

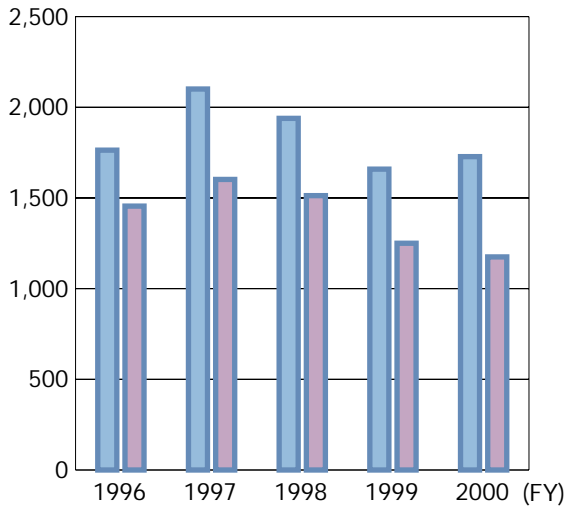
Selected Financial Data

KAJIMA Corporation (and Consolidated Subsidiaries)
For the years ended March 31

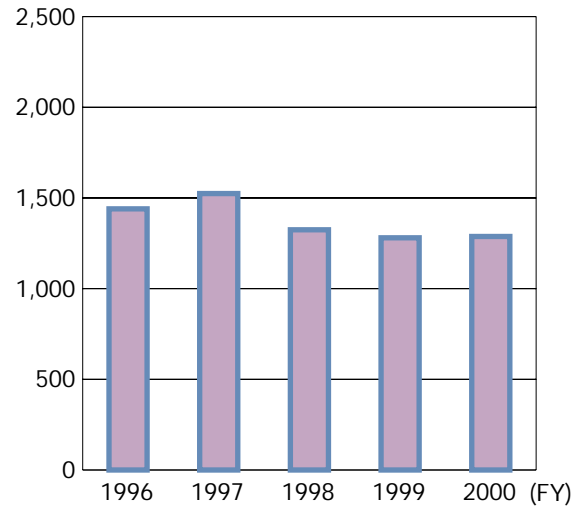
Fiscal Year	2000	1999	1998	1997	1996	2000
	(Millions of Yen)					(Thousands of U.S. Dollars)
Consolidated:						
Revenues.....	¥1,727,871	¥1,658,884	¥1,938,933	¥2,100,701	¥1,763,549	\$16,300,670
Net Income (Loss).....	9,018	(198,557)	(7,604)	7,345	5,032	85,075
Total Assets.....	2,423,542	2,402,481	2,684,328	2,868,379	2,881,887	22,863,604
Stockholders' Equity.....	176,058	174,595	366,445	383,102	384,790	1,660,925
Short-Term Borrowings, Commercial Paper and Long-Term Debt.....	771,982	862,539	919,290	943,457	921,431	7,282,850
	(Millions of Yen)					(Thousands of U.S. Dollars)
Non-Consolidated:						
Revenues.....	¥1,174,910	¥1,250,260	¥1,512,804	¥1,602,150	¥1,455,026	\$11,084,057
Contract Awards.....	1,287,623	1,280,287	1,324,485	1,524,289	1,439,943	12,147,387
Net Income (Loss).....	7,633	(196,675)	6,003	10,025	10,047	72,010
Total Assets.....	2,017,756	2,027,805	2,264,296	2,418,751	2,508,006	19,035,434
Stockholders' Equity.....	215,020	214,117	405,241	408,189	407,115	2,028,491
Short-Term Borrowings, Commercial Paper and Long-Term Debt.....	568,808	619,405	670,168	684,335	733,705	5,366,113
Per Share:	(Yen)					(U.S. Dollars)
Cash Dividends.....	¥7.00	¥7.00	¥9.00	¥9.00	¥9.00	\$0.066
	(Thousands of Shares)					
Number of Shares Issued.....	961,312	961,312	961,312	961,312	961,312	

Management Discussion and Analysis of Operations

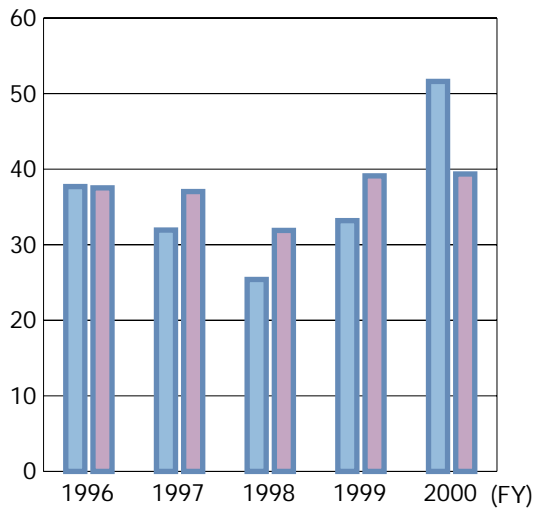
Revenues (billion ¥) ■ Consolidated ■ Non-Consolidated



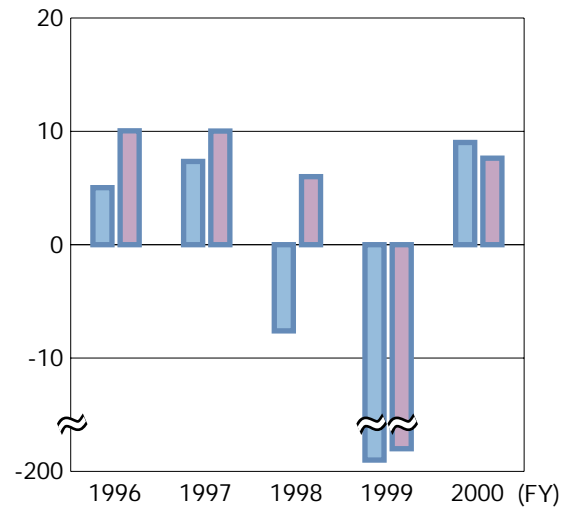
Contract Awards (billion ¥) ■ Non-Consolidated



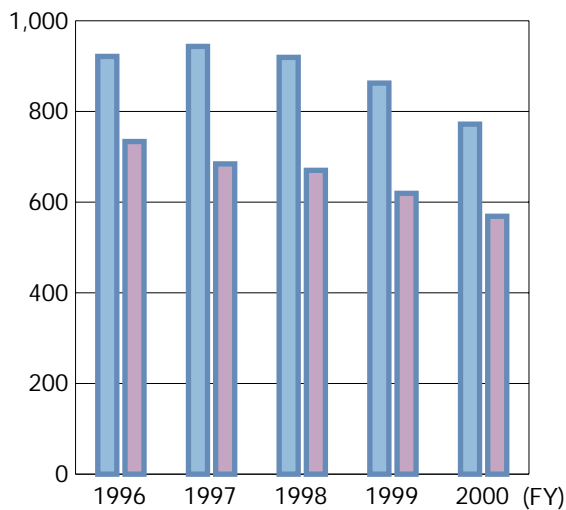
Operating Income (billion ¥) ■ Consolidated ■ Non-Consolidated



Net Income (billion ¥) ■ Consolidated ■ Non-Consolidated



Interest-Bearing Debt (billion ¥) ■ Consolidated ■ Non-Consolidated



Summary of Business Performance for Fiscal 2000

■ Overview

On the domestic front, Japanese government economic measures have been taking effect, paving the way for a gradual recovery. However, due to a lack of strength in private consumption as well as employment, this does not guarantee a full-fledged recovery. As for overseas, the U.S. economy is maintaining its growth, and the European Community is starting to grow again. Concerning Asian economies, the majority of Southeast Asian countries are on the rise after putting the region's currency crises behind them.

Despite signs of improvement in housing starts and an increase in the number of urban renewal projects, private construction demand in Japan has yet to show robustness. At the same time, the volume of public works declined as local governments were forced to cut back their spending.

Japanese construction companies continue to find it difficult to expand their business in North America and the European Community, where the levels of construction activities remain stable. This is largely due to a fall-off in investments by Japanese firms in these markets. In Asia, the growth of private consumption has not yet led to a marked growth in construction demand.

Total revenues declined both for the Company on a non-consolidated basis and for the Company's overseas subsidiaries. This was primarily due to declining contract awards and the resultant decreases in construction-related revenue. However, on a consolidated basis the Company posted ¥1,727.9 billion in revenues, a 4.2% gain from the previous year's figure. This was due to a recent change in financial accounting standards, whereby seven of the Company's affiliates, including Kajima Road Co., Ltd.—which the equity method applied to until last year—have now been consolidated into the Group.

The Company's consolidated operating income rose 55.5%, to ¥51.6 billion. A major contributor to this was the higher profit from asset dispositions through overseas subsidiaries. In terms of net income, the Company on a non-consolidated basis posted ¥7.6 billion, compared with a loss of ¥196.7 billion in the previous fiscal year. Net income jumped to ¥9.0 billion on a consolidated basis, which is a major

improvement from a ¥198.6 billion loss in the previous term. Thus, the ratio of net income on a consolidated basis to a non-consolidated basis was approximately 1.2.

■ Segment Performance Construction

Domestic Markets

On a consolidated basis, the Company recorded ¥1,414.7 billion in contract awards. Civil engineering contracts on a non-consolidated basis posted ¥338.7 billion, a 6.0% decrease from the previous term, and architectural construction awards totaled ¥848.0 billion, a gain of 5.2% over the previous year. Total revenues of the consolidated Group as defined by the former financial accounting standards fell because the level of contract awards have been low during the previous fiscal years. However, calculated under the new consolidation rules, total domestic revenues rose to ¥1,336.1 billion. Notable inclusions under the new rules are the revenues of Kajima Road Co., Ltd., Chemical Grouting Co., Ltd., and Kajima Renovate Construction Co., Ltd.

Overseas Markets

Total overseas contract awards of ¥76.2 billion, which represent decreases from fiscal 1999, consisted of ¥52.3 billion through the Company's overseas subsidiaries and ¥23.9 billion directly executed by the Company. These numbers reflect the weak demand in such major markets as Asia and the subsidiaries' decision to selectively seek projects with good profit margins.

While revenue from overseas projects directly executed by the Company increased 3.9%, to ¥23.6 billion, overseas subsidiaries suffered a 35.1% decline in revenues, to ¥71.5 billion. The net result was a 28.4% decline in overseas revenues, to ¥95.2 billion.

■ Gross Profit and Operating Income

Gross profit from the construction segment increased ¥15.0 billion, to ¥121.8 billion. Improvements in construction profit margins overall and the inclusion of some profitable subsidiaries under the new accounting rules helped. Compared to fiscal 1999, gross profit margins on a consolidated basis improved from 7.7% to 8.5%. Gross profit margin on a non-consolidated basis was 9.9%, compared with 9.2% the previous term.

Lastly, operating income on a consolidated basis increased 88.9%, to ¥29.9 billion.

■ Real Estate

Revenues from the real estate segment on a consolidated basis increased 2.6%, to ¥129.1 billion. Domestic revenues declined to ¥61.9 billion while overseas revenues increased to ¥67.1 billion. Asset dispositions in the United States and the European Community, coupled with improving property performance in the Asian markets, contributed to this result.

Operating income from real estate operations increased 10.8%, to ¥19.5 billion. This was largely due to profitable asset dispositions in the United States and the European Community.

■ Others

The Company's other segment, consisting chiefly of design/engineering services and real estate management, generated revenue of ¥167.3 billion on a consolidated basis, an increase of 12.9% over the last period. Operating income from other businesses also increased 62.5%, to ¥2.6 billion.

■ Forecasting Business Performance for Fiscal 2001

It is expected that considerable time will pass before a strong, self-sustaining, private-sector-led economic recovery takes root in Japan.

As for public works projects, fiscal constraints on local and national governments will likely have an impact on the number of public works that are to be awarded. On the private market side, we have yet to experience a surge of demand across major industries, and the prospect for such a rebound is still quite mixed. Exceptions may be seen in rising plant and equipment investments, major urban renewal projects that have commenced, or the medical/healthcare/environment-related businesses that are likely to expand in the coming years.

