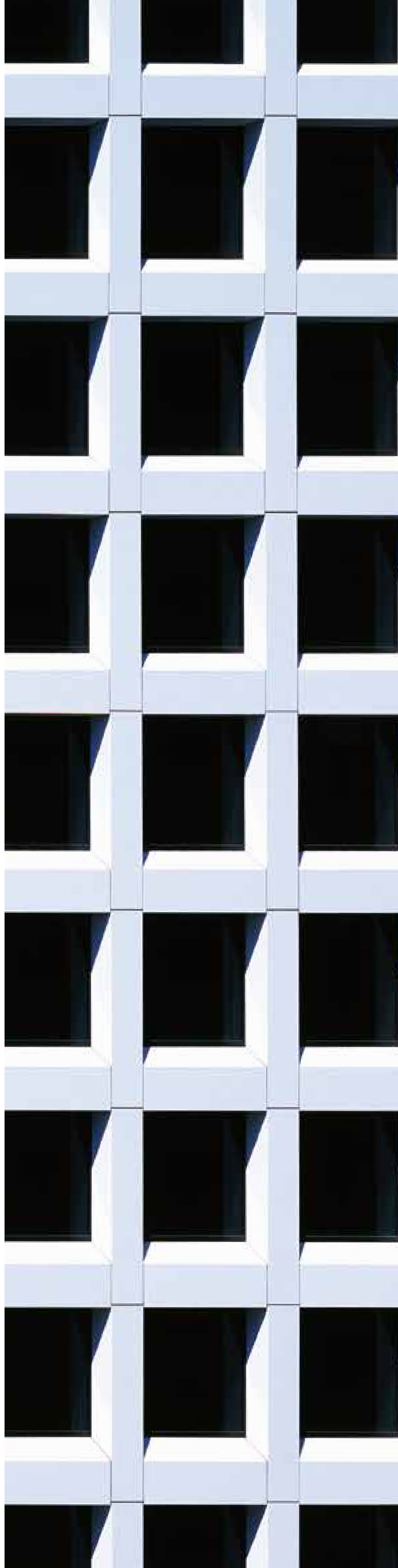
KAJIMA CORPORATE REPORT

2018



Kajima's Corporate Philosophy

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

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Scope of Report

Period

This report covers fiscal 2017, the fiscal year ended March 31, 2018, except where otherwise stated.

Organization

Kajima Group

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

Publication

September 2018 (previous issue: September 2017; next issue: scheduled for September 2019)

Editorial Policy

The Kajima Group has published the *Kajima Corporate Report* annually since 2015 to provide a comprehensive account of the Group's financial and non-financial activities, including initiatives related to the environment, society, and governance (ESG). The report is prepared to help stakeholders understand how the Group is working to create value and build a more sustainable world. It also summarizes the performance of the Kajima Group and its business segments and describes the Group's management structure.

In assembling this report, the editorial team used the following documents as references: *The International Integrated Reporting Framework (Version 1),* and *G4 Sustainability Reporting Guidelines* of the Global Reporting Initiative.

Forward-Looking Statements

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

Website: https://www.kajima.co.jp/english/welcome.html

HISTORY OF KAJIMA

Kajima was founded in 1840, nearly 179 years ago. Ever since, Kajima has sought through its construction business to provide essential social infrastructure and create places for people to live and work. Whether building railroads, dams, offices, commercial buildings, or homes, Kajima has been driven by its ultimate mission: to help build safe, secure, comfortable societies. With a business footprint in three different centuries, Kajima has been known for constructing Japan's first Western-style buildings, then for railroads, then nuclear power plants, and then skyscrapers. The one constant across the years is Kajima's enterprising spirit, which is always on display as the company takes on challenges using new technology.

Building for the Next 100 Years

As Kajima looks forward to another 100 years in business, it will continue to evolve to meet the needs of a constantly changing and ever more sophisticated world.

1840

THE EARLY YEARS

Constructing Western-Style Buildings

1840

Iwakichi Kajima begins business in Edo (present day Tokyo)

Kajima builds the first Western-style buildings in Yokohama, including the Ei-Ichiban Kan and America-Ichiban Kan. It also constructs other advanced buildings of the time such as edifices for Horaisha and the Okayama prefectural government.

Ei-Ichiban kan

Horaisha

ADVANCING INTO RAILWAY CONSTRUCTION

Taking on Civil Engineering Projects

1880

Kajima advances into railway construction (with delivery of materials to Japan's first railway construction site as the first step)

Tokaido Main Line Tanna Tunnel, Railway between Yokokawa and Karuizawa, as well as railway construction in Korea and Taiwan

Later, Kajima goes on to tackle many large projects such as dams, expressways, bullet train lines, airports, etc.

Aganogawa Railway Bridge

Ueno Station

KNOWN FOR NUCLEAR POWER PLANTS KNOWN FOR SKYSCRAPERS

Staying Ahead of the Times with Technology

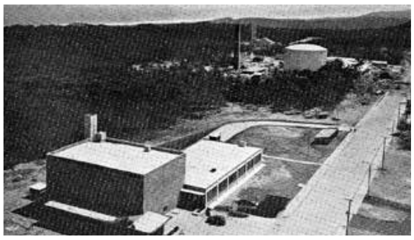
1949

Kajima Technical Research Institute established (first research facility in Japan's construction industry)

Kajima builds the Japan Atomic Energy Research Institute No. 1 Nuclear Reactor (Japan's first nuclear reactor) and the Kasumigaseki Building (Japan's first skyscraper)

While advancing into the nuclear power sector, Kajima also constructs thermal power plants and large docks in coastal areas

Completion of the Kasumigaseki Building in 1968 becomes the cornerstone for Kajima's current reputation as a builder of skyscrapers



Japan Atomic Energy Research Institute No. 1 Nuclear Reactor

Shin-Tanna Tunnel for the Tokaido Shinkansen

Kasumigaseki Building

FOCUSING ON REAL ESTATE DEVELOPMENT, AND VIGOROUSLY EXPANDING OUTSIDE JAPAN

The Road to Globalization

1964

Kajima International Inc. (KII) established in US; real estate development business enters Los Angeles Kajima constructs large-scale automobile factories in the United States, and builds hotels in the former East Germany. In Japan, Kajima begins Shiki New Town in Saitama Prefecture, one of the largest housing development projects ever taken on by a single private-sector entity.

1971—1988

Little Tokyo Redevelopment (Los Angeles)

Supreme Court

Shiki New Town Development Project

Minami Bisan Seto Bridge

EXPANDING INTO NEW BUSINESS FIELDS

Another Quantum Leap

1988

Kajima Overseas Asia (KOA) established, which, together with Kajima USA (established in 1986) and Kajima Europe Ltd. (established in 1987), creates four regional headquarters in Japan, US, Europe and Asia

