100,000

• Implementing a Five-Day Work Week

At the end of fiscal 2021, the implementation rate of a five-day work week at construction sites (closing sites for 104 days each year) remained at 31%, essentially the same level as fiscal 2020. This was due to full-scale construction going ahead on major projects, along with some construction sites beginning work ahead of schedule as a measure against the resurgence of COVID-19, and other sites rearranging their schedules due to logistics delays caused by the situation in Ukraine and other factors. We will continue our efforts to achieve a five-day work week at all construction sites by consulting with customers and partner companies to set appropriate construction schedules and driving further productivity improvements.

Safety

• 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 skilled workers involved in operations at construction sites can perform their duties confident that their equipment and working environment are safe.

In fiscal 2021, there were 55 accidents at Kajima construction sites in Japan that resulted in lost work time of four or more days, including two fatal accidents. The frequency rate of accidents resulting in lost work time of four or more days was 0.65 and the rate for accidents resulting in lost work time of one or more days was 1.21, resulting in a severity rate of 0.22. Under the slogan "Think safety! Make today accident free," we will continue to do our utmost to ensure a safety-first approach to work.

At construction sites overseas, we conduct activities to strengthen safety management, such as holding accident prevention meetings every six months (mainly at local subsidiaries in Asia), with the purpose of further raising and harmonizing safety management standards.

Safety Performance (FY)

		2019	2020	2021
Accident frequency rate	Lost work time of 4 or more days	0.69	0.61	0.65
	Lost work time of 1 or more days	1.24	1.13	1.21
Accident severity rate		0.18	0.20	0.22
No. of accidents		67	52	55
Cumulative working hours (Millions of hours)		97.62	84.80	85.11
No. of fatalities	Non-consolidated (domestic)	2	2	2
	Non-consolidated (overseas)	1	0	0
	Domestic Group companies[1]	0	0	0
	Overseas Group companies[1]	0 (2)[2]	0 (1)[2]	0 (0)[2]

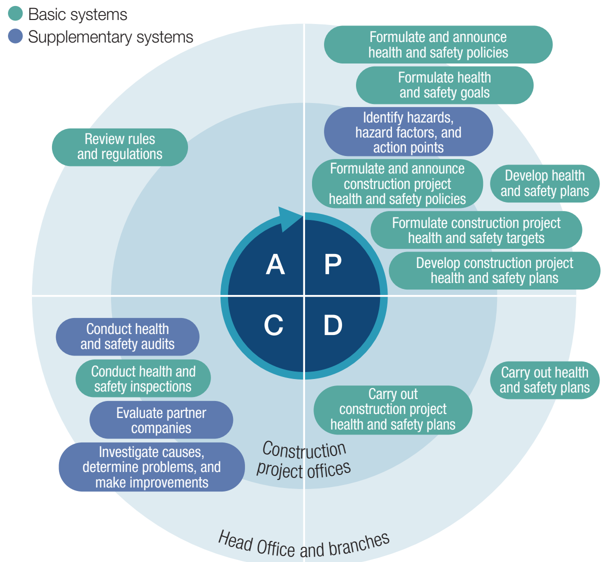
Frequency rate: The number of fatalities and injuries at worksites per one million cumulative working hours
Severity rate: The severity of illnesses and injuries represented by the number of workdays lost per one thousand cumulative working hours
Note: Calculations include partner company workers.
1. Subsidiaries involved in construction
2. Figures in parentheses indicate the number of fatal accidents for which the local authorities did not hold the Group responsible

• Management System

Kajima implements safety and health management in conformance with the Construction Occupational Health and Safety Management System (COHSMS). We follow a 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, we will keep improving safety and health levels.

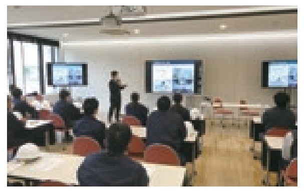


• Improving Safety and Hazard Awareness for On-site Personnel

In order to prevent occupational accidents, it is vital that personnel develop an intuitive grasp of workplace hazards and the circumstances that can lead to hazardous situations, as well as the ability to perceive the degree of hazard and the probability of an accident occurring (i.e., risk sensitivity).

Kajima's past initiatives have included safety dialogues, at which employees of prime contractors, foremen of partner companies, and other workers gather to share opinions focusing on safety, based on real cases involving past accidents at construction sites. In fiscal 2022, we are working to further enhance these dialogues with the aim of promoting understanding of safety laws and regulations.

In addition, since fiscal 2021 we have been improving safety awareness and risk sensitivity by providing opportunities to hear from employees about accidents they were involved in and conducting accident simulation training that fosters understanding of what happens when an accident occurs.

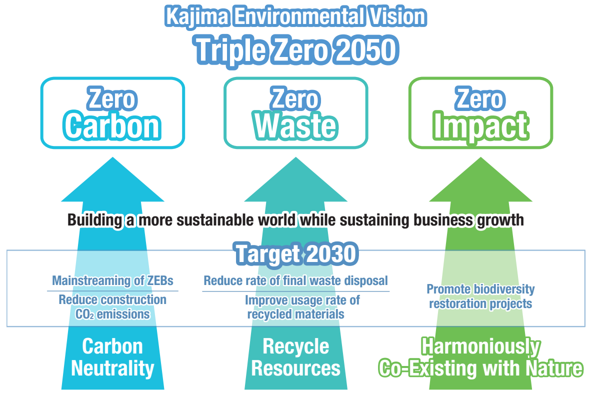


Lecture on accident cases

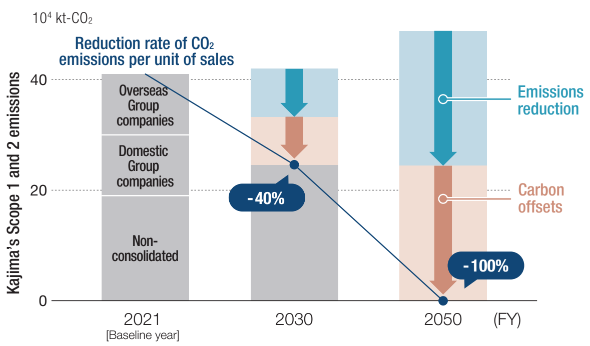
Impact experience training for falls

Environment

Toward Achieving Carbon Neutrality by 2050



CO_2 Emissions Reduction Plan



In September 2022, we revised the Kajima Environmental Vision: Triple Zero 2050. Under the revised CO_2 emissions reduction targets, Kajima will reduce Scope 1 and 2 emissions by 40% and supply chain emissions (Scope 3) by 25% compared to fiscal 2021 by fiscal 2030, and to achieve total elimination (carbon neutrality) by fiscal 2050. We aim to have our targets validated by the Science Based Targets Initiative (SBTi, an international leader in best practices for greenhouse gas emissions reduction targets).

Triple Zero 2050 (Formulated in 2013; revised in September 2022)

	Social Goals	Triple Zero 2050	Target 2030
Achieving a More Sustainable World	**Carbon Neutrality** A society that balances greenhouse gas emissions from human activities with the Earth's capacity for CO_2 absorption	**Zero Carbon** Aiming to achieve carbon neutrality for the Kajima Group's greenhouse gas emissions (Scope 1, 2 and 3 emissions)	**[Group-wide]** Reduce Group-wide greenhouse gas emissions (Scope 1 and 2 emissions) per unit of sales by 40% or more compared to FY2021 (equivalent to a 40% reduction of total emissions with fixed construction amount). Reduce Scope 3 emissions (classed as Category 1 during construction material production and Category 11 during building operation) by 25% **[Architectural Design]** Implement ZEB/ZEH levels for all building construction projects starting in or after FY2030 Note: The target for contract awards for construction projects starting in or after FY2025 is for at least 50% to meet ZEB/ZEH levels
	Recycle Resources A society that pursues 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 final waste disposal during construction, utilizing sustainable materials, and making buildings last longer	• Completely eliminate final waste disposal 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 A society that values 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
		Management of hazardous substances: Thoroughly implement preventative measures (especially for soil contamination and asbestos)	
	Common Foundation Initiative Areas	• Conduct technology development • Actively distribute information in and outside the Company	

Kajima's Environmental Management Systems

Kajima operates environmental management systems (EMS) that are ISO 14001 compliant. The Environment Committee (a special-purpose committee under the Sustainability Committee) implements initiatives in five sectors: civil engineering, building construction, environmental engineering, engineering, and research and development. Four subcommittees address environmental management, construction environments, plastics, and biodiversity as cross-sector issues, while working groups are also organized for matters such as addressing requirements under the Act on Rationalizing Energy Use.

We surveyed the energy consumption of domestic and overseas Group companies, and identified companies and business areas with particularly high emissions.

Reducing CO_2 Emissions throughout the Kajima Group

In Japan, we monitor all Scope 1, 2, and 3 CO_2 emissions throughout the Group. We work closely with domestic Group companies with particularly high emissions levels to identify specific reduction measures. Overseas, we have also conducted a survey of Scope 1, 2, and 3 emissions at Group companies, which account for about 30% of the Group's revenues, to gain an overall picture.

Kajima Group CO_2 Emissions

	Scope 1 and 2	Scope 3
Kajima (non-consolidated)	19 10^4 t-CO_2	675 10^4 t-CO_2
Consolidated Kajima Group	42 10^4 t-CO_2	1,033 10^4 t-CO_2

Supporting CO_2 Emissions Reduction in Construction through Visualization and a Selection of Reduction Measures

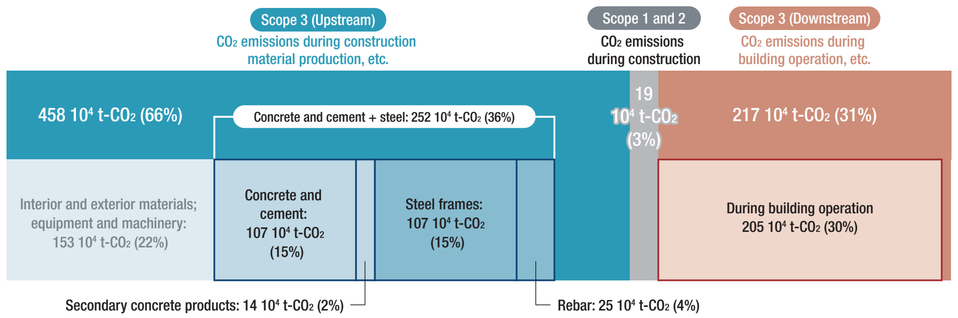
We developed our Environmental Data Evaluation System (edes) to ascertain the status of CO_2 emissions levels from construction, and the system has been in operation at all construction sites in Japan since fiscal 2020. The system tracks the total amount of CO_2 emissions not just from sample surveys over specific time periods, but throughout the year. It has revealed differences in CO_2 emissions depending on the type of work, such as between civil engineering work (e.g., tunnels) and building construction work (e.g., office buildings), and between new construction and renewal/renovation, and also depending on the stage of construction, such as between foundation work and final interior work.

With edes, it is now possible to set targets for and visualize CO_2 emissions (energy consumption) at each construction site. As the next step, we have developed an environmental activity support system that offers a selection of emissions reduction measures to choose from and implement in accordance with a site's characteristics. By sharing knowledge and experience from reduction activities at individual sites in the form of data, we will target continual improvement through a Company-wide PDCA cycle. The system also enables us to estimate potential reductions in energy consumption.

Going forward, we will give feedback on emissions reduction activities by presenting even more accurate forecasts and results for the effectiveness of measures, and respond to customer calls for decarbonization.

Reduction of CO_2 Emissions in Upstream and Downstream Businesses (Scope 3)

Kajima (Non-Consolidated) Supply Chain CO_2 Emissions in FY2021



Total: 694 10^4 t-CO_2

Notes: CO_2 emissions during construction material production are calculated by multiplying the amount of each material ordered in FY2021 by the CO_2 emissions per unit of sales during production.
CO_2 emissions during building operation are calculated by multiplying the operational CO_2 emissions (design value) of new buildings completed in FY2021 by 30 years.

Kajima is working to reduce CO_2 emissions at its construction sites. Looking at the supply chain as a whole, CO_2 emissions during construction (Scope 1 and 2) account for 3% of the total, with construction material production accounting for 58% and building operation after handing the building over accounting for 30%. We are seeking ways to further reduce emissions in the latter two categories (Scope 3), as well as respond to calls from customers to reduce CO_2 emissions throughout the supply chain.

Most of the CO_2 emitted during construction material production comes from concrete and steel. Since 2008, Kajima has been developing eco-friendly concretes such as CO_2-SUICOM (▶ Page 59), and using them at construction sites. For steel, we will reduce CO_2 emissions by switching to and promoting the broad use of low-carbon steel. The wider adoption of wood as a structural material and as a design choice will also reduce the use of steel, concrete, and plastic.

Energy-efficient buildings including ZEB (▶ Page 58) can contribute significantly to reducing CO_2 emissions during building operation, which are classified as Scope 1 and 2 emissions emitted by the customer, and this is an area Kajima's design departments are specifically focusing on. After handing the building over to the customer, we will help fine-tune building operation including support for energy conservation using EneMASTER®, an energy management tool provided by Group company Kajima Tatemono Sogo Kanri Co., Ltd. We also contribute to our customers' energy conservation efforts through our energy service business, which includes the supply of low-carbon energy.

Eco-Friendly Buildings Contributing to Carbon Neutrality

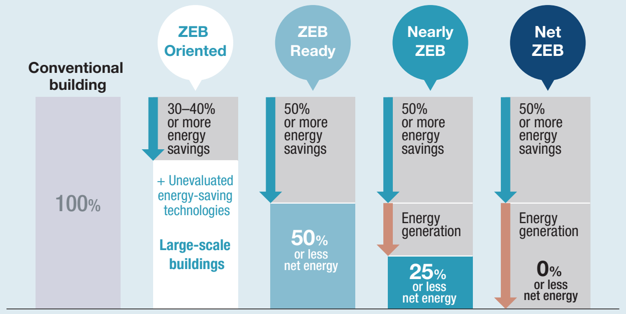
Promoting and Expanding ZEB[1] Construction

As ESG and SDGs become more integral to corporate activities, more and more companies are adopting ZEB as part of their contribution toward carbon neutrality. Kajima has developed and implemented ZEB-related technologies at its base facilities and in its real estate developments, and works to establish and enhance the sophistication of these technologies by measuring and providing feedback on indoor environmental performance and occupant comfort levels, as well as operational energy data. Through the development of technologies based on such evidence, we are able to create spaces that offer benefits including safety and security, health and wellness, and intellectual productivity, as well as energy-saving architecture.

In 2018, Kajima embarked on joint research in the environment and energy field in partnership with the National University of Singapore (NUS). The NUS School of Design and Environment 4 building, constructed by Kajima Overseas Asia Pte. Ltd., is the first new-build Net ZEB in Singapore.

ZEB evaluation and certification are also gaining momentum in Japan, where four tiers have been defined. Whereas previously the standard was mostly applied in office buildings, there is now steady uptake among buildings with a broader range of uses. We have already acquired ZEB Ready or Nearly ZEB certification (see table on right) for many of our design-build properties, and we expect to achieve ZEB Oriented certification for large-scale multi-purpose buildings as well. In May 2022, the Nitto Denko Toyohashi Plant Office Building met the Net ZEB standard based on its incorporation of high-insulation outer cladding and high-efficiency equipment that reduced energy consumption by 61%, as well as solar power generators, enabling a total energy reduction of 105%.

Definitions of the Four ZEB Tiers



Note: Prepared by Kajima, based on *FY2018 ZEB Roadmap Follow-up Committee Summary*, Ministry of Economy, Trade and Industry

Four tiers of ZEB have been defined. The Ministry of Land, Infrastructure, Transport and Tourism will make a broadly defined ZEB level mandatory for all building construction projects starting in or after 2030, in order to achieve the nationwide goal of carbon neutrality by 2050.

Major ZEB Third-Party Certified Projects in Japan

Property name	ZEB tier	Use	Completion (planned)
KT Building	ZEB Ready	Office	August 2016
Hareza Tower (office portion)	ZEB Ready	Office	May 2020
Chiba University of Commerce High School	ZEB Ready	School	March 2023
Dommy Minaminagasaki Annex (fifth floor)	Nearly ZEH	Apartments	February 2022
Logistics Park Ichikawa-Shiohama II	Nearly ZEB	Distribution warehouse	March 2022
Nitto Denko Toyohashi Plant Office Building	Net ZEB	Office	October 2022

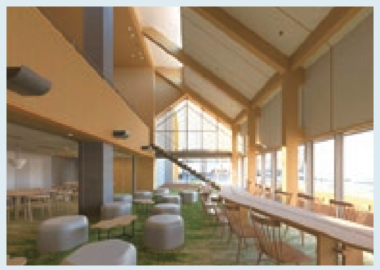
1. A building that aims to achieve an energy balance of zero in the course of operation through the use of advanced energy-saving technologies and natural energy

Initiatives and Services to Promote Wood-Frame, Mass-Timber Construction

Kajima promotes the use of wood-frame, mass-timber construction in order to drive the cyclical use of forest resources and reduce CO_2 emissions from building material production.

The JUTEC Head Office Building (Minato-ku, Tokyo), scheduled for completion in February 2023, will be the first skyscraper to use FR Wood® (a laminated pure-wood, fire-resistant structural lumber developed by Kajima) in a hybrid structure made with both wood and steel frame materials. This use of wood materials including FR Wood will result in 110 tons of carbon fixing (on a CO_2 basis)—equivalent to the amount of CO_2 a cedar forest roughly four times the area of the planned 740-square-meter site would absorb in 50 years.

We have also started a project to use lumber from Group-owned forests as a building material. We are using cross-laminated timber[2] from coniferous trees at the Group-owned forest in Seizogauchi, Miyazaki Prefecture, for earthquake-resistant walls and individual dormitory rooms at an employee training facility currently under construction. The Kajima Group currently owns forests in 43 locations throughout Japan, covering a combined area of 5,500 hectares. Kajima will use these green assets in wood-frame, mass-timber construction projects, with the aim of creating comfortable, carbon-neutral urban spaces with a touch of nature.


Rendering of the interior of our employee training facility

2. A wood-based laminate consisting of alternating layers bonded at 90-degree angles

緑はつづく。想いはつづく。
GREEN KAJIMA

In March 2022, we launched the greening management brand Green Kajima. We are pursuing a variety of greenery-related activities under the theme of creating a green value chain.

Facilitating the General-Purpose Adoption of Innovative Carbon-Negative Concrete

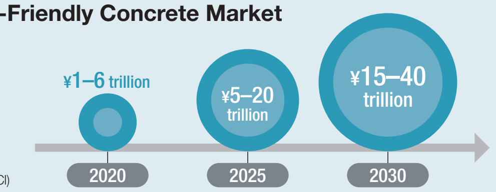
Development and Adoption of Eco-Friendly Concrete

The market for eco-friendly concrete is expected to grow to a scale of ¥15 to ¥40 trillion worldwide by 2030.

There are three main technological approaches to making eco-friendly concrete that reduces, absorbs, and/or fixes carbon emissions (see table below). Kajima has a proven track record in applying each of these approaches, and has developed a variety of eco-friendly concrete products: Ecocrete®R[3] is made using recycled materials such as residual concrete; ECM Concrete® (ECM: Energy CO_2 Minimum) incorporates industrial by-products; and CO_2-SUICOM[1] and Eco Tankaru-mixed high-flow concrete[2] absorb and fix CO_2.

With a view to a roll-out to the global market, Kajima will accelerate research and development and establish a supply chain, targeting further practical use and increased sophistication of eco-friendly concretes, and contribute to the transition to carbon neutrality by promoting full-scale adoption.

Size of Eco-Friendly Concrete Market



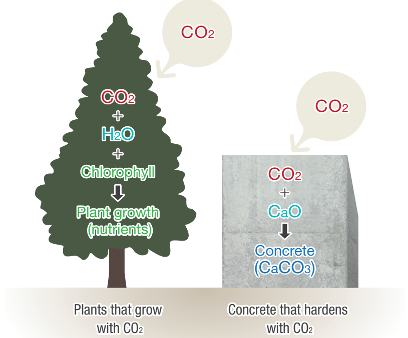
Source: Global CO_2 Initiative (GCI)

Type of concrete	Product name	Reduces CO_2 emissions	Absorbs CO_2	Characteristics	Carbon credit results
(1) Low-cement concrete	Ecocrete BLS, Ecocrete R[3], ECM Concrete	Good	—	By replacing all or part of the cement component with industrial by-products, CO_2 emissions are reduced	Yes(Note)
(2) CO_2-absorbing concrete	CO_2-SUICOM	Excellent	Excellent	By including compounds that react with CO_2 in the air, CO_2 is absorbed and fixed inside the concrete through carbonation curing	—
(3) Concrete compound with CCU[3] materials	Eco Tankaru	—	Good	Concrete made using aggregate and powder (Eco Tankaru) in which CO_2 has been absorbed	—

Note: At our Dommy Minaminagasaki Annex, where we utilized blockchain technology, we received J-Credit Scheme certification

CO_2-SUICOM: Concrete That Absorbs CO_2 Like a Plant

In mixing CO_2-SUICOM, more than half of the cement content is substituted with a special admixture (γ-C_2S) and industrial by-products, so that a large amount of CO_2 is absorbed and fixed inside the concrete as it hardens. CO_2-SUICOM is the ultimate eco-friendly concrete as it reduces CO_2 emissions to zero or less (carbon negative), and is the only CO_2-absorbing concrete in practical use in the world. The amount of CO_2 absorbed by one cubic meter of CO_2-SUICOM during production is equivalent to that absorbed by a 20-meter-tall cedar tree in a year. As we look to expand its applications, we are working to resolve issues including those relating to the supply chain, cost, and use for cast-in-place pile construction.



HIGHLIGHT

Under the NEDO[4] Green Innovation Fund Project,[5] "Development of Technology for Producing Concrete and Cement Using CO_2," Kajima is one of three companies leading a consortium[6] that is currently developing the technologies detailed below.

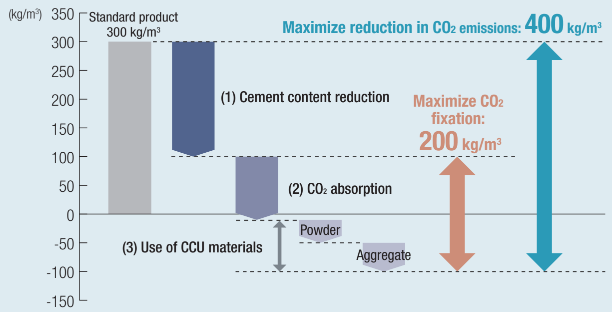
Our role in this project will be to develop original and innovative technologies for fixing CO_2 in concrete, while also reducing manufacturing costs so that these technologies can be implemented and widely used as soon as possible.

Project Development Targets

(1) Development of concrete that maximizes CO_2 emissions reduction and fixation amount
  [i] R&D on the selection of materials used to maximize CO_2 emissions reduction and fixation amount
  [ii] Development of technologies for innovative fixation tests and manufacturing systems for concrete, to maximize CO_2 emissions reduction and fixation amount
(2) Development of technologies for quality management and fixation evaluation methods for concrete, to maximize CO_2 emissions reduction and fixation amount

The project aims to maximize CO_2 emissions reduction and fixation amount through the combination of three technologies mentioned above.

Maximizing CO_2 Emissions Reduction and Fixation Amount through the Combined Effect of Each Technology



1. Technology developed by Kajima Corporation, The Chugoku Electric Power Co., Inc., Denka Company Limited, and Landes Co., Ltd.
2. Technology developed by Nippon Concrete Industries Co., Ltd. and Kajima Corporation
3. Carbon dioxide capture and utilization
4. New Energy and Industrial Technology Development Organization
5. A NEDO project to create a ¥2 trillion fund that will provide continuous support over 10 years (ranging from R&D and proof-of-concept to social implementation) to private- and public-sector companies/organizations with ambitious and specific shared aims, that are engaged in this field as a management issue
6. A consortium consisting of 44 private companies, 10 universities, and 1 research institute; led by Kajima Corporation, Denka Company Limited, and Takenaka Corporation

Environmental Targets: Three-Year Targets, and Targets and Results for FY2021

		Three-Year (FY2021–2023) Targets	FY2021 Targets	FY2021 Results
Carbon Neutrality	Construction	Reduce CO_2 emissions per unit of sales by 26% compared to FY2013 →Reduce by 7% compared to FY2021	Reduce by 22% compared to FY2013	Reduced by 36.4% compared to FY2013
	Design	• Deepen ZEB technologies that contribute to the decarbonization of customer companies. Strengthen promotion of the use of labeling systems such as ZEB and Building-Housing Energy-efficiency Labeling System (BELS) • Deepen energy management technologies	• Strengthen promotion of ZEB, BELS, and other labeling systems (with a particular focus on ZEB Ready and ZEB Oriented) • Achieve internal energy conservation standards (20% reduction) and promote internal targets (30% reduction in office buildings, 25% reduction in commercial buildings) • Promote ZEB through technical proposals for energy management, use of IoT and other digital technologies, and work-style proposals	• Engaged in 20 ZEB projects (7 certified; 13 in progress) • Conducted numerous R&D activities and projects to solicit work proposals
Recycle Resources	Construction	Less than 3% final waste disposal including sludge	Less than 3% final waste disposal including sludge	2.4% final waste disposal including sludge
	Design	Implement green procurement	Propose more than four items for green procurement, indicate them on working drawings and verify whether or not the proposed items were ultimately adopted	Implement green procurement: Average of 5.2 items proposed
Harmoniously Co-Existing with Nature		Implement outstanding biodiversity projects	Implement more than six outstanding biodiversity projects per year	Selected six outstanding biodiversity projects (building construction: 5, frontier: 1)
		Reduce the impact of construction on the natural environment (particularly through management of hazardous materials and polluted water)	Reduce the impact of construction on the natural environment (particularly through management of hazardous materials and polluted water)	Hazardous material problems: 1
Common Foundation Initiative Areas	Research and Development	Work in close cooperation with the entire Company to continue activities with the following target in order to contribute to Triple Zero 2050: • Deployment of more than six specific results of basic research and development over three years	• Environmental contribution technology development projects: 10 or more per year (designated environmental topics) • Environmental contribution technology project deployment: 2 or more per year (deployment of results)	Environmental contribution technology development • Designated environmental topics: 16 • Deployment of results: 7
	Engineering	• Respond to changes in social conditions and customer requirements • Promote the prevention of environmental accidents involving various chemical substances	• Identify customer needs, and confirm and implement the policy for the Triple Zero 2050 initiative • Thoroughly manage environmental risks by paying attention to the handling of various chemical substances • Promote activities to win contract awards through the utilization of wastewater treatment technologies	• Confirmed Triple Zero 2050 support: 4 • Confirmed response to chemical substances: 4 • Projects participated in: 51
	Environmental Engineering	• Promote environmental management in concert with Group companies • Make technical innovations and create projects based on Triple Zero 2050	Expand projects with core environmental technologies and services • Strengthen efforts in four priority fields • Initiatives for next-generation technologies/projects	• Won 36 contract awards in four priority fields (new energy: 4, water environment facilities: 1, soil: 29, green infrastructure: 2) • Completed the Hokkaido Hydrogen Utilization Project Demonstration • Continued consideration of a Regional Smart Society Project

Summary of Environmental Activities for FY2021

Fiscal 2021 was the first year of our Three-Year (FY2021–2023) Targets, and activities proceeded smoothly in general. In the carbon neutrality field, we achieved a 36.4% reduction in CO_2 emissions per unit of sales during construction compared to fiscal 2013, far exceeding the target of 22%.

In recycling resources, the final waste disposal rate including sludge was 2.4%, meeting the target of less than 3%. In terms of environmental problems, there were no serious legal violations, and one case in which we received a recommendation for correction.

Initiatives for FY2022

• Carbon Neutrality

Having ascertained the status of CO_2 emissions for the entire Kajima Group in fiscal 2021, we changed our baseline year from fiscal 2013 to fiscal 2021. We set a three-year target of 7% emissions reduction per unit of sales compared to fiscal 2021, and a reduction target for fiscal 2022 of 3.5%.

• Recycling Resources

With the enforcement of the Plastic Resource Circulation Act, Kajima has a number of responsibilities as a business operator that generates a large amount of industrial waste from products containing plastic. In addition to initiatives to improve the recycling rate, such as encouraging on-site waste sorting, we systematically collect and recycle used helmets and work clothes, and have been recycling plastic badges since fiscal 2021.

• Harmoniously Co-Existing with Nature

In anticipation of the completion of the Taskforce on Nature-related Financial Disclosures (TNFD) framework in fall 2023, Kajima has joined the 30by30 Alliance for Biodiversity and the Japan Business Initiative for Biodiversity (JBIB). One aspect of Triple Zero 2050 is Zero Impact, and to this end we set fiscal year targets for certifying outstanding biodiversity restoration projects, with a focus on proposals for urban areas. We will continue working to have a nature-positive impact with a view to applying for Other Effective area-based Conservation Measures (OECM) certification.

Disclosure of Climate Change-Related Information (Disclosure in line with the TCFD Recommendations)

➡ See website for details

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Kajima recognizes that addressing environmental issues including climate change is a key management issue and includes “providing technologies and services for disaster preparedness that support safety and security” and “contributing to society’s transition to a carbon-free footprint” among its material issues. Having expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2019, we have been establishing a governance structure for managing the issue of climate change, which is a major risk factor for the Group. Furthermore, we have identified risks and opportunities associated with climate change, clarified their impacts, and strengthened our efforts by setting targets.