Asia holds the most promise for the Company as its primary focus overseas because despite the region's unpredictable future, Asian economies are expected to continue to recover. While we are going to devote our marketing forces to this area, extra caution will be exercised to maintain our profitability.

Our goal for fiscal 2001 is to achieve annual construction contract awards of ¥1,500 billion (¥1,400 billion from domestic awards and ¥100 billion from overseas). On a non-consolidated basis, the Company forecasts new contract awards of ¥1,220 billion (¥1,160 billion from construction awards and ¥60 billion from real estate and other operations).

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 5)
	2000	1999	2000
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 8).....	¥ 127,531	¥ 114,435	\$ 1,203,123
Marketable securities (Note 6).....	131,073	141,487	1,236,538
Notes and accounts receivable - trade	355,688	274,902	3,355,547
Allowance for doubtful accounts	(9,441)	(6,700)	(89,066)
Inventories:			
Construction projects in progress.....	592,247	618,746	5,587,236
Development projects in progress, real estate and other (Note 8).....	219,782	208,839	2,073,415
Deferred income taxes (Note 13).....	74,774	82,647	705,415
Other current assets (Note 8).....	143,716	154,816	1,355,811
Total current assets	1,635,370	1,589,172	15,428,019
PROPERTY AND EQUIPMENT:			
Land (Note 8).....	156,980	152,879	1,480,943
Buildings and structures (Note 8).....	350,129	392,128	3,303,104
Machinery and equipment (Note 8)	125,092	105,468	1,180,113
Construction in progress	42,674	28,082	402,585
Total.....	674,875	678,557	6,366,745
Accumulated depreciation	(228,091)	(210,874)	(2,151,802)
Net property and equipment	446,784	467,683	4,214,943
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Note 6).....	110,614	109,897	1,043,528
Investments in unconsolidated subsidiaries and affiliates.....	13,077	36,953	123,368
Long-term loans receivable (Note 7).....	10,400	10,509	98,113
Long-term loans to unconsolidated subsidiaries and affiliates (Note 14).....	26,620	38,802	251,132
Allowance for doubtful accounts	(34,296)	(40,682)	(323,547)
Deferred income taxes (Note 13).....	81,812	82,343	771,811
Foreign currency statements translation adjustments.....	1,594	-	15,038
Other (Note 8).....	131,567	107,804	1,241,199
Total investments and other assets.....	341,388	345,626	3,220,642
TOTAL.....	¥ 2,423,542	¥ 2,402,481	\$ 22,863,604

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 5)
	2000	1999	2000
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	¥ 194,569	¥ 178,624	\$ 1,835,557
Commercial paper (Note 9)	79,894	141,631	753,717
Current portion of long-term debt (Note 8)	89,825	92,231	847,406
Notes and accounts payable - trade	433,905	370,146	4,093,443
Advances received:			
Construction projects in progress (Note 10)	586,002	601,726	5,528,321
Development projects in progress, real estate and other	50,700	21,235	478,302
Income taxes payable (Note 13)	1,147	2,785	10,821
Accrued expenses	28,720	30,507	270,943
Other current liabilities (Note 8)	152,061	127,000	1,434,537
Total current liabilities	<u>1,616,823</u>	<u>1,565,885</u>	<u>15,253,047</u>
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	407,694	450,053	3,846,170
Liability for severance payments (Notes 3 and 11)	111,566	106,007	1,052,509
Allowance for loss on investments in unconsolidated subsidiaries and affiliates	-	34,290	-
Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates	22,747	4,779	214,594
Foreign currency statements translation adjustments	-	1,605	-
Other long-term liabilities (Note 8)	69,703	57,246	657,576
Total long-term liabilities	<u>611,710</u>	<u>653,980</u>	<u>5,770,849</u>
MINORITY INTERESTS	<u>18,951</u>	<u>8,021</u>	<u>178,783</u>
CONTINGENT LIABILITIES (Note 17)			
STOCKHOLDERS' EQUITY (Notes 8, 12 and 18):			
Common stock, authorized, 1,920,000,000 shares, ¥50 par value; issued and outstanding, 961,312,022 shares	64,071	64,071	604,443
Additional paid-in capital	32,147	32,147	303,274
Retained earnings	81,437	78,379	768,274
Total	177,655	174,597	1,675,991
Treasury stock - at cost	(1,597)	(2)	(15,066)
Total stockholders' equity	<u>176,058</u>	<u>174,595</u>	<u>1,660,925</u>
TOTAL	<u>¥ 2,423,542</u>	<u>¥ 2,402,481</u>	<u>\$ 22,863,604</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 5)
	2000	1999	2000
REVENUES (Note 14):			
Completed construction projects	¥ 1,431,435	¥ 1,384,770	\$ 13,504,104
Real estate and other.....	296,436	274,114	2,796,566
Total revenues.....	1,727,871	1,658,884	16,300,670
COST OF REVENUES (Note 14):			
Completed construction projects	1,309,621	1,277,987	12,354,915
Real estate and other.....	252,267	233,130	2,379,877
Total cost of revenues	1,561,888	1,511,117	14,734,792
Gross profit.....	165,983	147,767	1,565,878
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	114,373	114,579	1,078,991
Operating income.....	51,610	33,188	486,887
OTHER INCOME (EXPENSES):			
Interest and dividends.....	7,170	10,493	67,642
Interest expense.....	(16,910)	(22,103)	(159,528)
Equity in losses of unconsolidated subsidiaries and affiliates.....	(1,622)	(2,384)	(15,302)
Valuation loss on marketable and investment securities	(6,607)	(14,155)	(62,330)
Gain on sales of marketable and investment securities-net	5,637	4,164	53,179
Gain on sales or disposals of property and equipment-net	1,873	1,314	17,670
Loss from liquidation of unconsolidated subsidiaries and affiliates (Note 14)	(293)	(3,963)	(2,764)
Valuation loss on investments in unconsolidated subsidiaries and affiliates	-	(9,355)	-
Provision for doubtful accounts.....	(1,766)	(25,018)	(16,660)
Write-off of receivables.....	(1,180)	(3,104)	(11,132)
Provision for severance payments (Note 3)	-	(40,639)	-
Provision for loss on investments in unconsolidated subsidiaries and affiliates	-	(34,290)	-
Write-down of real estate and other	(5,781)	(204,424)	(54,538)
Foreign currency exchange loss	(6,484)	(1,238)	(61,171)
Other-net.....	(3,264)	(6,260)	(30,793)
Other expenses-net	(29,227)	(350,962)	(275,727)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	22,383	(317,774)	211,160
INCOME TAXES (Note 13):			
Current.....	2,508	6,589	23,660
Deferred	10,646	(125,006)	100,434
Total income taxes.....	13,154	(118,417)	124,094
MINORITY INTERESTS	(211)	800	(1,991)
NET INCOME (LOSS)	¥ 9,018	¥ (198,557)	\$ 85,075
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK :			
Net income (loss).....	¥9.43	¥(206.55)	\$0.089
Cash dividends.....	7.00	7.00	0.066

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED MARCH 31, 2000 AND 1999

	Thousands	Millions of Yen			Treasury Stock	
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Thousands Number of Shares of Common Stock	Millions of Yen Amount
BALANCE, APRIL 1, 1998	961,312	¥ 64,071	¥ 32,147	¥ 270,228	2	¥ 1
Net loss	-	-	-	(198,557)	-	-
Changes in treasury stock.....	-	-	-	-	3	1
Cash dividends paid:						
Final for prior year, ¥4.50 per share	-	-	-	(4,315)	-	-
Interim for current year, ¥3.50 per share	-	-	-	(3,356)	-	-
Bonuses to directors	-	-	-	(182)	-	-
Adjustments of retained earnings for:						
Newly applied accounting for allocation of income taxes.....	-	-	-	14,520	-	-
Exclusion of equity method affiliates	-	-	-	41	-	-
BALANCE, MARCH 31, 1999	961,312	¥ 64,071	¥ 32,147	¥ 78,379	5	¥ 2
Net income	-	-	-	9,018	-	-
Changes in treasury stock (Note 12).....	-	-	-	-	4,882	1,595
Cash dividends paid:						
Final for prior year, ¥3.50 per share	-	-	-	(3,356)	-	-
Interim for current year, ¥3.50 per share	-	-	-	(3,356)	-	-
Bonuses to directors	-	-	-	(83)	-	-
Adjustments of retained earnings for inclusion of equity method affiliates	-	-	-	835	-	-
BALANCE, MARCH 31, 2000	<u>961,312</u>	<u>¥ 64,071</u>	<u>¥ 32,147</u>	<u>¥ 81,437</u>	<u>4,887</u>	<u>¥ 1,597</u>

	Thousands of U.S. Dollars (Note 5)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
BALANCE, MARCH 31, 1999	\$ 604,443	\$ 303,274	\$ 739,425	\$ 19
Net income	-	-	85,075	-
Changes in treasury stock (Note 12).....	-	-	-	15,047
Cash dividends paid:				
Final for prior year, \$0.033 per share	-	-	(31,660)	-
Interim for current year, \$0.033 per share	-	-	(31,660)	-
Bonuses to directors	-	-	(783)	-
Adjustments of retained earnings for inclusion of equity method affiliates	-	-	7,877	-
BALANCE, MARCH 31, 2000	<u>\$ 604,443</u>	<u>\$ 303,274</u>	<u>\$ 768,274</u>	<u>\$ 15,066</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 5)
	2000	1999	2000
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 22,383	¥ (317,774)	\$ 211,160
Adjustments for:			
Income taxes-paid	(4,439)	(8,249)	(41,877)
Depreciation and amortization.....	26,013	26,835	245,406
Provision for severance payments.....	2,377	37,129	22,425
Provision for loss on investments in unconsolidated subsidiaries and affiliates.....	-	34,290	-
(Reversal of) provision for doubtful accounts.....	(2,675)	25,127	(25,236)
Write-off of receivables	1,173	3,104	11,066
Write-down of real estate and other	5,781	204,424	54,538
Foreign currency exchange loss.....	4,657	1,796	43,934
Loss from liquidation of unconsolidated subsidiaries and affiliates.....	293	3,963	2,764
Equity in losses of unconsolidated subsidiaries and affiliates.....	1,622	2,384	15,302
Valuation loss on marketable and investment securities	6,607	14,155	62,330
Valuation loss on investments in unconsolidated subsidiaries and affiliates ..	-	9,355	-
Gain on sales or disposals of property and equipment-net	(1,873)	(1,314)	(17,670)
Gain on sales of marketable and investment securities-net	(5,637)	(4,164)	(53,179)
Bonuses to directors including share of minority interests.....	(112)	(182)	(1,057)
Changes in operating assets and liabilities, net of effects from consolidating previously unconsolidated subsidiaries and affiliates:			
(Increase) decrease in receivables	(16,478)	126,280	(155,453)
Decrease in inventories.....	38,808	2,004	366,113
Increase (decrease) in payables	11,191	(77,716)	105,575
Decrease in advances received	(2,454)	(25,906)	(23,151)
(Decrease) increase in accrued expenses.....	(3,771)	802	(35,575)
Increase in other assets	(10,287)	(9,347)	(97,047)
Increase in other liabilities.....	13,000	7,868	122,642
Net cash provided by operating activities	<u>86,179</u>	<u>54,864</u>	<u>813,010</u>
INVESTING ACTIVITIES:			
(Increase) decrease of time deposits except for cash equivalents	(4,228)	16,713	(39,886)
Payment for purchases of marketable and investment securities.....	(12,984)	(31,101)	(122,491)
Proceeds from sales of marketable and investment securities	27,100	16,080	255,660
Payment for purchases of property and equipment	(42,181)	(50,959)	(397,934)
Proceeds from sales of property and equipment.....	51,285	68,402	483,821
Disbursements for loans.....	(13,256)	(11,542)	(125,057)
Proceeds from collection of loans.....	7,968	19,510	75,170
Decrease (increase) of short-term financial arrangement through security repurchase agreement	10,988	(11,990)	103,660
Other-net.....	14,470	(13,038)	136,510
Net cash provided by investing activities.....	<u>39,162</u>	<u>2,075</u>	<u>369,453</u>
FINANCING ACTIVITIES:			
Decrease in short-term borrowings.....	(19,910)	(17,856)	(187,830)
Net repayment of commercial paper.....	(61,737)	(49,610)	(582,425)
Proceeds from issuance of long-term debt	53,821	79,409	507,745
Repayment of long-term debt.....	(118,959)	(54,488)	(1,122,255)
Proceeds from issuance of bonds.....	36,715	-	346,368
Cash dividends paid	(6,712)	(7,671)	(63,320)
Other-net.....	(191)	-	(1,802)
Net cash used in financing activities.....	<u>(116,973)</u>	<u>(50,216)</u>	<u>(1,103,519)</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS.....			
	(2,676)	2,749	(25,245)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	<u>7,404</u>	<u>-</u>	<u>69,849</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>13,096</u>	<u>9,472</u>	<u>123,548</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>114,435</u>	<u>104,963</u>	<u>1,079,575</u>
CASH AND CASH EQUIVALENTS, END OF YEAR.....	<u>¥ 127,531</u>	<u>¥ 114,435</u>	<u>\$ 1,203,123</u>

See notes to consolidated financial statements.