2009

170th anniversary of Kajima's founding

2015

Kajima Australia (KA) established

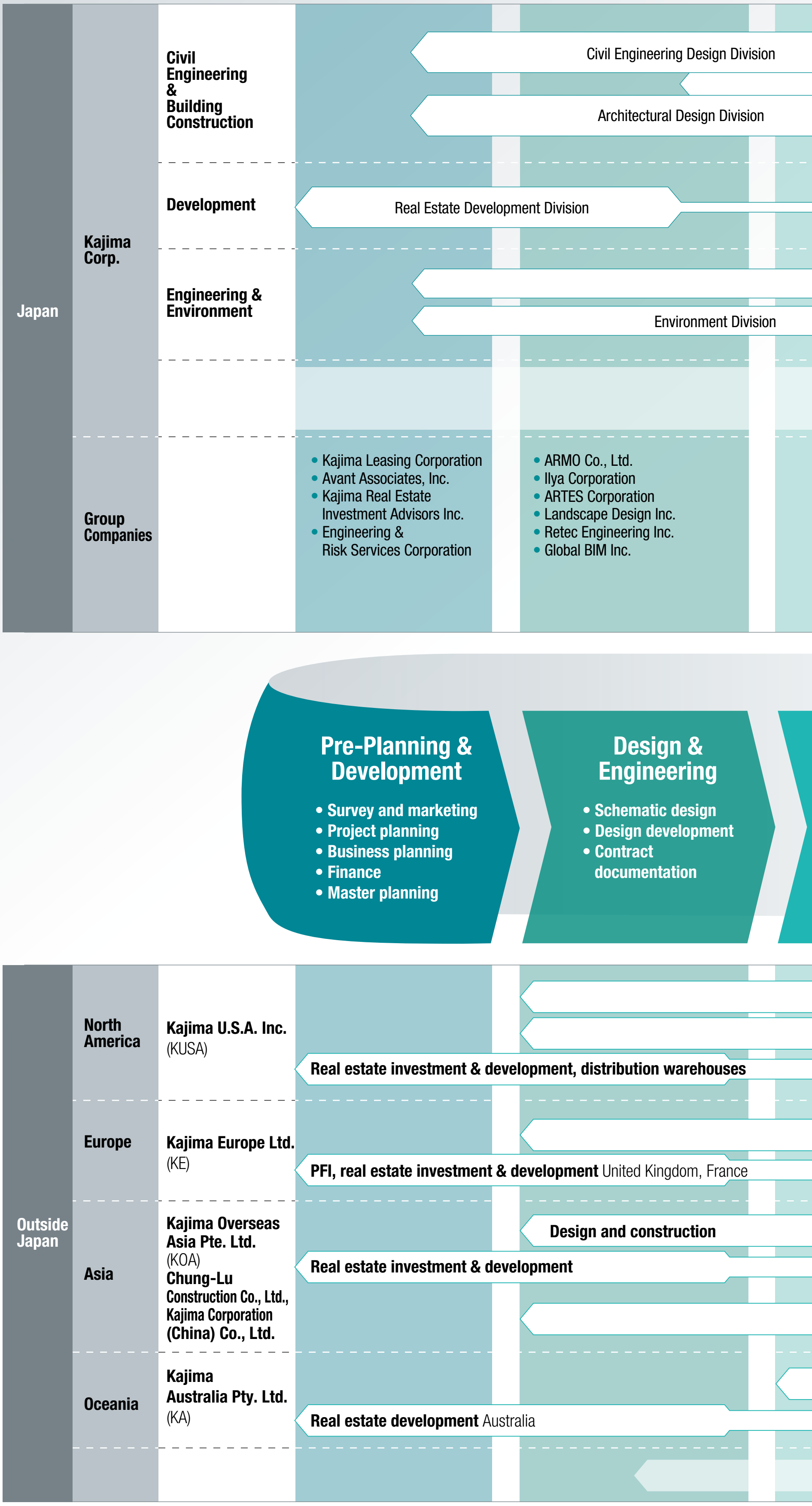
Shiodome area of Tokyo

D-runway at Haneda International Airport in Tokyo

Senayan Square Project (Indonesia)

The Kajima Group's Business Domains

The Kajima Group is engaged in building construction and real estate development both in Japan and overseas.
Kajima's comprehensive strengths are driven by the skills of its outstanding experts, who collaborate across every project phase—from planning, development, design, engineering, and construction, to post-completion building operation and management, to maintenance and repair. In every country where the Kajima Group has a footprint, its approach to business development is rooted in the local community. Building on a foundation of safety and security, and working hard to protect the natural environment, the Kajima Group is united in its determination to meet the diverse needs of all of its stakeholders.



Branches

Branches

Real Estate Development Division

Engineering Division

Environment Division

Kajima Technical Research Institute / IT Solutions Department

- Kajima Road Co., Ltd.
- Chemical Grouting Co., Ltd.
- Kajima Mechatro Engineering Co., Ltd.
- Kajima Environment Engineering Corporation
- Taiko Trading Co., Ltd.
- Ilya Corporation
- Clima-Teq Co., Ltd.
- Kajima Kress Corporation
- Katabami Kogyo Co., Ltd.
- Kajima Fit Co., Ltd.
- Clima Works Co., Ltd.

- Kajima Tatemono Sogo Kanri Co., Ltd.
- Kajima Tokyo Development Corporation
- Kajima Yaesu Kaihatsu Co., Ltd.
- East Real Estate Co., Ltd.
- Kajima Real Estate Investment Advisors Inc.
- Kajima Environment Engineering Corporation
- Toshi Kankyo Engineering Co., Ltd.

- Kajima Tatemono Sogo Kanri Co., Ltd.
- Clima-Teq Co., Ltd.
- Kajima Renovate Construction Co., Ltd.

Construction

- Procurement
- Construction planning
- Construction management
- Construction supervision

Operation

- Building management
- Asset management
- Facilities management
- Properties management
- Securitization of assets

Maintenance & Renovation

- Maintenance
- Renovation

Design and construction U.S.A., Mexico

Engineering U.S.A.

Real estate development, fee development U.S.A.

Design and construction Poland, Czech Republic, Slovakia

Singapore, Thailand, Indonesia, Malaysia, Vietnam, Philippines, India, Myanmar

Singapore, Thailand, Indonesia, Philippines, Hong Kong, Vietnam, Myanmar

Design and construction Taiwan, China

Construction Australia, New Zealand

Civil engineering Asia, Africa

Ensuring Sustainable Growth for the Kajima Group Beyond Fiscal 2020

Yoshikazu Oshimi

President and Representative Director
Kajima Corporation

Looking Back on the Medium-Term Business Plan (2015-2017)

When I became President and Representative Director in 2015, we were faced with the urgent issue of revitalizing and reinforcing Kajima Corporation's domestic construction operations. We positioned the first two years of the Kajima Group Medium-Term Business Plan (2015-2017) as a restructuring period and moved forward steadily to rebuild our business, including intensive measures to address the challenging conditions in Japan's construction industry and deal with unprofitable construction projects.

We took steps in every stage of the construction process, from asking our people to leverage their skills as professionals to provide specific, user-friendly proposals to meet customer needs at the pre-order stage, to streamlining construction and improving productivity right up to the point of project completion. We also worked to ensure that the Group as a whole recognizes the importance of faithfully implementing the production processes that are at the core of construction, or to put it another way, ensuring that we deliver quality construction safely and on time to the satisfaction of our customers.

During this period we were fortunate to benefit from various positive factors, including relatively stable construction costs and the favorable market environment ahead of the Tokyo 2020 Olympic and Paralympic Games. These factors have helped to improve profitability in the domestic construction business, which was one of the challenges that we faced. At the same time, we moved steadily to leverage our competitive advantages to systematically reinforce and expand our business portfolio and develop our business platform, and I think the hard work of all Kajima Group employees deserves credit for the tangible results we have seen, such as the robust performance achieved by group companies overseas, capitalizing on favorable economic conditions in the United States and other countries.

In all three years of that Medium-Term Business Plan, the Kajima Group achieved its initial targets, and in fiscal 2017, the final year of the plan, the Group turned in all-time high consolidated ordinary income, at ¥179.7 billion, surpassing even the record set the previous fiscal year.

Acclimatizing to a World of Abrupt and Discontinuous Change

Background to the Formulation of the New Medium-Term Business Plan

When formulating the Medium-Term Business Plan (2018-2020), we not only considered this three-year period; we also took a hard look at the medium to long-term changes that could potentially occur in the business environment beyond 2020.

It is likely that there will be no major changes in the domestic and overseas construction and real estate development markets up to around 2020 and that business will remain on its current course. However, construction volume is on an upward trajectory, supported by vigorous demand, and a concentration of large-scale projects in major urban areas, coupled with a lack of skilled construction workers, is likely to lead to increased procurement costs. It will therefore be necessary to devise further innovative ways of securing profitability.

We recognize that for 2021 and beyond it will be essential to respond to an "abruptly and discontinuously changing business environment." In any given era, companies must continue to engage in business activities while responding to changes in their surrounding environment. There is the possibility that domestic and overseas markets will experience major changes depending on various factors, including, but not limited to, population movements, social infrastructure, environmental regulations, energy policies, and trends in the global economy. What is more, the whirlwind of technological innovation in recent years involving IoT and AI is driving change at an extremely rapid pace. This trend has the potential to transform the business models of the construction industry, and we are preparing for such changes now.

The most important points in the new Medium-Term Business Plan are to continue to respond to short-term challenges while still engaging proactively in measures designed in anticipation of mid- to long-term business issues.

Providing Adaptive Solutions in Changing Times

When addressing mid- to long-term business challenges, it is imperative to bear in mind the linkage between all business activities and society. Companies that simply ignore various issues, whether they be environment, energy, or compliance-related, will not be able to maintain economic growth or help build a healthy society. At Kajima, we take our responsibility to help solve such social issues seriously, and we are working hard to help build a sustainable world. In so doing, we also raise corporate value, which in turn enables us to grow sustainably as a corporate group. It is for these reasons that we have positioned ESG at the heart of the plan, and over the next three years we will prioritize initiatives to pursue environmental and energy opportunities, improve productivity and the work environment, strengthen the risk management system, and secure and train human resources.

So, what do we need to do to deliver growth in a rapidly changing society? Simply put, we must "sow the seeds for the next generation." Anticipating changes in the future, we will work to reinforce our business platform, and invest actively in promising markets and growth areas. Specifically, we plan to invest a total of ¥500 billion over three years, with a priority on domestic and overseas real estate development, as well as R&D, M&A and human resources development. In particular, given that the real estate development business is the second most important driver of our business after the construction business, we will work to expand business in domestic and overseas markets and improve profitability. In addition to reinforcing collaboration among upstream and downstream group companies in the construction business, we will reinforce functions that are not strong enough yet through M&A and other means, and diversify revenue sources across the entire life cycle of buildings and structures. R&D will support innovation in group businesses, and we will steadily promote technological improvements to cement our competitive advantage in the future, including efforts to streamline the workforce and introduce automation in the construction business.

In all this, we will seek to build mechanisms that continue to deliver returns to our customers, shareholders and investors, as well as to our business partners and the broader society, today and tomorrow.