Governance Measures	Important policies and measures related to the environment, including responses to climate change, are discussed and decided on by the Sustainability Committee, which is chaired by the President. The committee reports the details of those discussions and other information regularly (about twice a year) to the Board of Directors, which then discusses and makes decisions on particularly important policies. In addition, in order to ensure substantial discussions and flexible follow-up, the Environment Committee has been established as a special-purpose subcommittee under the Sustainability Committee and comprises the heads of business divisions and the general managers of related departments as members. Under Medium-Term Business Plan (FY2021–2023), carbon neutrality measures are positioned as a priority initiative, and as such their implementation has been incorporated into each department’s business plan. Moreover, the Sustainability Committee and the Environment Committee will continue to work through the PDCA cycle, which will lead to further improvements and new initiatives.
Strategy	The construction industry uses materials that conventionally emit a large amount of greenhouse gases during manufacture, such as cement and steel, and the long operating life of buildings and structures has a significant impact on the greenhouse gas emissions of customers. Accordingly, public policies related to carbon pricing and carbon emissions, zero energy buildings (ZEB) and renewable energy-related construction markets, and low-carbon construction technologies are identified as highly relevant transition risks and opportunities. Due to the social mission of the construction industry, which includes contributing to disaster prevention and mitigation, as well as the frequent outdoor work characteristic of the industry, the impact of changing weather patterns, the intensification of extreme weather events, the effect of rising temperatures on labor productivity, and corresponding labor legislation are identified as physical risks and opportunities. In March 2021, Kajima revised the setting of the 2°C scenario to a 1.5°C scenario and estimated the impact on domestic construction projects in FY2030.
Risk Management	The Global Environment Office of the Environmental Engineering Division, which serves as the secretariat for the Environment Committee, leads cross-organizational assessments of environmental impact by the Environmental Management Subcommittee and other relevant internal departments. Lastly, the Environment Committee deliberates on and determines risks and opportunities. All operational risks, including climate change-related risks, are assessed by the Compliance and Risk Management Committee, which is chaired by the President, and reported to the Board of Directors twice a year. In addition, Kajima is working to further improve its disaster preparedness and business continuity capabilities through means such as practical BCP drills for torrential rain and other scenarios.
Indicators and Targets	In 2013, Kajima formulated and announced the Kajima Environmental Vision: Triple Zero 2050 as the basis for environmental initiatives. At the same time, Kajima is implementing activities under Target 2030, which sets specific quantitative milestones for FY2030. In 2022, Kajima revised its CO_2 emissions reduction targets and aims to reduce the amount of CO_2 emitted during construction (Scope 1 and 2) by 40% compared to FY2021 by FY2030, and achieve total elimination (carbon neutrality) by FY2050. Kajima manages its environmental activities by assessing climate change-related risks and opportunities and reviewing indicators and targets every three years based on this environmental vision. The period for environmental targets is synchronized with the medium-term business plan. Kajima thus aims to increase corporate value and solve environmental issues in an integrated manner.

Risks, Opportunities, and Countermeasures

+: Positive impact on profits and losses
–: Negative impact on profits and losses

Category		Risks and opportunities	Impact on FY2030 profits and losses		Countermeasures
			1.5°C scenario	4°C scenario	
Transition risks	Policy	Increase in costs due to carbon tax	– – –		(1) Promotion of activities to reduce CO_2 emissions during construction → edes (▶ Page 57) (2) Development and introduction of low-carbon construction materials → CO_2-SUICOM (▶ Page 59) (3) Securing of renewable electricity supplies
		Construction market contraction due to higher taxes	–		
		Restrictions on business based on CO_2 emissions allowances	–		
	Markets	Change in the energy mix (reduction in fossil fuels)	–		(1) Selection of focus fields based on the energy mix (2) Development of design and construction technologies for renewable energy facilities → Offshore wind farms (▶ Page 36) (3) Pursuing of business feasibility and comfort of ZEB → ZEB (▶ Page 58)
		Increase in demand for renewable energy	+ +	+ +	
		Expansion of ZEB market	+ +	+	
Physical risks	Chronic	Effects of rising temperatures on working conditions	–	– –	(1) Development of labor-saving construction technology → A⁴CSEL (▶ Page 35)
	Acute	Disaster prevention and mitigation, and national resilience	+ +	+ +	(1) Promotion of technological development related to disaster prevention and mitigation, and BCP (2) Development and application of hazard maps that leverage proprietary knowledge (3) Construction work that contributes to national resilience and the resilience of buildings and structures
		Relocation from disaster risk areas		– +	

Dialogue between the President and an Outside Director

Yoichi Suzuki, a Kajima outside director since 2021, and President Hiromasa Amano discussed a variety of topics ranging from overseas operations and governance to diversity.

Hiromasa Amano
President,
Representative Director

Yoichi Suzuki
Outside Director

First Year as an Outside Director

Amano One year has passed since you became an outside director in June 2021. Has your impression of Kajima changed since your appointment?

Suzuki Given my many years at the Ministry of Foreign Affairs, my impression of Kajima was strongly linked to Morinosuke Kajima and the Kasumigaseki Building. Morinosuke Kajima was the fourth generation of the Kajima family to serve as president and led Kajima's postwar recovery. He was also a significant figure in the history of the Ministry of Foreign Affairs, and I believe he brought understanding of external perspectives and rational judgment to the management of Kajima. I have always enjoyed viewing the Kasumigaseki Building up close, and as Japan's first skyscraper, I feel that it symbolizes Kajima's advanced technological capabilities.

A year has passed since I became an outside director at Kajima, and I now have insights that I did not have before I attended Board meetings. For example, I sense Kajima's strong desire to address the topics that you frequently broach, such as work-style reform, human resource development, and restructuring multilayered subcontracting, as well as Kajima's commitment to placing the highest priority on safety and implementing action plans to that end.

Amano I am pleased to hear that the Kasumigaseki Building made an impression on you as an outside observer. One of Kajima's ideals has always been to develop technologies that meet contemporary needs, be they the construction of skyscrapers, nuclear power plants, or dams. Now, our construction processes are as important as the finished results, so we must also focus on digitalization and digital transformation initiatives. Executives promoted from with the Group, myself included, have limited experience at viewing Kajima from an external perspective, so we may be oblivious to certain issues until we interact with customers and other people outside the Group. We seek to objectively identify Kajima's strengths, share them internally, ensure their ongoing relevance, and keep them in mind as we pursue our business. We therefore welcome your opinions and those of the other outside directors.

Suzuki The other three outside directors have been in office for some time and have a wealth of experience as corporate managers. They often ask pointed questions and make challenging observations, which are a source of inspiration. Director Koji Furukawa is very enthusiastic about governance, Director Masahiro Sakane, about restructuring multilayered subcontracting and putting bad news first, and Director Kiyomi Saito, about Kajima's business portfolio. Among this group, I want to speak from the international perspective I gained over my more than 40 years at the Ministry of Foreign Affairs, including how people in other countries see Japanese society. At the Board meetings I attended over the past year I noticed that Kajima executives have a good understanding of the differences between the business environment overseas and in Japan. During my time in Singapore, I was aware of Kajima's prominent presence there. Moreover, I feel that everyone working at local subsidiaries has a good understanding of international standards and perceptions of Kajima outside Japan. I would like Kajima to draw on this understanding of international norms and viewpoints in bringing reform to the construction industry in Japan.

Overseas Operations

Amano The Kajima Group's overseas operations have grown steadily in recent years, and now account for a large percentage of revenues. As such, the Group must also globalize its systems, quality policies, and employee training to address the expansion of business outside Japan.

The construction industries of North America, Europe, and Southeast Asia are structurally different compared to Japan's multilayered subcontracting structure. By the same token, we absolutely need to understand the features of the countries and regions we serve because our international operations must be locally rooted and conducted in cooperation with local people. We have acquired many companies overseas and they have grown as Kajima Group companies through appropriate post-acquisition support and management. This is the result of good communication between the local team of executives and employees and the people assigned from Kajima Head Office. Mutual respect and cordiality are key to creating synergy.

Suzuki Many people at Kajima have played a part in driving the growth of its overseas operations, and consequently the expansion of overseas revenues. However, the challenge going forward is developing the young employees who will take up this mantle in the future. Strengthening Kajima's network is key to future growth, and to that end it is crucial to take a broad

perspective in understanding and empathizing with values outside Japan. An interesting observation from my days as a diplomat is that people educated in Europe and North America are very rigorous about the application of contracts and rules. Kajima would be wise to inculcate a rigorous legal mindset in young employees to avoid problems in doing business outside Japan.

Amano When developing the legal mindset for international business, it is important to acknowledge the influence that Japan's high-context culture might have on our outlook. We often work with local attorneys in the course of doing business outside Japan, and as such I feel it is critical that interpersonal relationships be grounded in knowledge of local business customs, laws, and rules. The number of young employees expressing an interest in working overseas is increasing year by year, and many of them are thinking about the career benefits from gaining experience in overseas management once they return to Japan.

Suzuki Two or three years of overseas experience as a young employee is worth about 10 years as an older employee. Kajima's people need to come into contact with the different mindsets and norms of people of various countries when they are young and impressionable.

Values in the international community are rapidly changing because of the COVID-19 pandemic and the situation in Ukraine, and the importance of addressing geopolitical risk is increasing. Infrastructure development driven by business continuity planning is also in demand, so what are your thoughts on civil engineering projects overseas?

Amano Infrastructure in Southeast Asia is still developing, and we expect it to become a major market in the future. However, Kajima needs to think about how it should communicate its sophisticated technological capabilities to win orders and do business in competition with local construction companies. A recent success story is a shield tunnel construction order we are executing for an electric power company in Taiwan that we received based on the customer's high evaluation of Kajima's technological capabilities—capabilities that local construction companies do not have.

I expect Kajima to gradually increase civil engineering orders outside Japan for projects where our sophisticated technological capabilities and solutions have the opportunity to shine.

Suzuki Infrastructure for supporting Asia's vigorous ongoing development will be key.

Amano Kajima Technical Research Institute Singapore (KaTRIS) develops knowledge-intensive businesses, and is currently constructing The GEAR as a strategic innovation center. Singapore's government is highly motivated in pushing forward national growth, part of which encompasses welcoming new technologies and knowledge from overseas companies. I think that cooperating with Singapore will lead to new business throughout Asia.

Suzuki Singapore is a great place for feasibility demonstrations for urban development and the like. Kajima then has the option of evolving such demonstration projects into a Singapore model and exporting it. If Kajima can succeed at this kind of co-creation, then its prospects for meeting emerging urban development needs elsewhere in Asia are excellent.

The Board of Directors and the Governance and Remuneration Advisory Committee

Amano Please share your thoughts on how we should conduct meetings of the Board of Directors and other governance bodies.

Suzuki The Board of Directors needs to fulfill its statutory duties and make decisions on many other issues, which makes it difficult to hold repeated discussions about a single topic. Nonetheless, at meetings of the Governance and Remuneration Advisory Committee, outside officers have outstanding discussions and are able to express frank opinions. I would say the healthy tension that the committee's discussions bring to the Board of Directors is highly effective in enhancing governance.

Amano Small group discussions create an intimacy that is conducive to frank opinions, which is a good barometer of the strength of underlying convictions.

Suzuki More than ever, the Board needs to create opportunities to frankly discuss medium- and long-term policies and directions and risk management as it deliberates over how Kajima should deal with new realities. I therefore believe that the Board should devote more time to discussing these kinds of holistic themes.

Diversity

Amano The Governance and Remuneration Advisory Committee has been energetically discussing how to promote active roles for female employees. Please share your thoughts on diversity in light of your experience working outside Japan.

Suzuki Discussions that reflect diverse values are becoming increasingly important for the Group. In the near future, I think Kajima will appoint female directors from within, as well as directors who are non-Japanese nationals, and I was pleased that during a recent discussion on appointing and promoting female employees, the Governance and Remuneration Advisory Committee talked about the issue of life events such as childbirth coinciding with important phases in a person's career. There was also discussion of ways to evolve the attitudes of male partners, and it is critical that such conversations happen more broadly throughout the Group.

Administrative work has a certain degree of flexibility that helps people to work while raising children. Design and construction management, however, often require in-person involvement, so discussion of how Kajima will handle assignments to create more opportunities for female employees to excel will be very important.

Amano Kajima Poland has an all-female team that manages on-site construction work. Members start working earlier in the morning, so they can finish work at 4 p.m. and allocate as much time as they need to childcare. Conditions elsewhere in the Group may be different, but we need to learn from a variety of case studies.

Suzuki We need to hear directly about people's concerns and approaches to solutions. During my time at the Ministry of Foreign Affairs, I worked with a group of high-level G7 diplomatic assistants, and the United Kingdom was unique in that two women handled one position. They split the position's duties while also being the primary caregivers for their children, and one of the two would attend any given meeting or appointment, depending on their personal circumstances. They communicated perfectly so that no matter who was in attendance, neither of them was ever out of the loop. This is a good example of a clever way to handle duties with very serious consequences while also balancing childcare responsibilities.

Amano Pairing two people on a construction site so that they share roles and complement each other seems like a good idea. No matter how close two people may be, though, a rational approach to work requires great communication within a shared framework of rules.

The other day, while on a safety patrol, I visited a Yokohama Branch tunnel construction site where five female employees are responsible for construction management. Creating all-female teams who can cover each other's roles might be another effective measure to trial.

Suzuki Two or three women working together at a site can benefit from teamwork in ways that a solo female employee cannot. In particular, a team can coordinate work and familial responsibilities more easily.

Sustainability

Amano The Board discussed the establishment of a Sustainability Committee in March 2022. What are your thoughts on Kajima's efforts to address sustainability issues such as work-style reform, human resource development, and the environment?

Suzuki "Sustainability" has various meanings and interpretations. The equivalent in French is "*durabilité*," which has strong connotations of "long-lasting." From the Kajima perspective, I think that sustainability refers to environmentally responsible structures that can remain viable for decades without becoming obsolete or worn out. It is important to avoid waste as we make use of existing resources and add value to them. Kajima is certainly doing that, and I would like Kajima to continue to demonstrate its technological capabilities.

Amano The late Senior Advisor Shoichi Kajima said that our objective as a company is to provide a construction value chain that integrates development, engineering, design, construction, maintenance and management. Delivering long-lasting buildings is an important theme for the future. A key for Kajima is to conceptualize construction solutions that bring building and structure maintenance and management to the fore by leveraging our experience and knowledge in these areas. I would like Kajima to fully assimilate and internalize sustainability and think about the outcomes we should deliver as a result.

Expectations for the Kajima Group

Amano In closing, please share your long-term expectations for the Kajima Group and the issues it should address.

Suzuki I perceive Kajima to be a company with a single core. It has been taking on new initiatives with an enterprising spirit for a long time, and I hope to see it continuing to thrive amid grand social change. Since we live in a world that requires a sustainable society that recycles, I would like Kajima to proactively develop technologies from the perspective of how society can use long-lasting assets over an extended timeframe. Also, I think that Kajima will be increasingly involved in businesses outside Japan, and I encourage Kajima to address Asia's future infrastructure needs with initiatives that also include knowledge-based services such as urban planning.

Amano The Group will certainly do its best to meet your expectations. We will continue to discuss key directions for the Group at Board meetings and other forums. Thank you for your time today.

Corporate Governance

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

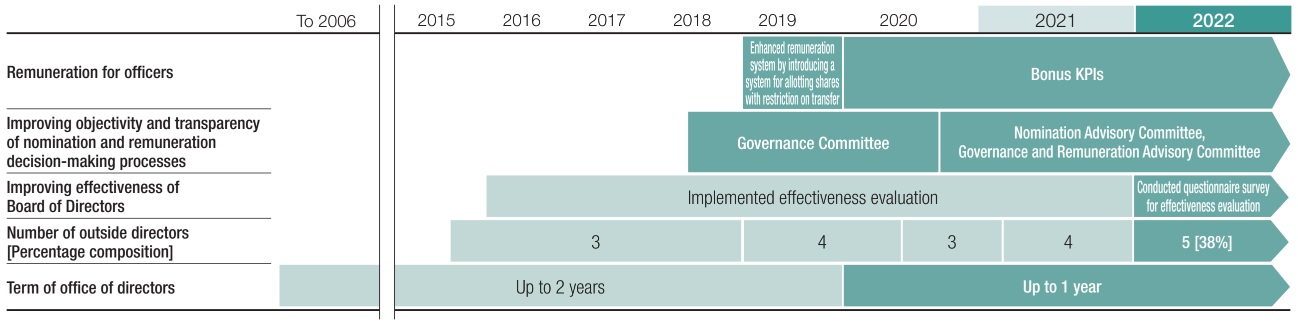
Kajima has elected to use a Company with an Audit & Supervisory Board structure, with a Board of Directors to make key business decisions and monitor business execution and an Audit & Supervisory Board to audit the execution of duties by directors.

The Nomination Advisory Committee and the Governance and Remuneration Advisory Committee have been established as advisory organs to the Board of Directors to strengthen the management supervisory function. Furthermore, an executive officer system has been introduced to separate and bolster supervisory and operational execution functions, as well as to increase the efficiency and speed of management. In addition, a Management Committee and a Joint Committee of Directors and Executive Officers have been established to improve the efficiency of operational execution.

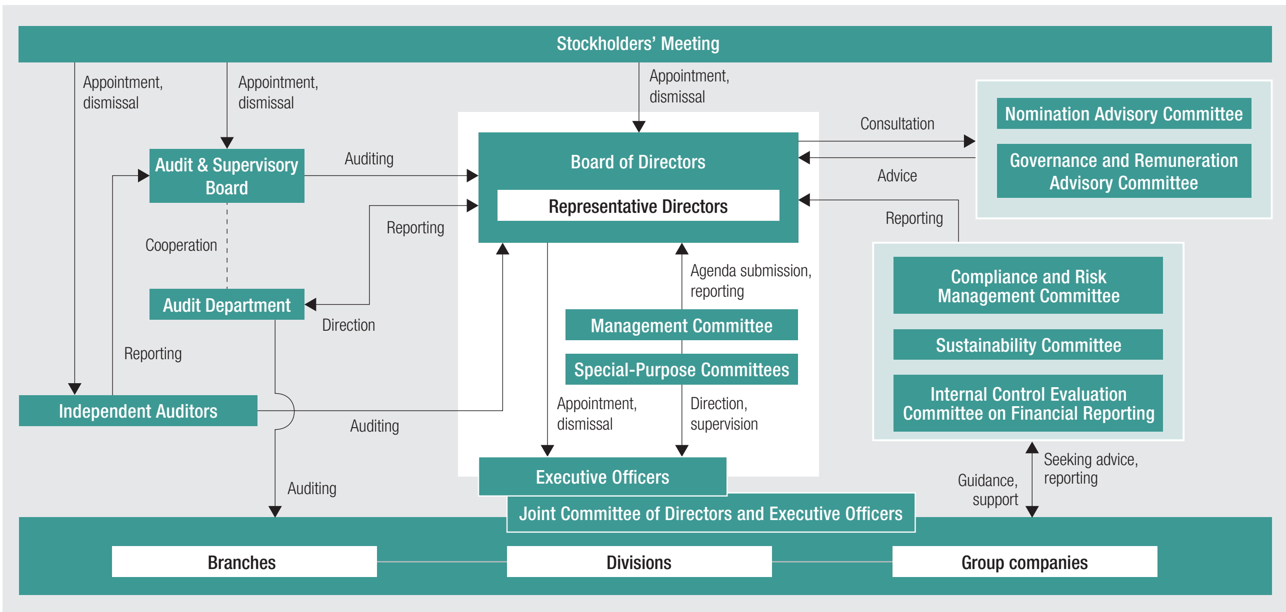
Governance Structure: Company with an Audit & Supervisory Board

Directors	13 persons (including 5 outside directors)
Term	1 year
Number of Board of Directors meetings (FY2021)	14 meetings
Audit & Supervisory Board members	5 persons (including 3 outside members)
Number of Audit & Supervisory Board meetings (FY2021)	14 meetings
Executive officer system	Yes
Independent directors	8 persons

Progress in Strengthening Corporate Governance



Corporate Governance Structure



Nomination Advisory Committee and Governance and Remuneration Advisory Committee

The Nomination Advisory Committee, comprising outside directors and the President, deliberates on personnel-related matters for directors and other officers. The Governance and Remuneration Advisory Committee, comprising outside directors and outside Audit & Supervisory Board members, deliberates on important matters related to corporate governance, including remuneration of directors and other officers. Both committees were established to provide recommendations to the Board of Directors with the aim of ensuring objectivity and transparency.

	Nomination Advisory Committee	Governance and Remuneration Advisory Committee
Roles	The Nomination Advisory Committee was established as a meeting body that deliberates on personnel-related matters for directors and other officers, and provides recommendations to the Board of Directors with the aim of ensuring objectivity and transparency.	The Governance and Remuneration Advisory Committee was established as a body that deliberates on important matters related to corporate governance, including remuneration of directors and other officers, and provides recommendations to the Board of Directors with the aim of ensuring objectivity and transparency.
Main themes for discussion	• Composition of Board of Directors, executives on management team, requirements, and nomination guidelines	• Officer remuneration system (including composition, standards, guidelines for determining remuneration) • Operational enhancements and other measures to improve effectiveness of the Board of Directors • Diversity
Meeting administration	The Executive Office functions as secretariat and is responsible for providing support.	The Executive Office functions as secretariat and is responsible for providing support. Depending on the content of the Board of Directors meeting agenda, persons including the President and other executives on the management team may also be invited to attend Governance and Remuneration Advisory Committee meetings in order to provide briefings.
Number of meetings in FY2021	3 meetings	2 meetings
Chairperson	Outside director	Outside director
Members	President 3 outside directors	5 outside directors 3 outside Audit & Supervisory Board members

Appointment of Outside Directors and Outside Audit & Supervisory Board Members

Kajima has appointed five 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 officers.

Outside Director and Outside Audit & Supervisory Board Member 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 officers 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.

Skills Matrix

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 takes into consideration the diversity and appropriate size of the Board of Directors, while pursuing a balance of knowledge, experience and abilities as a whole. To ensure objectivity and transparency in selecting candidates for Director, the Nomination Advisory Committee deliberates on the basic approach to the nomination and the composition of the Board of Directors, among others, and provides advice and recommendations, based on which the Board of Directors deliberates and makes final decisions.

Name	Positions and assignments at the Company	Number of Board of Directors meetings attended (Rate of attendance)	Main areas of expertise and experience							
			Corporate management	Finance/ Accounting	Technology/ IT	Sales/ Marketing	Legal/Risk management	Government	Global business	Industry knowledge
Yoshikazu Oshimi	Chairman, Representative Director	14/14 (100%)	○		○	○				○
Hiromasa Amano	President, Representative Director	11/11 (100%)	○		○	○				○
Masayasu Kayano	Executive Vice President, Representative Director, Responsible for Civil Engineering	14/14 (100%)	○		○	○			○	○
Keisuke Koshijima	Executive Vice President, Representative Director, General Manager, Overseas Operations Division	11/11 (100%)	○			○	○		○	○
Hiroshi Ishikawa	Director, Executive Vice President, General Manager, Sales and Marketing Division	13/14 (93%)	○			○				○
Takeshi Katsumi	Director, Senior Executive Officer, General Manager, Administration Division, Overseeing Audit Department, Safety and Environmental Affairs Department and IT Solutions Department	11/11 (100%)	○	○			○			○
Ken Uchida	Director, Senior Executive Officer, General Manager, Treasury Division	14/14 (100%)	○	○					○	○
Nobuyuki Hiraizumi	Director	14/14 (100%)	○			○		○		○
Koji Furukawa Outside Director Independent Director	Director	14/14 (100%)	○	○			○		○	
Masahiro Sakane Outside Director Independent Director	Director	14/14 (100%)	○		○				○	
Kiyomi Saito Outside Director Independent Director	Director	14/14 (100%)	○	○					○	
Yoichi Suzuki Outside Director Independent Director	Director	11/11 (100%)					○	○	○	
Tamotsu Saito Outside Director Independent Director	Director	–	○		○				○	

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.

The method for analysis and evaluation of the effectiveness of the Board as a whole and the results for the period from June 2021 to May 2022 are described below.

Analysis and evaluation method

(1) Entrust an external organization to conduct a questionnaire survey of all Directors and Audit & Supervisory Board members
(2) Based on the results of the questionnaire and quantitative and qualitative analysis of matters such as the content of agenda items submitted to Board of Directors meetings and the deliberation time, all members of the Board of Directors discuss actions taken in response to the recommendations and issues raised in the evaluation of effectiveness conducted in past fiscal years, activities of the Nomination Advisory Committee and the Governance and Remuneration Advisory Committee, as well as future issues and other topics
(3) Review by external experts to ensure objectivity

Evaluation results for the current period

The Board of Directors determined that functions of the Board, Nomination Advisory Committee and Governance and Remuneration Advisory Committee are appropriately fulfilled and effectiveness is ensured.

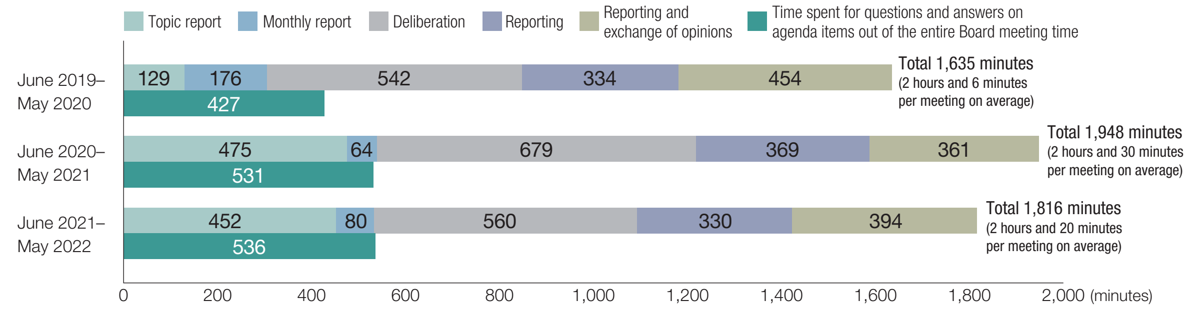
- The results of quantitative and qualitative analysis, as well as the results of the questionnaire survey conducted by an external organization, confirm that the current composition, administration, and discussion of Board meetings are generally appropriate.
- The opinions of outside directors are being reflected to steadily enhance governance, including through review of the officer remuneration system, compliance with the Corporate Governance Code, and establishment of the Sustainability Committee.
- Adequate discussion is taking place outside of Board meetings, such as at the Nomination Advisory Committee, the Governance and Remuneration Advisory Committee, and pre-board meeting briefings (for outside directors).

Main Initiatives Implemented during the Evaluation Period (June 2021–May 2022)

(1) Efforts for Improving Administration of Board Meetings

- It was confirmed that, as a result of efforts to improve the administration of Board meetings and enhance discussions, business execution-related agenda items are submitted to the Board after sufficient discussions at committees managed by executive divisions, that outside directors attend Board meetings after appropriately receiving pre-meeting briefings, and that the time for deliberation and question-and-answer sessions increased compared to the previous fiscal year.
- It was confirmed that Medium-Term Business Plan (FY2021–2023) progress at each division was reported and thoroughly deliberated, and that appropriate information was provided on risk management related to initiatives such as major investments and new businesses.

Deliberation and Question-and-Answer Session Time by Type of Agenda



(Note) Analyzed 13 Board meetings held between June and May of the following year, all except the Board meeting held on the day of the stockholders' meeting

(2) Actions Taken in Response to the Recommendations and Issues Raised in the Previous Fiscal Year

Enhancing reporting and discussions regarding the real estate development business

- Policies regarding domestic and overseas real estate development businesses were explained and the progress of investment plans was reported.

Principal Matters Discussed	Policies for initiatives in the domestic real estate development business (June), initiatives in the Overseas Operations Division (July), and progress of investment plans (December, April)

- New risk management indicators were introduced to keep total risk at an appropriate level.

Enhancing reporting and discussions of analysis results regarding information security systems and safety

- Cybersecurity measures (August) and initiatives for securing essential personnel and safety management (March) were placed on the agenda, and reports were made and opinions exchanged.

Implementing effectiveness evaluation using external consultants

- In order to elicit candid opinions, external experts were entrusted to conduct an anonymous questionnaire survey of all Directors and Audit & Supervisory Board members. The questionnaire called for ratings on certain issues (on a five-point scale) and open-ended responses to items regarding the composition, administration, and discussion of Board of Directors meetings.

(3) Nomination Advisory Committee and Governance and Remuneration Advisory Committee

- The Nomination Advisory Committee met three times and the Governance and Remuneration Advisory Committee twice, and it was confirmed that all members of each committee, most of whom are outside directors, expressed their opinions at respective meetings based on their expertise and experience and engaged actively in discussions.
- When deliberating on officer personnel-related matters and remuneration at the Board of Directors meeting, the outside director serving as chairperson of each committee explained the discussion results and made recommendations. The Board of Directors deliberated further and made decisions based on the explanations and recommendations. It was determined that both committees contributed to ensuring objectivity and transparency of the Board of Directors meetings and the effectiveness of the Board of Directors was secured. In addition, the Governance and Remuneration Advisory Committee tabled and deliberated on issues related to diversity.

Future Issues

	Issues raised
1	Continuous review of the composition of the Board of Directors
2	Further enhancement of deliberations at Board of Directors meetings, including medium- to long-term issues (securing time for deliberations and stimulating debate)
3	Greater opportunities to engage in dialogue other than at Board of Directors meetings (free discussions, site tours, etc.)

Officer Remuneration

Kajima has formulated a policy for determining officer remuneration. The content and methods of this policy are as indicated below.

Director Remuneration System

Basic Policy

- Remuneration standards are to be sufficient to secure and retain outstanding management personnel.
- Remuneration is structured to provide remuneration commensurate with the roles and responsibilities of each position.
- Remuneration linked to achievement of management targets and remuneration linked to Kajima stock price are to be introduced to increase medium- to long-term corporate value and align officer values with those of stockholders.
- Remuneration decision-making processes must be objective and transparent.

To ensure objectivity and transparency in determining director remuneration, the Governance and Remuneration Advisory Committee, comprising outside directors and outside Audit & Supervisory Board members and chaired by an outside director, discusses matters including the Basic Policy on Officer Remuneration, remuneration systems, and remuneration standards. The Board of Directors deliberates and decides on such matters based on the advice and recommendations of the committee.

