Business Performance

1. Summary of Business Performance for the Financial Year from April 1, 2005 to March 31, 2006

OVERVIEW

The global economy during the subject financial year continued to be strong overall, particularly the United States and China. The Japanese economy continued to show a steady recovery trend, with sustained increases in private capital expenditures, and a pickup in personal spending stemming from improvements in hiring and income conditions.

In the domestic construction market, private-sector construction increased amid expansion in corporate earnings and robust demand for real estate, although public-sector construction continued to decline due to the government's tight financial position.

The Kajima Group's consolidated results for the subject financial year are as follows.

Consolidated construction contract awards totaled ¥1,462.7 billion, down 9.7% year on year, due to declines at the Company and its consolidated overseas subsidiaries. Non-consolidated construction contract awards amounted to ¥1,212.3 billion, a decline of 9.5% year on year. This represents an aggregate value of ¥301.3 billion from civil engineering works (down 12.3% year on year) and ¥911.0 billion from building construction works (down 8.5%).

Consolidated revenues increased 5.2% year on year to ¥1,775.2 billion, due mainly to the increase in revenues from the Company's construction business.

In terms of earnings, as a result of the increase in gross profit and other factors, operating income was up 18.3% year on year to ¥55.7 billion. Net income, despite an extraordinary loss of ¥6.0 billion for business restructuring in accordance with a fundamental review of the construction business in the United Kingdom, increased 70.3% year on year to ¥22.5 billion.

SEGMENT PERFORMANCE

(a) Construction Operations

Consolidated revenues rose to ¥1,512.6 billion, up 10.0% from the previous financial year, due to the increase in completed construction projects.

Consolidated gross profit on completed projects rose to ¥115.0 billion, up 12.1% from a year earlier, due mainly to the increase in gross profit on the Company's construction projects. The Company's gross profit margin on completed construction projects remained on par with the previous financial year at 9.1%.

Consolidated operating income climbed to ¥40.5 billion, up 49.4% from a year earlier, due to the rise in the gross profit on completed construction projects and other factors.

(b) Real Estate Operations

Despite an increase in revenues at overseas consolidated subsidiaries, total consolidated revenues from real estate operations fell 26.1% compared with the previous financial year, to ¥150.8 billion. This decline was mainly attributable to the posting of revenues from a large-scale development project in the previous financial year, and the subsequent decline for the financial year under review. Consolidated operating income from real estate operations decreased 13.5% to ¥16.8 billion.

(c) Other Operations

Other segments, consisting mainly of the processing and sale of construction materials, design/engineering business and property management services, reported consolidated revenues of ¥111.7 billion (up 4.1% year on year) and consolidated operating income of ¥1.1 billion, up 81.6% from a year earlier.

2. Declaration of Dividends

Kajima plans to declare an ordinary annual payout of ¥6.0 per share (including a semiannual payout of ¥3.0 per share), in line with the initial plan.

3. Business Performance Forecast for the Financial Year Ending March 31, 2007

Regarding the outlook for the Japanese economy, we expect the economic recovery to continue for the foreseeable future, driven by private domestic demand.

In the domestic construction market, while private capital expenditures are spreading to non-manufacturing industries and local regions, competition will likely intensify due to a fall in the volume of construction projects in the public sector and other factors.

Considering these business conditions, our forecasts for the financial year ending March 31, 2007, are as follows.

Revenues are projected to rise to ¥1,800 billion, up 1.4% from the preceding financial year.

In terms of earnings, despite an expected fall in gross profit in the construction business, we anticipate an increase in gross profit in real estate operations and other businesses, alongside improved earnings in the construction business of overseas consolidated subsidiaries. Consequently, we forecast net income of ¥35 billion (up 55.5%).

The above projections/forecasts are based on information available as of the release of this document and are subject to risks and uncertainties that may cause the actual results to vary.

Risk Factors

Investors should consider the following risk factors before making any decision concerning the Group. Forward-looking statements contained herein are based on judgments made as of March 31, 2006. The Group companies seek to mitigate, as much as practically possible, the impact that these various risks and uncertainties may have on their business performance by removing, diversifying and/or hedging them.

(1) Changes in Market Conditions

Should market conditions change beyond what we currently assume (e.g., steep declines in construction demand, upsurges in construction material prices, major fluctuations of real estate markets), the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.

(2) Fluctuations of Interest Rates and Foreign Exchange Rates

Interest rate spikes and/or foreign exchange volatility may cause the Group's business performance and financial conditions to differ from our projections and forecasts.

(3) Asset Value Fluctuations

Should the prices of assets owned by the Group (e.g., real estate for sale and marketable securities) or the cash flow from the income-producing properties drop substantially, the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.

(4) Changed Political/Economic Conditions of Foreign Countries

The Group companies conduct business in foreign countries including the United States and countries in Europe and Asia. Should political/economic conditions or the legal systems in these countries change beyond what we currently assume, the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.

(5) Changes Affecting PFI Projects

Should changes beyond what we currently assume occur that affect private finance initiative (PFI) projects during the course of their long-term operation, the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.

(6) Deferred Income Tax Assets

Although we expect deferred income tax assets outstanding as of March 31, 2006 to be fully utilized to offset the Group's future taxable income, changes in tax laws may partially prevent the Group from doing so.

(7) Legal Restrictions

The Group companies operate in the construction industry where the companies are required to comply with various statutes including Construction Business Act, Building Standard Act, Real Estate Business Transaction Act, Land Use Planning Act, Urban Planning Act and Antitrust Law. Should there be changes to or abolitions of the above laws, the imposition of new legal constraints, or changes to the applicable standards, the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.