Building Next-Generation Construction Systems to Create Sustainability-Promoting Construction Sites

The Japanese construction industry is currently facing the serious issue of a lack of next-generation workers. If the domestic construction industry becomes unsustainable due to a lack of skilled construction workers, it may become unable to support social infrastructure. It is essential to encourage young people to make construction their vocation of choice and work for many years to come. We will continue to engage in and reinforce such efforts.

Construction sites tend to have fewer days off than other industries. In response, the Kajima Group's work-style reform initiatives aim to ensure that construction sites are closed for two days each week (in principle eight days every four weeks). This type of reform is designed to establish a work environment that is attractive for both Kajima employees and workers from partner companies. In addition to ensuring that workers have days off, we will be striving to improve wage levels for skilled construction workers.

We will also engage in further efforts to develop multi-skilled workers so as to increase opportunities for skilled workers to increase their incomes. Meanwhile, we will support recruitment, education and training activities at partner companies, thereby ensuring the sustainable development of the construction industry. We have already launched specific activities, such as supporting production of recruitment materials and providing internships.

At the same time, we recognize that our many years of business success are all thanks to our attentiveness to customer needs, so we will ensure that our work-style reforms will not negatively affect our customers' businesses.

This is why it is imperative to ensure that, when implementing work-style reform, we improve productivity as well. This will enable us to guarantee time off for workers, without impacting quality and construction times. We will therefore press forward strategically with initiatives to streamline the workforce and develop automated technologies, as well as promoting utilization of building information modeling (BIM) and construction information modeling (CIM). As there are limits to the innovation we can create using the business resources of the Kajima Group alone, we will press ahead with comprehensive R&D that incorporates external technologies, knowledge and ideas, further enhancing our capacity to respond nimbly to the requests of society and our customers.

Simultaneously advancing work-style reform and productivity improvements will lead to the creation of sustainable next-generation construction systems. One of the most important challenges we face is to bring the total strength of the entire Kajima Group to bear on this aim.

Continuing to Earn Trust

Compliance Measures

In March 2018, Kajima Corporation and an employee of the Company were prosecuted by the Tokyo District Public Prosecutors Office for a suspected violation of the Anti-monopoly Act. I would like to deeply apologize to all of our stakeholders that the Company is suspected of a compliance violation like this, in spite of the Group implementing various measures for compliance over the years.

In April 2018, we revised our organization and structures to strengthen compliance, and we will further enhance our compliance management system, going forward.
For further details about compliance, see p 60-61.

In Conclusion

In an evolving business environment, our aim as a sustainable corporate group that remains essential to society is to ensure that the Kajima Group adapts to changes and continues to be responsive to the expectations of our customers in every era. I ask for your continued understanding and support so that, in the years beyond 2021, we are able to harness the rapid changes we anticipate in the business environment to create business opportunities.

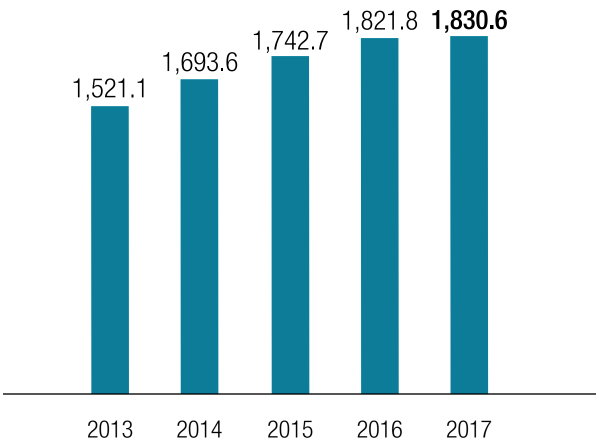
The Kajima Group, by the Numbers

A review of Kajima's data for fiscal 2017 (ended March 31, 2018)

Revenues

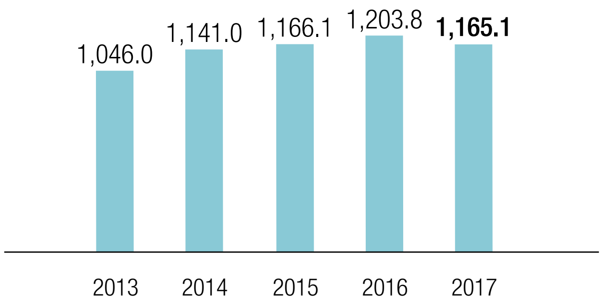
Consolidated

1,830.6 (¥ billion)

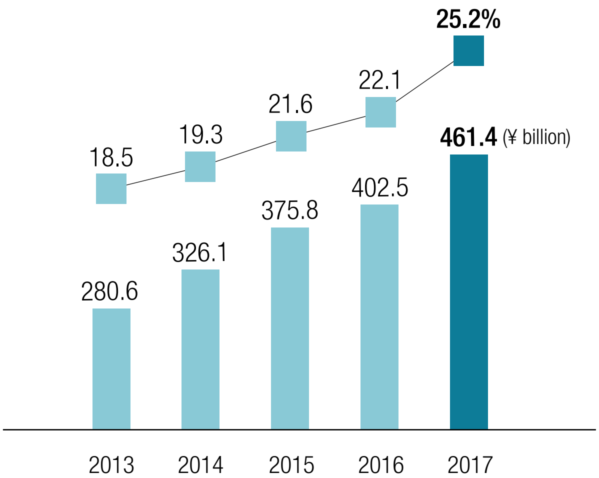


Non-consolidated

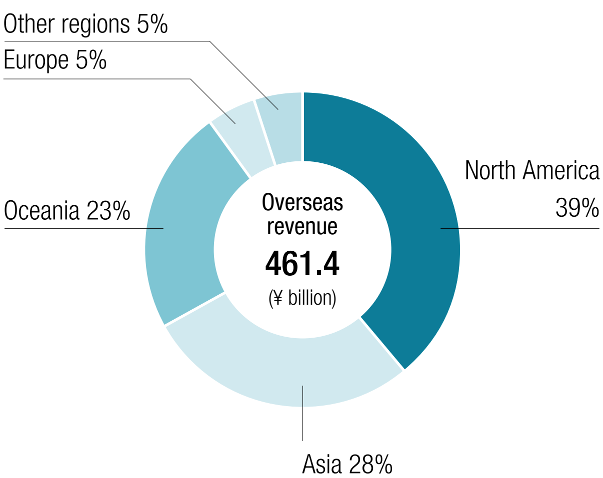
1,165.1 (¥ billion)



Overseas Revenues / Total Revenues Ratio



Revenues outside Japan, by Region



Construction Contract Awards

Consolidated

1,685.9 (¥ billion)

Non-consolidated

1,148.5 (¥ billion)

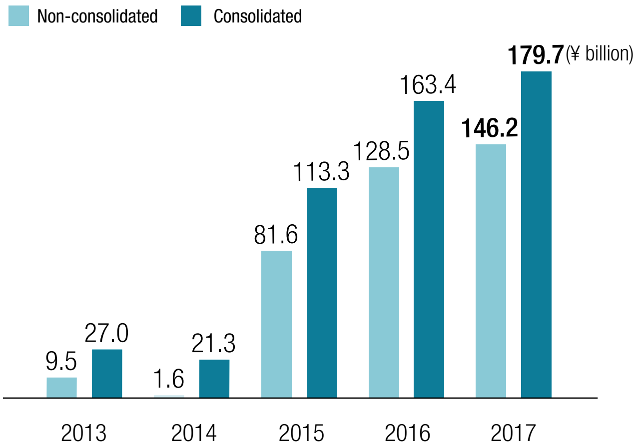
Civil Engineering

303.2 (¥ billion)

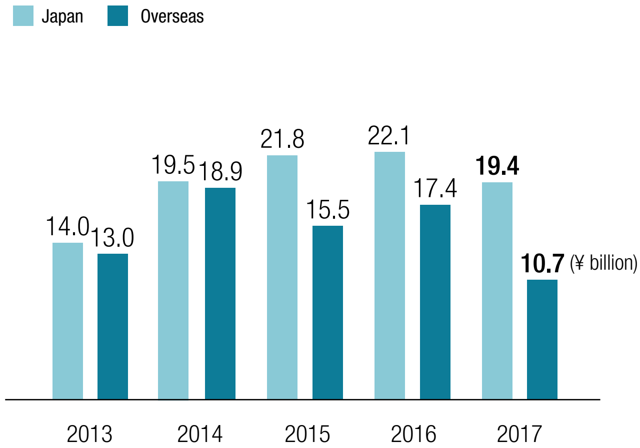
Building Construction

845.3 (¥ billion)