Kajima provides fixed remuneration to directors in the form of monthly remuneration, performance-linked remuneration in the form of bonuses, and stock remuneration, determined by position (including position as an executive officer for directors concurrently serving in that role).

The composition of respective forms of remuneration as percentages of total remuneration is as indicated below (assuming bonuses equal to standard amounts).

	Fixed remuneration (monthly remuneration)	Performance-linked remuneration (bonus)	Stock remuneration
President	60%	25%	15%
Other directors	70%	15%	15%

Details of Officer Remuneration

	Total remuneration	Directors	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	●	—	—
Remuneration in shares with restriction on transfer	Up to ¥300 million/year	●	—	—

FY2021 Remuneration for Directors and Audit & Supervisory Board Members

(¥ million)

Position	Total remuneration	Monthly remuneration	Bonus	Stock remuneration	Recipients
Directors (excluding outside directors)	584	333	180	70	10
Audit & Supervisory Board members (excluding outside members)	57	57	—	—	3
Outside directors and outside Audit & Supervisory Board members	114	114	—	—	7

Notes:
1. Performance-linked remuneration (bonus) above shows the amount expensed in FY2021 for the officers' bonuses paid to seven directors.
2. Stock remuneration above shows the amount expensed in FY2021 for the remuneration in shares with restriction on transfer allotted to eight directors and the monetary equivalent compensation for one director who resided overseas.

Fixed Remuneration

Fixed remuneration (monthly remuneration) is handled as indicated below.

(1) The total amount of monthly remuneration shall not exceed ¥60 million per month. (Decided at the 108th Ordinary Stockholders' Meeting held on June 29, 2005; number of directors at the time: 14)

(2) Revisions to monthly remuneration amounts due to the appointment of new directors or the resignation of current directors shall be applied from the month following the appointment of the director at the Stockholders' Meeting.

(3) The monthly remuneration of directors who have received promotions shall, in principle, be revised effective the day of said promotion.

Performance-Linked Remuneration

Performance-linked remuneration (bonus) is handled as indicated below.

(1) The total amount of bonuses shall not exceed ¥300 million per year. (Decided at the 120th Ordinary Stockholders' Meeting held on June 29, 2017; number of directors (excluding outside directors) at the time: 11)

(2) Bonuses for the fiscal year (April 1–March 31) shall be based on officers' positions at the end of March, and paid upon resolution by the Board of Directors in a lump sum at the end of June the following year.

(3) In principle, bonuses shall be calculated by multiplying the standard bonus amount established for each position by an evaluation coefficient. The evaluation coefficient shall be the average of performance-linked coefficients based on (a) net income attributable to owners of the parent for the current fiscal year and (b) average net income attributable to owners of the parent for the previous three fiscal years, and adjusted up or down by up to 20% in consideration of target achievement levels and ESG components. The maximum for each performance-linked coefficient is set at 200%, and if net income attributable to owners of the parent is below a certain level, the performance-linked coefficient shall be 0%.

(4) In the event of an incident such as a major compliance infraction, the Company may withhold or reduce bonuses.

(5) In the event of an officer being newly appointed or resigning during the course of the fiscal year, in principle, the full calculation amount is to be paid if the officer is in office for nine months or longer, half of the calculation amount is to be paid if the officer is in office for six to nine months, and no bonus is to be paid if the officer is in office for less than six months.

The evaluation coefficient is the index for bonuses paid as performance-linked remuneration. The following evaluation coefficient was selected because, by combining consolidated performance for the current fiscal year and the average for the previous three fiscal years, (1) it provides an incentive for management based on a medium-term perspective, (2) it is in sync with the nature of the construction industry, where projects generally take two to three years, and (3) it does not interfere with the appropriate and timely recording of losses.

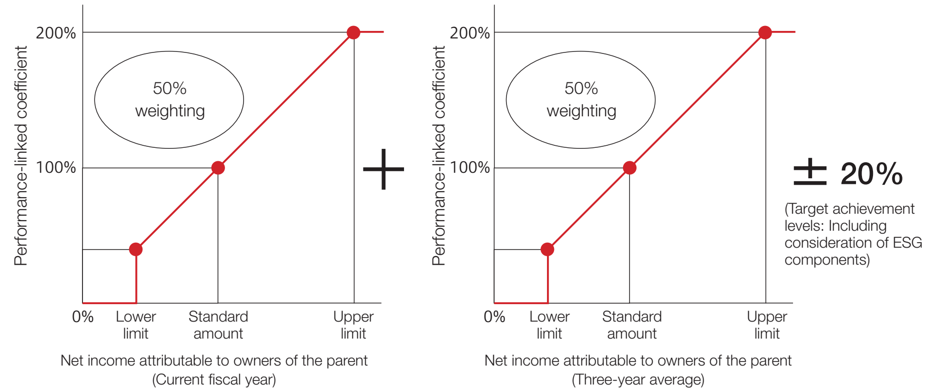
For the current fiscal year, the Board of Directors deliberated on and decided, after discussions at the Governance and Remuneration and Advisory Committee and based on the committee's advice and recommendations, to pay bonuses based on an evaluation coefficient of 210%, which is multiplied by the standard bonus amount established for each position.

As the calculation formula is linked to net income attributable to owners of the parent and adjusted based on target achievement levels, the Company does not set a target for the evaluation coefficient.

Formula

Bonus amount
= Standard bonus amount × evaluation coefficient*

* (Performance-linked coefficient based on net income attributable to owners of the parent for the current fiscal year × 50%) + (Performance-linked coefficient based on average net income attributable to owners of the parent for the last three fiscal years × 50%) ± 20%



Stock Remuneration

Stock remuneration is handled as indicated below.

(1) The total amount of stock remuneration shall not exceed ¥300 million per year. (Decided at the 122nd Ordinary Stockholders' Meeting held on June 25, 2019; number of directors (excluding outside directors) at the time: 9)

(2) The allotment of remuneration in shares with restriction on transfer shall be based on standard amounts established for each position, decided on by the Board of Directors each year, and allotted to eligible directors.

(3) The transfer restriction period shall extend from the day the shares are allotted through the day the recipient resigns from his/her position as director and/or executive officer.

(4) The total number of shares with restriction on transfer to be allotted to eligible directors shall not exceed 600,000 per fiscal year.

Audit & Supervisory Board Member Remuneration System

Audit & Supervisory Board members are paid fixed remuneration in the form of monthly remuneration. The monthly remuneration amount paid to individual Audit & Supervisory Board members is decided through deliberation among Audit & Supervisory Board members according to working conditions and other considerations. The total amount of monthly remuneration shall not exceed ¥15 million per month. (Decided at the 97th Ordinary Stockholders' Meeting held on June 29, 1994; number of Audit & Supervisory Board members at the time: 5)

Risk Management

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

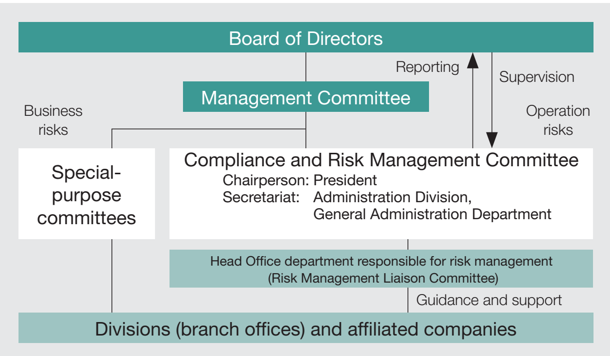
Group-Wide Risk Management System

The Kajima Group conducts Group-wide activities to eliminate or reduce risks in corporate activities. The Management Committee and special-purpose committees ascertain business risks and deliberate on countermeasures, including for new businesses and real estate development investments. With respect to operational risks such as those related to legal or regulatory compliance violations, a department is designated to be responsible for each risk, and the Compliance and Risk Management Committee (chaired by the President) ascertains and evaluates the operational status of the Group's risk management system. In addition, the Compliance and Risk Management Committee deliberates on risk management policies and responses to major risks, and reports to the Board of Directors. The Board of Directors oversees the committee's operational status.

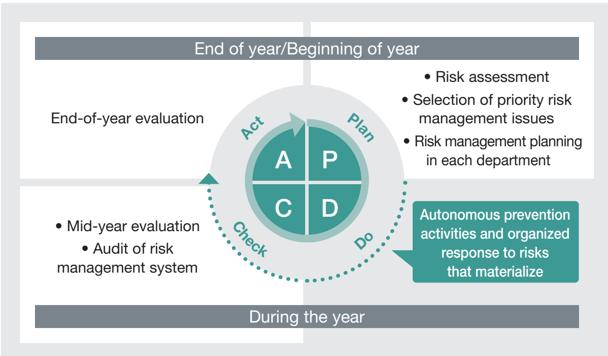
The Risk Management Liaison Committee, which comprises the persons in charge at the Head Office department responsible for risk management, meets regularly to report and share information pertinent to the Group on risks that have materialized, revisions to laws and regulations, social trends, circumstances at other companies, and risk management and communication methodologies, and reports important information to the Compliance and Risk Management Committee as appropriate. The General Administration Department (Administration Division), which serves as the secretariat for the Compliance and Risk Management Committee, centrally manages information within the Group on risks that have materialized and continually follows up on measures addressing these risks.

An effective approach to improving the effectiveness of risk management is to conduct activities according to importance based on a comprehensive review of all risks. At the beginning of each fiscal year, Kajima analyzes risks based on the frequency of their materialization and the impact of their materialization, selects operational risk aspects of corporate activities requiring priority management as "priority risk management issues" for application across the Group, and implements risk management from the perspective of prevention. For risks that have materialized, effective risk management is ensured through the PDCA cycle and includes mandatory early reporting and organization-level measures to contain risks and prevent materialization from recurring. Domestic and overseas Group companies adopt standardized systems in line with those of Kajima, and independently introduce risk management initiatives in collaboration with Kajima.

Risk Management Framework



Risk Management Activity Cycle



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

Committee name	Purpose
Overseas Business Steering Committee	Deliberates and reports on important matters concerning overseas business (overseas subsidiaries and overseas operations directly controlled by Head Office)
Overseas Development Project Steering Committee	Deliberates and reports on plan content and profitability, etc., related to 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 Civil Engineering Project Review Committee Overseas Building Construction Project Review Committee	Investigates and reports on technical, construction, and contractual risks at the time of order receiving for major overseas construction projects; also investigates and reports on measures to address any serious problems that may occur during construction
Development Steering Committee	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
Important Construction Project Review Committees	Confirms the technical, construction and contractual risks prior to estimate submission for important construction projects in Japan, and articulates policy on estimate submission
PFI Civil Engineering Committee PFI Building Committee	Deliberates and reports 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
Business Investment Committee	Identifies and deliberates on 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

Information Security

The Kajima Group handles a wide range of information, including that relating to buildings, customers, management, technology, intellectual property and personal information, in the course of providing various services, including design and construction. The Group adheres to an information security policy and conducts thorough risk management in order to protect such information, including from external attacks or leakage due to negligence. Employees throughout the Group take an annual online course in information security, which raises awareness of measures to prevent incident recurrence. Course education and training topics include risks associated with the use of cloud services and threats such as targeted email attacks, which have increased in recent years.

In the construction industry, project offices are often housed in temporary structures, and there is frequent communication with customers and partner companies during the construction process. Thorough information management is therefore required. 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 increasingly diverse and sophisticated 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 external organizations and CSIRT teams at other companies. Kajima is also strengthening its protection and detection measures, as well as systems for monitoring for unauthorized access, computer viruses and other events, and quickly addressing all potential threats to minimize potential damage. In addition, it has developed protection, detection and monitoring systems to deal with the teleworking environment and other new work styles.

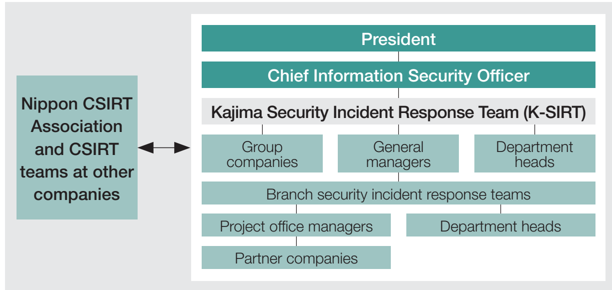
Cyber-attack simulation drills are also conducted to enhance Kajima's organizational response and business continuity capabilities.

FY2021 Results

Training on targeted email attacks
- Conducted for 28,136 persons

Online course in information security
- Participation by 23,526 persons (including 9,353 persons from 84 Group companies)
- Participation rate: 100%

Information Security Management Framework



Multi-Hazard Business Continuity Plan (Natural Disasters, Pandemics, etc.)

When a major earthquake, wind or flood damage, or other natural disaster occurs, the construction industry must quickly mobilize to ensure business continuity and the rapid recovery of vital social infrastructure, including the reopening of roads and the repair of bridges. As a member of the Japan Federation of Construction Contractors that receives requests from the Government of Japan, Kajima operates and updates a 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 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. Furthermore, Kajima continues to enhance its supply chain and business continuity capabilities by formulating and providing BCP manuals to partner companies.

In response to the COVID-19 pandemic, the Group positioned preventing both initial infection and the spread of infection as top priorities. Moreover, in order to ensure business continuity and minimize damage, the Group is gathering information, assessing risk scenarios, instructing employees in Japan and overseas on actions to take, providing guidance to partner companies, and implementing other necessary measures.

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.

Business and Other Risks

Risk factors	Risks and opportunities	Response
Risks of changes in the business environment	• If there are significant changes in construction, real estate development or other business environments, such as a significant decrease in construction demand or a rapid contraction of the real estate market due to factors such as an economic downturn, there could be a decline in construction contract awards and a decrease in real estate sales and lease income. • If competition with other general construction companies intensifies and the Group is unable to maintain its competitiveness in aspects such as quality, cost or service content, there could be a deterioration in the Group's business performance.	• The Group will continue to advance the measures set forth in the Kajima Group Medium-Term Business Plan (FY2021–2023), which was formulated based on changing conditions and market trends, in order to achieve management targets and increase corporate value. Medium-Term Business Plan Progress, pages 26–29
Risks of fluctuation in construction costs	• Construction projects are subject to fluctuations in construction costs because they require the procurement of materials, equipment and labor over a long period of time. If a rapid rise in main material prices and labor costs results in unexpected increases in construction costs that the Group is unable to reflect in the contracted amount, there could be a deterioration in the profitability of construction work.	• The Group implements measures such as early procurement, securing diverse suppliers and including price adjustment clauses in contracts with clients, in order to minimize the impact of construction cost fluctuations. Building Construction, pages 38–41
Risks of fluctuation in prices and profitability of assets held	• In the event of a decline in the profitability of real estate for sale (consolidated balance sheet balance of ¥74.0 billion as of March 31, 2022), or a significant decline in the market value of assets such as real estate for lease (¥219.2 billion) and investments in securities (¥355.8 billion), the Group could be required to register a valuation loss or impairment loss.	• The Group manages real estate development business assets by ascertaining the risk of a decline in asset value for each project and maintaining total risk below a defined level in proportion to consolidated equity capital. • For consolidated equity capital, the Group maintains a financial foundation that can sufficiently accommodate future growth in domestic and overseas real estate development business assets during the period of the Medium-Term Business Plan. • When investing in individual projects, Head Office special-purpose committees (Development Steering Committee and Overseas Development Project Steering Committee) and others ascertain risks and deliberate on countermeasures. The Board of Directors and the Management Committee then deliberate on these investments in accordance with defined standards. • Each fiscal year, the Board of Directors deliberates on listed stocks held for strategic purposes, based on an assessment of the rationality of continuing to hold them and asset efficiency from a medium- to long-term perspective, and sells off, in principle, stocks that no longer satisfy the relevant criteria. During the period of the Medium-Term Business Plan, the Group's policy is to sell at least ¥30 billion in cross-shareholdings. Message from the General Manager of the Treasury Division, pages 30–33
Risks related to changes in political and economic conditions in other countries	• As the Group develops its construction and real estate development businesses overseas in regions including North America, Europe, Asia and Oceania, the Group's policy is to further localize human resources and enhance business platforms worldwide by forming business and capital alliances in accordance with the Medium-Term Business Plan. If there are significant changes in political and economic conditions, legal systems or foreign exchange rates in the countries in which the Group operates, there could be an impact on the Group's business performance.	• When conducting M&A and entering into new markets overseas, a Head Office special-purpose committee (Overseas Business Steering Committee) ascertains risks and deliberates on countermeasures. The Board of Directors and the Management Committee then deliberate on these matters in accordance with defined standards. • Kajima has established an International Emergency Response Committee to ensure the safety of employees and their families and provide local support in the event of incidents such as a terrorist attack or civil disturbance. Risk Management, pages 72–75
Risks associated with the shortage of workers in the construction industry	• In Japan, the number of skilled construction workers in the construction industry is on the decline, and unless sufficient measures are taken, it will be difficult to maintain the construction system. This could lead to effects including a decline in revenues or a decrease in the profit margin on construction projects due to higher labor procurement costs.	• The Group is promoting operational efficiency through greater productivity and improving working conditions through measures such as closing construction sites for a total of eight days out of every four weeks, while ensuring adherence to construction schedules. The Group is also implementing various measures to establish an environment that facilitates the creation of construction systems that limit the scope of contracts to secondary subcontracting, in principle, and that have other benefits in terms of improving employment conditions for skilled workers, stabilizing their income and making the profession more attractive to work in. • The Group is implementing measures to support partner companies in improving employment conditions for skilled workers. The Group is also systematically developing automation, labor-saving and robotic technologies to compensate for the shortage of construction workers. Human Rights, Supply Chain, and Safety, pages 52–55

Risk factors	Risks and opportunities	Response
Legal and regulatory risks	• The Group's business activities are subject to a variety of laws and regulations, including the Construction Business Act, the Building Standards Act, occupational health and safety laws, environmental laws and the Anti-Monopoly Act. Therefore, in the event of revision of laws and regulations, the enactment of new laws and regulations, or changes in applicable standards, there could be an impact on the Group's business performance due to the effect on the contract award environment and costs, depending on the content of these changes. • In the event of the violation of a law or regulation by the Group, there could be losses due to criminal or administrative penalties, business restrictions, or damage to the Group's reputation, which could have an impact on the Group's business performance.	• In response to the enactment or revision of relevant laws and regulations, the content and necessary compliance measures are disseminated by the departments in charge. As a compliance manual, the Group issues the *Handbook for Practical Application of the Kajima Group Code of Conduct*, which is updated as necessary to reflect revisions to laws and regulations and changes in social conditions. It is disseminated to all officers and employees. • In order to further improve and instill an awareness of compliance, the Group conducts ongoing training on the Kajima Group Code of Conduct for its officers and employees via online courses. In addition, departments responsible for each field formulate rules and guidelines, and conduct training and audits to further ensure appropriate business activities. For example, in regard to the Anti-Monopoly Act, the Head Office Legal Department formulates and revises the *Manual for Compliance with the Anti-Monopoly Act*, holds training sessions by lawyers using case studies and audits compliance with the bid-rigging prevention framework at the Head Office and branches. Compliance, pages 76–77
Safety and health, environmental, and quality risks	• In the event of a serious personal injury, environmental accident, or quality accident in the course of providing our services, including design and construction, there could be an impact on the Group's business performance due to damage to reputation, compensation for damages, delays in construction, and re-working costs.	• Safety and health, environmental management, and quality assurance are fundamental to production and corporate survival. Therefore, the Group has established a basic policy, Safety and Health Policy, Environmental Policy, and Quality Assurance Policy, and carries out production activities based on appropriate and effective management systems that comply with relevant laws, regulations and other social requirements. • To ensure safety, Kajima has been implementing safety and health management in conformance with the Construction Occupational Health and Safety Management System (COHSMS). • In terms of the environment, Kajima operates environmental management systems that are compliant with ISO 14001. • In regard to quality, Kajima has received ISO 9001 certification in both its civil engineering and building construction operations. Individual overseas subsidiaries and affiliates have also obtained relevant certifications. Human Rights, Supply Chain, and Safety, pages 52–55 Environment, pages 56–61
Information security risks	• The Group handles a wide range of information, including that relating to buildings, customers, management, technology and intellectual property, as well as personal information, in the course of providing various services, including design and construction. If such information is leaked or lost due to an external attack or the negligence of an employee, there could be an impact on the Group's business performance due to reputational harm, compensation for damages, restoration costs, etc.	• The Group has established an information security policy, and conducts education and training using online courses, as well as inspections and audits. Risk Management, pages 72–75
Business partner credit risks	• In the event of credit uncertainty regarding business partners such as clients and partner companies, there could be an impact on the Group's business performance due to the inability to collect payment for construction work, delays in construction, etc. The impact could be particularly significant if the payment for a large construction contract becomes uncollectible.	• Whenever the Group enters into a new project agreement, it reviews the creditworthiness, financial planning, and payment terms of the customer to avoid the risk of a payment becoming uncollectible. In the event of new forms of contract or unfavorable payment terms where payments for construction work would still need to be collected after the completion of construction, the Head Office ascertains the risks and takes countermeasures. The Management Committee also deliberates on these matters in accordance with defined standards. • Whenever the Group enters into a new transaction with a partner company, in principle, it examines the financial position and other characteristics of the partner company before entering into a basic construction subcontracting agreement. In addition, the Group conducts regular visits to major partner companies to confirm management conditions including their financial position.
Hazard risks (natural disasters, pandemics, etc.)	• In the event of a large-scale natural disaster such as a major earthquake or wind or flood damage, there could be an impact on the Group's business performance due to damage to construction in progress, delays in construction, or damage to Company-owned buildings. • In the event of a pandemic, there could be an impact on the Group's business performance, including a decline in construction contract awards due to an economic downturn or a decrease in revenues due to the suspension of construction work.	• The Group is working to further improve its disaster preparedness and business continuity capabilities through means such as the formulation of a BCP in case of a disaster and conducting practical BCP drills assuming an earthquake directly under the Tokyo metropolitan area, torrential rains and other scenarios. • In response to the COVID-19 pandemic, the Group positioned preventing both initial infection and the spread of infection as top priorities. Moreover, in order to ensure business continuity and minimize damage, the Group is gathering information, assessing risk scenarios, instructing employees in Japan and overseas on actions to take, providing guidance to partner companies, and implementing other necessary measures. Risk Management, pages 72–75

Compliance

Kajima recognizes that compliance is the foundation of all corporate activities. To articulate this stance and to provide a common frame of reference for directors, officers and employees of the Group, it has established the Kajima Group Code of Conduct, under which the entire Kajima Group works to promote compliance.

Compliance Framework and Implementation

The Compliance and Risk Management Committee (chaired by the President) receives reports on the status of compliance throughout the Group as appropriate, as well as on important matters as they arise, promptly gives instructions on necessary responses and improvement measures, and reports the details of its recommendations to the Board of Directors.

The Legal Department, which is part of the Administration Division, is the department in charge of compliance. It has formulated and regularly reviews a compliance manual and conducts training through online courses, while the departments responsible for each business field formulate rules and guidelines and conduct training as necessary.

In addition, the Audit Department, an internal audit division independent of operational divisions, conducts internal audits as part of its business audits.

Each Group company has also established and implements a compliance framework in line with that of Kajima.

Major Initiatives in FY2021

- Revision of compliance manuals (7th edition)
- Code of Conduct online course
  Participants: 23,217 employees, including 9,475 employees from 45 Group companies
  Participation rate: 100%

Anti-Corruption Initiatives

Kajima signed the United Nations Global Compact in March 2019 and supports the principle that "Businesses should work against corruption in all its forms."

In April 2021, we established the Kajima Group Anti-Bribery Principles to further clarify our stance on anti-corruption initiatives.

Maintaining Fair Relationships with Partner Companies

The Kajima Group Code of Conduct states that we shall maintain healthy and fair relationships with subcontractors.

In April 2020, we established and began enforcing strict Company-wide rules that prohibit coercion of partner companies and, as a general principle, prohibit the acceptance of hospitality, entertainment, or gifts from partner companies.

In addition, we work with partner companies to promote thorough compliance, including anti-corruption measures, by requesting that they comply with the Kajima Group Conduct Guidelines for Business Partners as part of quotation and ordering conditions. At the same time, we carefully examine and assess the details of individual transactions with the aim of ensuring fairness and appropriateness in the selection of partner companies and the drafting of contracts.

Maintaining Appropriate Relationships with Public Officials in Japan

When making payments to or bearing expenses for public officials in Japan, we make sure that all employees are aware that they must act in accordance with the National Public Service Ethics Code. In addition, even if the said code is satisfied, we require all employees to submit applications for entertainment expenses in advance, and also conduct strict checks regarding the legality and appropriateness of expenditures during subsequent expense processing.

Maintaining Appropriate Relationships with Public Officials Overseas

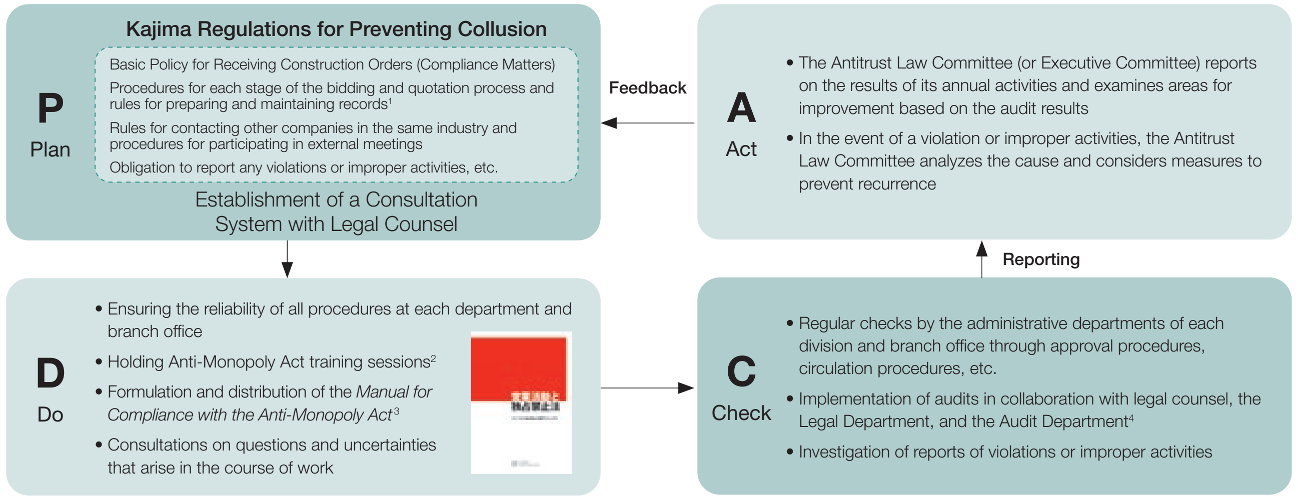
In April 2021, given that relationships with foreign public officials are in general considered to have a high degree of exposure to bribery risks, Kajima established the Kajima Corporation Anti-Bribery Policy for Foreign Public Officials, etc. In addition, we developed guidelines that define specific procedures and criteria for each type of conduct.

Group companies in Japan and overseas are also working to formulate regulations and guidelines in line with those of Kajima, and are implementing activities to prevent bribery risks in the Kajima Group.

Ensuring Strict Compliance with the Anti-Monopoly Act

Kajima has established an Antitrust Law Committee under the Compliance and Risk Management Committee. The Legal Department, which serves as the Head Office secretariat, and the administration departments of each branch office, which serve as branch office secretariats, play a central role in ongoing initiatives to establish a bid-rigging prevention framework.

Group companies that are engaged in activities to receive orders related to public procurement have also established and are abiding by regulations in accordance with the Kajima Regulations for Preventing Collusion, and we are actively involved in confirming the implementation status of each company by assisting them in their anti-bid-rigging audits and checking their audit reports.



1. For public works and selected construction works ordered by private companies (such as subsidized construction work and construction work for clients acting in the public interest)
2. Participants in FY2021: 1,680 employees, including 337 employees from 26 Group companies
3. In April 2021, a revised version was prepared and distributed to all officers and employees, reflecting the December 2020 revisions to the Anti-Monopoly Act, as well as other laws. It was also distributed to Group companies.
4. Implemented for all 12 branches and two relevant Head Office departments in FY2021

Current Status of Trial Proceedings

- Kajima appealed to the Tokyo High Court against the guilty judgement rendered by the Tokyo District Court in March 2021 in the case involving violations of the Anti-Monopoly Act in connection with the construction of the Linear Chuo Shinkansen. In addition, Kajima filed a lawsuit with the Tokyo District Court to revoke the cease-and-desist order it received from the Japan Fair Trade Commission in December 2020. The trial is ongoing.
- A lawsuit to revoke the cease-and-desist order issued by the Japan Fair Trade Commission in connection with a violation of the Anti-Monopoly Act in relation to the manufacture and sale of asphalt mixture by our subsidiary Kajima Road Co., Ltd. is ongoing in the Tokyo District Court.

Whistleblower System

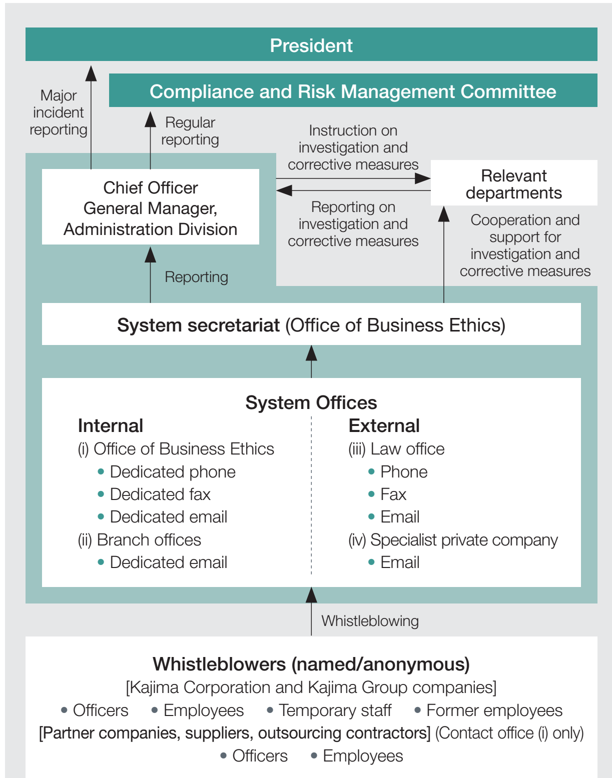
A whistleblower system (a corporate ethics hotline) has been established through which employees of Kajima, Group companies, partner companies, and others are able to report facts or suspicions concerning wrongdoing in the Group. Anyone can report, anonymously if desired, misconduct or legal violations, 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 distribution of information leaflets throughout the Group, Kajima ensures that all employees are thoroughly aware of relevant rules and use the system when needed. Another contact office has also been established for general inquiries and consultations from external stakeholders.