ADDITIONAL CASH FLOW INFORMATION:	As of March 31, 2000	
	Millions of Yen	Thousands of U.S. Dollars (Note 5)
NON-CASH ACTIVITIES:		
Increases due to consolidation of subsidiaries previously unconsolidated:		
Current assets.....	¥ 108,686	\$ 1,025,340
Fixed assets.....	25,857	243,934
Total	<u>¥ 134,543</u>	<u>\$ 1,269,274</u>
Current liabilities	¥ 107,744	\$ 1,016,452
Long-term liabilities	4,774	45,038
Minority interests	17,418	164,321
Total	<u>¥ 129,936</u>	<u>\$ 1,225,811</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2000 AND 1999

1. BASIS OF PRESENTATION

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 Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan. Differences between the accounting policies followed by the Companies and International Accounting Standards (IAS) are described in Note 4. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Effective April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and such statements for the years ended March 31, 2000 and 1999 are presented herein.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present these consolidated statements in a form which is more familiar to readers of these statements outside Japan. In addition, certain notes are not required under accounting principles and practices generally accepted in Japan but are presented herein as additional information.

Certain amounts in the 1999 consolidated financial statements have been restated to conform with classifications adopted in 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation - Effective April 1, 1999, the Company changed its consolidation scope of subsidiaries and affiliated companies from the application of the ownership concept to the control or influence concept. Under the control or influence concept, 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. The consolidated financial statements for the year ended March 31, 1999 are not retroactively adjusted.

The consolidated financial statements for the year ended March 31, 2000 included the accounts of Kajima Corporation, Kajima Road Co., Ltd., Chemical Grouting Co., Ltd., Kajima Leasing Corporation, Kajima Hotel Enterprises, Ltd., Kajima Mechatro Engineering Co., Ltd., Taiko Trading Co., Ltd., Kajima U.S.A. Inc.(KUSA) and its 17 subsidiaries, Kajima Europe B.V.(KE) and its 33 subsidiaries, Kajima Overseas Asia Pte. Ltd.(KOA) and its 10 subsidiaries and 15 subsidiaries of the Company, including 2 subsidiaries of KE and 1 subsidiary of the Company newly established in 2000 and Kajima Road Co., Ltd., Chemical Grouting Co., Ltd. and 2 subsidiaries of the Company, previously accounted for by the equity method have been consolidated in the consolidated financial statements, with the exclusion of 2 subsidiaries of KUSA, 6 subsidiaries of KE and 1 subsidiary of the Company due to liquidation and other.

Other subsidiaries were not consolidated as they were not significant in terms of total assets, net sales, retained earnings, net income or net loss.

All unconsolidated subsidiaries and affiliates were accounted for using the equity method.

Up to the years ended March 31, 1999, the excess of the cost of the Company's investments in its consolidated subsidiaries and companies accounted for using the equity method over its equity in their net assets at the dates of acquisition is being amortized over a period of 5 years. Effective April 1, 1999, the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 5 years. Inter-company balances, transactions and unrealized profits have been eliminated in consolidation.

The number of consolidated subsidiaries and companies for which the equity method is applied is summarized below:

	2000	1999
Consolidated subsidiaries	84	86
Equity method applied:		
Unconsolidated subsidiaries	57	38
Affiliates	37	32
Stated at cost:		
Unconsolidated subsidiaries	-	14
Affiliates	-	2

- b. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition. The scope of cash and cash equivalents in 1999 was changed from ¥126,224 million to ¥114,435 million to conform with the presentation in 2000.

- c. 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. Other inventories are primarily stated at cost determined on a specific project basis or by the moving-average method.

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

- d. Capitalization of Interest - Interest costs incurred for real estate development projects conducted mainly by certain overseas subsidiaries have been capitalized as a part of the development cost of such projects. Interest expense capitalized was ¥1,274 million (\$12,019 thousand) and ¥1,834 million for the years ended March 31, 2000 and 1999, respectively.

e. Marketable Securities and Investments in Securities - Securities listed on stock exchanges are included in marketable securities and investments in securities, and are stated at the lower of cost or market value, cost being determined by the moving-average method.

Other securities are stated at cost determined by the moving-average method.

f. Property and Equipment - Property and equipment are stated principally at cost. Depreciation has been principally computed using the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The estimated useful lives for buildings and structures range from 2 to 50 years and for machinery and equipment range from 2 to 20 years.

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

g. Allowance for Doubtful Accounts - The Company and its consolidated domestic subsidiaries provide for possible losses due to uncollectibility of notes, accounts and loans receivable at the greater of either management's estimate or the maximum amount allowable for tax purposes. The consolidated overseas subsidiaries provide for such possible losses using management's estimate.

h. Retirement Benefits - The Companies have two types of retirement benefit plans to cover severance payments that would be required if all employees voluntarily terminated their services with the Companies at each balance sheet date. A pension plan, the assets of which are vested in trustees, covers approximately 60% of the total amount of the severance payments and the remaining 40% is covered by an unfunded plan.

In the case of the Company, the Kajima Pension Fund has been established, the assets of which are administrated by the board of trustees composed of management and employee representatives.

In respect of the unfunded plan, the Companies provide for the liability for severance payments at 100% of the amounts payable if all eligible participants were to terminate their employment as of March 31, 2000 (see Note 3). Normal costs of the pension plan are funded and charged to income currently. Past service costs are amortized and charged to income principally over a period of 20 years.

The Companies provide for officers' retirement allowances at 100% of the amounts that would be required if all directors and corporate auditors voluntarily terminated their office as stipulated in the retirement regulations.

i. Allowance for Loss on Investments in Unconsolidated Subsidiaries and Affiliates - The Companies provide for loss of unconsolidated subsidiaries and affiliates, which will be attributable to the Companies.

j. Recognition of Revenues and Related Costs - Revenues from and related costs of construction contracts are recorded using the completed-contract method.

k. 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 totaled ¥13,071 million (\$123,311 thousand) for the year ended March 31, 2000.

l. Leases - All leases are accounted for as operating leases. Under the Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

m. Income Taxes - Effective April 1, 1998, the Companies adopted accounting for allocation of income taxes based on the asset and liability method. The cumulative effect of this application of interperiod tax allocation in prior years in the amount of ¥14,520 million is included as an adjustment to increase retained earnings as of April 1, 1998.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Appropriations of Retained Earnings - Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the stockholders.

o. Foreign Currency Transactions - Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of each balance sheet date.

Long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at historical exchange rates. However, when there is a significant unrealized exchange loss related to long-term receivables and payables derived from foreign currency fluctuations, such receivables and payables are translated into Japanese yen at the exchange rates in effect at the balance sheet date.

Assets and/or liabilities which are converted at the foreign exchange rate or swap rate are translated using the exchange rates set forth in the applicable exchange contract and the relevant currency swap agreement.

The exchange gains arising from the above contracts are deferred and recognized as income ratably over the term of the contract period. Other exchange gains and losses are recognized in the fiscal periods in which they occur.

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

Differences arising from such translation are shown as "Foreign currency statements translation adjustments" in the accompanying consolidated balance sheets.

q. Per Share Information - Net income or loss per share is based upon the weighted average number of shares outstanding during the relevant fiscal year. The average number of shares outstanding used in the computation for the years ended March 31, 2000 and 1999 were 956,429 and 961,309 thousand shares, respectively.

Diluted net income per share is not disclosed because of anti-dilutive effect for the year ended March 31, 2000 and the net loss of the Companies for the year ended March 31, 1999.

Cash dividends per share in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

3.ACCOUNTING CHANGE

Effective April 1, 1998, the Companies changed its accounting policy for the liability for severance payments under the unfunded pension plan from providing 40% to 100% of the amounts payable if all eligible participants were to terminate their employment at each balance sheet date. This change was made in order to reflect periodic income and expenses more appropriately and to present sound financial condition based on the strengthening plan of financial structure, which was made as a result of the investigation of various factors concerned with the eligible employees such as age structure and length of service, as well as the changes in circumstances of accounting practices in connection with retirement benefits.

The effect of this change was to increase loss before income taxes and minority interests by ¥39,515 million including a cumulative effect of ¥40,639 million for the year ended March 31, 1999. This cumulative effect was reflected in other expenses as "Provision for severance payments" in the accompanying consolidated statements of operations.

4. DIFFERENCES BETWEEN JAPANESE ACCOUNTING PRINCIPLES AND INTERNATIONAL ACCOUNTING STANDARDS

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in Japan. The main differences between such accounting principles and IAS are as follows:

a. Consolidation and the Equity Method of Accounting

Under accounting principles generally accepted in Japan:

- (i) subsidiaries whose total assets, total revenue, net income or loss and retained earnings are not significant in aggregate in relation to the comparable figures in the consolidated financial statements may be excluded from consolidation; and
- (ii) the equity method of accounting is not required for unconsolidated subsidiaries and affiliates whose aggregate net income or loss and retained earnings are not significant in relation to the comparable figures in the consolidated financial statements.

These Japanese accounting principles regarding consolidation and adoption of the equity method of accounting are not in accordance with IAS 27 and 28, which require, except in certain circumstances, the consolidation of all subsidiaries and the application of the equity method to affiliates.

For the years ended March 31, 2000 and 1999, the total assets, revenues, net income or loss and retained earnings attributable to the Company's unconsolidated subsidiaries represented the following percentages of the corresponding figures in the consolidated financial statements:

	<u>2000</u>	<u>1999</u>
Total assets	2.4%	1.9%
Revenues	3.1	2.5
Net income (loss).....	(0.3)	0.1
Retained earnings	(1.1)	(4.0)

These percentages are calculated on a consistent basis over the two fiscal years and are stated before adjusting for inter-company balances and transactions.

b. Recognition of Revenues and Related Costs - IAS 11 requires revenues and related costs to be recognized by reference to the stage of completion of contract activity where the outcome of a construction contract can be estimated reliably.

The Companies' reporting policy in relation to the recognition of revenues and related costs, which is in accordance with Japanese accounting principles, is set out in Note 2.j.

It is not practicable to quantify the effect on the net income or loss of the Companies as a result of this difference in accounting policy.

c. Retirement Benefits - IAS 19 requires retirement benefit costs to be recognized as an expense in the periods during which services are rendered based on the actuarial valuation method.

The Companies' reporting policy in relation to the recognition of retirement benefit costs, which is in accordance with Japanese accounting principles, is set out in Note 2.h.

It is not practicable to quantify the effect on the net income or loss of the Companies as a result of this difference in accounting policy.

d. Foreign Currency Transactions - IAS 21 requires foreign currency transactions to be reported at the closing rate of exchange.

The Companies' reporting policy in relation to foreign currency transactions, which is in accordance with Japanese accounting principles, is set out in Note 2.o.

It is not practicable to quantify the effect on the net income or loss of the Companies as a result of this difference in accounting policy.