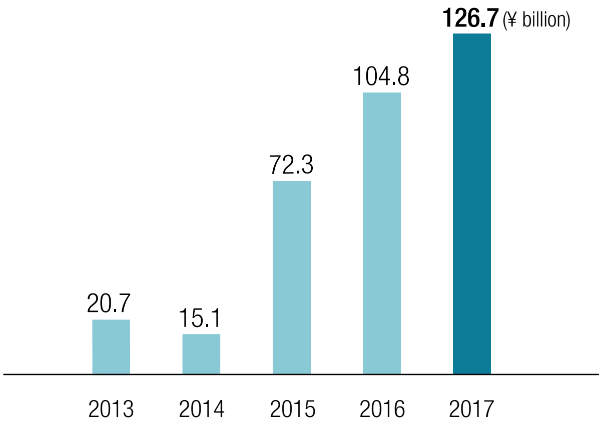
Ordinary Income



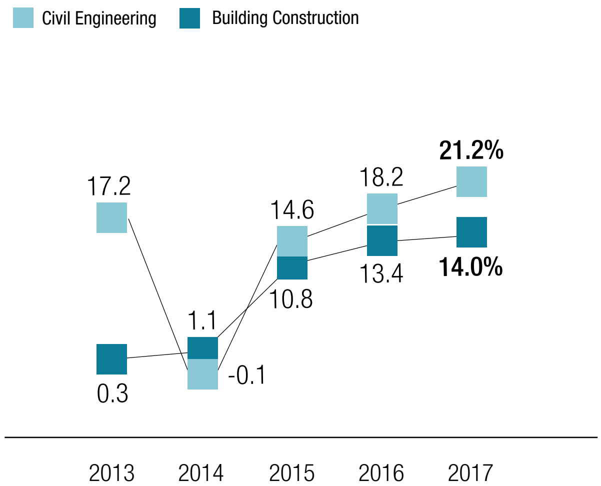
Ordinary Income at Group Companies in Japan and Overseas



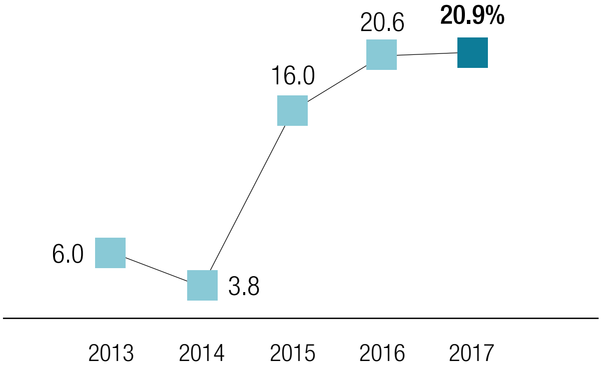
Net Income Attributable to Owners of the Parent



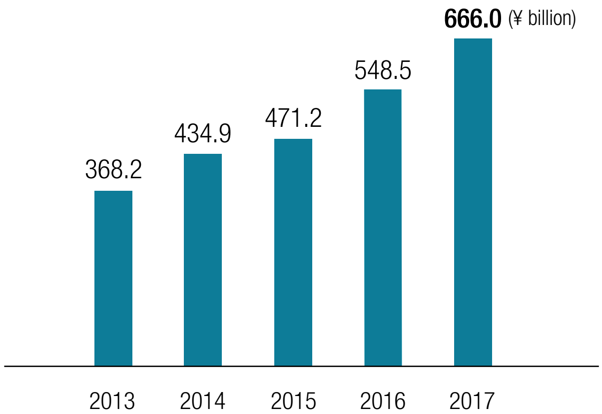
Overall Profit Margin for Civil Engineering / Building Construction Businesses (Non-consolidated)



Return on Equity

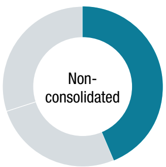


Shareholders' Equity

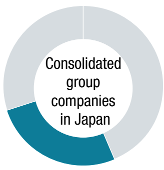


Number of Employees

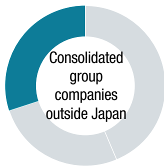
17,730



7,686



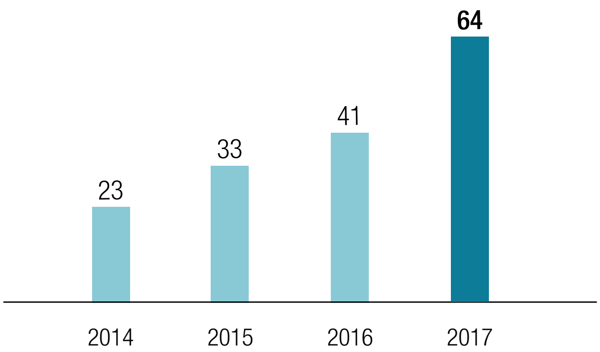
4,674



5,370

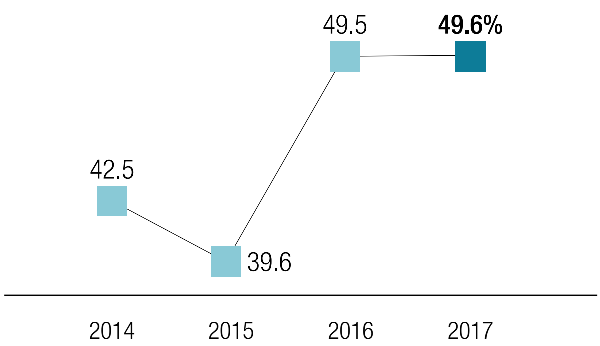
Number of Male Employees Taking Shortened Work Hours

64



Employees Taking Paid Leave

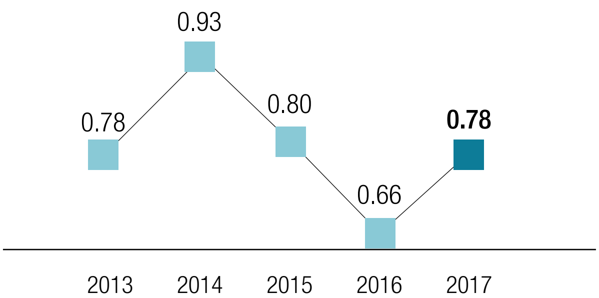
49.6 %



On-Site Safety

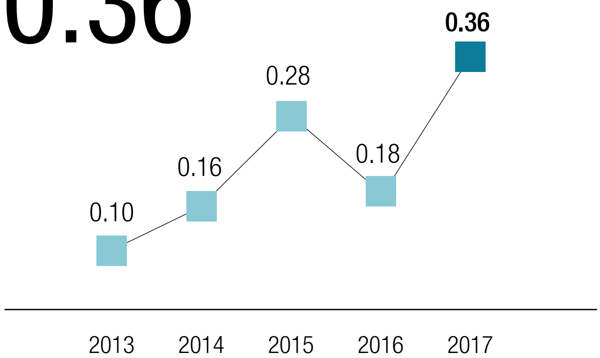
Accident frequency rate (at least 4 days off work)

0.78



Accident severity rate

0.36

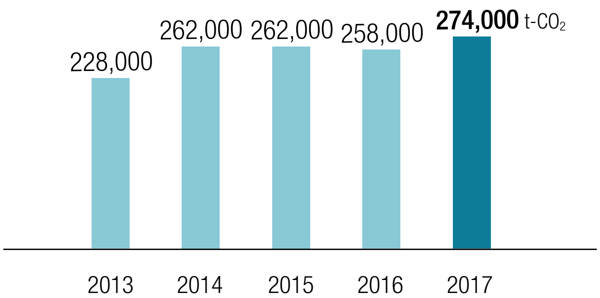


Frequency rate: The number of fatalities and injuries at worksites per one million cumulative working hours

Severity rate: The severity of illnesses and injuries represented by the number of workdays lost over one thousand cumulative working hours

CO_2 Emissions Attributable to Construction

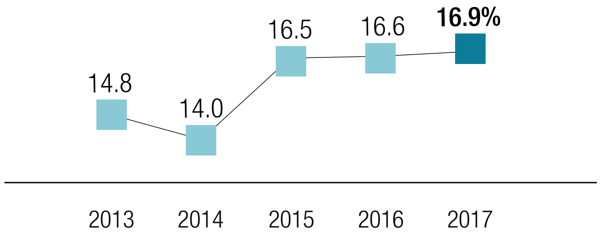
274,000 t-CO_2



Rate of CO_2 Reduction Attributable to Construction

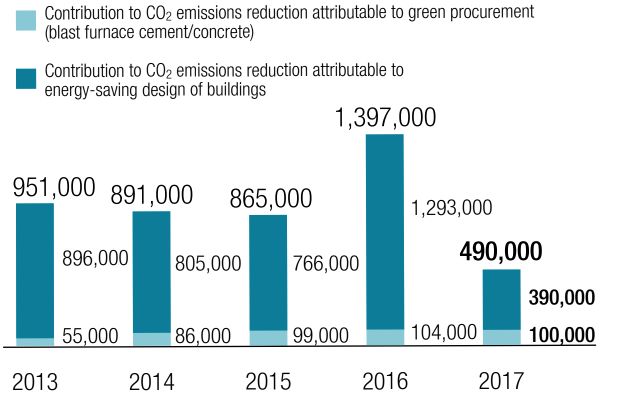
16.9 %

Rate of reduction compared with FY1990 for CO_2 emissions per unit of sales attributable to construction (CO_2 emissions per ¥1 million in construction)