The amended Whistleblower Protection Act came into effect on June 1, 2022. It requires business operators to "specify a person in charge of handling whistleblowing" and "establish a system that can respond appropriately to whistleblowing cases that arise internally." Kajima has revised its internal rules to enable it to appropriately operate the whistleblower system, and issued a message from top management in line with this revision. In so doing, Kajima is creating an environment in which all concerned parties can use the whistleblower system with peace of mind and report appropriately, as well as enhancing the effectiveness of the system.

Fiscal 2021 Whistleblowing Reports: 14 reports

Corporate Ethics Whistleblower System Framework



Note: Each Group company also operates its own whistleblower system

Directors and Auditors (As of June 28, 2022)

Board of Directors

Yoshikazu Oshimi
Chairman, 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, Representative Director
- 2021 Chairman, Representative Director (to the present)

Hiromasa Amano
President, Representative Director

- 1977 Joined the Company
- 2009 Executive Officer, General Manager, Planning Department, Building Construction Management Division
- 2012 General Manager, Chubu Branch
- 2013 Managing Executive Officer
- 2014 Senior Executive Officer, General Manager, Tokyo Architectural Construction Branch
- 2017 Executive Vice President
- 2021 President (to the present),
Representative Director (to the present)

Masayasu Kayano
Executive Vice President, Representative Director, Responsible for Civil Engineering

- 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, Overseeing Machinery and Electrical Engineering Department
- 2012 Senior Executive Officer
- 2014 Director, Executive Vice President (to the present)
- 2015 Responsible for International Civil Engineering Operations
- 2019 Representative Director (to the present)
- 2022 Responsible for Civil Engineering (to the present)

Keisuke Koshijima
Executive Vice President, Representative Director, General Manager, Overseas Operations Division

- 1978 Joined the Company
- 2005 President and CEO, Kajima U.S.A. Inc.
- 2009 Executive Officer
- 2010 General Manager, Overseas Operations Division (to the present)
- 2012 Managing Executive Officer
- 2015 Senior Executive Officer
- 2018 Executive Vice President (to the present)
- 2021 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)

Takeshi Katsumi
Director, Senior Executive Officer, General Manager, Administration Division, Overseeing Audit Department, Safety and Environmental Affairs Department and IT Solutions Department

- 1980 Joined the Company
- 2007 General Manager, Affiliated Business Department
- 2014 Executive Officer, General Manager, Corporate Planning Department, Overseeing Affiliated Business Department and IT Solutions Department (to the present)
- 2017 Managing Executive Officer
- 2020 Senior Executive Officer (to the present), General Manager, Administration Division (to the present), Overseeing Safety and Environmental Affairs Department (to the present)
- 2021 Director (to the present), Overseeing Audit Department (to the present)

Ken Uchida
Director, Senior Executive Officer, General Manager, Treasury Division

- 1979 Joined the Company
- 2012 Managing Director, Kajima Europe Ltd.
- 2015 Executive Officer
- 2017 Director (to the present), Managing Executive Officer, General Manager, Treasury Division (to the present)
- 2021 Senior Executive Officer (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[1]

- 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[1]

- 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.
- 2015 Director (to the present)
- 2019 Advisor, Komatsu Ltd. (to the present)

Kiyomi Saito
Director[1]

- 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.)
- 2015 Director (to the present)
- 2021 Representative Director, JBond Totan Securities Co., Ltd. (to the present)

Yoichi Suzuki
Director[1]

- 1975 Joined the Ministry of Foreign Affairs, Japan (MOFA)
- 2003 Deputy Director-General, Economic Affairs Bureau of MOFA
- 2005 Consul-General in Boston
- 2008 Director-General, Economic Affairs Bureau of MOFA
- 2010 Ambassador to Singapore
- 2013 Ambassador to France
- 2016 Government Representative and Ambassador in charge of the Kansai region
- 2017 Government Representative and Ambassador for International Economic Affairs
- 2018 Retired from MOFA
- 2021 Director (to the present)

Tamotsu Saito
Director[1]

- 1975 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently IHI Corporation)
- 2008 Director, Executive Officer, President of Aero-Engine & Space Operations, IHI Corporation
- 2009 Director, Managing Executive Officer, President of Aero-Engine & Space Operations, IHI Corporation
- 2011 Executive Vice President, IHI Corporation
- 2012 President, CEO, IHI Corporation
- 2016 Chairman of the Board, Chief Executive Officer, IHI Corporation
- 2017 Chairman of the Board, IHI Corporation
- 2020 Senior Counselor, IHI Corporation (to the present)
- 2022 Director (to the present)

Audit & Supervisory Board

Masahiro Nakagawa
Audit & Supervisory Board Member[2]

- 1981 Joined the Sumitomo Bank, Limited
- 2010 Executive Officer 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 and Deputy Chief Executive Officer, SMBC Trust Bank Ltd.
- 2018 Audit & Supervisory Board Member (to the present)

Takashi Kumano
Audit & Supervisory Board Member

- 1983 Joined the Company
- 2011 General Manager, Nagano District Office, Kanto Branch
- 2015 General Manager, Administration Department, Kanto Branch
- 2017 General Manager, Audit Department
- 2020 Audit & Supervisory Board Member (to the present)

Kazushi Suzuki
Audit & Supervisory Board Member

- 1984 Joined the Company
- 2009 Group Leader, Internal Control Group, Corporate Planning Department
- 2013 Group Leader, Management Group, Corporate Planning Department
- 2014 General Manager, Affiliated Business Department
- 2021 Divisional Advisor (in charge of Affiliated Business Department), Audit & Supervisory Board Member (to the present)

Kazumine Terawaki
Audit & Supervisory Board Member[2]

- 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)

Yukiko Fujikawa
Audit & Supervisory Board Member[2]

- 1988 Joined Chuo Shinko Audit Corporation
- 1992 Registered as Certified Public Accountant
- 1998 Financial Securities Inspector, Inspection Department, Financial Supervisory Agency (currently Financial Services Agency)
- 2000 President, Yukiko Fujikawa CPA Office (to the present)
- 2004 Registered as Certified Public Tax Accountant
- 2012 Representative Member, Kaikei Jissen Kenkyujyo (tax accountancy corporation) (to the present)
- 2020 Audit & Supervisory Board Member (to the present)

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

Executive Officers

President
Hiromasa Amano

Executive Vice Presidents
Masayasu Kayano
Responsible for Civil Engineering

Keisuke Koshijima
General Manager, Overseas Operations Division

Hiroshi Ishikawa
General Manager, Sales and Marketing Division

Takao Nomura
General Manager, Yokohama Branch

Koichi Matsuzaki
General Manager, Building Construction Management Division

Senior Executive Officers
Jun Matsushima
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

Takeshi Katsumi
General Manager, Administration Division, Overseeing Audit Department, Safety and Environmental Affairs Department and IT Solutions Department

Hitoshi Ito
Deputy General Manager, Building Construction Management Division

Masaru Kazama
General Manager, Civil Engineering Management Division

Yutaka Katayama
General Manager, Chubu Branch

Ken Uchida
General Manager, Treasury Division

Takaharu Fukuda
Responsible for Research and Development and Building Structures, Overseeing Digital Strategy Office and Intellectual Property and License Department

Norio Kita
General Manager, Architectural Design Division

Takeshi Tadokoro
General Manager, Kanto Branch

Managing Executive Officers
Hiroshi Shoji
General Manager, Tohoku Branch

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

Takao Shinkawa
General Manager, Environmental Engineering Division

Kiyomi Aikawa
General Manager, Civil Engineering Design Division

Masahito Tanaami
Deputy General Manager, Architectural Design Division

Yoshihiko Riho
Director, Kajima Technical Research Institute

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

Eiichi Tanaka
Responsible for Nuclear Power

Michiya Uchida
Deputy General Manager, Environmental Engineering Division

Shuichi Oishi
CEO, Kajima Development Pte. Ltd.

Kazuyoshi Yonezawa
Deputy General Manager, Tokyo Architectural Construction Branch

Mitsuharu Kodoi
Deputy General Manager, Civil Engineering Management Division

Katsuhisa Takekawa
Deputy General Manager, Building Construction Management Division

Takeshi Kayano
General Manager, Kansai Branch

Nobuhiro Kobayashi
Deputy General Manager, Tokyo Architectural Construction Branch

Hidemitsu Yoshihiro
General Manager, Tokyo Civil Engineering Branch

Executive Officers
Koji Ikkatai
Deputy General Manager, Engineering Division

Ryuzo Ikegami
Deputy General Manager, Building Construction Management Division, Responsible for Safety (Construction)

Munehisa Yoshimi
Deputy General Manager, Sales and Marketing Division

Mitsuru Niizuma
Deputy General Manager, Administration Division, Overseeing Public Relations Office

Tadashi Fujimura
Deputy General Manager, Architectural Design Division

Miki Ito
Deputy General Manager, Building Construction Management Division

Tetsuya Ashida
General Manager, Hokuriku Branch

Takahiko Tsukaguchi
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

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, Civil Engineering Management Division

Yasushi Kurokawa
Deputy General Manager, Architectural Design Division

Toru Yamamoto
General Manager, Hokkaido Branch

Masaya Hiraoka
Deputy General Manager, Architectural Design Division

Hirotaka Takabayashi
General Manager, Corporate Planning Department

Toshio Taikoji
General Manager, Planning Department, Civil Engineering Management Division

Nobuaki Yoshioka
Deputy General Manager, Tokyo Architectural Construction Branch

Masafumi Kiryu
Deputy General Manager, Tokyo Architectural Construction Branch

Yoshinobu Ozaki
General Manager, Shikoku Branch

Jun Shimai
Deputy General Manager, Sales and Marketing Division

Yukio Chida
Deputy General Manager, Tokyo Architectural Construction Branch

Jirou Tsuneoka
General Manager, Chugoku Branch

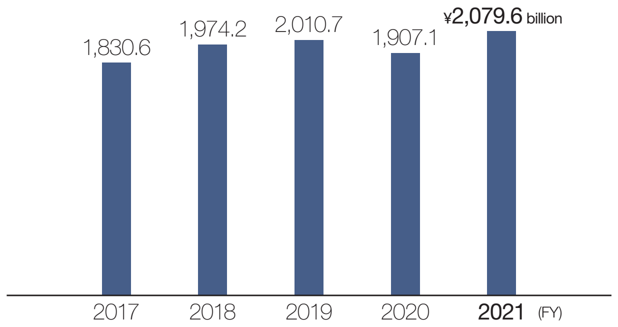
Hiroto Ichiki
President and CEO, Kajima Europe Ltd.

Naoshi Nishizawa
Deputy General Manager, Administration Division

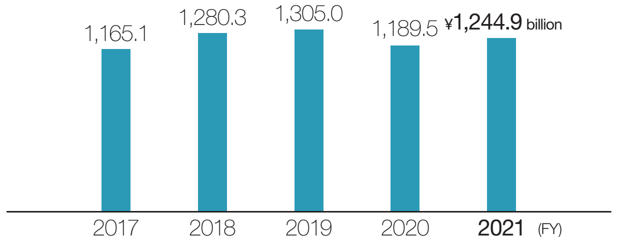
Financial and Non-Financial Highlights

Revenues

Consolidated **¥2,079.6** billion

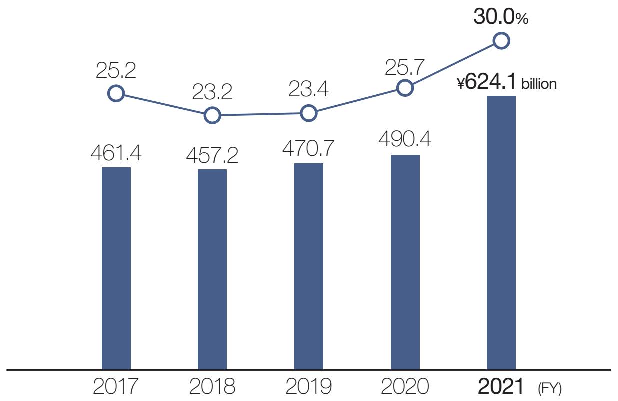


Non-consolidated **¥1,244.9** billion

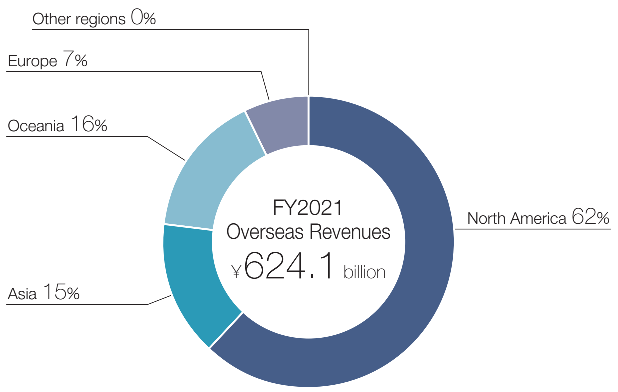


Revenues increased by 9.0% on a consolidated basis, and by 4.7% on a non-consolidated basis, largely due to an increase in the volume of large-scale construction work in Kajima Corporation's building construction business, as well as steady performance from the building construction and real estate development businesses at overseas subsidiaries and affiliates, especially in North America.

Overseas Revenues / Total Revenues Ratio



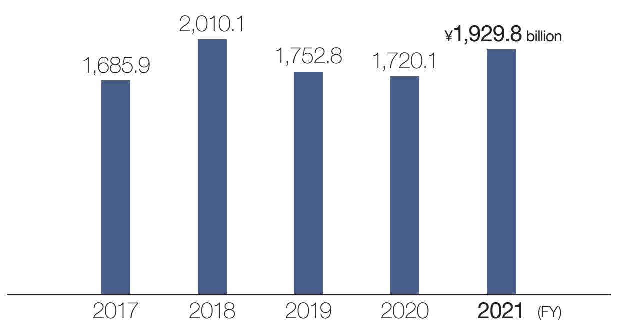
Revenues outside Japan, by Region



Overseas revenues increased by 27.3% and the ratio of overseas revenues to total revenues increased by 4.3 points. Although revenues decreased in Asia due to the prolonged impact of COVID-19, revenues increased in other regions. Particularly in North America, revenues increased in the building construction and real estate development businesses, centered on distribution warehouses.

Construction Contract Awards

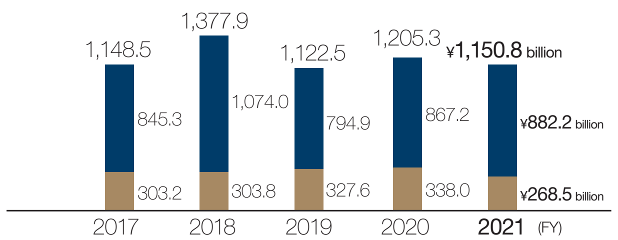
Consolidated **¥1,929.8** billion



Non-consolidated **¥1,150.8** billion

Civil Engineering **¥268.5** billion

Building Construction **¥882.2** billion

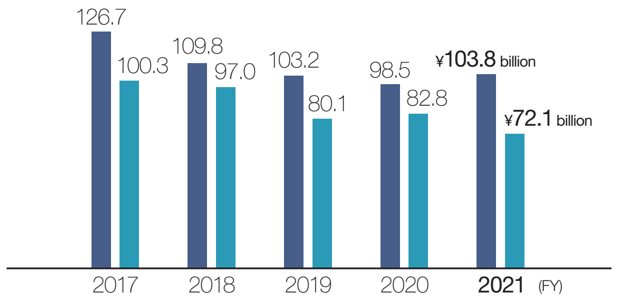


On a consolidated basis, construction contract awards increased by 12.2%, due to an increase in overseas contracts, mainly in North America and Southeast Asia. On a non-consolidated basis, building construction contract awards increased while civil engineering contract awards decreased, and as a result, total contracts awarded to Kajima Corporation decreased by 4.5%.

Net Income Attributable to Owners of the Parent/Net Income

Consolidated **¥103.8** billion

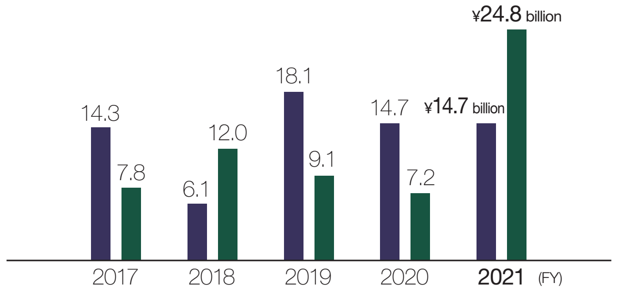
Non-consolidated **¥72.1** billion



On a consolidated basis, net income attributable to owners of the parent reached the 100.0-billion-yen level for the first time in two years marking a 5.4% increase due to higher income at overseas subsidiaries and affiliates. On a non-consolidated basis, net income decreased by 12.8%, mainly due to a decrease in profit from construction business.

Domestic Subsidiaries and Affiliates **¥14.7** billion

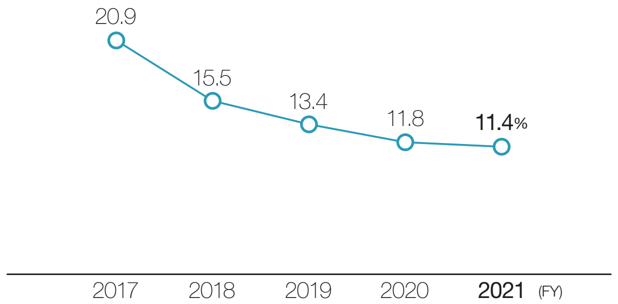
Overseas Subsidiaries and Affiliates **¥24.8** billion



Net income in Japan was essentially unchanged compared with the previous fiscal year, and increased by 242.6% overseas mainly due to strong performance in the distribution warehouse development business in North America and Europe.

Return on Equity

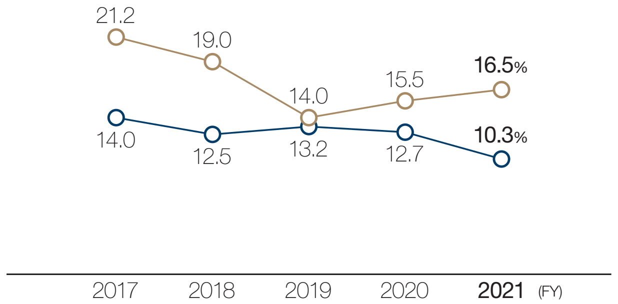
11.4%



Return on equity remained over 10% due to steady business performance.

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

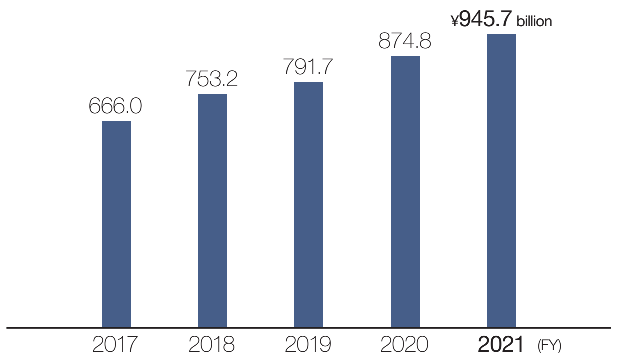
Civil Engineering **16.5%** Building Construction **10.3%**



Gross profit margin in Kajima's civil engineering business increased due to improvements in productivity, but decreased in the building construction business as fewer construction projects reached completion during the fiscal year.

Owners' Equity

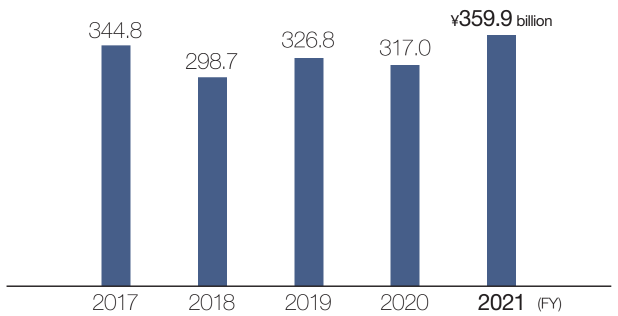
¥945.7 billion



Owners' equity was approximately ¥950.0 billion, indicating increased financial soundness. (Owners' equity ratio: 40.5%)

Interest-Bearing Debt

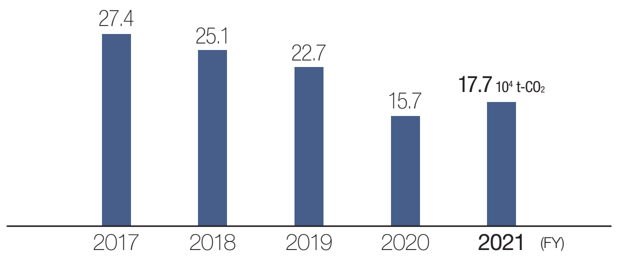
¥359.9 billion



Although interest-bearing debt increased by 13.5% due to the use of external funding for investments in real estate development projects, etc., an appropriate level of financial soundness was maintained. (Debt-to-equity ratio: 0.38 times)

CO_2 Emissions Attributable to Construction

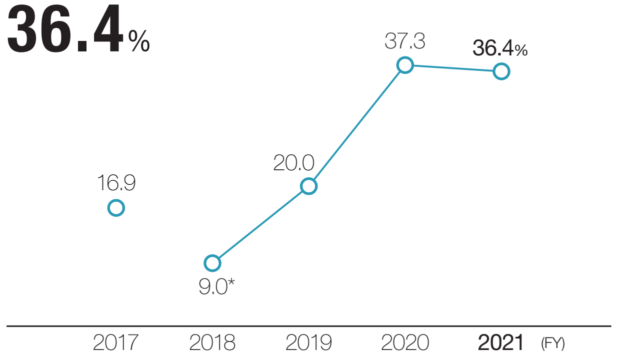
17.7 10^4 t-CO_2



CO_2 emission equivalents have been calculated for all electric power and fuel used at Kajima construction sites in Japan. From FY2020, following a reassessment of sampling-based data aggregation, the calculation method is based on data collected from all sites.

Reduction in CO_2 Emissions per Unit of Sales Attributable to Construction

36.4%



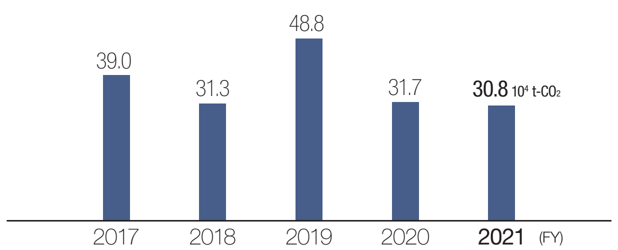
CO_2 emissions depend on the amount of work performed during the fiscal year. Therefore, we set a target for the reduction of CO_2 emissions per unit of sales attributable to construction (t-CO_2/¥100 million in sales attributable to construction) compared with the benchmark year (Page 60).

* The benchmark year was FY1990 for fiscal years through FY2017, and FY2013 from FY2018.

Indirect Contributions to CO_2 Reduction

30.8 10^4 t-CO_2

■ Contribution to CO_2 emissions reduction attributable to energy-saving design of buildings*



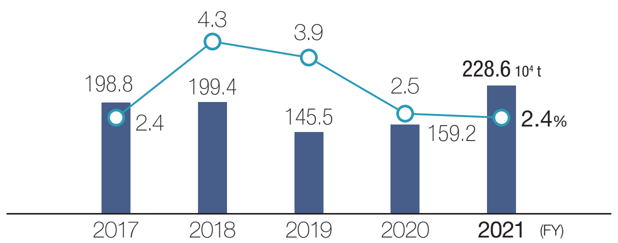
We measure indirect contributions to CO_2 reduction from designs that enable energy saving at the operation stage.

* 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 lifecycle (30 years)

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

228.6 10^4 t / **2.4**%

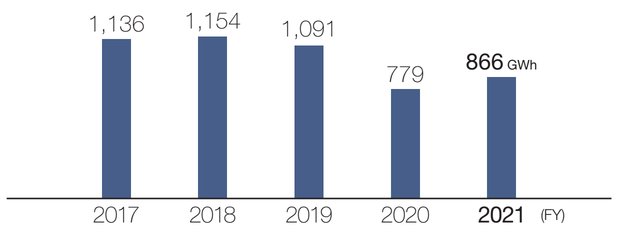
■ Amount of construction waste generated
○ Final waste disposal rate for construction waste



The amount of waste generated depends on the amount and type of construction conducted, but by taking steps to curb waste generation and to separate it by type for recycling, we are reducing the amount of final landfill waste disposal.

Energy Consumption (Construction Sites and Offices)

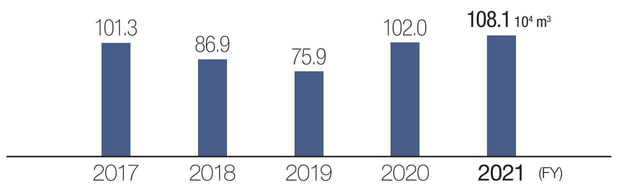
866 GWh



Figures are the sum of electricity, fossil fuel, heat/steam, and refrigeration usage converted into primary energy equivalents.

Water Consumption (Construction Sites and Offices)

108.1 10^4 m^3

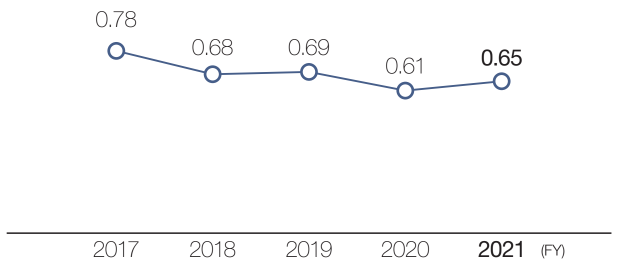


Significant year on year differences in water consumption result from changes including in the type, scale and method of construction. Consequently, we have not set reduction targets. However, each site works to reduce the amount of water it uses.

On-Site Safety

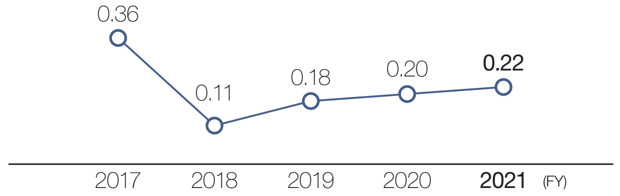
Accident Frequency Rate (Lost Work Time of Four or More Days)

0.65



Accident Severity Rate

0.22



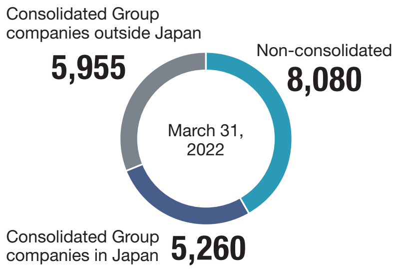
In our construction operations in Japan during FY2021, there were 55 accidents involving four or more days of lost work time, including two involving fatalities, resulting in an accident frequency rate of 0.65 and an accident severity rate of 0.22. Under the slogan "Think safety! Make today accident free," we will continue to do our utmost to ensure a safety-first approach to work.

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

19,295

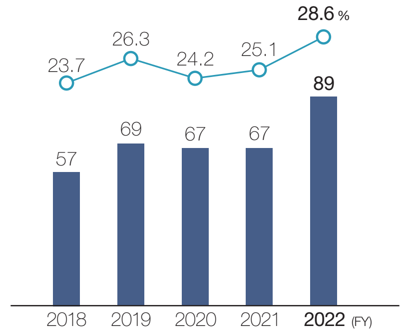
(21,357 including non-consolidated subsidiaries)



The number of employees at Kajima Corporation and consolidated Group companies in Japan and overseas increased. With the growth of overseas operations, the number of employees of overseas consolidated subsidiaries as a percentage of the total number of employees has been increasing.

Number of Female Employees among New Graduate Hires

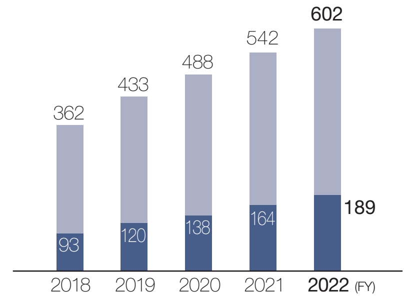
■ Female new graduate hires
○ As a percentage of new graduate hires



Of the 311 new graduate hires for FY2022, 28.6% are female employees.

Number of Female Employees in Managerial Positions

■ Female employees in managerial track and with specialized skills
■ Female employees in managerial positions



In FY2021, we achieved of our goal of tripling the number of female employees in managerial positions over 10 years (from 54 in FY2014), three years ahead of schedule.

Note: Female employees in managerial track and with specialized skills are presented from FY2019.