5. TRANSLATION INTO U.S. DOLLARS

The accounts of the Company and its Japanese subsidiaries are maintained in Japanese yen, the currency of the country in which they are incorporated and principally operate. The U.S. dollar amounts included herein are presented solely for the convenience of the reader. Such dollar amounts have been translated from yen at the approximate exchange rate in Tokyo on March 31, 2000 of ¥106 = U.S.\$1. The translations should not be construed as representations that Japanese yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

6. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities and investments in securities as of March 31, 2000 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Current:		
Market quotations available:		
Marketable equity securities.....	¥ 128,295	\$ 1,210,330
Debentures.....	85	802
Fund trust and other.....	2,481	23,406
Subtotal.....	130,861	1,234,538
Market quotations not available.....	212	2,000
Total	¥ 131,073	\$ 1,236,538

	Millions of Yen	Thousands of U.S. Dollars
Non-Current:		
Market quotations available:		
Marketable equity securities.....	¥ 81,881	\$ 772,462
Debentures.....	1,474	13,906
Fund trust and other.....	720	6,792
Subtotal.....	84,075	793,160
Market quotations not available.....	26,539	250,368
Total	¥ 110,614	\$ 1,043,528

Securities for which market quotations are not available are principally non-listed securities excluding over-the-counter securities.

The carrying values and aggregate market values of securities for which market quotations are available included in marketable securities and investments in securities as of March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current:			
Carrying value.....	¥ 130,861	¥ 140,635	\$ 1,234,538
Aggregate market value.....	260,915	233,749	2,461,462
Unrealized gain	¥ 130,054	¥ 93,114	\$ 1,226,924
Non-Current:			
Carrying value.....	¥ 84,075	¥ 86,509	\$ 793,160
Aggregate market value.....	123,953	126,896	1,169,368
Unrealized gain	¥ 39,878	¥ 40,387	\$ 376,208

7. LONG-TERM LOANS RECEIVABLE

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

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings were represented generally by 365-day notes in 2000 and 1999 issued by the Companies and bore interest principally at the short-term primary interest rates of 1.375% in effect as of March 31, 2000 and 1999, respectively.

As is customary in Japan, the Company and its consolidated domestic subsidiaries maintain deposit balances with banks with which they have short-term bank loans or long-term debt. Such deposit balances are not legally or contractually restricted as to withdrawal.

Long-term debt as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
0.1175% to 9.5% loans from banks, due 2000 - 2010.....	¥ 215,384	¥ 238,025	\$ 2,031,924
0.0133% to 9.5% loans from insurance companies and other financial institutions, due 2000 - 2025.....	49,402	60,566	466,057
5.2% to 7.5713% Medium Term Notes, due 2000 - 2005.....	22,693	23,066	214,085
1.95% to 7.4188% bonds, due 2000 - 2012.....	195,147	205,734	1,841,010
1.6% convertible debentures due September 28, 2001.....	14,893	14,893	140,500
Total.....	497,519	542,284	4,693,576
Current portion included in current liabilities.....	(89,825)	(92,231)	(847,406)
Total	¥ 407,694	¥ 450,053	\$ 3,846,170

On July 27, 1989, the Company issued 1.6% convertible debentures in the principal amount of ¥15,000 million due in 2001, payable in Japanese yen and in denominations of ¥1,000,000 each. Each debenture was convertible into shares of common stock of the Company at a conversion price of ¥2,140 per share from April 1, 1990.

The conversion price described above is subject to adjustment to reflect, among other things, stock dividends, stock splits, the subdivision or consolidation of shares, and issuance of shares and related securities at less than market value.

As of March 31, 2000, the maximum number of new shares which would have been issued upon full conversion of the outstanding convertible debentures at the then current conversion price was 6,959,346 shares.

The carrying amounts of assets pledged as collateral for short-term borrowings of ¥284 million (\$2,679 thousand), long-term debt of ¥6,370 million (\$60,094 thousand) and other liabilities of ¥1,248 million (\$11,774 thousand) as of March 31, 2000 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Inventories:	
Development projects in progress, real estate and other.....	¥ 5,336	\$ 50,340
Land.....	731	6,896
Buildings and structures - net of accumulated depreciation.....	6,078	57,340
Machinery and equipment - net of accumulated depreciation.....	23	217
Other assets.....	324	3,056
Total	¥ 12,492	\$ 117,849

Certain of the Company's long-term debt agreements provide, among other things, that the lender may request the Company to submit proposals for appropriations of retained earnings (including payment of dividends) for review and, in some instances, approval prior to presentation to the stockholders. However, the Company has never received such a request.

In addition, as is customary in Japan, substantially all of the Companies' bank borrowings are subject to general agreements with each bank which provide, among other things, that the relevant bank may treat any security furnished to the bank as well as cash deposited with it as security for all present and future indebtedness and may, when the bank deems it necessary, request additional security for the loans.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2000 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2001.....	¥ 89,825	\$ 847,406
2002.....	179,100	1,689,623
2003.....	95,080	896,981
2004.....	30,856	291,094
2005.....	33,609	317,066
2006 and thereafter.....	69,049	651,406
Total	¥ 497,519	\$ 4,693,576

9.COMMERCIAL PAPER

Commercial paper was represented by 107 to 177-day paper issued by the Companies with interest at 0.064% to 6.262% and 31 to 170-day paper at 0.45% to 7.5% as of March 31, 2000 and 1999, respectively.

10.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.

11.RETIREMENT BENEFITS

The Company and its consolidated domestic subsidiaries have severance payment plans for employees, directors and corporate auditors. The amount of the severance payments is, in general, determined on the basis of length of service and current basic salary at the time of termination of service. An employee is paid at higher rates if he retires at age 50 or over after serving with the Companies for more than 15 years at the date of retirement. If the termination of service is involuntary, an employee is entitled to greater payments than in the case of voluntary termination. The severance allowances for employees of the Companies are partially funded in a pension fund. Liability for severance payments as of March 31, 2000 and 1999 includes retirement benefits for directors and corporate auditors of ¥5,265 million (\$49,670 thousand) and ¥4,401 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of stockholders.

Provision for severance payments and pension expense totaled ¥22,721 million (\$214,349 thousand) and ¥61,427 million for the years ended March 31, 2000 and 1999, respectively, and the assets of the fund as of March 31, 2000 was ¥192,372 million (\$1,814,830 thousand).

12.STOCKHOLDERS' EQUITY

The Japanese Commercial Code (the "Code") provides that retained earnings in an amount equal to at least 10% of any amount paid by the Company as an appropriation of retained earnings, including dividends and bonuses to directors and corporate auditors, be appropriated to a legal reserve until such reserve equals 25% of the stated capital. This reserve amount, included in retained earnings, totals ¥16,215 million (\$152,972 thousand) and ¥16,182 million as of March 31, 2000 and 1999, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the stockholders, or may be capitalized by resolution of the Board of Directors.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. As of March 31, 2000, retained earnings recorded on the Company's books were ¥102,784 million (\$969,660 thousand) which is available for future dividends subject to the approval of the stockholders and legal reserve requirements.

Also, under the Code, at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors.

Proceeds in excess of the amounts designated as stated capital have been credited to additional paid-in capital. The Company may transfer, by resolution of stockholders, a portion of retained earnings available for dividends to a common stock account, and the Company may issue new shares of common stock to the existing stockholders without consideration by resolution of the Board of Directors, to the extent that the amount calculated by multiplying the number of outstanding shares after the issuance by par value per share shall not exceed the stated capital, and that the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the issuance shall not be less than ¥50. These issuances of the new shares are treated as stock splits.

Cash dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. However, a semiannual interim dividends may be paid upon resolution of the Board of Directors subject to limitations imposed by the Code.

As of March 31, 1999, the number of shares of common stock of the Company held by an affiliate was 4,878 thousand shares. As of March 31, 2000, such shares of common stock totaling ¥1,595 million (\$15,047 thousand) were included in "Treasury stock" because that company was consolidated due to the control concept as described in Note 2.a.

13.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 rates of approximately 41.5% and 47.1% for the years ended March 31, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Deferred Tax Assets:			
Inventories.....	¥ 53,527	¥ 60,937	\$ 504,972
Tax loss carryforwards.....	37,410	37,767	352,925
Liability for severance payments.....	24,438	19,976	230,547
Securities unlisted on stock exchanges	14,091	11,604	132,934
Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates	12,358	-	116,585
Allowance for doubtful accounts.....	11,975	10,102	112,972
Property and equipment	10,344	16,804	97,585
Unrealized inter-company profits of property and equipment.....	7,776	8,926	73,358
Allowance for loss on investments in unconsolidated subsidiaries and affiliates.....	-	14,230	-
Other.....	16,243	16,752	153,235
Subtotal	188,162	197,098	1,775,113
Valuation Allowance.....	(21,640)	(21,432)	(204,151)
Total	166,522	175,666	1,570,962
Deferred Tax Liabilities:			
Property and equipment.....	(8,215)	(7,977)	(77,500)
Other	(1,721)	(2,699)	(16,236)
Total	(9,936)	(10,676)	(93,736)
Net Deferred Tax Assets	¥ 156,586	¥ 164,990	\$ 1,477,226

As of March 31, 2000, the Company has tax loss carryforwards of approximately ¥60,308 million (\$568,943 thousand) which will expire in fiscal 2004 to the extent they remain unutilized. Certain consolidated subsidiaries of the Company also have tax loss carryforwards whose expiration dates range from 2001 to 2013. Due to the uncertainty of the realization of such subsidiaries' tax loss carryforwards, the Companies have established a valuation allowance to offset most of the related deferred tax assets in the amount of ¥ 11,504 million (\$108,528 thousand).

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2000 and 1999 were as follows:

	2000	1999
Normal effective statutory tax rate.....	41.5 %	(47.1) %
Expenses not deductible for income tax purposes	12.1	1.2
Non-taxable income.....	(4.8)	(0.4)
Inhabitant taxes.....	5.0	0.1
Tax benefits not recognized on tax loss carryforwards and other of consolidated subsidiaries	0.1	0.4
Tax benefits not recognized on equity in losses of unconsolidated subsidiaries and affiliates	3.0	3.4
Tax rate differences on realization of unrealized inter-company profit	1.6	-
Effect of tax rate reduction	-	5.2
Other	0.3	(0.1)
Actual effective tax rate.....	58.8 %	(37.3) %

14. RELATED PARTY TRANSACTIONS

Transactions with unconsolidated subsidiaries and affiliates for the years ended March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Construction and other revenues.....	¥ 3,798	¥ 5,503	\$ 35,830
Purchases.....	10,056	28,753	94,868
Loss from liquidation of unconsolidated subsidiaries and affiliates.....	293	3,963	2,764

The Company also purchase materials and supplies for construction works or is provided certain other services from a company whose major stockholders are directors of the Company and their relatives. Purchases from that company were ¥1,331 million for the year ended March 31, 1999. The terms and conditions for transactions with the related party were in accordance with normal business practices.

Long-term loans to unconsolidated subsidiaries and affiliates include ¥10,363 million loan with no interest as of March 31, 1999.