Indirect Contributions to CO_2 Reduction

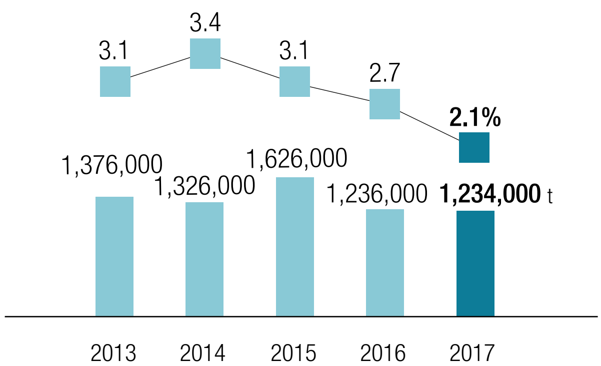
490,000 t-CO_2



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

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

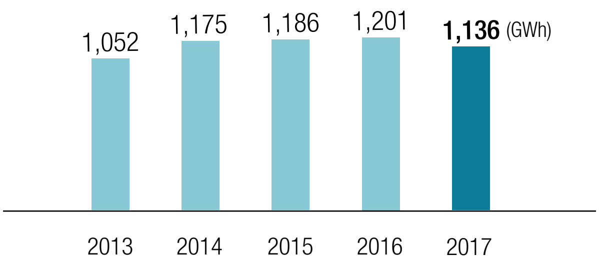
2.1 %



Energy Consumption (Project Sites and Offices)

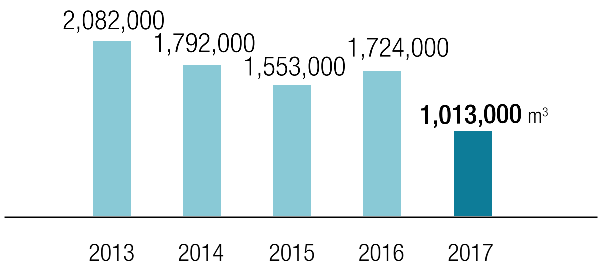
1,136 GWh

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



Water Consumption (Project Sites and Offices)

1,013,000 m^3



10 Year Highlights

Consolidated

(FY)	2008	2009	2010	2011
Financial Results				
Construction Contract Awards	1,585.4	1,138.3	1,188.4	1,296.0
Revenues	1,948.5	1,637.3	1,325.6	1,457.7
Operating Income (Loss)	19.6	(6.7)	17.2	29.4
Ordinary Income	15.9	9.0	17.5	41.3
Net Income (Loss) Attributable to Owners of the Parent	(6.2)	13.2	25.8	3.8
Operating Margin (%)	1.0	(0.4)	1.3	2.0
R&D Costs	9.9	10.0	9.7	9.1
Capital Investment	23.1	23.8	22.9	35.9
Financial Position				
Total Assets	1,885.4	1,796.8	1,644.9	1,686.2
Owners' Equity	231.1	261.8	252.8	256.7
Total Equity	239.0	262.1	253.2	256.7
Interest-bearing Debt	540.5	620.0	558.9	525.7
Cash Flows				
Cash Flows from Operating Activities	16.1	(76.9)	64.0	81.7
Cash Flows from Investing Activities	(30.5)	(5.7)	2.9	(38.7)
Cash Flows from Financing Activities	74.6	71.9	(50.5)	(37.7)
Stock Information				
Basic Net Income (Loss) per Share (¥)	(6.20)	13.03	24.87	3.69
Owners' Equity per Share (¥)	227.56	251.97	243.35	247.12
Cash Dividends per Share (¥)	6.0	6.0	6.0	5.0
Management Benchmarks				
Ratio of Net Income to Owners' Equity (ROE, %)	(2.4)	5.4	10.0	1.5
Owners' Equity Ratio (%)	12.3	14.6	15.4	15.2
Debt Equity Ratio	2.34	2.37	2.21	2.05
Non-Financial Information				
Number of Employees (Consolidated)	15,608	15,189	15,083	15,149
Kajima Corporation	8,705	8,452	8,164	7,925
Consolidated group companies in Japan	3,722	3,711	3,760	3,785
Consolidated group companies outside Japan	3,181	3,026	3,159	3,439
CO_2 Emissions Attributable to Construction (t- CO_2)	288,000	251,000	205,000	213,000
CO_2 Emissions Per Unit of Sales Attributable to Construction (t-CO_2/¥ million)	2,200	2,200	2,150	2,130
Final Disposal Rate for Construction Waste (Excl. Sludge, %)	5.2	2.2	2.3	3.1

(¥ billion)

	2012	2013	2014	2015	2016	2017
	1,333.2	1,573.5	1,474.8	1,795.8	1,728.3	1,685.9
	1,485.0	1,521.1	1,693.6	1,742.7	1,821.8	1,830.6
	18.4	23.0	12.6	111.0	155.3	158.3
	24.6	27.0	21.3	113.3	163.4	179.7
	23.4	20.7	15.1	72.3	104.8	126.7
	1.2	1.5	0.7	6.4	8.5	8.7
	8.4	7.8	7.7	7.8	8.2	10.3
	20.5	19.8	25.4	32.9	29.4	16.1
	1,686.0	1,789.4	1,839.2	1,886.7	1,992.8	2,074.1
	320.4	368.2	434.9	471.2	548.5	666.0
	318.1	364.1	436.9	474.0	552.5	669.7
	480.1	444.7	385.0	378.5	372.9	344.8
	58.4	32.9	59.2	36.3	187.5	120.4
	36.7	17.3	8.3	(27.8)	(31.9)	(47.3)
	(58.6)	(17.1)	(70.7)	(13.1)	(20.5)	(53.0)
	22.55	19.98	14.58	69.66	101.01	122.14
	308.49	354.62	418.86	453.93	528.46	641.69
	5.0	5.0	5.0	12.0	20.0	24.0
	8.1	6.0	3.8	16.0	20.6	20.9
	19.0	20.6	23.6	25.0	27.5	32.1
	1.50	1.21	0.89	0.80	0.68	0.52
	15,468	15,391	15,383	15,810	16,422	17,730
	7,737	7,657	7,546	7,527	7,611	7,686
	3,920	3,945	4,068	4,144	4,442	4,674
	3,811	3,789	3,769	4,139	4,369	5,370
	229,000	228,000	262,000	262,000	258,000	274,000
	2,200	2,200	2,220	2,150	2,150	2,140
	2.8	3.1	3.4	3.1	2.7	2.1

Dialogue Between the President and an Outside Director

President Oshimi talked with Outside Director Saito, who has extensive experience as an entrepreneur and as a corporate executive. They exchanged opinions on the approach behind the new Medium-Term Business Plan that started this fiscal year, and the challenges related to fulfilling it.

Yoshikazu Oshimi
President and Representative Director

Kiyomi Saito
Outside Director

Impressions After Becoming a Kajima Outside Director

Oshimi: Three years have passed since you became an outside director at our company. You may have noticed a different corporate culture here in the construction industry, so I am curious about your impressions so far.

Saito: Although I have gotten used to it now, I was puzzled at first by the industry terminology. For example, I was surprised by the use of the Japanese word *nyushu* (literally “to lay one's hands on”) for the obtaining of construction orders.

Oshimi: It has already been pointed out by other outside directors that it is often difficult for us to achieve our forecasts for project performance. This seems to be a characteristic peculiar to the construction industry.

Saito: I think this is a very distinctive feature. Unlike in the manufacturing industry, your project performance is forecast based on the individual circumstances for each project. If project scales expand further and overseas projects also increase, I feel that the forecast uncertainty should be better defined using numbers. However, I think that this has improved greatly compared with three years ago. I look forward to more progress in the future.

Investment to Succeed in an Era of Dynamic Change

Oshimi: We discussed the new Medium-Term Business Plan that started this fiscal year at Board of Directors' meetings as part of the plan formulation process. However, please share with me again your views of the new plan.

Saito: I think it outlines very clear directions for each business field, not taking an all-around approach. The world will no doubt change considerably within the three years of the plan, but from a corporate management point of view, it is a period of time over which things can be anticipated. I think that it is more appropriate to articulate it as a work schedule rather than as a plan, but since it is not a period for overly ambitious schemes, I feel that it is a good plan that can be fully realized.

Oshimi: The plan was also designed to help the Company prepare to address an abruptly and discontinuously changing business environment from 2021 onward. Regarding our core business segment of construction, we will focus on investing in technology development that improves productivity to create next-generation construction systems. Furthermore, since the Japanese construction market is unlikely to grow dramatically in the near future, we will actively invest in both domestic and overseas development projects in the meantime, with the aim of preparing for future changes.

Saito: It is good for Kajima to increase its use of external resources, such as investment in technology development, rather than trying to do everything in-house.

Oshimi: I have received a lot of advice from the outside directors regarding open innovation. Until now, Kajima has tended to be strongly focused on internal development as much as possible in order to achieve technical capacities that differentiate us from other companies. However, as we move forward with the trend of automated construction, if we try to develop all the required technologies within our company, we will not be able to excel at all of them. For example, the image recognition and information processing aspects will not come along quickly enough unless we incorporate external resources, and our development teams are well aware of this.