Human Resources Data (Non-Consolidated)

(FY)

			2017	2018	2019	2020	2021
Employees	Number of employees[1]		7,686	7,783	7,887	7,989	8,080
	Number of re-employed personnel[1]		919	930	961	1,029	1,081
	Percentage of employees with disabilities[2]		2.1	2.3	2.1	2.5	2.4
	Turnover rate	%	0.6	0.5	0.7	0.7	0.8
	Turnover rate of new graduate hires within three years	%	3.5	3.2	1.8	4.6	3.3
	Percentage of mid-career employees		24.2	18.3	23.6	22.4	25.8
Childbirth/ childcare/ caregiving	Percentage of employees taking extended childcare leave[3]	Male	1.1	3.5	5.7	5.9	14.5
		Female	100	100	100	100	98.3
	Percentage of employees taking leave for spouse's childbirth		40.7	44.1	47.8	37.8	41.2
	Number of employees using flex-time or taking shortened work hours for childcare	Male	64	89	98	118	135
		Female	193	210	228	254	253
	Number of employees taking extended caregiving leave		37	19	63	40	35
Other	Number of employees using leave system for volunteering		21	15	24	4	15
	Percentage of paid leave taken		49.6	46.4	52.8	54.5	48.7

1. As of March 31
2. As of June 1
3. Employees with a child born during the fiscal year who took childcare leave ÷ Employees with a child born during the fiscal year

10-Year Highlights

Consolidated

(¥ billion)

(FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Financial Results										
Construction Contract Awards	1,333.2	1,573.5	1,474.8	1,795.8	1,728.3	1,685.9	2,010.1	1,752.8	1,720.1	1,929.8
Revenues	1,485.0	1,521.1	1,693.6	1,742.7	1,821.8	1,830.6	1,974.2	2,010.7	1,907.1	2,079.6
Operating Income	18.4	23.0	12.6	111.0	155.3	158.3	142.6	131.9	127.2	123.3
Ordinary Income	24.6	27.0	21.3	113.3	163.4	179.7	162.9	146.6	139.7	152.1
Net Income Attributable to Owners of the Parent	23.4	20.7	15.1	72.3	104.8	126.7	109.8	103.2	98.5	103.8
Operating Margin (%)	1.2	1.5	0.7	6.4	8.5	8.7	7.2	6.6	6.7	5.9
R&D Costs	8.4	7.8	7.7	7.8	8.2	10.3	13.9	16.4	15.0	17.3
Capital Investment	20.5	19.8	25.4	32.9	29.4	16.1	28.4	86.3	52.7	58.0
Kajima Corporation										
Civil Engineering										
Gross Profit Margin (%)	3.5	17.2	(0.1)	14.6	18.2	21.2	19.0	14.0	15.5	16.5
Building Construction										
Gross Profit Margin (%)	6.2	0.3	1.1	10.8	13.4	14.0	12.5	13.2	12.7	10.3
Financial Position										
Total Assets	1,686.0	1,789.4	1,839.2	1,886.7	1,992.8	2,051.2	2,091.1	2,172.1	2,164.8	2,337.7
Owners' Equity	320.4	368.2	434.9	471.2	548.5	666.0	753.2	791.7	874.8	945.7
Total Equity	318.1	364.1	436.9	474.0	552.5	669.7	756.9	796.0	884.8	953.5
Interest-Bearing Debt	480.1	444.7	385.0	378.5	372.9	344.8	298.7	326.8	317.0	359.9
Cash Flows										
Cash Flows from Operating Activities	58.4	32.9	59.2	36.3	187.5	120.4	30.3	53.0	153.0	30.2
Cash Flows from Investing Activities	36.7	17.3	8.3	(27.8)	(31.9)	(47.3)	(25.3)	(101.8)	(65.4)	(51.1)
Cash Flows from Financing Activities	(58.6)	(17.1)	(70.7)	(13.1)	(20.5)	(53.0)	(75.0)	(10.8)	(39.1)	(20.9)
Stock Information										
Basic Net Income per Share (¥)[1]	22.55	19.98	14.58	69.66	101.01	244.29	211.67	200.99	193.13	208.00
Owners' Equity per Share (¥)[1]	308.49	354.62	418.86	453.93	528.46	1,283.38	1,451.66	1,544.71	1,731.16	1,920.45
Cash Dividends per Share (¥)	5.0	5.0	5.0	12.0	20.0	48.0	50.0	50.0	54.0	58.0
Management Benchmarks										
Ratio of Net Income to Owners' Equity (ROE) (%)	8.1	6.0	3.8	16.0	20.6	20.9	15.5	13.4	11.8	11.4
Owners' Equity Ratio (%)	19.0	20.6	23.6	25.0	27.5	32.5	36.0	36.5	40.4	40.5
Debt-to-Equity Ratio (times)	1.50	1.21	0.89	0.80	0.68	0.52	0.40	0.41	0.36	0.38
Non-Financial Information										
Number of Employees (Consolidated)	15,468	15,391	15,383	15,810	16,422	17,730	18,297	18,673	18,905	19,295
Kajima Corporation	7,737	7,657	7,546	7,527	7,611	7,686	7,783	7,887	7,989	8,080
Consolidated Group Companies in Japan	3,920	3,945	4,068	4,144	4,442	4,674	4,816	4,976	5,130	5,260
Consolidated Group Companies outside Japan	3,811	3,789	3,769	4,139	4,369	5,370	5,698	5,810	5,786	5,955
CO_2 Emissions Attributable to Construction (10^4 t-CO_2)	22.9	22.8	26.2	26.2	25.8	27.4	25.1	22.7	15.7[2]	17.7[2]
CO_2 Emissions per Unit of Sales Attributable to Construction (t-CO_2/¥100 million)	22.0	22.0	22.2	21.5	21.5	21.4	20.0	17.6	13.8[2]	14.0[2]
Final Disposal Rate for Construction Waste (Incl. Sludge) (%)	6.9	6.9	7.1	6.5	5.8	2.4	4.3	3.9	2.5	2.4

Note: From the beginning of FY2018, 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 FY2017 were restated to reflect this change.

1. The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, the figures for FY2017 and FY2018 are calculated as if the consolidation of shares had been conducted at the beginning of FY2017.
2. The method for compiling data on CO_2 emissions attributable to construction and CO_2 emissions per unit of sales attributable to construction changed as of FY2020. (Page 57)

Principal Subsidiaries and Affiliates

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 lease 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.	Manufacture of construction machinery, management of installation and other construction work, and operation and maintenance
	KRC 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
Operation 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)
	Kajima Property Management 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
	Atami Infrastructure Management LLC.	Toll road operation (Atami Beach Line)
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
	One Team, Inc.	Various inspection duties at construction sites, support for ICT tool introduction, and training assistance
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

Overseas

Kajima Europe Ltd.	
1 United Kingdom	Kajima Europe Ltd.
	Kajima Partnerships Ltd.
	Kajima Properties (Europe) Ltd.
	Pario Limited
2 France	Kajima France Development S.A.R.L.
	Kajima Europe Lou Roucas S.A.R.L.
3 Czech Republic	Kajima Czech Design and Construction s.r.o.
4 Poland	Kajima Poland Sp. z o.o.
	Student Depot Sp. z o.o.
	PAD RES Development Sp. z o.o.
5 Ireland	Kajima Ireland Ltd.

Kajima Asia Pacific Holdings Pte. Ltd.	
6 Singapore	Kajima Asia Pacific Holdings Pte. Ltd.
	Kajima Overseas Asia Pte. Ltd.
	Kajima Design Asia Pte Ltd
	Kajima Overseas Asia (Singapore) Pte. Ltd.
	Kajima Development Pte. Ltd.
	International Facility Engineering Pte. Ltd.
7 Indonesia	PT Kajima Indonesia
	PT Senayan Trikarya Sempana
	PT Jimbaran Greenhill
8 Thailand	Thai Kajima Co., Ltd.
	Ramaland Development Co., Ltd.
	Bang Tao Beach Ltd.
9 Malaysia	Kajima (Malaysia) Sdn. Bhd.
10 Vietnam	Kajima Vietnam Co., Ltd.
	Indochina Kajima Development Ltd.
11 The Philippines	Kajima Philippines Inc.
12 Hong Kong	Allied Kajima Ltd.
13 India	Kajima India Pvt. Ltd.
14 Myanmar	Kajima Myanmar Co., Ltd.
	Kajima Yankin PPP Co., Ltd.

Kajima Australia Pty Ltd	
15 Australia 16 New Zealand	Kajima Australia Pty Ltd
	Icon Co Holdings Pty Ltd
	Icon Developments Australia Pty Ltd
17 Shanghai	Cockram Projects (Shanghai) Construction & Engineering Co Ltd
18 Hong Kong	Scenario Cockram Limited

Kajima Corporation (China) Co., Ltd.	
19 Shanghai	Kajima Corporation (China) Co., Ltd.

Chung-Lu Construction Co., Ltd.	
20 Taipei	Chung-Lu Construction Co., Ltd.

Kajima U.S.A. Inc.	
21 Atlanta	Kajima U.S.A. Inc.
	Kajima International Inc.
	Kajima Building & Design Group, Inc.
	Kajima Associates, Inc.
	Batson-Cook Company
	Kajima Real Estate Development Inc.
	Core5 Industrial Partners, LLC.
	Batson-Cook Development Company
22 Columbus	Flournoy Construction Group
	Flournoy Development Group, LLC.
23 Los Angeles	KCS West, Inc.
	Kajima Development Corporation
24 Honolulu	Hawaiian Dredging Construction Company, Inc.
25 New York	Development Ventures Group, Inc.
	Anglebrook Golf Club
26 Cleveland 27 Mexico City	The Austin Company

Social Contribution Activities

Based on the Kajima corporate philosophy of striving to continually advance our business operations and contribute to society, the Kajima Group advances the sustainable development of society by engaging in business operations and addressing social and regional issues as a good corporate citizen.

Under the Kajima Group Social Contribution Activity Policy established in April 2021, our activities encompass disaster preparedness and recovery, community support, environmental preservation, education for the next generation, and the promotion of academia, culture and art through foundations.

Education for the Next Generation — New Materials Added to "Power to Create a Century"

We have provided "Power to Create a Century," a set of teaching and exploratory learning materials for schools, since the 2020 school year. With the introduction of the compulsory "period for inquiry-based cross-disciplinary study" in high schools starting from the 2022 school year, we have added new materials about UNESCO World Heritage Sites, with Himeji Castle as the latest subject. This addition expands these materials into a comprehensive set that enables students to come up with answers in their own way while developing vital research skills under four themes: urban development (Onagawa Community Development Project), passing down traditions (Restoration and Preservation of Tokyo Station Marunouchi Building Project), UNESCO World Heritage Sites (Restoration of Himeji Castle Main Keep Project), and harmonious coexistence (Haneda Airport D Runway Construction Project).

The 2021 school year marked the full-scale launch of the "Power to Create a Century" program, and 6,786 students from 36 schools across Japan took part that year. The materials have been positively received by teachers.

Four themes set based on projects that we have undertaken

Promotion of Academia, Culture and Art — The 17th Kajima Sculpture Competition

The Kajima Sculpture Competition is held every two years. Since its inauguration in 1989, this competition has been held under the theme of "Sculpture, Architecture & Space," with the aims of creating a new space where the art of sculpture and architectural space meet and facilitating the birth of new artists with unconventional individuality. At the 17th competition this year, two Silver Awards, one Bronze Award, and one Encouragement Award were selected from eight shortlisted works among a total of 182 entries. COVID-19 pandemic provided an opportunity to examine the question of "What is sculpture?" Among the entries, there were some works that showed a new aspect of sculpture, attempting to create something invisible, insecure, and formless.

Untraceable Figure by Kaoru Ishihara, 17th Competition Silver Award winner

Float in time by Ikuo Watanabe, 17th Competition Silver Award winner

Kajima Foundations Promote Academia, Culture and Art

The Kajima Foundation
Established in 1976, the Kajima Foundation has offered research grants and supported researcher exchanges, international joint research and international research conferences in a wide range of fields across natural sciences, the humanities and social sciences, to promote academic development in Japan and international academic exchanges. In fiscal 2021, 77 projects were funded, with grants and assistance totaling ¥113.75 million. Results of funded research projects are presented each year.

The Kajima Foundation for the Arts
Established in 1982, the Kajima Foundation for the Arts provides grants for research in the arts, related publications, international exchange, and projects to promote art dissemination, aiming to foster the arts and enrich Japanese culture. In fiscal 2021, a total of 76 projects were funded, with a total value of ¥72.09 million. Every year, the Kajima Foundation for the Arts Prize, which itself was recognized with a Mécénat Grand Award in 2020, is bestowed upon those who have achieved outstanding results from research funded by the foundation. In 2022, the program was expanded to include an Excellence Prize in addition to the original Prize. After the ceremony, laureates have the opportunity to present their achievements.

Kajima Ikueikai Foundation
Established in 1956, the Kajima Ikueikai Foundation provides scholarships to economically disadvantaged undergraduate and graduate students in Japan, including students from other countries. In fiscal 2021, a total amount of ¥95.7 million in scholarships was awarded to a total of 136 students.

Kajima Institute of International Peace
Established in 1966, the Kajima Institute of International Peace aims to support Japan's domestic readiness in a changing environment by conducting and publishing research on matters fundamental to future security and prosperity; contributing as much as possible to Japan's peaceful role in Asia and the world.

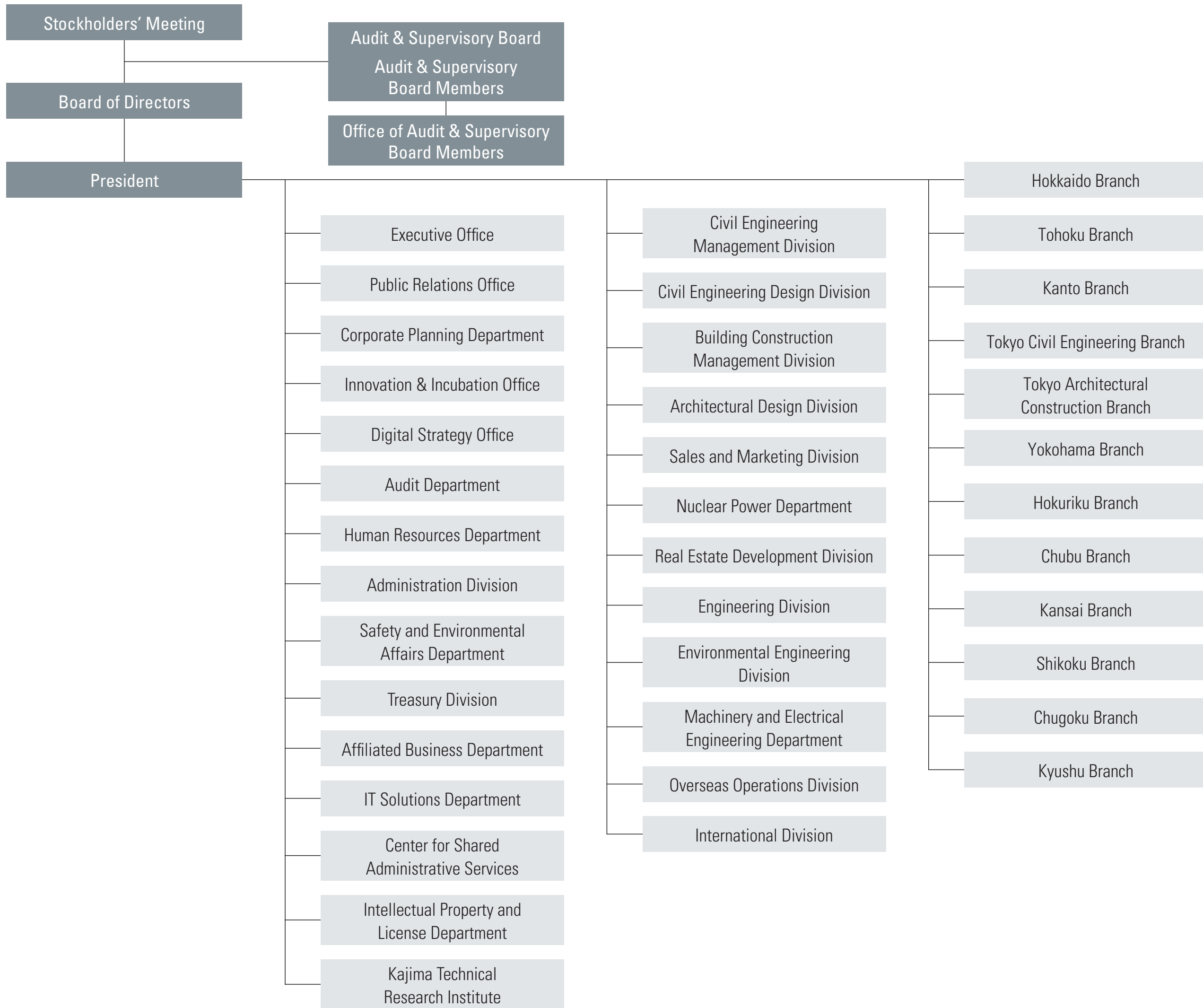
Atsumi International Foundation
Established in 1994, the Atsumi International Foundation has been providing scholarships to international students and developing international exchange programs. To date, it has granted scholarships to 350 students from 52 countries and regions, and Japanese students are also eligible from 2022. In addition, with the aim of building long-lasting networks among scholarship recipients, the foundation implements a variety of international exchange events in Japan and overseas, including the Asia Future Conference held in major cities across Asia every two years, as well as academic conferences, workshops, and study tours led by former scholarship recipients who now actively teach and pursue research at universities worldwide.

Company Information (As of March 31, 2022)

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	8,080 (non-consolidated), 19,295 (consolidated)
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; 47 offices outside Japan (in 20 countries and regions)
Group Companies	279 companies (including 100 in Japan and 179 outside Japan)

Corporate Organization



Stockholder Information (As of March 31, 2022)

Number of Shares – Authorized	1,250,000,000
Number of Shares – Issued and Outstanding	528,656,011 (including 35,270,929 shares of treasury stock)
Number of Stockholders	58,721 (up 2,039 from end of fiscal 2020)
Administrator of Shareholder Registry	Sumitomo Mitsui Trust Bank, Limited
Stock Exchange Listings	Prime Market, Tokyo Stock Exchange; Premier Market, Nagoya Stock Exchange (Code: 1812)

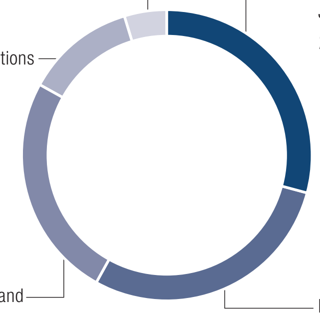
Note: Due to the stock market restructuring of April 4, 2022, listing transferred from the first sections of the Tokyo Stock Exchange and Nagoya Stock Exchange.

Major Stockholders

Stockholders	Number of shares (Thousand shares)	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	84,983	17.22
Custody Bank of Japan, Ltd. (Trust Account)	27,293	5.53
Kimiko Kajima	15,849	3.21
Kajima Employee Stock Ownership	9,347	1.89
Sumitomo Mitsui Banking Corporation	8,871	1.80
State Street Bank West Client - Treaty 505234	7,603	1.54
The Kajima Foundation	7,235	1.47
TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.	6,288	1.27
Goldman Sachs Japan Co., Ltd. BNYM	5,908	1.20
Itsuko Atsumi	5,817	1.18

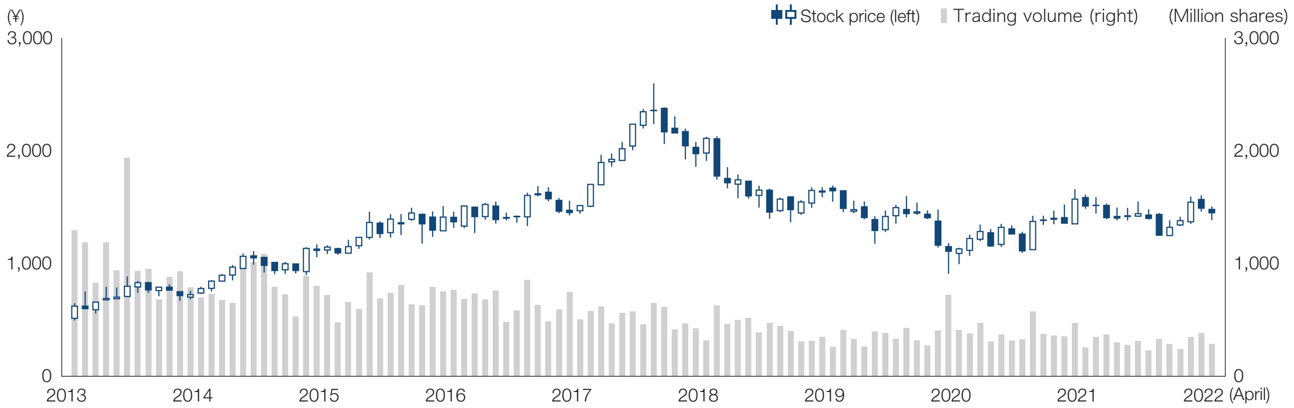
Notes:
1. In addition to the above, Kajima Corporation has 35,270 thousand shares of treasury stock.
2. Shareholding was computed excluding total treasury stock.

Stock Ownership Breakdown



Note: The 352,709 units of treasury stock are included under "Individuals, etc., in Japan." The 25 units of stock held in the name of the Japan Securities Depository Center, Incorporated, are included under "Other corporations in Japan."

Stock Price and Trading Volume



Note: On October 1, 2018, a reverse split was made (two shares consolidated into one) and the stock unit was changed (from 1,000 shares to 100 shares). The above stock prices have been calculated with April 1, 2012 as the supposed date of the reverse split.

External Recognition

FTSE4Good

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2022 Sompo Sustainability Index

CDP SUPPLIER ENGAGEMENT LEADER 2021

レジリエンス認証

INTEGRATED REPORT

Financial Review 2022

Year ended March 31, 2022

The consolidated financial statements of Kajima Corporation and its consolidated subsidiaries and the notes to consolidated financial statements are audited by Deloitte Touche Tohmatsu LLC. They have been prepared for the purpose of construction contract awards outside Japan.

Of the contents in the Financial Review (with the exception of the Summary and Forecast of Business Performance), the consolidated financial statements, notes to consolidated financial statements, and independent auditor's report, have been copied from documents prepared and issued for the aforementioned purpose.

Contents

Summary and Forecast of Business Performance

Amounts less than ¥0.1 billion have been rounded down.

Overview of Business Performance

In the fiscal year ended March 31, 2022, the global economy was on track to recovery, especially in Europe and the United States, despite showing temporary slowdowns due to the coming and going of waves of COVID-19. Meanwhile, geopolitical risks such as the situation in Ukraine heightened the sense of future uncertainty.

In the Japanese economy, although there were signs of a pick-up in exports and production as the government worked to balance infection control measures with support for socioeconomic activities, infectious diseases remained a risk factor for economic recovery.

In the domestic construction market, construction demand saw an upswing due to gradual improvement of corporate investment sentiment and relatively stable public sector investment, but competition for orders remained fierce. As for construction costs, the prices of steel and other materials as well as petroleum products continued to rise.

Under these conditions, the Kajima Group operated its business in Japan and overseas with a focus on the construction and real estate development businesses, under the Kajima Group Medium-Term Business Plan (FY2021–2023).

The Group's consolidated financial results for the fiscal year ended March 31, 2022 were as follows.

Consolidated construction contract awards increased 12.2% year on year to ¥1,929.8 billion (compared with ¥1,720.1 billion in the previous fiscal year) due to an increase in contract awards at overseas subsidiaries and affiliates. Non-consolidated contract awards, including those for real estate development and other projects, declined 4.1% year on year to ¥1,213.4 billion (compared with ¥1,265.2 billion in the previous fiscal year) due to a decrease in contracts in civil engineering.

Consolidated revenues increased 9.0% year on year to ¥2,079.6 billion (compared with ¥1,907.1 billion in the previous fiscal year) due to higher revenues in the Company's building construction and at overseas subsidiaries and affiliates.

As for profit figures, operating income was down 3.1% year on year to ¥123.3 billion (compared with ¥127.2 billion in the previous fiscal year). This was due to lower gross profit and higher selling, general and administrative expenses in non-consolidated terms, although gross profit from overseas subsidiaries and affiliates increased. Net income attributable to owners of the parent increased by 5.4% to ¥103.8 billion (compared with ¥98.5 billion in the previous fiscal year). This was led not only by an increase of income related to the real estate development business, but also by an increase in gain on sales of marketable and investment securities, which was recorded mainly due to sales of cross-shareholdings (total proceeds of ¥14.8 billion for 16 listed stocks), while loss on impairment of long-lived assets related to the Yankin Township mixed-use development project in Myanmar was recorded.

Consolidated profits exceeded our forecast overall, mainly due to major growth in the real estate development business at overseas subsidiaries and affiliates.

In the Company's construction business (civil engineering and building construction), despite fewer large-scale projects reaching completion and the continuing harsh competitive conditions for contract awards and costs, the Company secured gross profit by taking steps to deal with rising costs, such as pursuing early procurement and raising productivity. In real estate and other businesses, both the sales and leasing businesses performed steadily, achieving real estate sales contracts according to plan.

As for domestic subsidiaries and affiliates, although revenues declined from the previous fiscal year due to the application of a new accounting standard as described below, there was no material impact on profits and stable performance was maintained. With the application of the "Accounting Standard for Revenue Recognition" from April 1, 2021, certain companies changed their method of revenue recognition from recognition in the gross amount to recognition in the net amount regarding sales of construction materials and equipment that fall under agent transactions. Since agent transactions were mainly carried out within the Group, the transition brought no material impact on consolidated revenues.

Turning to overseas subsidiaries and affiliates, performance improvements in North America and Europe more than compensated for the decline in performance in Southeast Asia (suffering from the COVID-19 pandemic and from the recording of an impairment loss), and significantly contributed to consolidated results. We believe this is attributable to our continuing efforts to establish business foundations and the implementation of strategic investments. In the real estate development business, which contributed significantly to results, we positioned the distribution warehouse business as a growth field and have been promoting it actively. Thanks to the booming market conditions brought about by the growth of e-commerce, 17 projects were sold in North America and 5 in Europe this fiscal year, achieving significant results in business performance. Furthermore, with the aim of continuous contribution to business performance, the Group commenced development of 27 distribution warehouses in North America and 10 in Europe while assessing business profitability and risks.

Overview of Performance by Business Segment

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

Civil Engineering

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

Revenues decreased 18.8% year on year to ¥271.8 billion (compared with ¥334.7 billion in the previous fiscal year) due to fewer large-scale projects making significant progress.

Segment profit decreased 34.1% year on year to ¥19.6 billion (compared with ¥29.8 billion in the previous fiscal year), mainly due to the decrease in revenues, although the gross profit margin improved.

(Billions of yen)

(Years ended March 31)	2022	2021	2022/2021 (%)
Revenues	271.8	334.7	(18.8)
Segment profit	19.6	29.8	(34.1)

Building Construction

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

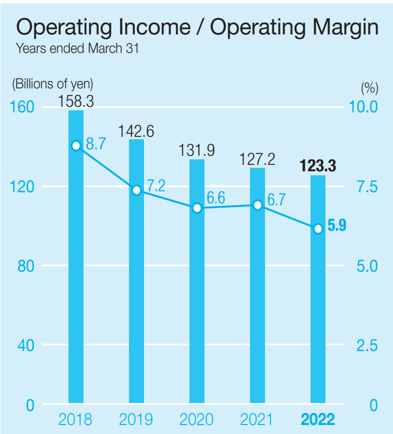
Revenues increased 17.7% year on year to ¥920.6 billion (compared with ¥782.2 billion in the previous fiscal year) due to steady progress in the construction of large-scale projects already under way.

Segment profit decreased 13.4% year on year to ¥50.1 billion (compared with ¥57.8 billion in the previous fiscal year), mainly because the gross profit margin was lower year on year due to fewer large-scale projects completed.

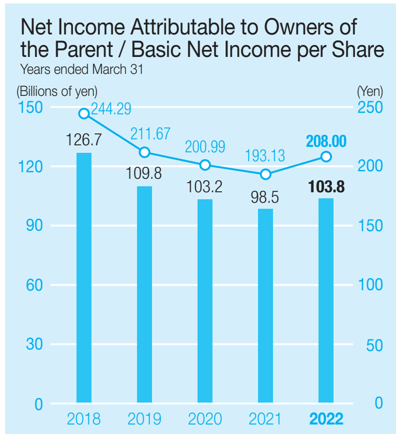
(Billions of yen)

(Years ended March 31)	2022	2021	2022/2021 (%)
Revenues	920.6	782.2	17.7
Segment profit	50.1	57.8	(13.4)

Japan
Overseas

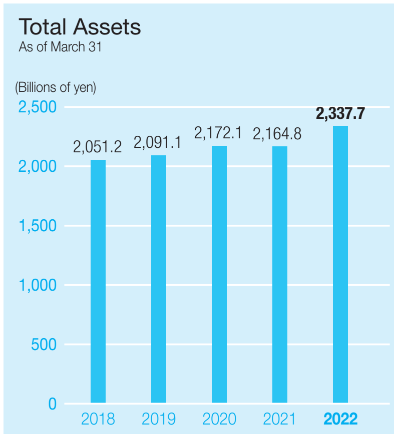


Operating Income (Left Scale)
Operating Margin (Right Scale)

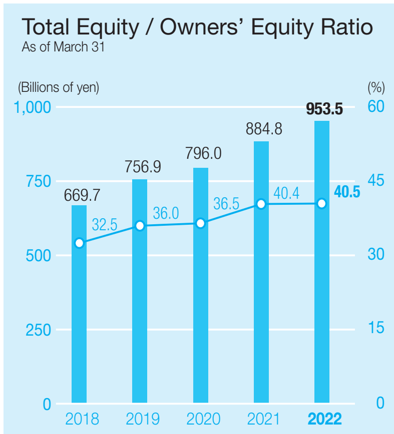


Net Income Attributable to Owners of the Parent (Left Scale)
Basic Net Income per Share (Right Scale)

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.



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

Real Estate and Other Businesses

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

In the previous fiscal year, the Company delivered large-scale projects in the real estate sales business, so both revenues and segment profit were high. In comparison, revenues declined 27.7% year on year to ¥52.4 billion (compared with ¥72.5 billion in the previous fiscal year) and segment profit was down 35.3% year on year to ¥11.2 billion (compared with ¥17.4 billion in the previous fiscal year).