15. LEASES

- a. Finance Leases as a Lessee - The Companies have a number of lease agreements, primarily for office space and computer equipment, which are renewable upon expiration and mainly cancellable. Rental expenses on such leases were approximately ¥7,316 million (\$69,019 thousand) and ¥6,925 million, including total lease payments of ¥855 million (\$8,066 thousand) and ¥742 million for the years ended March 31, 2000 and 1999, respectively, in connection with finance leases as described in Note 2.1.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation equivalent and interest equivalent of finance leases that do not transfer ownership of the leased property to the lessee on a "as if capitalized" basis for the years ended March 31, 2000 and 1999 were as follows:

	As of March 31, 2000 (Millions of Yen)		
	Machinery and equipment	Other	Total
Acquisition cost	¥ 3,912	¥ 454	¥ 4,366
Accumulated depreciation	(2,924)	(288)	(3,212)
Net lease property	¥ 988	¥ 166	¥ 1,154

	As of March 31, 1999 (Millions of Yen)		
	Machinery and equipment	Other	Total
Acquisition cost	¥ 3,026	¥ 364	¥ 3,390
Accumulated depreciation	(2,449)	(228)	(2,677)
Net lease property	¥ 577	¥ 136	¥ 713

	As of March 31, 2000 (Thousands of U.S. Dollars)		
	Machinery and equipment	Other	Total
Acquisition cost	\$ 36,906	\$ 4,283	\$ 41,189
Accumulated depreciation	(27,585)	(2,717)	(30,302)
Net lease property	\$ 9,321	\$ 1,566	\$ 10,887

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Due within one year	¥ 688	¥ 575	\$ 6,491
Due after one year	1,127	717	10,632
Total	¥ 1,815	¥ 1,292	\$ 17,123

The imputed interest equivalent portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation equivalent and interest equivalent under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Depreciation equivalent	¥ 643	¥ 572	\$ 6,066
Interest equivalent	123	89	1,160

Depreciation equivalent is computed by a declining-balance method for machinery and equipment and by a straight-line method for other investments using the effective life of the lease and nil residual value, respectively.

Interest equivalent is not reflected in the accompanying consolidated statements of operations.

- b. Finance Leases as a Lessor - The Companies also have a number of lease agreements, primarily for computer equipment, which are renewable upon expiration and mainly cancellable. Lease income earned on such leases in connection with finance leases as described in Note 2.1. were approximately ¥1,030 million (\$9,717 thousand) and ¥1,158 million for the years ended March 31, 2000 and 1999, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, receivables under finance leases, depreciation and interest equivalent of finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2000 and 1999 were as follows:

	As of March 31, 2000 (Millions of Yen)		
	Machinery and equipment	Other	Total
Acquisition cost	¥ 3,196	¥ 3,330	¥ 6,526
Accumulated depreciation	(1,448)	(864)	(2,312)
Net lease property	¥ 1,748	¥ 2,466	¥ 4,214

	As of March 31, 1999 (Millions of Yen)		
	Machinery and equipment	Other	Total
Acquisition cost	¥ 4,469	¥ 1,578	¥ 6,047
Accumulated depreciation	(2,317)	(669)	(2,986)
Net lease property	¥ 2,152	¥ 909	¥ 3,061

	As of March 31, 2000 (Thousands of U.S. Dollars)		
	Machinery and equipment	Other	Total
Acquisition cost	\$ 30,151	\$ 31,415	\$ 61,566
Accumulated depreciation	(13,660)	(8,151)	(21,811)
Net lease property	\$ 16,491	\$ 23,264	\$ 39,755

Receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Due within one year	¥ 1,014	¥ 963	\$ 9,566
Due after one year	3,293	2,199	31,066
Total	¥ 4,307	¥ 3,162	\$ 40,632

The imputed interest equivalent portion which is computed using the interest method is excluded from the above receivables under finance leases.

Depreciation and interest equivalent under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Depreciation	¥ 928	¥ 1,018	\$ 8,755
Interest equivalent	149	147	1,406

c. Operating Leases as a Lessee - The minimum rental commitments under noncancellable operating leases as of March 31, 2000 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Due within one year	¥ 1,367
Due after one year	20,095	189,576
Total	¥ 21,462	\$ 202,472

16.DERIVATIVES

The Companies enter into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, currency swaps, interest rate swaps and currency and interest rate swaps agreements.

The Companies do not hold or issue derivatives for trading purposes and it is the policy to use derivatives only for the purpose of reducing market risks and financing costs in accordance with internal regulation.

Derivative transactions entered into by the Companies, such as interest rate swaps that convert U.S. dollar floating rate to fixed Yen rate, are subject to market risk associated with U.S. dollar and Yen exchange rates. Interest swap transactions are also subject to market risk and are used to convert fixed interest rate to floating interest rate.

The Companies do not anticipate any losses resulting from default by counterparties, as these transactions are limited to major domestic or overseas financial institutions with sound operational foundations.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the exposure to credit or market risk.

The information of derivatives for the year ended March 31, 1999 is not separately disclosed in this note to the consolidated financial statements in accordance with disclosure standards in Japan.

Such information of derivatives is disclosed in the notes to the non-consolidated financial statements.

The Companies have the following derivatives contracts outstanding as of March 31, 2000:

a. Over-the-Counter Products for Foreign Exchange Contracts

	Millions of Yen			
	Contract / Notional Principal Amount		Market Value	Unrealized Gain (Loss)
	Within one year	After one year		
Foreign Exchange Contracts				
Buying:				
U.S.\$ forward	¥ 4,093	¥ 537	¥ 4,642	¥ 12
Thai Baht forward	787	-	716	(71)
Selling:				
U.S.\$ forward	600	-	602	(2)
Swiss Franc forward	1	-	1	0
Currency Swaps				
Receive ¥/Pay U.S.\$	10,351	10,610	3,623	3,623
Total	¥ 15,832	¥ 11,147	¥ 9,584	¥ 3,562

	Thousands of U.S. Dollars			
	Contract / Notional Principal Amount		Market Value	Unrealized Gain (Loss)
	Within one year	After one year		
Foreign Exchange Contracts				
Buying				
U.S.\$ forward	\$ 38,613	\$ 5,066	\$ 43,792	\$ 113
Thai Baht forward	7,425	-	6,755	(670)
Selling:				
U.S.\$ forward	5,660	-	5,679	(19)
Swiss Franc forward	9	-	9	0
Currency Swaps				
Receive ¥/Pay U.S.\$	97,651	100,094	34,179	34,179
Total	\$ 149,358	\$ 105,160	\$ 90,414	\$ 33,603

b. Over-the-Counter Products for Interest Rate Contracts

	Millions of Yen			
	Notional Principal Amount		Market Value	Unrealized Gain (Loss)
	Within one year	After one year		
Interest Rate Swaps				
Pay-float / Receive-fix	¥ -	¥ 27,500	¥ 2,664	¥ 2,664
Pay-fix / Receive-float	28,296	60,283	(514)	(514)
Currency and Interest Rate Swaps				
Pay-float(U.S.\$) / Receive-fix(¥)	-	4,640	870	870
Pay-fix(¥) / Receive-float(STG)	2,500	-	753	753
Total	¥ 30,796	¥ 92,423	¥ 3,773	¥ 3,773

	Thousands of U.S. Dollars			
	Notional Principal Amount		Market Value	Unrealized Gain (Loss)
	Within one year	After one year		
Interest Rate Swaps				
Pay-float / Receive-fix	\$ -	\$ 259,434	\$ 25,132	\$ 25,132
Pay-fix / Receive-float	266,943	568,708	(4,849)	(4,849)
Currency and Interest Rate Swaps				
Pay-float(U.S.\$) / Receive-fix(¥)	-	43,774	8,207	8,207
Pay-fix(¥) / Receive-float(STG)	23,585	-	7,104	7,104
Total	\$ 290,528	\$ 871,916	\$ 35,594	\$ 35,594

17. CONTINGENT LIABILITIES

As of March 31, 2000, contingent liabilities for trade notes endorsed and loans guaranteed including related items of similar nature amounted to ¥230 million (\$2,170 thousand) and ¥46,522 million (\$438,887 thousand), respectively.

18. SUBSEQUENT EVENT

On June 29, 2000, the following appropriations of retained earnings were approved at the stockholders' meeting of the Company:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends of ¥3.50 (\$0.033) per share (final for the year ended March 31, 2000)	¥ 3,365	\$ 31,745
Bonuses to directors.....	150	1,415
Total	¥ 3,515	\$ 33,160

19. SEGMENT INFORMATION

a. Business Segments

Business segments are principally composed of the followings:

Construction	Civil Engineering and Architectural Construction
Real Estate	Development and sale of Land and Buildings
Other	Architecture, Engineering, Financing and any other relevant business

Year Ended March 31, 2000	Millions of Yen					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	¥ 1,431,435	¥ 129,120	¥ 167,316	¥ 1,727,871	¥ -	¥ 1,727,871
Inter-segments	1,869	2,240	1,716	5,825	(5,825)	-
Total	1,433,304	131,360	169,032	1,733,696	(5,825)	1,727,871
Operating expenses	1,403,366	111,797	166,414	1,681,577	(5,316)	1,676,261
Operating income	¥ 29,938	¥ 19,563	¥ 2,618	¥ 52,119	¥ (509)	¥ 51,610
Assets	¥ 2,146,789	¥ 483,098	¥ 122,783	¥ 2,752,670	¥ (329,128)	¥ 2,423,542
Depreciation	10,896	9,204	5,974	26,074	(61)	26,013
Capital expenditures	6,215	28,648	4,947	39,810	(4,289)	35,521

Year Ended March 31, 1999	Millions of Yen					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	¥ 1,384,770	¥ 125,894	¥ 148,220	¥ 1,658,884	¥ -	¥ 1,658,884
Inter-segments	2,764	2,204	1,381	6,349	(6,349)	-
Total	1,387,534	128,098	149,601	1,665,233	(6,349)	1,658,884
Operating expenses	1,371,682	110,441	147,990	1,630,113	(4,417)	1,625,696
Operating income	¥ 15,852	¥ 17,657	¥ 1,611	¥ 35,120	¥ (1,932)	¥ 33,188
Assets						
Depreciation	¥ 2,051,926	¥ 504,789	¥ 122,401	¥ 2,679,116	¥ (276,635)	¥ 2,402,481
Capital expenditures	10,753	9,369	5,863	25,985	(136)	25,849
	5,656	30,064	9,174	44,894	(4,887)	40,007

Year Ended March 31, 2000	Thousands of U.S. Dollars					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers	\$ 13,504,104	\$ 1,218,113	\$ 1,578,453	\$ 16,300,670	\$ -	\$ 16,300,670
Inter-segments	17,632	21,132	16,189	54,953	(54,953)	-
Total	13,521,736	1,239,245	1,594,642	16,355,623	(54,953)	16,300,670
Operating expenses	13,239,302	1,054,689	1,569,943	15,863,934	(50,151)	15,813,783
Operating income	\$ 282,434	\$ 184,556	\$ 24,699	\$ 491,689	\$ (4,802)	\$ 486,887
Assets						
Depreciation	\$ 20,252,726	\$ 4,557,529	\$ 1,158,330	\$ 25,968,585	\$ (3,104,981)	\$ 22,863,604
Capital expenditures	102,793	86,830	56,358	245,981	(575)	245,406
	58,632	270,264	46,670	375,566	(40,462)	335,104

The effect of the change in the accounting for the liability for severance payments described in Note 3 was to increase operating income of the Construction segment by ¥1,125 million, operating income of the Real Estate segment by ¥27 million and to decrease operating income of the Other segment by ¥28 million for the year ended March 31, 1999, respectively.

b. Geographical Segments

Each area primarily refers to the following countries:

North America	U. S. A. and Canada
Europe	United Kingdom and France
Asia	Singapore and Thailand

Year Ended March 31, 2000	Millions of Yen						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	¥ 1,562,564	¥ 96,979	¥ 44,421	¥ 23,907	¥ 1,727,871	¥ -	¥ 1,727,871
Inter-segments	15	-	-	-	15	(15)	-
Total	1,562,579	96,979	44,421	23,907	1,727,886	(15)	1,727,871
Operating expenses	1,517,037	92,046	43,463	23,729	1,676,275	(14)	1,676,261
Operating income	¥ 45,542	¥ 4,933	¥ 958	¥ 178	¥ 51,611	¥ (1)	¥ 51,610
Assets							
	¥ 2,347,025	¥ 129,548	¥ 33,006	¥ 59,071	¥ 2,568,650	¥ (145,108)	¥ 2,423,542

Year Ended March 31, 1999	Millions of Yen						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	¥ 1,476,382	¥ 107,106	¥ 33,051	¥ 42,345	¥ 1,658,884	¥ -	¥ 1,658,884
Inter-segments	346	-	-	-	346	(346)	-
Total	1,476,728	107,106	33,051	42,345	1,659,230	(346)	1,658,884
Operating expenses	1,434,962	108,537	35,968	46,569	1,626,036	(340)	1,625,696
Operating income (loss)	¥ 41,766	¥ (1,431)	¥ (2,917)	¥ (4,224)	¥ 33,194	¥ (6)	¥ 33,188
Assets	¥ 2,264,054	¥ 166,064	¥ 53,455	¥ 68,874	¥ 2,552,447	¥ (149,966)	¥ 2,402,481