Saito: Large companies tend to collaborate only with companies of the same size when they look to bring in external resources. However, now that venture companies have great capabilities, we are in an era where content rather than scale is the determining factor. In the IT world, many outstanding AI engineers have never worked for a company, and major companies are generally not well connected with them.

Oshimi: We are dispatching employees to Silicon Valley this year. The technology of a major IT company could have a big impact on the construction industry, but an unknown venture company could also offer us a solution.

Saito: I am closely watching your investment in real estate development projects, since the construction business alone is rather unstable, and I think real estate development can facilitate sustainable growth in a changing society.

Oshimi: You taught me how to think about the importance of the business portfolio as a system to bring in revenue in various fields. Thinking of the various regions where we operate, we need to minimize specific country risk by preparing opportunities for profit creation, putting down roots in multiple countries. Also, our investment methods are going to be different from the past, and we will make them broader. For example, we want to invest in specialized construction companies overseas and gradually develop them into general contractors. Also, as we collaborate with leading companies in other countries and work with them there, I want us to look for new business development opportunities, not just develop technology and obtain construction orders.

Saito: I think you can tackle this area even more strongly. In the words of John F. Kennedy, "The time to repair the roof is when the sun is shining." Kajima is enjoying good performance now, so it is an opportune time to repair the roof. When domestic growth seems ready to slow down, you will need to decide what you want to do overseas and where. I feel that the current environment is perfect for making prior investments, such as strengthening the areas relating to the core business.

Work-Style Reform

Oshimi: Another pillar of the Medium-Term Business Plan is the Company's environmental, social and governance (ESG) efforts. With regard to social initiatives in particular, we will promote Kajima work-style reform to solve the shortage of new recruits, which is a pressing issue in the construction industry. The industry has neglected efforts to attract young people, as the business environment was sluggish for a long time. This lack of action over many years has left the industry with a serious challenge. As a general contractor, our primary duty is to help improve construction site work environments and create a situation where partner companies can increase the number of skilled workers. The basic aim is to promote services that will increase the number of workers joining the industry, while also promoting productivity improvement.

Saito: The company of which I am president and CEO is engaged in the development and operation of electronic trading systems for government bonds. What I have been saying since I started the company is that human beings should not do what machines can do. In other words, how can jobs be replaced by machines? Taking breaks in challenging worksite environments creates problems for meeting construction deadlines, and it also lowers wages for workers. I think the way to help solve this problem is through mechanization. Such solutions will depend on how you use systems and AI, and this is also addressed in the Medium-Term Business Plan.

Oshimi: Especially in the area of civil engineering, we are hoping that by focusing on using machines to perform jobs that people have been doing, productivity will improve and the industry will also attract more personnel.

Saito: I believe Kajima can do that. At the same time, I think that in addition to machines, having a human touch for workers is also critical, which is why it is important to maintain supportive workplace environments. I heard that at accommodations for civil engineering projects in the mountains, workers sometimes are given access to hot spring baths. This kind of consideration for people at the site is also important.

Oshimi: Turning to career advancement opportunities for women at Kajima, we mainstreamed women in the managerial track in around 2006, and the number of women in management positions has been on the rise. However, since it has been 10 years since the first young women entered this program, many of them are now in their child-rearing years. So we are also revising the human resource programs accordingly. What do you think about these initiatives?

Saito: It is very difficult to work while raising a small child, which makes it important to provide more supportive human resource programs for working mothers. Moreover, the support provided by the managers of these employees is also critical. For example, when an employee's child has a fever, the boss needs to respond by saying, "That's too bad, you can leave early," and not make a negative remark like, "What? Again?" The way that their managers think can make all the difference to women on the job, but changing preconceived notions can be more difficult than just implementing a program. As an initiative that does not cost anything and would be immediately effective, you should promote atmospheres in each workplace that encourage employees to also talk about their family responsibilities.

Oshimi: As an increasing number of employees will also be providing home care for aging family members, managers will need to look carefully at each subordinate's circumstances and respond accordingly. Because human resources are the Kajima Group's greatest asset, it is vital for everyone to work as a team, considering individual circumstances.

Strengthening Governance

Oshimi: Although the entire Kajima Group has been focusing on compliance, I think we could do more in some areas. Over the next three years, I would like to see us further strengthen compliance throughout the Company.

Saito: I believe you're right. I like to illustrate this with the metaphor of a tennis match. You assume the dimensions of the court are fixed, but one day you notice the court has gotten smaller and your ball goes out of bounds. This is similar to the situation that we are experiencing now with compliance. It would be easier if the lines were actually repainted, but instead there are new invisible lines dictated by the changing expectations of society. I think top management needs to send a message to employees that the lines on the court are not determined by the past, but by the current standards of the wider world.

Oshimi: I think part of the issue is that some executives still lack a common understanding of the kind of company Kajima should be and our strategy with respect to work.

Saito: When I was an officer at another company, the chief executive said, "Even when sales and profits decline slightly, the company does not fail as a result. However, when compliance and governance problems arise, the company is in real danger. Therefore, don't break compliance rules for the sake of the company, as we don't need that kind of business or profit." I think saying this to employees will put their minds at ease. The sad thing about many governance incidents is that the employees concerned broke the rules because they thought it would benefit the company. It is important to send a strong message that compliance violations with an intention to help the company are unacceptable.

Expectations for Kajima's Future

Saito: I think the attraction of the construction industry is that the results of your efforts have a physical form. There are not many jobs in the world that make workers' kids proud like this—that their father or mother helped to construct a huge building. Also, I get a sense that Kajima employees do not fully appreciate how superior their technology is and take it for granted. You should do more to publicize the fact that Kajima is a company with outstanding technology.

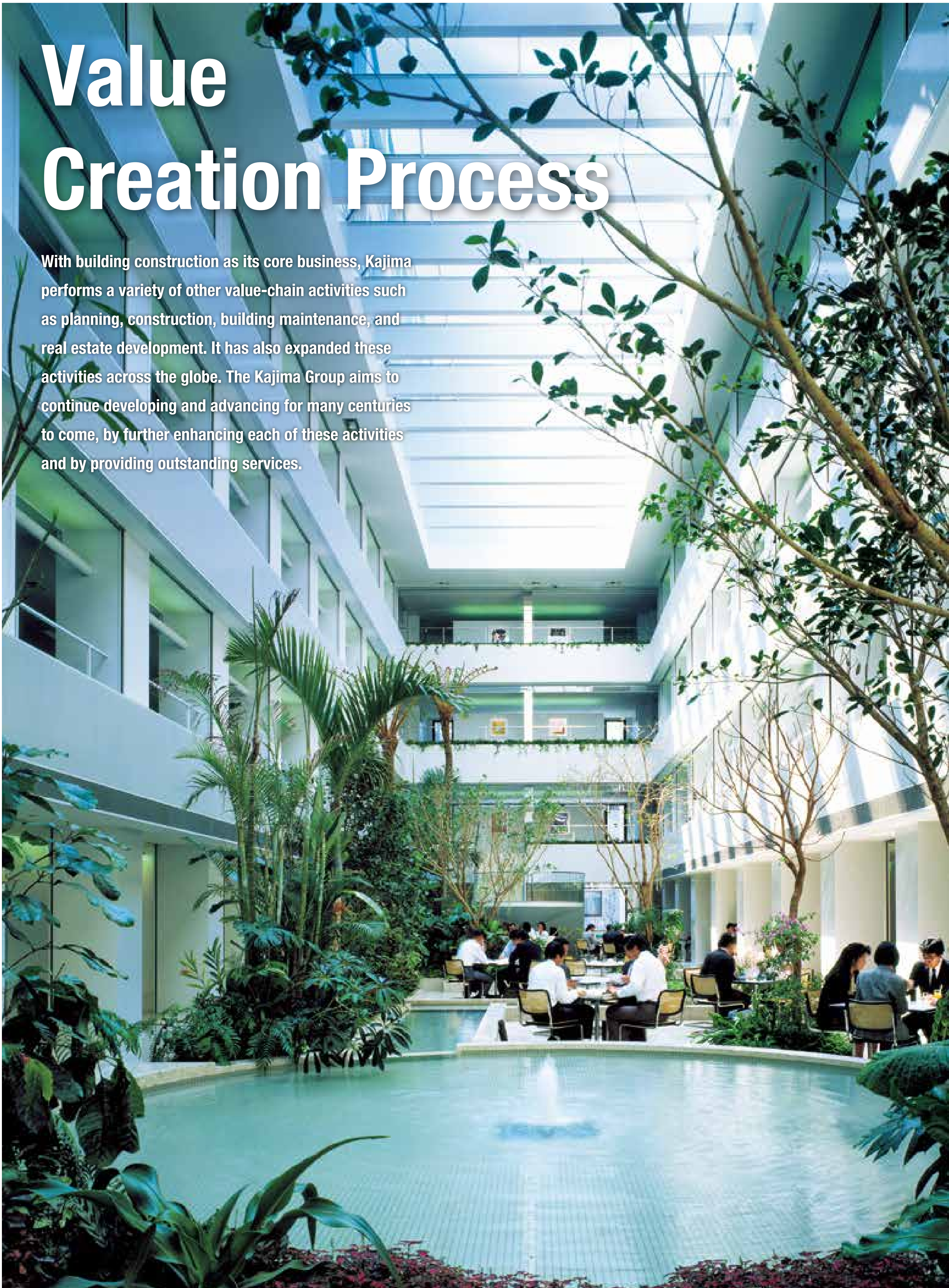
Oshimi: Since we must now prepare for the future while embracing newness and change, I am going to make it my mission to tell the wider world about Kajima's technical capabilities and the attractiveness of the construction industry.