(Billions of yen)

(Years ended March 31)	2022	2021	2022/2021 (%)
Revenues	52.4	72.5	(27.7)
Segment profit	11.2	17.4	(35.3)

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 decreased 16.4% year on year to ¥316.1 billion (compared with ¥378.0 billion in the previous fiscal year), mainly due to a decrease in revenues from agent transactions in construction material and equipment sales following the application of the Accounting Standard for Revenue Recognition.

Segment profit decreased 4.8% year on year to ¥16.2 billion (compared with ¥17.1 billion in the previous fiscal year) mainly due to lower gross profit in the construction business.

(Billions of yen)

(Years ended March 31)	2022	2021	2022/2021 (%)
Revenues	316.1	378.0	(16.4)
Segment profit	16.2	17.1	(4.8)

Overseas Subsidiaries and Affiliates

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

Revenues increased 27.6% year on year to ¥623.9 billion (compared with ¥489.1 billion in the previous fiscal year) mainly due to an increase in both the construction and real estate development businesses in North America and Europe.

Segment profit increased 285.5% year on year to ¥26.4 billion (compared with ¥6.8 billion in the previous fiscal year), as the operating loss in Southeast Asia, where the effects of the COVID-19 pandemic persisted, was more than offset by substantial improvement in gross profit of the real estate development business in North America.

(Billions of yen)

(Years ended March 31)	2022	2021	2022/2021 (%)
Revenues	623.9	489.1	27.6
Segment profit	26.4	6.8	285.5

Analysis of Financial Position

Assets, Liabilities and Equity

Total assets as of March 31, 2022 increased ¥172.9 billion year on year to ¥2,337.7 billion (compared with ¥2,164.8 billion at the end of the previous fiscal year). Main factors included an increase in notes and accounts receivable – trade and an increase in inventories, partially offset by a decrease in cash and cash equivalents.

Total liabilities increased ¥104.1 billion year on year to ¥1,384.1 billion (compared with ¥1,280.0 billion at the end of the previous fiscal year). This was mainly due to an increase in notes and accounts payable – trade and an increase in interest-bearing debt.

Total equity increased by ¥68.7 billion year on year to ¥953.5 billion (compared with ¥884.8 billion at the end of the previous fiscal year).

In addition, the owners' equity ratio improved to 40.5%, up 0.1 points compared with 40.4% at the end of the previous fiscal year.

Cash Flows

Cash flows from operating activities in the fiscal year resulted in a net cash inflow of ¥30.2 billion (compared with ¥153.0 billion in the previous fiscal year). The cash inflow resulted mainly from income before income taxes after adjustments including depreciation and amortization, and income from an increase in payables, which exceeded the main outflows of an increase in receivables, an increase in inventories, and an outflow from income taxes – paid, etc.

Cash flows from investing activities resulted in a net cash outflow of ¥51.1 billion (compared with ¥65.4 billion in the previous fiscal year). This was mainly due to payment for purchases of property and equipment, disbursements for loans, and payment for purchase of marketable and investment securities, partially offset by inflows of proceeds from collection of loans and proceeds from sales and redemption of marketable and investment securities.

Cash flows from financing activities resulted in a net cash outflow of ¥20.9 billion (compared with ¥39.1 billion in the previous fiscal year). This was mainly due to cash outflows from cash dividends paid and payment for purchases of treasury stock, offset by cash inflow from the net of financing and repayment of short-term borrowings, long-term debt, commercial paper and bonds.

As a result, the balance of cash and cash equivalents at the end of the fiscal year decreased by ¥33.2 billion year on year to ¥267.7 billion (¥300.9 billion at the end of the previous fiscal year).

Statements of Cash Flows Highlights

(Billions of yen)

(Years ended March 31)	2022	2021	2020
Net cash provided by operating activities	30.2	153.0	53.0
Net cash used in investing activities	(51.1)	(65.4)	(101.8)
Net cash used in financing activities	(20.9)	(39.1)	(10.8)
Cash and cash equivalents, end of year	267.7	300.9	255.6

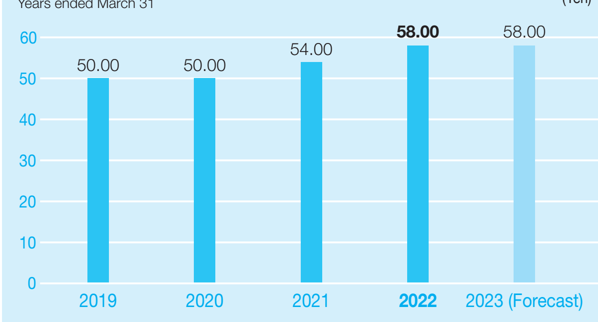
Basic Profit Allocation Policy and Payment of Dividends*

The Company's basic policy is to strive for a dividend payout ratio of 30%, as well as to flexibly contribute to stockholder returns by acquiring own shares and other means with consideration of business performance, financial condition and business environment. The Company will utilize internal reserves for investments that achieve sustainable growth and increase corporate value while maintaining financial soundness.

In consideration of the aforementioned policy, and in light of the business performance of the fiscal year under review, the Company paid an annual dividend of ¥58 per share, consisting of a year-end dividend of ¥31 per share and an interim (end of second quarter) dividend of ¥27 per share. The Company also plans to pay an annual dividend of ¥58 per share (including an interim dividend of ¥29 per share) for the fiscal year ending March 31, 2023.

Cash Dividends per Share

Years ended March 31



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

* The forecasts contained herein are based on information available as of the date of the announcement on May 13, 2022. Actual results may differ materially from the forecasts due to various factors.

Forecast for the Fiscal Year Ending March 31, 2023*

In the global economy, although it is difficult to predict when the effects of the COVID-19 pandemic will recede, we expect to see economic revitalization as various restrictions caused by COVID-19 preventative measures are eased, and expansion of investments to solve sustainability issues such as society's transition to decarbonization. However, amid growing geopolitical risks such as the situation in Ukraine, we recognize that we must carefully watch the impact of rising resource prices and fluctuations in financial markets on the global economy.

In the construction market, trends of continuous recovery for construction investment in Japan and overseas are expected, and notably, demands related to digitalization and renewable energy are likely to increase. Meanwhile, there are concerns that the prices of materials and equipment will rise further, and procurement measures are needed. Moreover, in Japan, from the aspect of securing a next-generation workforce, it has become increasingly necessary to improve employment conditions for construction personnel including partner companies, and to promote work-style reform and productivity improvement.

In the fiscal year ending March 31, 2023, we will make every endeavor to develop businesses with thorough implementation of risk management while carefully assessing the state of the pandemic and the situation in Ukraine. In terms of financial outlook, although we expect revenues to increase in Japan and overseas, we anticipate risk factors such as rising material and equipment prices to impact profits since future economic trends are uncertain. Regarding the overseas business, we expect that the sale of warehouses in the distribution warehouse development business, especially in North America, will continue to contribute to performance, and that performance in Southeast Asia will gradually recover, but still take time, as the impact of COVID-19 diminishes.

Taking these domestic and overseas situations into account, the forecast for the fiscal year ending March 31, 2023 is for revenues to increase 9.2% year on year to ¥2,270.0 billion (compared with ¥2,079.6 billion in the fiscal year ended March 31, 2022), operating income to decrease 12.5% to ¥108.0 billion (¥123.3 billion in the fiscal year ended March 31, 2022), and net income attributable to owners of the parent to decrease 18.2% to ¥85.0 billion (¥103.8 billion in the fiscal year ended March 31, 2022).

* The forecasts contained herein are based on information available as of the date of the announcement on May 13, 2022. Actual results may differ materially from the forecasts due to various factors.

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)
	2022	2021	2022
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 19)	¥ 267,733	¥ 300,991	$ 2,194,533
Marketable securities (Notes 5 and 19)	187	326	1,533
Operational investments in securities (Notes 5 and 19)	11,898	12,319	97,525
Notes and accounts receivable—trade (Notes 2.x, 4.a, 10, 19 and 26.c)	726,564	602,162	5,955,443
Allowance for doubtful accounts (Note 19)	(1,958)	(980)	(16,049)
Inventories:			
Construction projects in progress (Note 2.x)	9,408	54,938	77,114
Development projects in progress, real estate for sale and other (Notes 2.x and 10)	261,831	198,815	2,146,156
Other current assets (Notes 10 and 19)	115,049	94,372	943,024
Total current assets	1,390,712	1,262,943	11,399,279
PROPERTY AND EQUIPMENT:			
Land (Notes 6, 7, 8 and 10)	239,280	232,311	1,961,311
Buildings and structures (Notes 7, 8 and 10)	158,112	125,753	1,296,000
Machinery, equipment and other (Notes 7 and 10)	21,079	22,503	172,779
Construction in progress (Notes 7 and 8)	9,110	37,388	74,672
Total property and equipment	427,581	417,955	3,504,762
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 5, 10 and 19)	282,506	287,873	2,315,623
Investments in unconsolidated subsidiaries and affiliates (Notes 10 and 19)	73,365	63,827	601,352
Long-term loans receivable (Notes 9, 10 and 19)	5,225	7,683	42,828
Long-term loans to unconsolidated subsidiaries and affiliates (Notes 10 and 19)	64,652	56,056	529,934
Allowance for doubtful accounts (Note 19)	(3,177)	(3,203)	(26,041)
Deferred tax assets (Note 16)	10,145	8,032	83,156
Other (Note 14)	86,733	63,641	710,927
Total investments and other assets	519,449	483,909	4,257,779
TOTAL	¥ 2,337,742	¥ 2,164,807	$ 19,161,820

See notes to consolidated financial statements.

	As of March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 11)	¥ 148,475	¥ 133,802	$ 1,217,008
Commercial paper (Note 12)	40,000	—	327,869
Current portion of long-term debt (Notes 10, 11 and 19)	28,259	21,425	231,631
Notes and accounts payable—trade (Note 2.x)	501,962	445,589	4,114,443
Advances received:			
Construction projects in progress (Notes 2.x, 4.b, 13 and 26.c)	124,112	146,104	1,017,311
Development projects in progress, real estate for sale and other (Notes 4.b and 26.c)	5,919	12,171	48,516
Income taxes payable	22,702	27,624	186,082
Accrued expenses	56,076	42,302	459,639
Other current liabilities (Notes 3, 4.b and 26.c)	180,163	161,063	1,476,747
Total current liabilities	1,107,668	990,080	9,079,246
LONG-TERM LIABILITIES:			
Long-term debt (Notes 10, 11, 19 and 25.b)	150,480	168,109	1,233,443
Deferred tax liabilities (Note 16)	1,662	990	13,623
Deferred tax liabilities on revaluation surplus of land (Note 6)	20,689	20,689	169,582
Liability for retirement benefits (Note 14)	63,185	62,575	517,910
Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates	1,205	1,205	9,877
Other long-term liabilities (Note 10)	39,286	36,352	322,016
Total long-term liabilities	276,507	289,920	2,266,451
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 18, 20 and 21)			
EQUITY (Notes 15 and 25.a):			
Common stock, authorized, 1,250,000,000 shares; issued, 528,656,011 shares	81,447	81,447	667,598
Capital surplus	42,314	43,272	346,836
Retained earnings (Note 2.x)	731,275	654,129	5,994,058
Treasury stock—at cost, 36,217,562 shares in 2022 and 23,308,096 shares in 2021 (Note 17)	(45,921)	(26,172)	(376,402)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 5)	105,356	112,242	863,574
Deferred loss on derivatives under hedge accounting (Note 20)	(731)	(659)	(5,992)
Revaluation surplus of land (Note 6)	21,498	21,498	176,213
Foreign currency translation adjustments	10,589	(10,353)	86,795
Defined retirement benefit plans (Note 14)	(122)	(565)	(1,000)
Total	945,705	874,839	7,751,680
Noncontrolling interests	7,862	9,968	64,443
Total equity	953,567	884,807	7,816,123
TOTAL	¥ 2,337,742	¥ 2,164,807	$ 19,161,820

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)
	2022	2021	2022
REVENUES:			
Construction projects (Notes 3 and 26)	¥ 1,797,794	¥ 1,673,595	$ 14,736,016
Real estate and other (Notes 8 and 26)	281,901	233,582	2,310,664
Total revenues	2,079,695	1,907,177	17,046,680
COST OF REVENUES:			
Construction projects (Note 3)	1,613,910	1,477,580	13,228,770
Real estate and other (Note 8)	210,070	188,180	1,721,885
Total cost of revenues	1,823,980	1,665,760	14,950,655
Gross profit	255,715	241,417	2,096,025
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	132,332	114,118	1,084,689
Operating income	123,383	127,299	1,011,336
OTHER INCOME (EXPENSES):			
Interest and dividends	11,881	10,758	97,385
Interest expense	(2,363)	(2,667)	(19,369)
Foreign currency exchange (loss) gain	(523)	13	(4,287)
Equity in earnings of unconsolidated subsidiaries and affiliates	6,966	3,527	57,098
Equity in earnings of partnership	11,853	1,627	97,156
Provision for doubtful accounts	(21)	(210)	(172)
Loss on investments in silent partnership	(944)	(911)	(7,738)
(Loss) gain on sales or disposals of property and equipment—net (Note 8)	(1,138)	2,076	(9,328)
Gain on sales of marketable and investment securities—net (Note 5)	13,511	6,849	110,746
Valuation loss on marketable and investment securities—net (Note 5)	(223)	(3,689)	(1,828)
Gain on sales of investments in unconsolidated subsidiaries and affiliates	4,181	1,262	34,270
Loss on impairment of long-lived assets (Notes 7, 8 and 27)	(16,453)	(946)	(134,861)
Litigation settlement	(1,611)	(34)	(13,205)
Other—net	1,871	294	15,338
Other income —net	26,987	17,949	221,205
INCOME BEFORE INCOME TAXES	150,370	145,248	1,232,541
INCOME TAXES (Note 16):			
Current	48,961	47,459	401,319
Deferred	1,259	(979)	10,320
Total income taxes	50,220	46,480	411,639

See notes to consolidated financial statements.

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET INCOME	100,150	98,768	820,902
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3,717	(245)	30,467
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 103,867	¥ 98,523	$ 851,369
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 24):			
Basic net income	¥ 208.00	¥ 193.13	$ 1.705
Cash dividends applicable to the year	58.00	54.00	0.475

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)
	2022	2021	**2022**
NET INCOME	¥ **100,150**	¥ 98,768	$ **820,902**
OTHER COMPREHENSIVE INCOME (Note 22):			
Unrealized (loss) gain on available-for-sale securities	**(6,883)**	28,023	**(56,418)**
Deferred loss on derivatives under hedge accounting	**(92)**	(429)	**(754)**
Foreign currency translation adjustments	**23,061**	(9,797)	**189,024**
Defined retirement benefit plans (Note 14)	**456**	1,370	**3,738**
Share of other comprehensive (loss) income in unconsolidated subsidiaries and affiliates	**(1,037)**	294	**(8,500)**
Total other comprehensive income	**15,505**	19,461	**127,090**
COMPREHENSIVE INCOME	¥ **115,655**	¥ 118,229	$ **947,992**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ **118,294**	¥ 118,534	$ **969,623**
Noncontrolling interests	**(2,639)**	(305)	**(21,631)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

KAJIMA Corporation and Consolidated Subsidiaries

Years Ended March 31, 2022 and 2021

	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, 2020	512,578	¥ 81,447	¥ 43,368	¥ 583,303	¥ (16,421)	¥ 84,212	¥ (240)
Net income attributable to owners of the parent	—	—	—	98,523	—	—	—
Cash dividends paid:							
Final for prior year, ¥25.00 per share	—	—	—	(12,814)	—	—	—
Interim for current year, ¥25.00 per share	—	—	—	(12,821)	—	—	—
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	—	(147)	—	—	—	—
Reversal of revaluation surplus of land	—	—	—	(2,062)	—	—	—
Purchase of treasury stock	(7,474)	—	—	—	(10,007)	—	—
Disposition of treasury stock as restricted stock remuneration	244	—	51	—	256	—	—
Net change in the year	—	—	—	—	—	28,030	(419)
BALANCE, MARCH 31, 2021 (as previously reported)	505,348	81,447	43,272	654,129	(26,172)	112,242	(659)
Cumulative effects due to revision of accounting standards	—	—	—	1,404	—	—	—
BALANCE, APRIL 1, 2021 (as restated)	505,348	81,447	43,272	655,533	(26,172)	112,242	(659)
Net income attributable to owners of the parent	**—**	**—**	**—**	**103,867**	**—**	**—**	**—**
Cash dividends paid:							
Final for prior year, ¥29.00 per share	**—**	**—**	**—**	**(14,655)**	**—**	**—**	**—**
Interim for current year, ¥27.00 per share	**—**	**—**	**—**	**(13,470)**	**—**	**—**	**—**
Change in ownership interest of the parent due to transactions with noncontrolling interests	**—**	**—**	**(1,003)**	**—**	**—**	**—**	**—**
Purchase of treasury stock	**(13,121)**	**—**	**—**	**—**	**(20,007)**	**—**	**—**
Disposition of treasury stock as restricted stock remuneration	**211**	**—**	**45**	**—**	**258**	**—**	**—**
Net change in the year	**—**	**—**	**—**	**—**	**—**	**(6,886)**	**(72)**
BALANCE, MARCH 31, 2022	**492,438**	¥ **81,447**	¥ **42,314**	¥ **731,275**	¥ **(45,921)**	¥ **105,356**	¥ **(731)**

	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, 2020	¥ 19,436	¥ (1,400)	¥ (1,919)	¥ 791,786	¥ 4,234	¥ 796,020
Net income attributable to owners of the parent	—	—	—	98,523	—	98,523
Cash dividends paid:						
Final for prior year, ¥25.00 per share	—	—	—	(12,814)	—	(12,814)
Interim for current year, ¥25.00 per share	—	—	—	(12,821)	—	(12,821)
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	1	—	(146)	(1)	(147)
Reversal of revaluation surplus of land	2,062	—	—	—	—	—
Purchase of treasury stock	—	—	—	(10,007)	—	(10,007)
Disposition of treasury stock as restricted stock remuneration	—	—	—	307	—	307
Net change in the year	—	(8,954)	1,354	20,011	5,735	25,746
BALANCE, MARCH 31, 2021 (as previously reported)	21,498	(10,353)	(565)	874,839	9,968	884,807
Cumulative effects due to revision of accounting standards	—	—	—	1,404	1	1,405
BALANCE, APRIL 1, 2021 (as restated)	21,498	(10,353)	(565)	876,243	9,969	886,212
Net income attributable to owners of the parent	**—**	**—**	**—**	**103,867**	**—**	**103,867**
Cash dividends paid:						
Final for prior year, ¥29.00 per share	**—**	**—**	**—**	**(14,655)**	**—**	**(14,655)**
Interim for current year, ¥27.00 per share	**—**	**—**	**—**	**(13,470)**	**—**	**(13,470)**
Change in ownership interest of the parent due to transactions with noncontrolling interests	**—**	**—**	**—**	**(1,003)**	**—**	**(1,003)**
Purchase of treasury stock	**—**	**—**	**—**	**(20,007)**	**—**	**(20,007)**
Disposition of treasury stock as restricted stock remuneration	**—**	**—**	**—**	**303**	**—**	**303**
Net change in the year	**—**	**20,942**	**443**	**14,427**	**(2,107)**	**12,320**
BALANCE, MARCH 31, 2022	¥ **21,498**	¥ **10,589**	¥ **(122)**	¥ **945,705**	¥ **7,862**	¥ **953,567**

See notes to consolidated financial statements.

Years Ended March 31, 2022 and 2021

	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, 2021 (as previously reported)	$ 667,598	$ 354,689	$ 5,361,714	$ (214,525)	$ 920,017	$ (5,402)
Cumulative effects due to revision of accounting standards	—	—	11,508	—	—	—
BALANCE, APRIL 1, 2021 (as restated)	667,598	354,689	5,373,222	(214,525)	920,017	(5,402)
Net income attributable to owners of the parent	—	—	**851,369**	—	—	—
Cash dividends paid:						
Final for prior year, $0.24 per share	—	—	**(120,123)**	—	—	—
Interim for current year, $0.22 per share	—	—	**(110,410)**	—	—	—
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	**(8,222)**	—	—	—	—
Purchase of treasury stock	—	—	—	**(163,992)**	—	—
Disposition of treasury stock as restricted stock remuneration	—	**369**	—	**2,115**	—	—
Net change in the year	—	—	—	—	**(56,443)**	**(590)**
BALANCE, MARCH 31, 2022	**$ 667,598**	**$ 346,836**	**$ 5,994,058**	**$ (376,402)**	**$ 863,574**	**$ (5,992)**

	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, 2021 (as previously reported)	$ 176,213	$ (84,861)	$ (4,631)	$ 7,170,812	$ 81,705	$ 7,252,517
Cumulative effects due to revision of accounting standards	—	—	—	11,508	8	11,516
BALANCE, APRIL 1, 2021 (as restated)	176,213	(84,861)	(4,631)	7,182,320	81,713	7,264,033
Net income attributable to owners of the parent	—	—	—	**851,369**	—	**851,369**
Cash dividends paid:						
Final for prior year, $0.24 per share	—	—	—	**(120,123)**	—	**(120,123)**
Interim for current year, $0.22 per share	—	—	—	**(110,410)**	—	**(110,410)**
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	—	—	**(8,222)**	—	**(8,222)**
Purchase of treasury stock	—	—	—	**(163,992)**	—	**(163,992)**
Disposition of treasury stock as restricted stock remuneration	—	—	—	**2,484**	—	**2,484**
Net change in the year	—	**171,656**	**3,631**	**118,254**	**(17,270)**	**100,984**
BALANCE, MARCH 31, 2022	**$ 176,213**	**$ 86,795**	**$ (1,000)**	**$ 7,751,680**	**$ 64,443**	**$ 7,816,123**

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)
	2022	2021	**2022**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 150,370**	¥ 145,248	**$ 1,232,541**
Adjustments for:			
Income taxes—paid	**(54,067)**	(50,301)	**(443,172)**
Depreciation and amortization	**22,612**	19,080	**185,344**
Increase in provision for doubtful accounts	**1,117**	353	**9,156**
Foreign currency exchange loss (gain)	**1,327**	(371)	**10,877**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(6,966)**	(3,527)	**(57,098)**
Valuation loss on marketable and investment securities—net	**223**	3,689	**1,828**
Loss (gain) on sales or disposals of property and equipment—net	**1,138**	(2,076)	**9,328**
Gain on sales of marketable and investment securities—net	**(13,511)**	(6,849)	**(110,746)**
Gain on sales of investments in unconsolidated subsidiaries and affiliates	**(4,181)**	(1,262)	**(34,270)**
Loss on impairment of long-lived assets	**16,453**	946	**134,861**
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	**(68,762)**	128,685	**(563,623)**
Increase in inventories	**(62,839)**	(41,112)	**(515,074)**
Increase (decrease) in payables	**61,555**	(72,154)	**504,549**
Decrease in advances received	**(4,342)**	(16,132)	**(35,590)**
Increase in accrued expenses	**11,569**	2,150	**94,828**
Increase in liability for retirement benefits	**1,052**	2,460	**8,623**
(Increase) decrease in other assets	**(21,511)**	33,697	**(176,320)**
(Decrease) increase in other liabilities	**(4,334)**	970	**(35,525)**
Other—net	**3,312**	9,604	**27,147**
Net cash provided by operating activities	**30,215**	153,098	**247,664**
INVESTING ACTIVITIES:			
Decrease in time deposits excluding cash equivalents—net	**1,883**	730	**15,435**
Payment for purchases of marketable and investment securities	**(7,431)**	(9,404)	**(60,910)**
Payment for investments in unconsolidated subsidiaries and affiliates	**(5,315)**	(3,989)	**(43,566)**
Proceeds from sales and redemption of marketable and investment securities	**17,648**	9,531	**144,656**
Proceeds from sales and redemption of investments in unconsolidated subsidiaries and affiliates	**4,231**	898	**34,680**
Payment for purchases of property and equipment	**(49,415)**	(46,362)	**(405,041)**
Proceeds from sales of property and equipment	**4,006**	4,219	**32,836**
Payment for purchases of intangible assets	**(3,672)**	(2,985)	**(30,098)**
Purchases of shares of subsidiaries resulting in change in scope of consolidation—net (Note 23)	**(2,688)**	—	**(22,033)**
Disbursements for loans	**(22,018)**	(35,492)	**(180,475)**
Proceeds from collection of loans	**22,618**	26,073	**185,394**
Other—net	**(11,013)**	(8,653)	**(90,271)**
Net cash used in investing activities	**(51,166)**	(65,434)	**(419,393)**
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	**8,061**	35,089	**66,074**
Issuance (repayment) of commercial paper—net	**40,000**	(45,000)	**327,869**
Proceeds from issuance of long-term debt	**68,142**	62,964	**558,541**
Repayment of long-term debt	**(95,756)**	(60,165)	**(784,885)**
Proceeds from issuance of bonds	**10,000**	—	**81,967**
Repayment of lease obligations	**(2,281)**	(2,002)	**(18,697)**
Payment for purchases of treasury stock	**(20,007)**	(10,007)	**(163,992)**
Cash dividends paid	**(28,125)**	(25,635)	**(230,533)**
Capital infusion from noncontrolling shareholders	**1,695**	7,338	**13,893**
Dividends paid to noncontrolling shareholders	**(1,297)**	(1,451)	**(10,631)**
Purchases of shares of subsidiaries not resulting in change in scope of consolidation—net	**(1,307)**	(241)	**(10,713)**
Other—net	**(55)**	—	**(450)**
Net cash used in financing activities	**(20,930)**	(39,110)	**(171,557)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**8,623**	(3,209)	**70,680**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(33,258)**	45,345	**(272,606)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**300,991**	255,646	**2,467,139**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 267,733**	¥ 300,991	**$ 2,194,533**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries

Year Ended March 31, 2022

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.

In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2021, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly 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 ¥122 to $1, the approximate rate of exchange at March 31, 2022. 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, 2022, include the accounts of the Company and its 148 (142 in 2021) 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 34 (35 in 2021) subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 97 (84 in 2021) 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, 2022, the Company had 2 special purpose entities (2 in 2021) 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 ¥41,645 million ($341,352 thousand) and ¥41,636 million ($341,279 thousand), respectively, as of March 31, 2022, and ¥42,312 million and ¥42,303 million, respectively, as of March 31, 2021. The Company recognized lease payments of ¥3,581 million ($29,352 thousand) and ¥3,589 million based on lease agreements of real estate for the years ended March 31, 2022 and 2021, respectively. Certain domestic subsidiaries recognized revenues of ¥102 million ($836 thousand) from repair works for the year ended March 31, 2022. The investment in silent partnership was ¥6,352 million ($52,066 thousand) and ¥6,266 million as of March 31, 2022 and 2021, respectively, and its related distributed profit was ¥1,837 million ($15,057 thousand) and ¥1,793 million for the years ended March 31, 2022 and 2021, 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, 2022

1) Number of consolidated subsidiaries	:	148 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 33 subsidiaries; Kajima Asia Pacific Holdings Pte. Ltd. (KAP) and its 44 subsidiaries; Kajima Europe Ltd. (KE) and its 26 subsidiaries; Kajima Australia Pty. Ltd. (KA) and its 26 subsidiaries; Chung-Lu Construction Co., Ltd. and 9 subsidiaries of the Company
2) Number of unconsolidated subsidiaries accounted for using the equity method	:	34 ARTES Corporation, Japan Sea Works Co., Ltd. and 32 other companies
3) Number of affiliates accounted for using the equity method	:	97 Katabami Kogyo Co., Ltd. and 96 other companies

(2) Changes for the year ended March 31, 2022

1) Newly consolidated companies	:	1 subsidiary of the Company, 5 subsidiaries of KUSA, 1 subsidiary of KAP, 2 subsidiaries of KE and 1 subsidiary of KA due to establishment, acquisition and increased materiality
2) Companies excluded from consolidation	:	1 subsidiary of KUSA, 1 subsidiary of KAP, 1 subsidiary of KE and 1 subsidiary of KA due to liquidation and loss control over operations
3) Companies newly accounted for using the equity method	:	18 affiliates due to establishment and acquisition
4) Companies excluded from the equity method	:	1 subsidiary and 5 affiliates due to merger, sales of interests and decrease of influence

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; (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; and (5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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; (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; and (5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign affiliate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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, 2022 and 2021, decreased by ¥22 million ($180 thousand) and ¥220 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 ¥1,214 million ($9,951 thousand) and ¥1,048 million for the years ended March 31, 2022 and 2021, 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 60 years, and for machinery, equipment and other, range from 2 to 20 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 ¥340,949 million ($2,794,664 thousand) and ¥327,861 million as of March 31, 2022 and 2021, 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 Obligation — 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. Significant Basis for Recording Revenues and Costs — The main performance obligations of the Companies in their primary businesses and the point in time when the Companies typically satisfy the performance obligations (when the Companies typically recognize revenues) are as follows:

(1) Construction business

The Companies carry out civil engineering, building construction, equipment and other general construction work based on executed construction contracts, and have performance obligations to deliver products such as completed buildings to customers. When a control over the promised goods or services is transferred to the customer over time, revenue is recognized over time as the performance obligation to transfer the goods or services to the customer is satisfied. The progress of the satisfaction is primarily measured based on the ratio of the cumulative construction costs incurred by the end of the financial year against the total estimated construction costs.

(2) Real estate development and other

The Companies carry out real estate development, architectural, structural and other design and engineering services based on executed real estate sales and outsourcing contracts, and have performance obligations to provide services or deliver properties/deliverables to customers. When a control over the promised goods or services is transferred to the customer over time, revenue is recognized over time as the performance obligation to transfer the goods or services to the customer is satisfied. In other cases, revenue is recognized at a point in time when such properties/deliverables are delivered because it is considered that the performance obligation is to be satisfied at a point in time and the revenue is recognized at the time when the properties/deliverables are delivered. In case of applying the method to recognize revenue over time, the progress of the satisfaction of the performance obligation is primarily measured based on the ratio of the cumulative costs incurred by the end of the financial year against the total estimated costs.