Year Ended March 31, 2000	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers	\$14,741,170	\$ 914,896	\$ 419,066	\$ 225,538	\$ 16,300,670	\$ -	\$ 16,300,670
Inter-segments	142	-	-	-	142	(142)	-
Total	14,741,312	914,896	419,066	225,538	16,300,812	(142)	16,300,670
Operating expenses	14,311,670	868,358	410,028	223,858	15,813,914	(131)	15,813,783
Operating income	\$ 429,642	\$ 46,538	\$ 9,038	\$ 1,680	\$ 486,898	\$ (11)	\$ 486,887
Assets	\$22,141,745	\$ 1,222,151	\$ 311,377	\$ 557,274	\$ 24,232,547	\$ (1,368,943)	\$ 22,863,604

The effect of the change in the accounting for the liability for severance payments described in Note 3 was to increase operating income in Japan by ¥1,124 million for the year ended March 31, 1999. No effect of the change occurred in North America, Europe and Asia.

c. Overseas Revenues

Each area primarily refers to the following countries:

North America	U. S. A. and Canada
Europe	United Kingdom and France
Asia	Singapore and Thailand
Other Area	Egypt, Central African Republic and Ghana

Year ended March 31, 2000	Millions of Yen				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues	¥ 96,979	¥ 44,421	¥ 34,676	¥ 13,161	¥ 189,237
Consolidated Revenues	-	-	-	-	1,727,871
Overseas / Consolidated Ratio(%)	5.6	2.6	2.0	0.8	11.0

Year ended March 31, 1999	Millions of Yen				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues	¥ 107,106	¥ 33,051	¥ 53,840	¥ 11,312	¥ 205,309
Consolidated Revenues	-	-	-	-	1,658,884
Overseas / Consolidated Ratio(%)	6.5	2.0	3.2	0.7	12.4

Year ended March 31, 2000	Thousands of U.S. Dollars				
	North America	Europe	Asia	Other Area	Total
Overseas Revenues.....	\$ 914,896	\$ 419,066	\$ 327,132	\$ 124,160	\$ 1,785,254
Consolidated Revenues	-	-	-	-	16,300,670

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**Deloitte
Touche
Tohatsu**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kajima Corporation:

We have examined the consolidated balance sheets of Kajima Corporation and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kajima Corporation and consolidated subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period subsequent to the change, with which we concur, made as of April 1, 1998, in the accounting for the liability for severance payments, as discussed in Note 3.

As described in Note 2, effective April 1, 1999, the consolidated financial statements have been prepared in accordance with new accounting standards for consolidated financial statements.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 5. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.


June 29, 2000

NON-CONSOLIDATED BALANCE SHEETS

MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 5)
	2000	1999	2000
ASSETS			
CURRENT ASSETS :			
Cash and cash equivalents (Note 8).....	¥ 89,189	¥ 78,633	\$ 841,406
Marketable securities (Note 6).....	129,425	141,006	1,220,990
Receivables :			
Notes receivable-trade.....	45,448	57,905	428,755
Accounts receivable-trade.....	187,642	165,399	1,770,207
Short-term loans.....	6,205	34,977	58,538
Short-term loans to subsidiaries and affiliates.....	5,619	3,074	53,009
Allowance for doubtful accounts.....	(6,833)	(6,162)	(64,462)
Inventories :			
Construction projects in progress.....	530,765	557,090	5,007,217
Development projects in progress.....	121,740	90,574	1,148,491
Real estate for sale.....	54,884	71,483	517,774
Materials and supplies.....	1,086	263	10,245
Deferred income taxes (Note 13).....	71,790	80,866	677,264
Prepaid expenses and other current assets (Note 8).....	123,485	101,533	1,164,953
Total current assets.....	1,360,445	1,376,641	12,834,387
PROPERTY AND EQUIPMENT :			
Land.....	131,783	134,188	1,243,236
Buildings and structures.....	240,068	252,641	2,264,792
Machinery and equipment.....	50,946	57,847	480,622
Construction in progress.....	11,809	10,096	111,406
Total.....	434,606	454,772	4,100,056
Accumulated depreciation.....	(148,276)	(153,688)	(1,398,830)
Net property and equipment.....	286,330	301,084	2,701,226
INVESTMENTS AND OTHER ASSETS :			
Investments in securities (Note 6).....	103,424	109,208	975,698
Investments in and long-term loans to subsidiaries and affiliates.....	152,480	123,648	1,438,491
Long-term loans receivable (Note 7).....	37,561	36,649	354,349
Allowance for doubtful accounts.....	(58,107)	(56,475)	(548,179)
Deferred income taxes (Note 13).....	86,262	85,135	813,792
Other.....	49,361	51,915	465,670
Total investments and other assets.....	370,981	350,080	3,499,821
TOTAL.....	¥ 2,017,756	¥ 2,027,805	\$ 19,035,434

See notes to non-consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 5)
	2000	1999	2000
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES :			
Short-term borrowings (Note 8)	¥ 134,506	¥ 118,055	\$ 1,268,925
Commercial paper (Note 9)	78,000	124,000	735,849
Current portion of long-term debt (Note 8)	65,926	48,531	621,943
Payables (Note 14) :			
Notes payable-trade.....	125,683	136,771	1,185,689
Accounts payable-trade	185,368	163,883	1,748,755
Advances received :			
Construction projects in progress (Note 10)	562,358	561,582	5,305,264
Development projects in progress, real estate and other	47,390	18,372	447,075
Income taxes payable (Note 13)	323	2,059	3,047
Accrued expenses.....	17,737	19,366	167,330
Employees' savings deposits.....	26,843	28,380	253,236
Other current liabilities	106,297	91,927	1,002,802
Total current liabilities	1,350,431	1,312,926	12,739,915
LONG-TERM LIABILITIES :			
Long-term debt (Note 8)	290,376	328,819	2,739,396
Liability for severance payments (Notes 3 and 11)	101,724	104,268	959,660
Allowance for loss on investments in subsidiaries and affiliates.....	25,544	34,190	240,981
Other long-term liabilities.....	34,661	33,485	326,991
Total long-term liabilities	452,305	500,762	4,267,028
CONTINGENT LIABILITIES (Note 17)			
STOCKHOLDERS' EQUITY (Notes 8, 12 and 18) :			
Common stock, authorized, 1,920,000,000 shares, ¥50 par value; issued and outstanding, 961,312,022 shares	64,071	64,071	604,444
Additional paid-in capital.....	32,147	32,147	303,274
Legal reserve.....	16,018	16,018	151,113
Retained earnings.....	102,784	101,881	969,660
Total stockholders' equity	215,020	214,117	2,028,491
TOTAL.....	¥ 2,017,756	¥ 2,027,805	\$ 19,035,434

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 5)
	2000	1999	2000
REVENUES (Note 14) :			
Completed construction projects	¥ 1,097,608	¥ 1,152,316	\$ 10,354,793
Real estate and other	77,302	97,944	729,264
Total revenues	<u>1,174,910</u>	<u>1,250,260</u>	<u>11,084,057</u>
COST OF REVENUES (Note 14) :			
Completed construction projects	989,193	1,046,468	9,332,009
Real estate and other	68,435	79,832	645,614
Total cost of revenues	<u>1,057,628</u>	<u>1,126,300</u>	<u>9,977,623</u>
Gross profit	117,282	123,960	1,106,434
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>77,921</u>	<u>84,848</u>	<u>735,104</u>
Operating income	<u>39,361</u>	<u>39,112</u>	<u>371,330</u>
OTHER INCOME (EXPENSES) :			
Interest and dividends	5,119	6,222	48,292
Interest expense	(9,858)	(12,274)	(93,000)
Valuation loss on marketable and investment securities	(6,375)	(14,123)	(60,142)
Gain on sales of marketable and investment securities-net	5,350	4,146	50,472
Gain (loss) on sales or disposals of property and equipment-net	3,028	(102)	28,566
Loss from liquidation of subsidiaries and affiliates	-	(6,688)	-
Valuation loss on investments in subsidiaries and affiliates	(3,289)	(44,871)	(31,028)
Provision for doubtful accounts	(3,535)	(47,250)	(33,349)
Provision for severance payments (Note 3)	-	(39,993)	-
Provision for loss on investments in subsidiaries and affiliates	(293)	(34,190)	(2,764)
Write-off of receivables	(1,021)	(2,448)	(9,632)
Write-down of real estate and other	(4,660)	(172,574)	(43,962)
Foreign currency exchange loss	(4,112)	(705)	(38,793)
Other-net	(3,532)	(5,937)	(33,320)
Other expenses-net	<u>(23,178)</u>	<u>(370,787)</u>	<u>(218,660)</u>
INCOME (LOSS) BEFORE INCOME TAXES	<u>16,183</u>	<u>(331,675)</u>	<u>152,670</u>
INCOME TAXES (Note 13) :			
Current	600	5,580	5,660
Deferred	7,950	(140,580)	75,000
Total income taxes	<u>8,550</u>	<u>(135,000)</u>	<u>80,660</u>
NET INCOME (LOSS)	<u>¥ 7,633</u>	<u>¥ (196,675)</u>	<u>\$ 72,010</u>
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK :			
Net income (loss)	¥ 7.94	¥ (204.59)	\$ 0.075
Cash dividends	7.00	7.00	0.066

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED MARCH 31, 2000 AND 1999

	Thousands	Millions of Yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings
BALANCE, APRIL 1, 1998	961,312	¥ 64,071	¥ 32,147	¥ 16,018	¥ 293,005
Net loss	-	-	-	-	(196,675)
Cash dividends paid :					
Final for prior year, ¥4.50 per share	-	-	-	-	(4,326)
Interim for current year, ¥3.50 per share	-	-	-	-	(3,365)
Bonuses to directors	-	-	-	-	(150)
Adjustment of retained earnings for newly applied accounting for allocation of income taxes	-	-	-	-	13,392
BALANCE, MARCH 31, 1999	961,312	64,071	32,147	16,018	101,881
Net income	-	-	-	-	7,633
Cash dividends paid :					
Final for prior year, ¥3.50 per share	-	-	-	-	(3,365)
Interim for current year, ¥3.50 per share	-	-	-	-	(3,365)
BALANCE, MARCH 31, 2000	961,312	¥ 64,071	¥ 32,147	¥ 16,018	¥ 102,784

	Thousands of U.S. Dollars (Note 5)			
	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings
BALANCE, MARCH 31, 1999	\$ 604,444	\$ 303,274	\$ 151,113	\$ 961,142
Net income	-	-	-	72,010
Cash dividends paid :				
Final for prior year, \$0.033 per share	-	-	-	(31,746)
Interim for current year, \$0.033 per share	-	-	-	(31,746)
BALANCE, MARCH 31, 2000	\$ 604,444	\$ 303,274	\$ 151,113	\$ 969,660