Saito: I want Kajima to be a company that is admired by society. In the past, I think many people accepted their jobs in a passive way, but I think we are now moving into a creative era.

Oshimi: Yes, I agree. I hope that Kajima can continue to benefit from your knowledge and experience. Thank you for your time today.

Value Creation Process

With building construction as its core business, Kajima performs a variety of other value-chain activities such as planning, construction, building maintenance, and real estate development. It has also expanded these activities across the globe. The Kajima Group aims to continue developing and advancing for many centuries to come, by further enhancing each of these activities and by providing outstanding services.



Kajima Group Medium-Term Business Plan
Fiscal 2018-2020

The Kajima Group Medium-Term Business Plan (2018–2020) is designed to achieve sustainable growth in fiscal 2021 and beyond. It is based on the changing business environment and a medium- to long-term outlook with a focus on environmental, social and governance (ESG) measures. During the drafting process, the Board of Directors engaged in extensive discussions to identify trends in social change in Japan and the rest of the world. It also sought to determine the material medium- and long-term social issues, as well as changes in the business environment that could affect the Group. By selecting and focusing on key issues for the medium- to long-term, the plan aims to deliver sustainable growth for both the Kajima Group and the broader society.

Trends in medium- to long-term change		
Changes being forecast worldwide	Progress of rapid urbanization in emerging countries	Intensified international competition among cities
		Growing corporate entry into new markets
	Quantum-leap innovation using innovative technologies	Substantial changes in industrial structure
		Advancement of social infrastructure through technological innovation
	Impact of changes in the natural environment	Further strengthening of environmental regulations and disaster prevention standards
		Changes in energy policies
Changes in Japan	Further demographic aging	Reduction in the working-age population
		Longer working lives and later retirement age
	Declining population	Increase in foreign workers
		Accelerated adoption of compact city policies
	Aging of social infrastructure	Increase in renovation and conversion
		Life cycle cost reduction, revision of development / ownership methods

Abrupt and discontinuous changes anticipated in the business environment	Key issues to be addressed in the medium to long term
• Changes in economically prosperous areas • Changes in business environment and rules • Advancement and diversification of required standards • Changes in quality and quantity of human resources • Decline in construction investment • Changes in investment quality	Improve corporation's capacity for proper execution by raising individual capabilities and reinforcing organizational management
	Establish an effective method for developing and managing social infrastructure in an era of aging and population decline
	Further global expansion of the Group
	Strengthen core competence and seek out as well as establish new business model
	Propose forward-looking values that meet new societal and customer needs
	Develop technologies and accumulate knowledge to solve global issues (disaster reduction and mitigation, environment, energy)

Themes considered when drafting the new medium-term business plan

Preparing for a business environment of abrupt and discontinuous change			
Diversify revenue sources	Address new needs	Closely monitor the effects of technological innovation	Develop business platform
• Real estate development • Overseas operations • Upstream/downstream construction work • Operational management	• Promote R&D • Building partnerships with society and customers	• Open innovation • Pursue medium- to long-term business model	• Build Group-wide management structure • Strengthen risk management • Secure and develop human resources

Kajima Group Medium-Term Business Plan

Fiscal 2018-2020

Key Objectives

Create next-generation construction systems
Reform production at construction sites in Japan to build sustainable systems in terms of both technology and the people using it, in order to create next-generation construction systems.

Provide construction and services of high value to society and customers
By focusing on changes in the business environment over the medium and long term, enhance capabilities for proactively addressing social issues and customer expectations, and pursue effective building construction and services.

Establish a Group-wide business platform for growth
Develop the organizational and management framework centered on Kajima Corporation into an optimal system for group management.

Priority ESG measures

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

P30, 31, 46, 47

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

P36, 37

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

P44, 45, 58, 59

Business Strategies

Along with the establishment of highly competitive construction methods based on strategic R&D, Kajima will promote work-style reform with a focus on construction sites, seeking to create supportive workplace environments for both Kajima employees and skilled workers. The Company also aims to diversify revenue sources by expanding into new business fields in order to meet the evolving and increasingly diverse needs of customers and the broader society. Kajima will proactively invest and implement measures to realize these goals while creating business execution frameworks and other platforms that facilitate group management.

Domestic construction business	Improve productivity and create an attractive work environment
Domestic/overseas construction businesses	Enhance efforts in promising markets and fields
Construction-related businesses	Ensure proper execution in upstream and downstream businesses and diversify revenue sources
Domestic/overseas real estate businesses	Increase profitability in the real estate business
Issues common to all businesses	Enhance efforts to address social issues, including the environment, energy, and disaster prevention and mitigation

Medium- to Long-Term Business Targets

FY2018–2020 targets

Consolidated net income

¥80 billion or more

ROE

10% or more

Maintain ROE exceeding shareholders' equity cost

Medium- to long-term target

Consolidated net income

¥100 billion or more

(¥ billion)

	FY2018		FY2020		Medium to long term
	Consolidated	**Non-consolidated** (parent company)	**Consolidated**	**Non-consolidated** (parent company)	**Consolidated**
Revenues	2,000	1,250	2,150	1,340	Approx. 2,500
Net income*	82	66	80 or more	60	100 or more
Interest-bearing debt	340	-	400 or lower	-	-

** Consolidated net income attributable to owners of the parent.*

Investment Plan

Total investment value over three years

¥500 billion or more

Prioritize investment in domestic and overseas real estate development

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

Domestic/overseas real estate development

¥400 billion

(Net ¥225 billion)

Domestic: approx. ¥160 billion

Overseas: approx. ¥240 billion

R&D Investment

¥50 billion

Strengthen competitiveness/Invest in sustainable growth

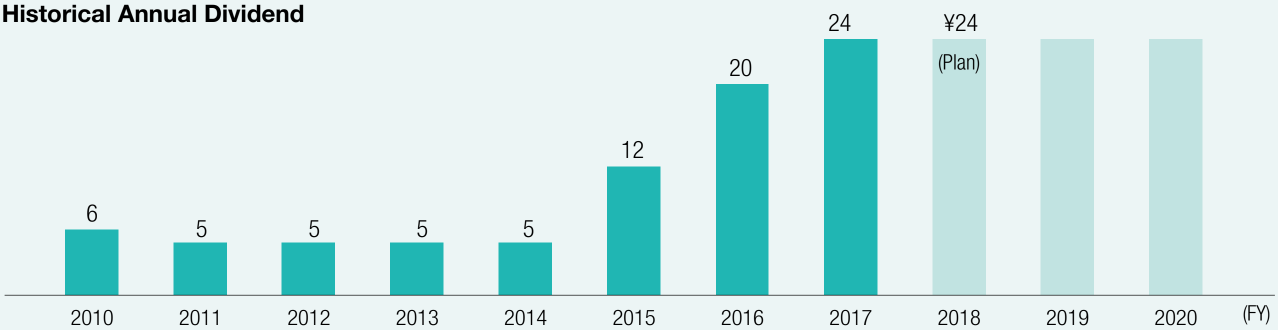
(Domestic/overseas M&A, human resource-related)

¥50 billion

Policy on Shareholder Returns

Aim to distribute stable amounts of dividend with a target range of a 20 to 30% payout ratio, while securing adequate consolidated equity capital.

Historical Annual Dividend



**The Company plans to consolidate its shares on a one (1) for two (2) basis, with October 1, 2018 as the effective date.*

**The above lists the annual dividend per share without considering the effects of the share consolidation.*

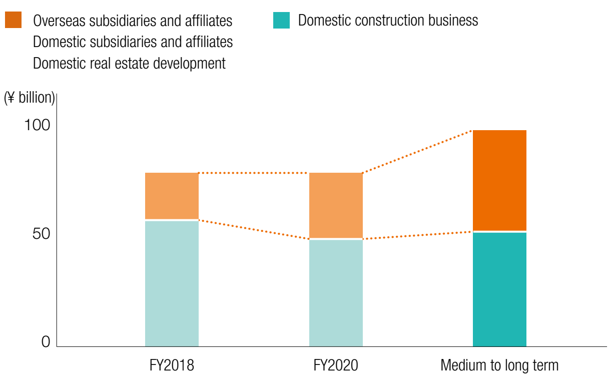
Diversifying Revenue Sources to Ensure Sustainable Growth in Fiscal 2021and Beyond

Changes in the external environment can significantly affect the business of general contractors. Looking to the future, Kajima will strive to diversify its revenue sources through proactive investment and other measures, while redefining its core competencies and enhancing profitability. The Company will leverage the three-year period of the current plan to build a foundation that will deliver steady results in fiscal 2021 and beyond. The Company will implement the necessary investment and measures to increase revenues for each business area and to develop new businesses.