In the construction, real estate development and other business, the alternative treatment is applied in case the duration of transaction, such as from the beginning of the transaction to the point when the performance obligation is expected to be fully satisfied, is distinctively short. In such cases, the revenue is recognized at the point when the performance obligations are fully satisfied rather than being recognized over time.

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, 2022 and 2021, totaled ¥17,359 million ($142,287 thousand) and ¥15,029 million, respectively.

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

The Company and certain domestic subsidiaries will transition to the Group Tax Sharing System that replaces the current Consolidated Corporate-Tax System from the year ending March 31, 2023. However, concerning the transition to the Group Tax Sharing System and related revisions made to Non-consolidated Corporate-Tax System, the Company and certain domestic subsidiaries did not adopt Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (Guidance No. 28 issued by the Accounting Standards Board of Japan ("ASBJ") on February 16, 2018) pursuant to Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Corporate-Tax System to the Group Tax Sharing System" (Practical Issues Task Force No. 39 issued by ASBJ on March 31, 2020). Accordingly, deferred tax assets and deferred tax liabilities as of March 31, 2022 and 2021, were computed based on the previous Corporate Tax Act.

Also, the Company and certain domestic subsidiaries will adopt "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force No. 42 issued by ASBJ on August 12, 2021) from the beginning of the year ending March 31, 2023.

s. Accounting Principles and Procedures Adopted where the Relevant Accounting Standards are not Specified — Joint ventures, which the Company and its certain domestic consolidated subsidiaries form with other companies for the purpose of winning awards and managing construction projects, are not accounted as separate entities, but the construction revenue and the construction costs arising in the joint ventures are proportioned to individual financial statements in accordance with the share in the joint venture.

t. 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.

u. 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.

v. 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.

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, 2022 and 2021.

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.

x. Changes in Accounting Policies

(1) Application of "Accounting Standard for Revenue Recognition"

The Company and its domestic subsidiaries have applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 revised on March 31, 2020; hereinafter the "Revenue Recognition Standard") and relevant implementation guidance from the beginning of the year ended March 31, 2022. Accordingly, the Company and its domestic subsidiaries recognize revenue as the amount expected to be entitled in exchange for the promised goods or services when the control of those goods or services is transferred to the customer.

In accordance with the transitional treatment stipulated in the proviso of paragraph 84 of the Revenue Recognition Standard, the cumulative effects of retrospective application of the new accounting policy, assuming it has been applied to periods prior to the beginning of the year ended March 31, 2022, have been added to or subtracted from retained earnings at the beginning of the year ended March 31, 2022, and the new accounting policy is applied from the said balance.

As a result, "Retained earnings" increased by ¥1,405 million ($11,516 thousand) on the consolidated balance sheet at the beginning of the year ended March 31, 2022. In addition, the other major impacts to the consolidated balance sheet at the beginning of the year ended March 31, 2022, include decreases in "Inventories: construction projects in progress" by ¥47,621 million ($390,336 thousand), "Advances received: construction projects in progress" by ¥16,504 million ($135,279 thousand), "Notes and accounts payable – trade" by ¥15,555 million ($127,500 thousand), and "Inventories: development projects in progress, real estate for sale and other" by ¥13,992 million ($114,689 thousand) as well as an increase in "Notes and accounts receivable – trade" by ¥27,220 million ($223,115 thousand).

In accordance with the transitional treatment stipulated in paragraph 89-3 of the Revenue Recognition Standard, information for the year ended March 31, 2021 in Notes 4 and 26, is not disclosed.

(2) Application of "Accounting Standard for Fair Value Measurement"

The Companies have applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019) and relevant accounting standards and implementation guidance from the beginning of the year ended March 31, 2022. In accordance with the transitional treatment stipulated in paragraph 19 of the "Accounting Standard for Fair Value Measurement" and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on July 4, 2019), the new accounting policy set forth by the "Accounting Standard for Fair Value Measurement", etc. is applied prospectively.

The application of the new accounting policy had an immaterial impact on the consolidated financial statements for the year ended March 31, 2022.

Notes regarding the financial instruments categorized by fair value hierarchy have been added to Note 19. However, in accordance with the transitional treatment stipulated in paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on July 4, 2019), information for the year ended March 31, 2021, is not disclosed.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Estimate on total construction revenue, total construction costs and the progress of the contract concerning the method to recognize revenue over time as the performance obligation to transfer the promised goods or services to the customer is satisfied (hereinafter, "Percentage-of-Completion Method")

(1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Construction revenue recognized by the Percentage-of-Completion Method	**¥ 1,680,573**	¥ 1,551,820	**$ 13,775,189**
Construction costs recognized by the Percentage-of-Completion Method	**1,517,699**	1,375,920	**12,440,156**
Provision for loss on construction projects in progress (recorded in other current liabilities)	**13,837**	14,120	**113,418**

Note: The amounts for the year ended March 31, 2021, were calculated by a method before the application of Revenue Recognition Standard.

(2) Information on the significant accounting estimate

The construction revenue is calculated by multiplying the total estimated construction revenue by the progress principally based on cumulative construction costs incurred by the end of the financial year against the total estimated construction costs.

The estimation of the total construction revenue and the total construction costs is based on the operational budget which is compiled at the beginning of the construction and updated in a timely manner. At the same time, the progress of the contract is principally estimated by the ratio of the cumulative construction costs incurred by the end of the financial year against the total estimated construction costs.

As construction progresses, the aforementioned estimation is influenced by factors such as: 1) the variation orders regarding changes in construction methods or scope; 2) the fluctuations of the price in the construction materials and labor market; and 3) the changes of construction costs led by condition changes related to projects. Such factors could have material impact on the amount of construction revenue, construction costs and provision for loss on construction projects in progress in the consolidated financial statements for the following financial year.

4. CONTRACT ASSETS AND LIABILITIES

Receivables from contracts with customers, contract assets, and contract liabilities as of March 31, 2022, consisted of the following:

a. Receivables from contracts with customers and contract assets

	Millions of Yen	Thousands of U.S. Dollars
	2022	**2022**
Notes receivable—trade	**¥ 17,741**	**$ 145,418**
Accounts receivable—trade	**324,923**	**2,663,303**
Contract assets	**380,934**	**3,122,410**

b. Contract liabilities

	Millions of Yen	Thousands of U.S. Dollars
	2022	**2022**
Advances received:		
Construction projects in progress	**¥ 124,112**	**$ 1,017,311**
Development projects in progress, real estate for sale and other	**3,432**	**28,131**
Other current liabilities	**18,089**	**148,271**
Total	**¥ 145,633**	**$ 1,193,713**

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

Marketable securities, operational investments in securities and investments in securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Current:			
Government and corporate bonds	**¥ 187**	¥ 326	**$ 1,533**
Preferred equity investment	**9,771**	10,156	**80,090**
Other	**2,127**	2,163	**17,435**
Total	**¥ 12,085**	¥ 12,645	**$ 99,058**
Non-Current:			
Equity securities	**¥ 267,090**	¥ 275,020	**$ 2,189,262**
Government and corporate bonds	**899**	766	**7,369**
Other	**14,517**	12,087	**118,992**
Total	**¥ 282,506**	¥ 287,873	**$ 2,315,623**

The costs and aggregate fair values related to the category of the securities classified as available-for-sale as of March 31, 2022 and 2021, were as follows:

As of March 31, 2022 — Millions of Yen

	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	**¥ 111,021**	**¥ 154,073**	**¥ (5,492)**	**¥ 259,602**
Government and corporate bonds	**1,069**	**19**	**(2)**	**1,086**
Other	**1,682**	**588**	**(5)**	**2,265**
Total	**¥ 113,772**	**¥ 154,680**	**¥ (5,499)**	**¥ 262,953**

As of March 31, 2021 — Millions of Yen

	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	¥ 109,547	¥ 161,871	¥ (2,676)	¥ 268,742
Government and corporate bonds	1,054	38	—	1,092
Other	1,560	554	(1)	2,113
Total	¥ 112,161	¥ 162,463	¥ (2,677)	¥ 271,947

As of March 31, 2022 — Thousands of U.S. Dollars

	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	**$ 910,008**	**$ 1,262,893**	**$ (45,016)**	**$ 2,127,885**
Government and corporate bonds	**8,762**	**156**	**(16)**	**8,902**
Other	**13,787**	**4,820**	**(42)**	**18,565**
Total	**$ 932,557**	**$ 1,267,869**	**$ (45,074)**	**$ 2,155,352**

The above figures include marketable equity securities temporarily lent to financial institutions based on securities lending agreements in the amount of ¥187 million ($1,533 thousand) and ¥244 million as of March 31, 2022 and 2021, respectively.

The information for available-for-sale securities which were sold during the years ended March 31, 2022 and 2021, was as follows:

Year Ended March 31, 2022 — Millions of Yen

	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**¥ 16,225**	**¥ 13,510**	**¥ (4)**
Government and corporate bonds	**33**	**1**	**(0)**
Other	**277**	**7**	**(3)**
Total	**¥ 16,535**	**¥ 13,518**	**¥ (7)**

Year Ended March 31, 2021 — Millions of Yen

	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	¥ 9,561	¥ 6,866	¥ (12)
Government and corporate bonds	19	1	(0)
Other	32	—	(6)
Total	¥ 9,612	¥ 6,867	¥ (18)

Year Ended March 31, 2022 — Thousands of U.S. Dollars

	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**$ 132,992**	**$ 110,738**	**$ (33)**
Government and corporate bonds	**270**	**8**	**(0)**
Other	**2,271**	**57**	**(24)**
Total	**$ 135,533**	**$ 110,803**	**$ (57)**

The impairment losses on available-for-sale securities were ¥227 million ($1,861 thousand) and ¥2,810 million for the years ended March 31, 2022 and 2021, respectively.

6. 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.

7. LONG-LIVED ASSETS

For the year ended March 31, 2022, the Company and a foreign consolidated subsidiary recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of assets
Assets used for business	Other (Mountain forests and trees)	Miyazaki Prefecture and others	4
Assets held for rent	Land, Buildings and structures	Nagano Prefecture	1
Assets held for rent	Construction in progress, Other (Right of use assets)	Yangon, Myanmar	1

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

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

As a result, the Company and a foreign consolidated subsidiary recognized impairment losses of ¥16,453 million ($134,861 thousand), which consisted of assets used for business of ¥216 million ($1,771 thousand) and assets held for rent of ¥16,237 million ($133,090 thousand) for the year ended March 31, 2022.

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

For the year ended March 31, 2021, the Company and a foreign consolidated subsidiary recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of assets
Assets used for business	Buildings	New York, U.S.A.	1
Assets held for rent	Construction in progress	Nagano Prefecture	1

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

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

As a result, the Company and a foreign consolidated subsidiary recognized impairment losses of ¥946 million, which consisted of assets used for business of ¥623 million and assets held for rent of ¥323 million for the year ended March 31, 2021.

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

8. INVESTMENT PROPERTY

The Companies own certain rental properties such as office buildings and commercial facilities in Tokyo, other areas in Japan and overseas (Indonesia and others). The net of rental income and operating expenses for those rental properties was ¥8,500 million ($69,672 thousand), loss on sales or disposals of property and equipment—net was ¥68 million ($557 thousand), and loss on impairment of long-lived assets was ¥9,441 million ($77,385 thousand) for the year ended March 31, 2022. The net of rental income and operating expenses for those rental properties was ¥8,081 million, gain on sales or disposals of property and equipment—net was ¥1,220 million, and loss on impairment of long-lived assets was ¥323 million for the year ended March 31, 2021.

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, 2021	**Increase/(Decrease)**	**As of March 31, 2022**	**As of March 31, 2022**
¥ **226,344**	¥ **(7,048)**	¥ **219,296**	¥ **436,335**

Millions of Yen			
Carrying amount			Fair value
As of April 1, 2020	Increase/(Decrease)	As of March 31, 2021	As of March 31, 2021
¥ 198,513	¥ 27,831	¥ 226,344	¥ 425,475

Thousands of U.S. Dollars			
Carrying amount			Fair value
As of April 1, 2021	**Increase/(Decrease)**	**As of March 31, 2022**	**As of March 31, 2022**
$ **1,855,279**	$ **(57,771)**	$ **1,797,508**	$ **3,576,516**

Notes:
(1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation, if any.
(2) Increase during the financial year ended March 31, 2021, primarily consists of construction of buildings and other of ¥21,931 million.
(3) Fair value of properties as of March 31, 2022 and 2021, 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.

9. LONG-TERM LOANS RECEIVABLE

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

10. PLEDGED ASSETS

As of March 31, 2022, the following assets of the Companies were pledged to secure the repayment of current portion of long-term debt of ¥14,002 million ($114,770 thousand), long-term debt of ¥33,596 million ($275,377 thousand) and other long-term liabilities of ¥2 million ($16 thousand) and to assure the performance by the Companies under certain agreements.

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable—trade	¥ **761**	$ **6,238**
Inventories:		
Development projects in progress, real estate for sale and other	**85,345**	**699,549**
Other current assets	**74**	**607**
Land	**63**	**516**
Buildings and structures	**663**	**5,434**
Machinery, equipment and other	**14**	**115**
Investments in securities and Investments in unconsolidated subsidiaries and affiliates	**7,772**	**63,705**
Long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates	**738**	**6,049**
Total	¥ **95,430**	$ **782,213**

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2022 and 2021, mainly consisted of bank overdrafts. The weighted-average interest rates of short-term borrowings as of March 31, 2022 and 2021, were 0.50% and 0.45%, respectively.

Long-term debt as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Long-term loans, due 2022 – 2061	¥ **121,430**	¥ 133,231	$ **995,328**
Corporate bonds, due 2024 – 2027	**50,000**	50,000	**409,836**
Lease obligations	**7,309**	6,303	**59,910**
Total	**178,739**	189,534	**1,465,074**
Current portion included in current liabilities	**(28,259)**	(21,425)	**(231,631)**
Total	¥ **150,480**	¥ 168,109	$ **1,233,443**

Long-term loans as of March 31, 2022 and 2021, were primarily from banks and insurance companies. The weighted-average interest rates of long-term loans as of March 31, 2022 and 2021, were 1.65% and 1.98%, 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, 2022 and 2021, were 0.26% and 0.23%, 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, 2022, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ **28,259**	$ **231,631**
2024	**24,083**	**197,402**
2025	**54,462**	**446,410**
2026	**20,241**	**165,910**
2027	**33,036**	**270,787**
2028 and thereafter	**18,658**	**152,934**
Total	¥ **178,739**	$ **1,465,074**

In addition, the Company entered into committed loan facility agreements aggregating ¥150,000 million ($1,229,508 thousand) with several Japanese banks. There were no outstanding balances under the committed loan facility agreements as of March 31, 2022.

12. COMMERCIAL PAPER

Commercial paper was represented by 69-day paper issued by the Company with the weighted-average interest rate of (0.01)% as of March 31, 2022.

13. 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.

14. 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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Balance at beginning of year	¥ **69,924**	¥ 68,889	$ **573,148**
Current service cost	**4,730**	4,850	**38,770**
Interest cost	**378**	378	**3,098**
Actuarial gains	**(540)**	(94)	**(4,426)**
Benefits paid	**(3,983)**	(4,015)	**(32,648)**
Increase due to acquisition of a newly consolidated subsidiary	**1,750**	—	**14,344**
Other	**150**	(84)	**1,230**
Balance at end of year	¥ **72,409**	¥ 69,924	$ **593,516**

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Balance at beginning of year	¥ **10,267**	¥ 8,771	$ **84,156**
Expected return on plan assets	**60**	54	**492**
Actuarial (losses) gains	**(113)**	1,521	**(926)**
Contributions from the employer	**98**	97	**803**
Benefits paid	**(110)**	(176)	**(902)**
Increase due to acquisition of a newly consolidated subsidiary	**1,713**	—	**14,041**
Balance at end of year	¥ **11,915**	¥ 10,267	$ **97,664**

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Balance at beginning of year	¥ **1,383**	¥ 1,340	$ **11,336**
Benefit cost	**211**	195	**1,730**
Benefits paid	**(163)**	(89)	**(1,337)**
Contributions to the funds	**(50)**	(52)	**(410)**
Other	**(1)**	(11)	**(8)**
Balance at end of year	¥ **1,380**	¥ 1,383	$ **11,311**

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, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Funded defined benefit obligation	¥ **10,909**	¥ 9,025	$ **89,418**
Plan assets	**(12,438)**	(10,749)	**(101,951)**
Total	**(1,529)**	(1,724)	**(12,533)**
Unfunded defined benefit obligation	**63,403**	62,764	**519,696**
Net liability for defined benefit obligation	¥ **61,874**	¥ 61,040	$ **507,163**

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Liability for retirement benefits	¥ **63,185**	¥ 62,575	$ **517,910**
Asset for retirement benefits	**(1,311)**	(1,535)	**(10,747)**
Net liability for defined benefit obligation	¥ **61,874**	¥ 61,040	$ **507,163**

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Service cost	¥ **4,730**	¥ 4,850	$ **38,770**
Interest cost	**378**	378	**3,098**
Expected return on plan assets	**(60)**	(54)	**(492)**
Recognized actuarial losses	**201**	330	**1,648**
Benefit cost in simplified method	**211**	195	**1,730**
Other	**(15)**	(12)	**(123)**
Net periodic benefit costs	¥ **5,445**	¥ 5,687	$ **44,631**

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Actuarial gains	¥ **593**	¥ 1,944	$ **4,861**

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Unrecognized actuarial losses	¥ **(137)**	¥ (730)	$ **(1,123)**

h. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2022 and 2021, consisted of the following:

	2022	2021
Equity investments	**55 %**	53 %
Debt investments	**19**	20
Cash and cash equivalents	**11**	12
General accounts with life insurance companies	**9**	9
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, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	**0.0% to 0.6%**	0.1% to 0.6%
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 ¥3,216 million ($26,361 thousand) and ¥2,912 million for the years ended March 31, 2022 and 2021, respectively.

15. 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, such article is not stipulated in the articles of incorporation of the Company.

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.

At the Board of Directors' Meetings held on May 14, 2021, and February 10, 2022, the Company 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. The number of shares acquired based on the resolutions on May 14, 2021, and February 10, 2022, were 6,651 thousand shares and 6,464 thousand shares, respectively.

At the Board of Directors' Meeting held on July 13, 2021, the Company resolved to dispose of its own shares as restricted stock remuneration. The number of shares disposed of based on the resolution was 211 thousand shares.

16. 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% for the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Deferred tax assets:			
Valuation loss on property and equipment	¥ **19,829**	¥ 15,336	$ **162,533**
Liability for retirement benefits	**19,695**	19,426	**161,434**
Other	**58,912**	56,044	**482,885**
Subtotal	**98,436**	90,806	**806,852**
Valuation allowance	**(34,216)**	(27,758)	**(280,459)**
Total	**64,220**	63,048	**526,393**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(46,010)**	(48,376)	**(377,131)**
Other	**(9,727)**	(7,630)	**(79,729)**
Total	**(55,737)**	(56,006)	**(456,860)**
Net deferred tax assets	¥ **8,483**	¥ 7,042	$ **69,533**

As of March 31, 2022, certain consolidated subsidiaries of the Company have tax loss carryforwards available to offset future taxable income, which will start expiring in 2023. As for the domestic consolidated subsidiaries, their tax loss carryforwards will gradually expire by 2032. 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 ¥2,910 million ($23,852 thousand) and ¥1,623 million as of March 31, 2022 and 2021, 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, 2022, was as follows:

	2022
Normal effective statutory tax rate	**30.5 %**
Expenses not deductible for income tax purposes	**0.5**
Valuation allowance	**4.3**
Tax benefits not recognized on equity in earnings or losses of unconsolidated subsidiaries and affiliates	**(1.0)**
Tax credits for research and development	**(0.7)**
Other—net	**(0.2)**
Actual effective tax rate	**33.4 %**

Information for the year ended March 31, 2021, is not disclosed, because the difference was not more than 5% of the normal effective statutory tax rate.

17. RELATED PARTY TRANSACTIONS

Transactions of the Company with directors of the Company

Transactions for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Disposals of own shares	**¥ 30**	¥ 15	**$ 246**

Notes:

(1) The transactions are contribution-in-kind provided to the Company with monetary remuneration receivables by directors based on restricted stock remuneration plan.

(2) The disposal prices for the own shares were the closing price of a share of the Company's common stock in the Tokyo Stock Exchange on each business day immediately before the Board of Directors' Meeting at which the resolution of the disposal was made.

18. 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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Due within one year	**¥ 8,250**	¥ 7,703	**$ 67,623**
Due after one year	**34,846**	36,185	**285,623**
Total	**¥ 43,096**	¥ 43,888	**$ 353,246**

b. Operating leases as a lessor

The minimum rental receivables under noncancelable operating leases as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Due within one year	**¥ 19,139**	¥ 15,907	**$ 156,877**
Due after one year	**118,741**	98,673	**973,287**
Total	**¥ 137,880**	¥ 114,580	**$ 1,130,164**

19. 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 20 for more details regarding derivatives.

In addition, the Company entered into committed loan facility agreements aggregating ¥150,000 million ($1,229,508 thousand) 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 as follows. The fair values of cash and cash equivalents, other current assets (time deposits due after three months of the date of acquisition), short-term borrowings, commercial paper, notes and accounts payable—trade and income taxes payable are not disclosed because the maturities of the said financial instruments are short and the carrying values approximate fair value. In addition, the fair values of investments in partnerships and other similar entities in which the net amount of equity interest is recorded on the consolidated balance sheet are not disclosed. The carrying amounts of such investments, including operational investments in securities, were ¥14,379 million ($117,861 thousand) as of March 31, 2022. Also, please see Note 20 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, 2022 and 2021, were as follows. However, financial instruments that do not have a quoted market price in an active market are not included as of March 31, 2022. Also, financial instruments whose fair value cannot be reliably determined are not included as of March 31, 2021.

	Millions of Yen		
As of March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Notes and accounts receivable—trade	¥ **726,564**	¥	¥
Allowance for doubtful accounts	**(1,466)**		
	725,098	**724,970**	**(128)**
Marketable securities and investments in securities			
Available-for-sale securities	**262,953**	**262,953**	**—**
Long-term loans receivable	**5,225**		
Long-term loans to unconsolidated subsidiaries and affiliates	**64,652**		
Allowance for doubtful accounts	**(1,576)**		
	68,301	**68,103**	**(198)**
Total	¥ **1,056,352**	¥ **1,056,026**	¥ **(326)**
LIABILITIES			
Current portion of long-term debt	¥ **28,259**	¥ **28,259**	¥ **—**
Long-term debt	**150,480**	**152,911**	**2,431**
Total	¥ **178,739**	¥ **181,170**	¥ **2,431**

	Millions of Yen		
As of March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Notes and accounts receivable—trade	¥ 602,162	¥	¥
Allowance for doubtful accounts	(561)		
	601,601	601,701	100
Marketable securities and investments in securities			
Available-for-sale securities	271,947	271,947	—
Long-term loans receivable	7,683		
Long-term loans to unconsolidated subsidiaries and affiliates	56,056		
Allowance for doubtful accounts	(1,534)		
	62,205	62,144	(61)
Total	¥ 935,753	¥ 935,792	¥ 39
LIABILITIES			
Current portion of long-term debt	¥ 21,425	¥ 21,424	¥ (1)
Long-term debt	168,109	172,814	4,705
Total	¥ 189,534	¥ 194,238	¥ 4,704

	Thousands of U.S. Dollars		
As of March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Notes and accounts receivable—trade	$ **5,955,443**	$	$
Allowance for doubtful accounts	**(12,016)**		
	5,943,427	**5,942,378**	**(1,049)**
Marketable securities and investments in securities			
Available-for-sale securities	**2,155,352**	**2,155,352**	**—**
Long-term loans receivable	**42,828**		
Long-term loans to unconsolidated subsidiaries and affiliates	**529,934**		
Allowance for doubtful accounts	**(12,918)**		
	559,844	**558,221**	**(1,623)**
Total	$ **8,658,623**	$ **8,655,951**	$ **(2,672)**
LIABILITIES			
Current portion of long-term debt	$ **231,631**	$ **231,631**	$ **—**
Long-term debt	**1,233,443**	**1,253,369**	**19,926**
Total	$ **1,465,074**	$ **1,485,000**	$ **19,926**

(2) Carrying amount of financial instruments that do not have a quoted market price in an active market

	Millions of Yen	Thousands of U.S. Dollars
	2022	**2022**
Investments in securities		
Available-for-sale:		
Equity securities	¥ **7,488**	$ **61,377**
Preferred equity investment	**9,771**	**80,090**
Investments in unconsolidated subsidiaries and affiliates	**73,365**	**601,352**
Total	¥ **90,624**	$ **742,819**

The carrying amounts mentioned above include the carrying amounts of operational investments in securities that do not have a quoted market price in active markets.

(3) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen
	2021
Investments in securities	
Available-for-sale:	
Equity securities	¥ 6,278
Preferred equity investment	10,156
Other	12,137
Investments in unconsolidated subsidiaries and affiliates	63,827
Total	¥ 92,398

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

	Millions of Yen			
As of March 31, 2022	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	¥ **267,733**	¥ **—**	¥ **—**	¥ **—**
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Government and corporate bonds	**186**	**746**	**140**	**—**
Notes and accounts receivable—trade	**685,732**	**39,065**	**1,017**	**750**
Other current assets				
Time deposits due after three months of the date of acquisition	**5,571**	**—**	**—**	**—**
Long-term loans receivable	**3,354**	**4,320**	**4**	**901**
Long-term loans to unconsolidated subsidiaries and affiliates	**72**	**26,966**	**24,729**	**12,957**
Total	¥ **962,648**	¥ **71,097**	¥ **25,890**	¥ **14,608**

	Thousands of U.S. Dollars			
As of March 31, 2022	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	$ **2,194,533**	$ **—**	$ **—**	$ **—**
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Government and corporate bonds	**1,524**	**6,115**	**1,147**	**—**
Notes and accounts receivable—trade	**5,620,754**	**320,205**	**8,336**	**6,148**
Other current assets				
Time deposits due after three months of the date of acquisition	**45,664**	**—**	**—**	**—**
Long-term loans receivable	**27,492**	**35,410**	**33**	**7,385**
Long-term loans to unconsolidated subsidiaries and affiliates	**590**	**221,032**	**202,697**	**106,205**
Total	$ **7,890,557**	$ **582,762**	$ **212,213**	$ **119,738**

Please see Note 11 for annual maturities of long-term debt.

e. Financial instruments categorized by fair value hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, the fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of Yen			
	Fair value			
As of March 31, 2022	Level 1	Level 2	Level 3	Total
ASSETS				
Marketable securities and investments in securities				
Available-for-sale:				
Equity securities	¥ **254,099**	¥ **—**	¥ **5,503**	¥ **259,602**
Government and corporate bonds	**782**	**304**	**—**	**1,086**
Other	**388**	**—**	**—**	**388**
Derivative transactions:				
To which hedge accounting is not applied	**—**	**404**	**—**	**404**
To which hedge accounting is applied	**—**	**140**	**—**	**140**
Total	¥ **255,269**	¥ **848**	¥ **5,503**	¥ **261,620**
LIABILITIES				
Derivative transactions:				
To which hedge accounting is not applied	¥ **—**	¥ **121**	¥ **—**	¥ **121**
To which hedge accounting is applied	**—**	**848**	**—**	**848**
Total	¥ **—**	¥ **969**	¥ **—**	¥ **969**

	Thousands of U.S. Dollars			
	Fair value			
As of March 31, 2022	Level 1	Level 2	Level 3	Total
ASSETS				
Marketable securities and investments in securities				
Available-for-sale:				
Equity securities	$ **2,082,779**	$ **—**	$ **45,106**	$ **2,127,885**
Government and corporate bonds	**6,410**	**2,492**	**—**	**8,902**
Other	**3,180**	**—**	**—**	**3,180**
Derivative transactions:				
To which hedge accounting is not applied	**—**	**3,312**	**—**	**3,312**
To which hedge accounting is applied	**—**	**1,148**	**—**	**1,148**
Total	$ **2,092,369**	$ **6,952**	$ **45,106**	$ **2,144,427**
LIABILITIES				
Derivative transactions:				
To which hedge accounting is not applied	$ **—**	$ **992**	$ **—**	$ **992**
To which hedge accounting is applied	**—**	**6,951**	**—**	**6,951**
Total	$ **—**	$ **7,943**	$ **—**	$ **7,943**

The above figures do not include the fair values of investment trusts. The carrying amounts of investment trusts were ¥1,877 million ($15,385 thousand) as of March 31, 2022.

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

As of March 31, 2022	Millions of Yen Fair value Level 1	Level 2	Level 3	Total
ASSETS				
Notes and accounts receivable—trade	¥ —	¥ 724,970	¥ —	¥ 724,970
Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates	—	32,444	35,659	68,103
Total	¥ —	¥ 757,414	¥ 35,659	¥ 793,073
LIABILITIES				
Corporate bonds	¥ —	¥ 49,956	¥ —	¥ 49,956
Long-term loans	—	97,648	—	97,648
Derivative transactions:				
To which hedge accounting is applied	—	77	—	77
Total	¥ —	¥ 147,681	¥ —	¥ 147,681

As of March 31, 2022	Thousands of U.S. Dollars Fair value Level 1	Level 2	Level 3	Total
ASSETS				
Notes and accounts receivable—trade	$ —	$ 5,942,378	$ —	$ 5,942,378
Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates	—	265,934	292,287	558,221
Total	$ —	$ 6,208,312	$ 292,287	$ 6,500,599
LIABILITIES				
Corporate bonds	$ —	$ 409,475	$ —	$ 409,475
Long-term loans	—	800,394	—	800,394
Derivative transactions:				
To which hedge accounting is applied	—	631	—	631
Total	$ —	$ 1,210,500	$ —	$ 1,210,500

The above figures do not include the current portion of long-term loans.