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 5)
	2000	1999	2000
OPERATING ACTIVITIES :			
Income (loss) before income taxes	¥ 16,183	¥ (331,675)	\$ 152,670
Adjustments for :			
Income taxes-paid	(2,336)	(7,144)	(22,038)
Depreciation and amortization	13,859	16,111	130,745
Provision for severance payments	(2,544)	36,370	(24,000)
Provision for loss on investments in subsidiaries and affiliates	293	34,190	2,764
Provision for doubtful accounts	4,149	47,376	39,142
Write-off of receivables	1,021	2,448	9,632
Write-down of real estate and other	4,660	172,574	43,962
Foreign currency exchange loss	3,063	270	28,896
Loss from liquidation of subsidiaries and affiliates	-	6,688	-
Valuation loss on marketable and investment securities	6,375	14,123	60,142
Valuation loss on investments in subsidiaries and affiliates	3,289	44,871	31,028
(Gain) loss on sales or disposals of property and equipment-net	(3,028)	102	(28,566)
Gain on sales of marketable and investment securities-net	(5,350)	(4,146)	(50,472)
Bonuses to directors	-	(150)	-
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(16,076)	104,966	(151,660)
(Increase) decrease in inventories	4,535	(3,662)	42,783
Increase (decrease) in payables	10,397	(66,044)	98,085
Increase (decrease) in advances received	29,794	(11,646)	281,075
Decrease in accrued expenses	(1,630)	(255)	(15,377)
Decrease in employees' savings deposits	(1,537)	(2,250)	(14,500)
Increase in other assets	(18,830)	(1,777)	(177,641)
Increase in other liabilities	16,692	12,228	157,472
Net cash provided by operating activities	62,979	63,568	594,142
INVESTING ACTIVITIES :			
(Increase) decrease of time deposits except for cash equivalents	(3,505)	2,200	(33,066)
Payment for purchases of marketable and investment securities	(10,048)	(16,521)	(94,792)
Proceeds from sales of marketable and investment securities	26,804	20,038	252,868
Payment for purchases of property and equipment	(6,207)	(10,071)	(58,557)
Proceeds from sales of property and equipment	28,783	12,049	271,538
Disbursements for loans	(4,635)	(4,832)	(43,726)
Proceeds from collection of loans	3,508	15,051	33,094
Disbursements or payments for investments and loans to subsidiaries and affiliates	(23,285)	(19,270)	(219,670)
Proceeds from investments and loans to subsidiaries and affiliates	5,151	1,858	48,594
Decrease (increase) of short-term financial arrangement through security repurchase agreement	10,988	(11,990)	103,660
Other-net	(22,650)	4,353	(213,679)
Net cash provided by (used in) investing activities	4,904	(7,135)	46,264
FINANCING ACTIVITIES :			
Increase (decrease) in short-term borrowings	16,451	(5,849)	155,199
Net repayment of commercial paper	(46,000)	(40,000)	(433,961)
Proceeds from issuance of long-term debt	12,147	14,030	114,594
Repayment of long-term debt	(53,195)	(18,944)	(501,840)
Proceeds from issuance of bonds	20,000	-	188,679
Cash dividends paid	(6,730)	(7,691)	(63,492)
Net cash used in financing activities	(57,327)	(58,454)	(540,821)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,556	(2,021)	99,585
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	78,633	80,654	741,821
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 89,189	¥ 78,633	\$ 841,406

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2000 AND 1999

1. BASIS OF PRESENTATION

The accompanying non-consolidated financial statements of Kajima Corporation (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles and practices generally accepted in Japan. Differences between the accounting policies followed by the Company and International Accounting Standards (IAS) are described in Note 4. The non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The non-consolidated statements of cash flows are not required as a part of the basic financial statements in Japan but are presented herein as additional information. Effective April 1, 1999, the Company adopted the new accounting standards for cash flows, which differed from those applied up to the year ended March 31, 1999. Accordingly, the non-consolidated statements of cash flows for the year ended March 31, 1999 was restated to be in conformity with the new standards.

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

Certain amounts in the 1999 non-consolidated financial statements have been restated to conform with classifications adopted in 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition. The scope of cash and cash equivalents in 1999 was changed from ¥87,967 million to ¥78,633 million to conform with the presentation in 2000.

b. Inventories - Inventories other than materials and supplies are stated at cost as determined on a specific project basis. Related general and administrative expenses and financial charges are excluded from such costs.

Materials and supplies are stated at cost determined by the moving-average method.

c. Marketable Securities and Investments in Securities - Securities listed on stock exchanges are included in marketable securities and investments in securities, and are stated at the lower of cost or market value, cost being determined by the moving-average method.

Other securities are stated at cost determined by the moving-average method.

d. Investments in Subsidiaries and Affiliates - Investments in subsidiaries and affiliates are stated at cost. Such investments are written down to a reasonable value if the investments have been significantly impaired. Profits of these companies are reflected in the Company's books only to the extent dividends are received.

e. Property and Equipment - Property and equipment are stated principally at cost. Depreciation has been computed using the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The estimated useful lives for buildings and structures range from 2 to 50 years and for machinery and equipment range from 2 to 20 years.

f. Allowance for Doubtful Accounts - The Company provides for possible losses due to uncollectibility of notes, accounts and loans receivable at the greater of either management's estimate or the maximum amount allowable for tax purposes.

g. Retirement Benefits - The Company has two types of retirement benefit plans to cover severance payments that would be required if all employees voluntarily terminated their services with the Company at each balance sheet date. The Kajima Pension Fund, the assets of which are administrated by the board of trustees composed of management and employee representatives, covers approximately 60% of the total amounts of the severance payments and the remaining 40% is covered by an unfunded plan.

In respect of the unfunded plan, the Company provides for the liability for severance payments at 100% of the amounts payable if all eligible participants were to terminate their employment as of March 31, 2000 (see Note 3). Normal costs of the pension plan are funded and charged to income currently. Past service costs are amortized and charged to income over a period of 20 years.

The Company provides for officers' retirement allowances at 100% of the amounts that would be required if all directors and corporate auditors voluntarily terminated their office as stipulated in the retirement regulations.

h. Allowance for Loss on Investments in Subsidiaries and Affiliates - The Company provides for loss of subsidiaries and affiliates, which will be attributable to the Company.

i. Recognition of Revenues and Related Costs - Revenues from and related costs of construction contracts are recorded using the completed-contract method.

j. 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 totaled ¥12,756 million (\$120,340 thousand) for the year ended March 31, 2000.

k. Leases - All leases are accounted for as operating leases. Under the Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's non-consolidated financial statements.

l. Income Taxes - Effective April 1, 1998, the Company adopted accounting for allocation of income taxes based on the asset and liability method. The cumulative effect of this application of interperiod tax allocation in prior years in the amount of ¥13,392 million is included as an adjustment to increase retained earnings as of April 1, 1998.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

-
- m. Appropriations of Retained Earnings - Appropriations of retained earnings are accounted for and reflected in the accompanying non-consolidated financial statements when approved by the stockholders.
- n. Foreign Currency Transactions - Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of each balance sheet date.
- Long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at historical exchange rates.
- However, when there is a significant unrealized exchange loss related to long-term receivables and payables derived from foreign currency fluctuations, such receivables and payables are translated into Japanese yen at the exchange rates in effect at the balance sheet date.
- Assets and/or liabilities, which are converted at the foreign exchange rate or swap rate are translated using the exchange rates set forth in the applicable exchange contract and the relevant currency swap agreement.
- The exchange gains arising from the above contracts are deferred and recognized as income ratably over the term of the contract period. Other exchange gains and losses are recognized in the fiscal periods in which they occur.
- o. Per Share Information - Net income or loss per share is based upon the weighted average number of shares outstanding during the relevant fiscal year. The average number of shares outstanding used in the computation for the years ended March 31, 2000 and 1999 was 961,312 thousand shares.
- Diluted net income per share is not disclosed because of the anti-dilutive effect for the year ended March 31, 2000 and the net loss for the year ended March 31, 1999.
- Cash dividends per share in the accompanying non-consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. ACCOUNTING CHANGE

Effective April 1, 1998, the Company changed its accounting policy for the liability for severance payments under the unfunded pension plan from providing 40% to 100% of the amounts payable if all eligible participants were to terminate their employment at each balance sheet date. This change was made in order to reflect periodic income and expenses more appropriately and to present sound financial condition based on the strengthening plan of financial structure, which was made as a result of the investigation of various factors concerned with the eligible employees such as age structure and length of service, as well as the changes in circumstances of accounting practices in connection with retirement benefits.

The effect of this change was to increase loss before income taxes by ¥38,813 million including a cumulative effect of ¥39,993 million for the year ended March 31, 1999. This cumulative effect was reflected in other expenses as "Provision for severance payments" in the accompanying non-consolidated statements of operations.

4. DIFFERENCES BETWEEN JAPANESE ACCOUNTING PRINCIPLES AND INTERNATIONAL ACCOUNTING STANDARDS

The accompanying non-consolidated financial statements are prepared in conformity with accounting principles generally accepted in Japan. The main differences between such accounting principles and IAS are as follows:

- a. Recognition of Revenues and Related Costs - IAS 11 requires revenues and related costs to be recognized by reference to the stage of completion of contract activity where the outcome of a construction contract can be estimated reliably.
- The Company's reporting policy in relation to the recognition of revenues and related costs, which is in accordance with Japanese accounting principles, is set out in Note 2.i.
- It is not practicable to quantify the effect on the net income or loss of the Company as a result of this difference in accounting policy.
- b. Retirement Benefits - IAS 19 requires retirement benefit costs to be recognized as an expense in the periods during which services are rendered based on the actuarial valuation method.
- The Company's reporting policy in relation to the recognition of retirement benefit costs, which is in accordance with Japanese accounting principles, is set out in Note 2.g.
- It is not practicable to quantify the effect on the net income or loss of the Company as a result of this difference in accounting policy.
- c. Foreign Currency Transactions - IAS 21 requires foreign currency transactions to be reported at the closing rate of exchange.
- The Company's reporting policy in relation to foreign currency transactions, which is in accordance with Japanese accounting principles, is set out in Note 2.n.
- It is not practicable to quantify the effect on the net income or loss of the Company as a result of this difference in accounting policy.

5. TRANSLATION INTO U.S. DOLLARS

The Company maintains its accounts in Japanese yen, the currency of the country in which it is incorporated and principally operates. The U.S. dollar amounts included herein are presented solely for the convenience of the reader. Such dollar amounts have been translated from yen at the approximate exchange rate in Tokyo on March 31, 2000 of ¥106 = U.S.\$1. The translations should not be construed as representations that Japanese yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

6. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities and investments in securities as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current:			
Market quotations available:			
Marketable equity securities.....	¥ 128,004	¥ 138,956	\$ 1,207,585
Debentures.....	76	164	717
Fund trust and other.....	1,175	1,418	11,085
Subtotal.....	129,255	140,538	1,219,387
Market quotations not available.....	170	468	1,603
Total.....	¥ 129,425	¥ 141,006	\$ 1,220,990

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Non-Current:			
Market quotations available:			
Marketable equity securities.....	¥ 80,985	¥ 78,585	\$ 764,009
Debentures.....	810	5,340	7,642
Fund trust and other.....	720	429	6,792
Subtotal.....	82,515	84,354	778,443
Market quotations not available.....	20,909	24,854	197,255
Total.....	¥ 103,424	¥ 109,208	\$ 975,698

Securities for which market quotations are not available are principally non-listed securities excluding over-the-counter securities.

The carrying values and aggregate market values of securities for which market quotations are available included in marketable securities and investments in securities as of March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current:			
Carrying value.....	¥ 129,255	¥ 140,538	\$ 1,219,387
Aggregate market value.....	259,306	233,654	2,446,283
Unrealized gain.....	¥ 130,051	¥ 93,116	\$ 1,226,896
Non-Current:			
Carrying value.....	¥ 82,515	¥ 84,354	\$ 778,443
Aggregate market value.....	122,459	124,946	1,155,273
Unrealized gain.....	¥ 39,944	¥ 40,592	\$ 376,830

In fiscal 1999, the Company reclassified marketable equity securities amounting to ¥14,770 million from investments in securities to marketable securities.

The above figure includes marketable securities of ¥13,446 million (\$126,849 thousand) and ¥13,798 million lent temporarily to a financial institution based on a securities lending agreement as of March 31, 2000 and 1999, respectively.

7. LONG-TERM LOANS RECEIVABLE

Long-term loans receivable consist primarily of loans to customers of the Company.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings were represented generally by 365-day notes in 2000 and 1999 issued by the Company and bore interest principally at the short-term primary interest rates of 1.375% in effect as of March 31, 2000 and 1999, respectively.

As is customary in Japan, the Company maintains deposit balances with banks with which it has short-term bank loans or long-term debt. Such deposit balances are not legally or contractually restricted as to withdrawal.