Notes:
(1) Description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities

Marketable securities and Investments in securities
The fair values of listed equity securities and government and corporate bonds are measured at the quoted market prices. The fair values of listed equity securities and government bonds are categorized as Level 1, because they are traded in active markets. The fair values of corporate bonds are categorized as Level 2, as the quoted market prices of corporate bonds are not considered to be observed in active markets due to low market transactions. In addition, the fair values of unlisted equity securities held by certain overseas subsidiaries are principally measured by adjusted net asset method, and are categorized as Level 3.

Derivative transactions
The fair values of interest rate swaps and foreign currency forward contracts are measured by using discounted present value techniques considering observable inputs such as interest rates and foreign currency exchange rate, and are categorized as Level 2.

Notes and accounts receivable—trade
The carrying amounts of notes and accounts receivable—trade with short maturities approximate fair value, and are categorized as Level 2.
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, and are categorized as Level 2.

Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates
The carrying amounts of long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates with fluctuating interest rates approximate fair value because the variable interest rates reflect market rates in a short period of time and the credit standings of the borrowers are not substantially changed, and are categorized as Level 2.
The fair values of long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates with fixed interest rates 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, and are categorized as Level 2 or Level 3 depending on the materiality of the effect of unobservable inputs in the measurement of fair value.

Corporate bonds
The fair values of corporate bonds are principally measured at the quoted market prices. The fair values of corporate bonds are categorized as Level 2, as the quoted market prices of corporate bonds are not considered to be observed in active markets due to low market transactions.

Long-term loans
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, and are categorized as Level 2.
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, and are categorized as Level 2.

(2) Information about the fair value of Level 3 financial assets and liabilities, that are measured at the fair values in the consolidated balance sheet

1) Quantitative information about significant unobservable inputs

As of March 31, 2022	Valuation technique	Significant unobservable inputs
Marketable securities and investments in securities		
Available-for-sale:		
Equity securities (unlisted equity securities)	Adjusted net asset method	Net asset value

2) Reconciliation of beginning and ending balances

	Millions of Yen	Thousands of U.S. Dollars
	Marketable securities and investments in securities Available-for-sale: Equity securities (unlisted equity securities)	
	2022	**2022**
Balance at beginning of year	¥ 4,388	$ 35,967
Fair value gain recognized in other comprehensive income	508	4,164
Increase due to purchases	607	4,975
Balance at end of year	¥ 5,503	$ 45,106

Fair value gain recognized in other comprehensive income is included in unrealized (loss) gain on available-for-sale securities and foreign currency translation adjustments in other comprehensive income in the consolidated statement of comprehensive income.

20. 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, 2022	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	**¥ 51**	**¥ —**	**¥ 8**	**¥ 8**
Selling:				
Euro forward	**6,310**	**2,066**	**334**	**334**
Japanese Yen forward	**1,462**	**282**	**56**	**56**
U.S. Dollar forward	**280**	**—**	**6**	**6**
Total	**¥ 8,103**	**¥ 2,348**	**¥ 404**	**¥ 404**
Interest rate swaps				
Pay—fix / Receive—float	**¥ 15,873**	**¥ 15,873**	**¥ (121)**	**¥ (121)**
Total	**¥ 15,873**	**¥ 15,873**	**¥ (121)**	**¥ (121)**

	Millions of Yen			
As of March 31, 2021	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Selling:				
Euro forward	¥ 2,142	¥ 826	¥ (7)	¥ (7)
U.S. Dollar forward	1,099	84	97	97
Currency swaps				
Buy—Japanese Yen / Sell—Australian Dollar	2,959	—	(416)	(416)
Total	¥ 6,200	¥ 910	¥ (326)	¥ (326)

	Thousands of U.S. Dollars			
As of March 31, 2022	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	**$ 418**	**$ —**	**$ 66**	**$ 66**
Selling:				
Euro forward	**51,721**	**16,934**	**2,738**	**2,738**
Japanese Yen forward	**11,984**	**2,311**	**459**	**459**
U.S. Dollar forward	**2,295**	**—**	**49**	**49**
Total	**$ 66,418**	**$ 19,245**	**$ 3,312**	**$ 3,312**
Interest rate swaps				
Pay—fix / Receive—float	**$ 130,107**	**$ 130,107**	**$ (992)**	**$ (992)**
Total	**$ 130,107**	**$ 130,107**	**$ (992)**	**$ (992)**

b. Derivative transactions to which hedge accounting is applied

	Millions of Yen			
As of March 31, 2022	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	**¥ 185**	**¥ —**	**¥ 20**
Euro forward	Accounts payable—trade	**8**	**—**	**0**
Thai Baht forward	Accounts payable—trade	**1**	**—**	**0**
Selling:				
Euro forward	Accounts receivable—trade	**43,151**	**4,880**	**(728)**
Total		**¥ 43,345**	**¥ 4,880**	**¥ (708)**
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	**¥ 3,959**	**¥ 3,959**	**¥ (77)**
Total		**¥ 3,959**	**¥ 3,959**	**¥ (77)**

	Millions of Yen			
As of March 31, 2021	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	¥ 343	¥ —	¥ 9
Euro forward	Accounts payable—trade	14	—	1
Selling:				
Euro forward	Accounts receivable—trade	18,250	2,243	(682)
Total		¥ 18,607	¥ 2,243	¥ (672)
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	¥ 2,485	¥ 2,485	¥ (90)
Total		¥ 2,485	¥ 2,485	¥ (90)

	Thousands of U.S. Dollars			
As of March 31, 2022	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	**$ 1,516**	**$ —**	**$ 164**
Euro forward	Accounts payable—trade	**66**	**—**	**0**
Thai Baht forward	Accounts payable—trade	**8**	**—**	**0**
Selling:				
Euro forward	Accounts receivable—trade	**353,697**	**40,000**	**(5,967)**
Total		**$ 355,287**	**$ 40,000**	**$ (5,803)**
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	**$ 32,451**	**$ 32,451**	**$ (631)**
Total		**$ 32,451**	**$ 32,451**	**$ (631)**

21. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2022, contingent liabilities for loans guaranteed, including related items of a similar nature, amounted to ¥13,639 million ($111,795 thousand).

22. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥ **2,983**	¥ 44,203	$ **24,451**
Reclassification adjustments to profit or loss	**(13,084)**	(3,884)	**(107,246)**
Amount before income tax effect	**(10,101)**	40,319	**(82,795)**
Income tax effect	**3,218**	(12,296)	**26,377**
Total	¥ **(6,883)**	¥ 28,023	$ **(56,418)**
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ **(560)**	¥ (889)	$ **(4,590)**
Reclassification adjustments to profit or loss	**471**	482	**3,861**
Amount before income tax effect	**(89)**	(407)	**(729)**
Income tax effect	**(3)**	(22)	**(25)**
Total	¥ **(92)**	¥ (429)	$ **(754)**
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ **23,061**	¥ (9,773)	$ **189,024**
Reclassification adjustments to profit or loss	**—**	(24)	**—**
Amount before income tax effect	**23,061**	(9,797)	**189,024**
Income tax effect	**—**	—	**—**
Total	¥ **23,061**	¥ (9,797)	$ **189,024**
Defined retirement benefit plans:			
Adjustments arising during the year	¥ **392**	¥ 1,614	$ **3,213**
Reclassification adjustments to profit or loss	**201**	330	**1,648**
Amount before income tax effect	**593**	1,944	**4,861**
Income tax effect	**(137)**	(574)	**(1,123)**
Total	¥ **456**	¥ 1,370	$ **3,738**
Share of other comprehensive (loss) income in unconsolidated subsidiaries and affiliates:			
(Losses) gains arising during the year	¥ **(1,213)**	¥ 123	$ **(9,943)**
Reclassification adjustments to profit or loss	**117**	115	**959**
Adjustment for acquisition cost of assets	**59**	56	**484**
Total	¥ **(1,037)**	¥ 294	$ **(8,500)**
Total other comprehensive income	¥ **15,505**	¥ 19,461	$ **127,090**

23. SUPPLEMENTAL CASH FLOW INFORMATION

Year Ended March 31, 2022

The components of assets acquired and liabilities assumed of a consolidated subsidiary of KUSA which was acquired through the share acquisition during the year ended March 31, 2022, as well as reconciliation between the acquisition cost and the payment for the said acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	**2022**
Current assets	¥ **1,026**	$ **8,410**
Non-current assets	**13**	**107**
Goodwill	**2,895**	**23,730**
Current liabilities	**(911)**	**(7,467)**
Acquisition cost	**3,023**	**24,780**
Accounts payable	**(262)**	**(2,148)**
Cash and cash equivalents of the subsidiary	**(142)**	**(1,165)**
Net payment for acquisition	¥ **2,619**	$ **21,467**

The components of assets acquired and liabilities assumed of a consolidated subsidiary of KUSA which was acquired through the share acquisition during the year ended March 31, 2022, as well as reconciliation between the acquisition cost and the payment for the said acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	**2022**
Current assets	¥ **978**	$ **8,016**
Non-current assets	**13**	**107**
Goodwill	**475**	**3,893**
Current liabilities	**(808)**	**(6,623)**
Non-current liabilities	**(36)**	**(295)**
Acquisition cost	**622**	**5,098**
Cash and cash equivalents of the subsidiary	**(553)**	**(4,532)**
Net payment for acquisition	¥ **69**	$ **566**

24. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2022 and 2021, 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, 2022:				
Basic EPS				
Net income attributable to common stockholders	¥ **103,867**	**499,372**	¥ **208.00**	$ **1.705**
For the year ended March 31, 2021:				
Basic EPS				
Net income attributable to common stockholders	¥ 98,523	510,144	¥ 193.13	

25. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

On June 28, 2022, the stockholders of the Company approved the appropriation of retained earnings to pay a dividend of ¥31.00 ($0.254) per share (final for the year ended March 31, 2022) for a total amount of ¥15,295 million ($125,369 thousand).

b. Issuance of Unsecured Bonds

The Company, at the Board of Directors' Meeting held on June 14, 2022, resolved to issue unsecured bonds with the following terms and conditions:

1)	Issue amount:	Maximum of ¥10,000 million ($81,967 thousand)
2)	Maturity:	3 to 10 years
3)	Issue price:	¥100 ($0.820) for face value of ¥100 ($0.820)
4)	Redemption price:	¥100 ($0.820) for face value of ¥100 ($0.820)
5)	Interest rate:	Not more than yield of government bond plus 1.0%
6)	Interest payment:	At the end of every six-month period
7)	Redemption schedule:	Redemption at maturity
8)	Issue date:	Any date between the date of resolution at the Board of Directors' Meeting and March 31, 2023
9)	Use of proceeds:	Capital investments, investments and loans, R&D investments, working capital, loan repayments, bond redemptions and commercial paper redemptions, etc.

In addition, the Board of Directors resolved that the General Manager of the Treasury Division (Senior Managing Director) of the Company be authorized to determine the issue amount, maturity, interest rate, issue date and other matters in accordance with the above terms and conditions.

26. REVENUES

a. Disaggregation of Revenues

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2022, were as follows:

(1) Reportable segments

Year Ended March 31, 2022	Millions of Yen					
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total
Revenues:						
Construction projects	¥ 271,840	¥ 915,217	¥ —	¥ 120,050	¥ 490,405	¥ 1,797,512
Real estate and other	—	—	29,634	91,029	121,965	242,628
Revenues from contracts with customers	271,840	915,217	29,634	211,079	612,370	2,040,140
Other revenues	—	—	18,673	10,109	10,773	39,555
Total	¥ 271,840	¥ 915,217	¥ 48,307	¥ 221,188	¥ 623,143	¥ 2,079,695

Year Ended March 31, 2022	Thousands of U.S. Dollars					
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total
Revenues:						
Construction projects	$ 2,228,197	$ 7,501,779	$ —	$ 984,016	$ 4,019,713	$ 14,733,705
Real estate and other	—	—	242,902	746,139	999,713	1,988,754
Revenues from contracts with customers	2,228,197	7,501,779	242,902	1,730,155	5,019,426	16,722,459
Other revenues	—	—	153,056	82,861	88,304	324,221
Total	$ 2,228,197	$ 7,501,779	$ 395,958	$ 1,813,016	$ 5,107,730	$ 17,046,680

Note: Revenues from lease transactions, etc. are included in other revenues.

(2) Geographical areas

Year Ended March 31, 2022	Millions of Yen						
	Japan	North America	Europe	Asia	Oceania	Other Areas	Total
Revenues:							
Construction projects	¥ 1,306,440	¥ 274,638	¥ 37,434	¥ 80,622	¥ 96,740	¥ 1,638	¥ 1,797,512
Real estate and other	120,611	111,917	3,466	6,543	67	24	242,628
Revenues from contracts with customers	1,427,051	386,555	40,900	87,165	96,807	1,662	2,040,140
Other revenues	28,463	2,280	559	8,253	—	—	39,555
Total	¥ 1,455,514	¥ 388,835	¥ 41,459	¥ 95,418	¥ 96,807	¥ 1,662	¥ 2,079,695

Year Ended March 31, 2022	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Oceania	Other Areas	Total
Revenues:							
Construction projects	$ 10,708,525	$ 2,251,131	$ 306,836	$ 660,836	$ 792,951	$ 13,426	$ 14,733,705
Real estate and other	988,615	917,353	28,410	53,631	549	196	1,988,754
Revenues from contracts with customers	11,697,140	3,168,484	335,246	714,467	793,500	13,622	16,722,459
Other revenues	233,303	18,688	4,582	67,648	—	—	324,221
Total	$ 11,930,443	$ 3,187,172	$ 339,828	$ 782,115	$ 793,500	$ 13,622	$ 17,046,680

Note: Revenues from lease transactions, etc. are included in other revenues.

b. Basic Information to Understand Revenues from Contracts with Customers

(1) Information regarding contracts and performance obligations

The Companies operate businesses in the construction, real estate development and other businesses for domestic and overseas customers. In the construction business, the Companies carry out civil engineering, building construction, equipment and other general construction work based on executed construction contracts, and have performance obligations to deliver products such as completed buildings to customers. In addition, in the real estate development and other businesses, the Companies carry out real estate development, architectural, structural and other design and engineering services based on executed real estate sales and outsourcing contracts, and have performance obligations to provide services or deliver properties/deliverables to customers.

Because the payment conditions for the promised considerations with customers differ by each contract, there is no material relationship between the timing of satisfaction and the timing of payment for the performance obligations.

(2) Information regarding determination of the transaction price

Variable consideration based on price indexing clauses stipulated in contracts is included in the transaction price only to the extent where it is probable that, resolution of uncertainty over variable consideration will not cause significant reduction of revenue. In addition, for the financing components included in the promised considerations with customers, adjustment regarding the interest rate is not made as it is considered immaterial.

(3) Information regarding allocation of the transaction prices to performance obligations

When multiple performance obligations exist in a contract, such as partial delivery of a constructed product, the transaction price is allocated to each performance obligation. If the amount for each performance obligation is specified in the contract, such amount is considered as the individual transaction price. If the amount is not specified, the transaction price is allocated in a reasonable manner based on estimates.

(4) Information regarding the timing of the satisfaction of performance obligations

In the construction business, because building construction is mainly performed on the customer's land, it is considered that the customer has a control of the constructed product as the work progresses. Therefore, the Companies consider the performance obligations to be satisfied over time, and estimate the progress of the satisfaction of the performance obligations, and recognize revenue based on the progress.

In sales of properties in the real estate development business, as the Companies have performance obligations to deliver properties based on real estate sales contracts, it is considered that the performance obligations are to be satisfied at a point in time and the revenue is recognized at the time when the properties are delivered. In addition, in the case of design services and other businesses, assets without an alternative use to the Companies, such as the design drawings are created as the work progresses and the Companies are considered to have an enforceable right to receive payment for the work completed to date. Therefore, the Companies consider the performance obligations to be satisfied over time, and estimate the progress of the satisfaction of the performance obligations, and recognize revenue based on the progress.

The progress of the satisfaction is primarily measured based on the ratio of the cumulative costs incurred by the end of financial year against the estimated total costs.

In cases where the progress of the satisfaction of performance obligations cannot be reasonably estimated, such as in the early stage of the contract when the operational budget has not yet been compiled, but at the same time, where the costs incurred to satisfy the performance obligations are expected to be recovered, the revenue is recognized only to the extent of the costs incurred to date that are expected to be recovered.

The alternative treatment is applied in case the duration of transaction, such as from the beginning of the transaction to the point when the performance obligation is expected to be fully satisfied, is distinctively short. In such cases, the revenue is recognized at the point when the performance obligations are fully satisfied rather than being recognized over time.

c. Contract Balances

Receivables from contracts with customers, contract assets and contract liabilities at the beginning and end of the year ended March 31, 2022 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Receivables from contracts with customers:		
Balance at beginning of year	¥ 337,138	$ 2,763,426
Balance at end of year	342,664	2,808,721
Contract assets:		
Balance at beginning of year	290,549	2,381,549
Balance at end of year	380,934	3,122,410
Contract liabilities:		
Balance at beginning of year	132,756	1,088,164
Balance at end of year	145,633	1,193,713

Contract assets are the rights of the Companies related to the performance obligations satisfied based on construction contracts in the construction business and outsourcing contracts in the real estate development and other businesses. Contract assets are transferred to receivables from contracts with customers when such rights become unconditional. Considerations for such performance obligations have been invoiced and received in accordance with the payment condition set out in the individual agreements.

Contract liabilities are the advances received from customers before the provision of services based on construction contracts in the construction business and real estate sales contracts and outsourcing contracts in the real estate development and other businesses. Contract liabilities are released upon revenue recognition.

The amount of revenues recognized in the year ended March 31, 2022, which was included in the balance of contract liabilities at the beginning of the year, was ¥122,877 million ($1,007,189 thousand). In addition, changes in contract assets are mainly due to revenue recognition (an increase in contract assets) and transfers to receivables (a decrease in contract assets). The balance at the end of the year fluctuates due to the effect of the timing of the completion of large-scale construction projects in the construction business.

Revenues recognized for performance obligations satisfied (or partially satisfied) in the past years were immaterial.

d. Transaction Prices Allocated to Remaining Performance Obligations

The following table shows the summary of the transaction prices allocated to remaining performance obligations in the construction business that are unsatisfied as of March 31, 2022:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Transaction prices allocated to remaining performance obligations (construction business):		
Within one year	¥ 1,673,867	$ 13,720,221
After one to three years	878,814	7,203,393
After three years	60,967	499,730
Total	¥ 2,613,648	$ 21,423,344

27. 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, 2022	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	¥ 271,840	¥ 915,217	¥ 48,307	¥ 221,188	¥ 623,143	¥ 2,079,695	¥ —	¥ 2,079,695
Intersegment sales or transfers	—	5,455	4,105	94,957	804	105,321	(105,321)	—
Total	¥ 271,840	¥ 920,672	¥ 52,412	¥ 316,145	¥ 623,947	¥ 2,185,016	¥ (105,321)	¥ 2,079,695
Segment profit	¥ 19,684	¥ 50,109	¥ 11,297	¥ 16,293	¥ 26,461	¥ 123,844	¥ (461)	¥ 123,383
Other:								
Depreciation	¥ 1,317	¥ 4,459	¥ 2,890	¥ 6,310	¥ 7,742	¥ 22,718	¥ (106)	¥ 22,612
Amortization of goodwill	—	—	—	—	542	542	—	542

Year Ended March 31, 2021	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	¥ 334,792	¥ 781,327	¥ 68,888	¥ 233,946	¥ 488,224	¥ 1,907,177	¥ —	¥ 1,907,177
Intersegment sales or transfers	—	927	3,628	144,104	891	149,550	(149,550)	—
Total	¥ 334,792	¥ 782,254	¥ 72,516	¥ 378,050	¥ 489,115	¥ 2,056,727	¥ (149,550)	¥ 1,907,177
Segment profit	¥ 29,859	¥ 57,835	¥ 17,453	¥ 17,116	¥ 6,864	¥ 129,127	¥ (1,828)	¥ 127,299
Other:								
Depreciation	¥ 1,250	¥ 2,921	¥ 1,698	¥ 6,254	¥ 7,049	¥ 19,172	¥ (92)	¥ 19,080
Amortization of goodwill	—	—	—	—	649	649	—	649

Year Ended March 31, 2022	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	**$ 2,228,197**	**$ 7,501,779**	**$ 395,958**	**$ 1,813,016**	**$ 5,107,730**	**$ 17,046,680**	**$ —**	**$ 17,046,680**
Intersegment sales or transfers	**—**	**44,713**	**33,648**	**778,336**	**6,590**	**863,287**	**(863,287)**	**—**
Total	**$ 2,228,197**	**$ 7,546,492**	**$ 429,606**	**$ 2,591,352**	**$ 5,114,320**	**$ 17,909,967**	**$ (863,287)**	**$ 17,046,680**
Segment profit	**$ 161,344**	**$ 410,730**	**$ 92,599**	**$ 133,549**	**$ 216,893**	**$ 1,015,115**	**$ (3,779)**	**$ 1,011,336**
Other:								
Depreciation	**$ 10,795**	**$ 36,549**	**$ 23,689**	**$ 51,721**	**$ 63,459**	**$ 186,213**	**$ (869)**	**$ 185,344**
Amortization of goodwill	**—**	**—**	**—**	**—**	**4,443**	**4,443**	**—**	**4,443**

Notes:
(1) The amount of reconciliations in segment profit, which was loss of ¥461 million ($3,779 thousand) and loss of ¥1,828 million for the years ended March 31, 2022 and 2021, 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, 2022	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	**¥ 1,797,794**	**¥ 165,404**	**¥ 116,497**	**¥ 2,079,695**

Year Ended March 31, 2021	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	¥ 1,673,595	¥ 98,485	¥ 135,097	¥ 1,907,177

Year Ended March 31, 2022	Thousands of U.S. Dollars			
	Construction	Real Estate	Other	Total
Sales to external customers	**$ 14,736,016**	**$ 1,355,770**	**$ 954,894**	**$ 17,046,680**

(2) Information about geographical areas
1) Revenues

Millions of Yen **2022**						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 1,455,514	**¥ 388,835**	**¥ 41,459**	**¥ 95,418**	**¥ 96,807**	**¥ 1,662**	**¥ 2,079,695**

Millions of Yen 2021						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 1,416,752	¥ 268,146	¥ 29,164	¥ 100,942	¥ 91,754	¥ 419	¥ 1,907,177

Thousands of U.S. Dollars **2022**						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
$ 11,930,443	**$ 3,187,172**	**$ 339,828**	**$ 782,115**	**$ 793,500**	**$ 13,622**	**$ 17,046,680**

Note: Revenues are classified by country or region based on the location of customers.

2) Property and equipment

Millions of Yen **2022**						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 361,417	**¥ 9,782**	**¥ 2,195**	**¥ 52,858**	**¥ 1,320**	**¥ 9**	**¥ 427,581**

Millions of Yen 2021						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 340,108	¥ 9,172	¥ 2,047	¥ 65,467	¥ 1,157	¥ 4	¥ 417,955

Thousands of U.S. Dollars **2022**						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
$ 2,962,434	**$ 80,180**	**$ 17,992**	**$ 433,262**	**$ 10,820**	**$ 74**	**$ 3,504,762**

c. Information about impairment losses of assets

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Impairment losses of assets	¥ 16,453	¥ 946	$ 134,861

Notes:
(1) Impairment losses of assets of ¥16,453 million ($134,861 thousand) for the year ended March 31, 2022, consisted of assets used for business of ¥216 million ($1,771 thousand) and assets held for rent of ¥ 16,237 million ($133,090 thousand). Impairment losses of assets of ¥946 million for the year ended March 31, 2021, consisted of assets used for business of ¥623 million and assets held for rent of ¥323 million. Please see Note 7 for more details.
(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, 2022 and 2021

Millions of Yen		Thousands of U.S. Dollars
2022	2021	2022
¥ 542	¥ 649	$ 4,443

(2) Carrying amounts of goodwill as of March 31, 2022 and 2021

Millions of Yen		Thousands of U.S. Dollars
2022	2021	2022
¥ 3,699	¥ 801	$ 30,320

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:

Opinion

We have audited the consolidated financial statements of Kajima Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Revenue Recognition from Construction Contracts over Time	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As described in Note 2n. "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Significant Basis for Recording Revenues and Costs" to the consolidated financial statements, the Group's construction revenue and construction costs are recognized as the Group satisfies a performance obligation by transferring the promised goods or services to a customer if the control of those goods or services is transferred over time (hereinafter referred to as "the percentage-of-completion method"). The Group measures progress towards complete satisfaction of a performance obligation, which is mainly based on the proportion that contract costs incurred for work performed to the date of the end of the year bear to the estimated total contract costs. As described in Note 3. "SIGNIFICANT ACCOUNTING ESTIMATE" to the consolidated financial statements, the Group recognized construction revenue of ¥1,680,573 million ($13,775,189 thousand) by applying the percentage-of-completion method out of total construction revenue of ¥1,797,794 million ($14,736,016 thousand) for the year ended March 31, 2022. The amount included ¥1,113,271 million ($9,125,172 thousand) which was recorded by Kajima Corporation (the "Company"). When applying the percentage-of-completion method, construction revenue is calculated by multiplying the total estimated construction revenue by the progress principally based on the cumulative construction costs incurred by the end of the year against the total estimated construction costs. Total estimated construction revenue, total estimated construction costs, and the progress toward completion are affected by significant predictions and judgments made by management based on the business environment. The Company designs and operates internal controls such as reviewing and approving an initial budget related to the total construction revenues and the total construction costs. The Company also designs and operates internal controls such as reviewing and approving the revised budget which is estimated at the end of each period given the actual progress of construction. The Company's construction contracts are becoming larger from the amount of contracts perspective and becoming longer from the construction term perspective, especially in recent years. Therefore, if the following example situations occur, the impact on the entire consolidated financial statements increases.	Our audit procedures related to testing the reasonableness of accounting estimates for total construction revenue, total construction costs, and percentage-of-completion included the following, among others: First, we obtained an understanding of the business environment of the Company and its industry. Then we assessed the design and operating effectiveness of controls over the processes for estimating total construction revenue and total construction costs in relation to recognizing revenue by applying the percentage-of-completion method. We also involved our Information Technology ("IT") specialists to assist us to assess the general IT controls and automated controls over IT systems used in the calculation of the construction costs and percentage-of-completion for each construction contract. When assessing the design and operating effectiveness of the controls, we paid particular attention to whether initial budgets were appropriately prepared and approved at the beginning of the construction and whether budgets were revised and approved after beginning construction to reflect changes in each construction's situation in an appropriate and timely manner. Next, we assessed the reasonableness of accounting estimates included in last year's total construction revenue and total construction costs by comparing the accounting estimates included in last year's total construction revenue and total construction costs with this year's finalized amounts or revised estimates. Further, we used data analysis tools to perform a risk assessment analysis for all construction projects where the Company applied the percentage-of-completion method. We performed this assessment to identify any construction projects that might include the risks mentioned in the Key Audit Matter Description. We performed the following one or more audit procedures to the at-risk construction projects depending on the result of our analysis: **Audit procedures for total construction revenue** (1) We inspected evidence such as construction contracts and tested cash receipts for the total construction revenue.
(1) The percentage-of-completion method may be applied based on an estimate of the total construction revenue where final agreement on a revised construction contract with a customer is not reached regarding a change in construction method or a change in the scope of construction. Under such circumstances, construction revenues might not be recognized appropriately at the end of each period if the percentage-of-completion method is applied based on incomplete or unreasonable estimates of unconfirmed or revised portions, or if feasibility of that contract is not high. (2) The total construction costs may increase significantly if an unexpected event that could not have been anticipated when the project initially began occurs, market conditions related to materials and outsourcing costs fluctuate from the beginning of construction, or additional outsourcing costs are expected to occur due to process delays. Uncertainty is involved in these forecasts and estimates. In such cases, it may take time to revise the total construction costs, and there is a possibility that the total construction costs are not adjusted or revised in a timely manner. If the percentage-of-completion method is applied under such circumstances, construction revenues might not be recognized appropriately at the end of each reporting period. (3) As percentage-of-completion as at year-end is calculated based on the total construction costs, it might not be calculated appropriately if the total construction costs are not revised in a timely manner as mentioned in (2). We determined that the Company's revenue recognition by applying the percentage-of-completion method was our key audit matter because accounting estimates for total construction revenues, total construction costs, and percentage-of-completion involved uncertainty and management's significant forecasts and judgments.	(2) If the total construction revenue included accounting estimates, we assessed the reasonableness and feasibility of the estimates by inquiring of appropriate construction managers and inspecting evidence and project management materials. **Audit procedures for total construction costs** (3) If a construction project's gross margin ratio was significantly higher or lower than previous ratios, we inquired for appropriate construction managers and inspected evidence and project management materials to evaluate whether the gross margin ratio was reasonable. (4) If estimated total construction costs were significantly higher or lower than the total construction costs in previous year, we inquired of appropriate construction managers and inspected evidence and project management materials to evaluate whether the estimate was reasonable. **Audit procedures for percentage-of-completion (actual costs incurred)** (5) If the monthly trend analysis showed that the actual monthly costs increased or decreased significantly than the costs in previous month, we inquired of appropriate construction managers and inspected evidence such as invoices and project management materials to evaluate whether the increase or decrease was reasonable. (6) We inspected evidence such as invoices for the actual costs incurred. We also visited several construction sites and observed the consistency between the construction progress and accounting estimates.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

July 26, 2022

The consolidated financial statements of Kajima Corporation and its consolidated subsidiaries and the notes to consolidated financial statements are audited by Deloitte Touche Tohmatsu LLC. They have been prepared for the purpose of construction contract awards outside Japan.

Of the contents in the Financial Review (with the exception of the Summary and Forecast of Business Performance), the consolidated financial statements, notes to consolidated financial statements, and independent auditor's report, have been copied from documents prepared and issued for the aforementioned purpose.