Long-term debt as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
0.1175% to 4.7% loans from Japanese banks, due 2000 - 2005.....	¥ 115,035	¥ 123,063	\$ 1,085,236
0.0133% to 4.1% loans from insurance companies and other financial institutions, due 2001 - 2006.....	35,374	38,394	333,717
1.95% to 4.0% bonds, due 2000 - 2010	191,000	201,000	1,801,886
1.6% convertible debentures due September 28, 2001	14,893	14,893	140,500
Total	356,302	377,350	3,361,339
Current portion included in current liabilities	(65,926)	(48,531)	(621,943)
Total	¥ 290,376	¥ 328,819	\$ 2,739,396

On July 27, 1989, the Company issued 1.6% convertible debentures in the principal amount of ¥15,000 million due in 2001, payable in Japanese yen and in denominations of ¥1,000,000 each. Each debenture was convertible into shares of common stock of the Company at a conversion price of ¥2,140 per share from April 1, 1990.

The conversion price described above is subject to adjustment to reflect, among other things, stock dividends, stock splits, the subdivision or consolidation of shares, and issuance of shares and related securities at less than market value.

As of March 31, 2000, the maximum number of new shares which would have been issued upon full conversion of the outstanding convertible debentures at the then current conversion price was 6,959,346 shares.

Certain of the Company's long-term debt agreements provide, among other things, that the lender may request the Company to submit proposals for appropriations of retained earnings (including payment of dividends) for review and, in some instances, approval prior to presentation to the stockholders. However, the Company has never received such a request.

In addition, as is customary in Japan, substantially all of the Company's bank borrowings are subject to general agreements with each bank which provide, among other things, that the relevant bank may treat any security furnished to the bank as well as cash deposited with it as security for all present and future indebtedness and may, when the bank deems it necessary, request additional security for the loans.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2000 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 65,926	\$ 621,943
2002	135,109	1,274,613
2003	49,935	471,085
2004	24,356	229,774
2005	25,476	240,340
2006 and thereafter.....	55,500	523,584
Total	¥ 356,302	\$ 3,361,339

9. COMMERCIAL PAPER

Commercial paper was represented by 112 to 177-day paper issued by the Company with interest at 0.064% to 0.28% and 124 to 170-day paper at 0.45% to 0.765% as of March 31, 2000 and 1999, respectively.

10. ADVANCES RECEIVED ON CONSTRUCTION PROJECTS IN PROGRESS

As is customary in Japan, the Company normally receives payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

11. RETIREMENT BENEFITS

The Company has severance payment plans for employees, directors and corporate auditors. The amount of the severance payments is, in general, determined on the basis of length of service and current basic salary at the time of termination of service. An employee is paid at higher rates if he retires at age 50 or over after serving with the Company for more than 15 years at the date of retirement. If the termination of service is involuntary, an employee is entitled to greater payments than in the case of voluntary termination. The severance allowances for employees of the Company are partially funded in a pension fund. Liability for severance payments as of March 31, 2000 and 1999 includes retirement benefits for directors and corporate auditors of ¥4,098 million (\$38,660 thousand) and ¥3,885 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of stockholders.

Provision for severance payments and pension expense totaled ¥20,158 million (\$190,170 thousand) and ¥60,389 million for the years ended March 31, 2000 and 1999, respectively, and the assets of the fund as of March 31, 2000 were ¥177,112 million (\$1,670,868 thousand).

12. STOCKHOLDERS' EQUITY

The Code provides that retained earnings in an amount equal to at least 10% of any amount paid by the Company as an appropriation of retained earnings, including dividends and bonuses to directors and corporate auditors, be appropriated to a legal reserve until such reserve equals 25% of the stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders, or may be capitalized by resolution of the Board of Directors.

Under the Code, at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors.

Proceeds in excess of the amounts designated as stated capital have been credited to additional paid-in capital. The Company may transfer, by resolution of the stockholders, a portion of retained earnings available for dividends to a common stock account, and the Company may issue new shares of common stock to the existing stockholders without consideration by resolution of the Board of Directors, to the extent that the amount calculated by multiplying the number of outstanding shares after the issuance by par value per share shall not exceed the stated capital, and that the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the issuance shall not be less than ¥50. These issuances of the new shares are treated as stock splits.

Cash dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. However, a semiannual interim dividend may be paid upon resolution of the Board of Directors subject to limitations imposed by the Code.

As of March 31, 2000 and 1999, the number of shares of common stock of the Company held by an affiliate was 4,878 thousand shares.

13. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 41.5% and 47.1% for the years ended March 31, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2000	1999	2000
Deferred Tax Assets:			
Inventories	¥ 51,483	¥ 57,343	\$ 485,689
Tax loss carryforwards	25,028	26,570	236,113
Allowance for doubtful accounts.....	21,988	22,096	207,434
Liability for severance payments	21,480	19,491	202,642
Securities unlisted on stock exchanges	13,513	10,891	127,481
Allowance for loss on investments in subsidiaries and affiliates.....	12,568	14,189	118,566
Other	20,210	23,401	190,660
Total.....	<u>166,270</u>	<u>173,981</u>	<u>1,568,585</u>
Deferred Tax Liabilities:			
Property and equipment	(8,215)	(7,977)	(77,500)
Other	(3)	(3)	(29)
Total.....	<u>(8,218)</u>	<u>(7,980)</u>	<u>(77,529)</u>
Net Deferred Tax Assets	<u>¥ 158,052</u>	<u>¥ 166,001</u>	<u>\$ 1,491,056</u>

As of March 31, 2000, the Company has tax loss carryforwards of approximately ¥60,308 million (\$568,943 thousand) which will expire in fiscal 2004 to the extent they remain unutilized.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying non-consolidated statements of operations for the years ended March 31, 2000 and 1999 were as follows:

	2000	1999
Normal effective statutory tax rate.....	41.5 %	(47.1) %
Expenses not deductible for income tax purposes	14.1	1.1
Non-taxable income	(6.4)	(0.4)
Inhabitant taxes.....	3.6	0.1
Effect of tax rate reduction.....	-	5.6
Actual effective tax rate.....	<u>52.8 %</u>	<u>(40.7) %</u>

14. RELATED PARTY TRANSACTIONS

As of March 31, 2000, the Company had 141 subsidiaries and 37 affiliates.

Certain of these companies are engaged in civil engineering and architectural construction services and provide such services to the Company as sub-contractors. Others are engaged in procurement of materials and supplies or provide certain other services for the Company.

Transactions with these companies for the years ended March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Notes and accounts payable - trade	¥ 67,677	¥ 66,708	\$ 638,462
Construction and other revenues	9,244	7,245	87,208
Purchases	103,534	100,354	976,736
Loss from liquidation of subsidiaries and affiliates	-	6,688	-

15. LEASES

The Company has a number of lease agreements, primarily for office space and computer equipment, which are renewable upon expiration and mainly cancellable. Rental expenses on such leases were approximately ¥5,038 million (\$47,528 thousand) and ¥5,262 million, including total lease payments of ¥2,573 million (\$24,274 thousand) and ¥3,155 million for the years ended March 31, 2000 and 1999, respectively, in connection with finance leases as described in Note 2.k.

a. Finance Leases as a Lessee

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation equivalent and interest equivalent of finance leases that do not transfer ownership of the leased property to the lessee on a "as if capitalized" basis for the years ended March 31, 2000 and 1999 was as follows:

	As of March 31, 2000 (Millions of Yen)		
	Machinery and equipment	Other	Total
Acquisition cost	¥ 15,027	¥ 521	¥ 15,548
Accumulated depreciation	(12,325)	(438)	(12,763)
Net lease property	¥ 2,702	¥ 83	¥ 2,785

	As of March 31, 1999 (Millions of Yen)		
	Machinery and equipment	Other	Total
Acquisition cost	¥ 14,993	¥ 522	¥ 15,515
Accumulated depreciation	(12,226)	(344)	(12,570)
Net lease property	¥ 2,767	¥ 178	¥ 2,945

	As of March 31, 2000 (Thousands of U.S. Dollars)		
	Machinery and equipment	Other	Total
Acquisition cost	\$ 141,764	\$ 4,915	\$ 146,679
Accumulated depreciation	(116,273)	(4,132)	(120,405)
Net lease property	\$ 25,491	\$ 783	\$ 26,274

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Due within one year	¥ 1,584	¥ 2,218	\$ 14,943
Due after one year	2,769	2,815	26,123
Total.....	¥ 4,353	¥ 5,033	\$ 41,066

The imputed interest equivalent portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation equivalent and interest equivalent under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Depreciation equivalent	¥ 1,859	¥ 2,187	\$ 17,538
Interest equivalent	223	302	2,104

Depreciation equivalent is computed by a declining-balance method for machinery and equipment and by a straight-line method for other investments using the effective life of the lease and nil residual value, respectively.

Interest equivalent is not reflected in the accompanying non-consolidated statements of operations.

b. Operating Leases as a Lessee

The minimum rental commitments under noncancellable operating leases as of March 31, 2000 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 1,368	\$ 12,905
Due after one year	13,595	128,255
Total	¥ 14,963	\$ 141,160

16. DERIVATIVES

The Company enters into derivative financial instruments (“derivatives”), including foreign exchange forward contracts, currency swaps and interest rate swaps agreements.

The Company does not hold or issue derivatives for trading purposes and it is the Company’s policy to use derivatives only for the purpose of reducing market risks and financing costs in accordance with internal regulation.

Derivative transactions entered into by the Company, such as interest rate swaps that convert U.S. dollar floating rate to fixed Yen rate, are subject to market risk associated with U.S. dollar and Yen exchange rates. Interest swap transactions are also subject to market risk and are used to convert fixed interest rate to floating interest rate.

The Company does not anticipate any losses resulting from default by counterparties, as these transactions are limited to major domestic or overseas financial institutions with sound operational foundations.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Company’s exposure to credit or market risk.

The information of derivatives for the year ended March 31, 2000 is not separately disclosed in this note to the non-consolidated financial statements due to the change in disclosure standards in Japan.

In addition, the Company has disclosed information of derivatives in the note to the consolidated financial statements.

The Company had the following derivatives contracts outstanding as of March 31, 1999:

a. Over-the-Counter Products for Foreign Exchange Contracts

	Millions of Yen			
	Contract / Notional Principal Amount		Market Value	Unrealized Gain (Loss)
	Within one year	After one year		
Foreign Exchange Contracts				
Buying :				
U.S.\$ forward	¥ 4,359	¥ 368	¥ 4,557	¥ (170)
Selling :				
U.S.\$ forward	604	-	604	0
Swiss Franc Forward	1	-	1	0
Total	¥ 4,964	¥ 368	¥ 5,162	¥ (170)

b. Over-the-Counter Products for Interest Rate Contracts

	Millions of Yen			
	Notional Principal Amount		Market Value	Unrealized Gain (Loss)
	Within one year	After one year		
Interest Rate Swaps				
Pay-float / Receive-fix	¥ -	¥ 27,500	¥ 3,711	¥ 3,711
Pay-fix / Receive-float	-	5,866	(195)	(195)
Total	¥ -	¥ 33,366	¥ 3,516	¥ 3,516

17. CONTINGENT LIABILITIES

As of March 31, 2000, contingent liabilities for loans guaranteed including related items of similar nature amounted to ¥210,884 million (\$1,989,472 thousand).

18. SUBSEQUENT EVENT

On June 29, 2000, the following appropriations of retained earnings were approved at the stockholders' meeting of the Company:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends of ¥3.50 (\$0.033) per share (final for the year ended March 31, 2000).....	¥ 3,365	\$ 31,745
Bonuses to directors.....	150	1,415
Total	¥ 3,515	\$ 33,160

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**Deloitte
Touche
Tohatsu**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kajima Corporation:

We have examined the non-consolidated balance sheets of Kajima Corporation as of March 31, 2000 and 1999, and the related non-consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Kajima Corporation as of March 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period subsequent to the change, with which we concur, made as of April 1, 1998, in the accounting for the liability for severance payments, as discussed in Note 3.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 5. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.


June 29, 2000