Medium- to Long-Term Business Targets

The consolidated net income target for fiscal 2020 of ¥80 billion or more is, in fact, lower than the fiscal 2017 actual. This is because the Company foresees a sharp rise in material and labor costs and intense competition for orders over the next three years.

Over the medium to long term, Kajima aims to secure annual consolidated net income of ¥100 billion or more. To achieve this, the Company will pursue investments in real estate development, group collaboration, and M&A in Japan and overseas. It is expected that half of the total target will come from business areas other than the construction business in Japan. For domestic construction, Kajima aims to create next-generation construction systems by investing in R&D, and to secure solid earnings in fiscal 2020 and beyond.



	FY2018	FY2020	Medium to long term
Consolidated net income	¥82 billion	¥80 billion or more	¥100 billion or more
Proportion other than domestic construction business	28.3%	37.5%	50.0%

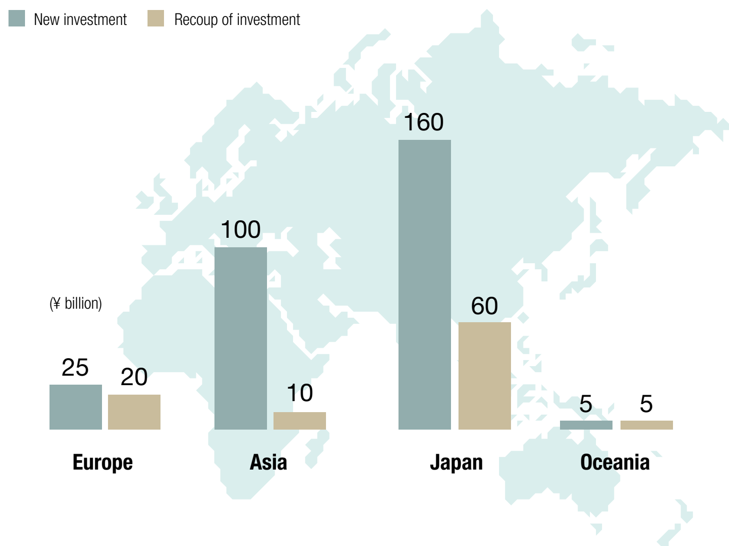
Investment Plan

The total investment of ¥500 billion is not expected to contribute greatly to performance during the period of the Medium-Term Business Plan. However, it is expected to make a significant contribution to Kajima's sustainable growth and corporate value in the long term. Determined to meet the expectations of its stakeholders, Kajima will conduct its business with thorough risk management, investment efficiency assessment, and an awareness of capital costs.

Real Estate Development in and outside of Japan

Kajima's strengths in planning and proposals for real estate development and the technical capabilities of its locally-rooted building construction business generate powerful synergies. To leverage these synergies, Kajima will invest ¥400 billion in real estate development projects worldwide, many of which are already underway or decided. Anticipating an investment recoup of ¥175 billion from property sales, the net investment will be ¥225 billion.

Increasing investment means rigorous risk management. Kajima only approves projects that meet criteria on business risk, compliance, profit levels by country and business, future growth potential, etc. For major strategic projects with a large price tag, or when entering new fields or markets, a special-purpose committee with head office representation examines the matter, and the investment decision is made by the Management Committee or the Board of Directors. Progress on investment and investment recoup is carefully and periodically monitored.



Calculating return on invested capital (ROIC), Kajima pursues optimal fund allocation by confirming if each department is obtaining returns in excess of cost of capital and has established a monitoring system to control downside risks for owned assets.

R&D and Human Resource Investment

Kajima plans to allocate ¥50 billion for R&D investment, and another ¥50 billion to enhance competitiveness and achieve sustainable growth. In addition to dramatically improving productivity by introducing advanced technology, the Company will search for new technology and business startups and perform incubation to develop technology applications.

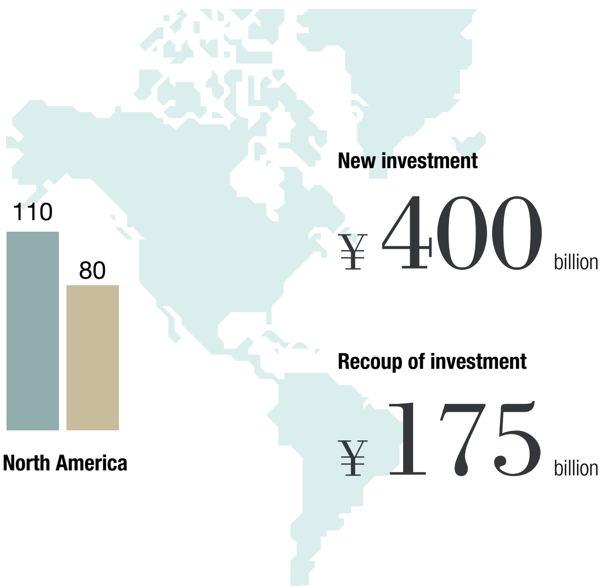
In the medium to long term, Kajima will create new value by combining existing technologies with new businesses or technologies, while aiming to maintain and improve competitiveness. At the same time, the Company will proactively pursue M&A where synergies and complementary role division can be expected with existing businesses both in Japan and overseas. It will also invest in the IT and human resources necessary to promote forward-looking initiatives.

Strengthening Group Collaboration

A team including a Kajima Group company won first prize at the Jurong Lake Gardens International Competition sponsored by the National Parks Board under Singapore's Ministry of National Development. Landscape Design Inc., a subsidiary of the Company, has an alliance with local design firm in Singapore. With the cooperation of the Environmental Engineering Division, Kajima Technical Research Institute, and Avant Associates Inc. as specialists, collaboration support was provided by Kajima Overseas Asia Pte. Ltd. (KOA) in Singapore. The combination of the Kajima Group's environmental engineering technology and area management expertise were the advantages in this competition. The Group will continue to improve earnings capacity by enhancing internal collaboration.

M&A Performance

Kajima has been acquiring and establishing companies in new fields and markets, especially outside Japan, as well as companies that complement the resources of the Group. Going forward, Kajima will further enhance profitability by expanding its business and leveraging synergies.



Main M&A and new entities established		
2015	U.S.A.	Core5 Industrial Partners established (distribution warehouse development)
	Australia	Icon Co. acquired (building construction and real estate development)
2016	Vietnam	Indochina Kajima Development Limited established (real estate development)
	Japan	Kajima Fit Co., Ltd. established
2017	Australia	Cockram Construction acquired (building construction)
	U.S.A.	Flournoy Construction Company acquired (development, construction and management of apartment communities)
	Japan	Global BIM Inc. (BIM) established Clima Works Co., Ltd. established
2018	Hong Kong	Additional acquisition of Scenario Cockram Ltd. (a company specializing in themed interiors and exteriors)
	Singapore	International Facility Engineering Pte. Ltd. (IFE) acquired
	Japan	Kajima Private REIT Inc. established

Providing Returns to Shareholders While Building a Sound Business Platform and Further Increasing Capital Efficiency

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

Financial Challenges for the Medium-Term Business Plan (2018-2020)

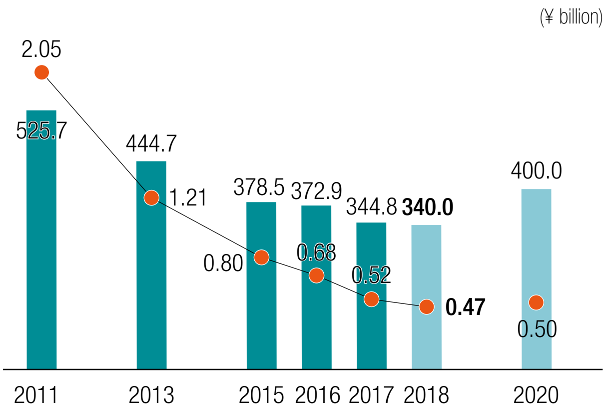
We launched the new Medium-Term Business Plan this fiscal year. Results under the previous plan (2015-2017) were extremely favorable. In recent years, we were successful with efforts to stabilize the financial base and increase capital efficiency, and, significantly, also made progress in reducing interest-bearing debt and improving the balance sheet. With these results, we started to consider both the Medium-Term Business Plan (2018-2020) and the future for our financial structure in the medium to long term, beyond 2020.

Specifically, we will seek to anticipate the future business environment, industry trends and business resources accurately and build a firm financial platform capable of supporting steady progress on activities and investments in a variety of areas. These include efforts to further improve productivity in the resurgent construction industry, such as next-generation construction systems and transforming construction sites into the equivalent of an automated factory. We will work to respond to changes to frameworks and systems related to subcontracting and orders. In addition, we will ensure that we are prepared for the serious challenge in Japan of an insufficient number of skilled construction workers, while also expanding revenue sources in upstream and downstream sectors. Meanwhile, we will invest proactively in the domestic and overseas real estate development business, looking also to enhance synergies with the construction business.

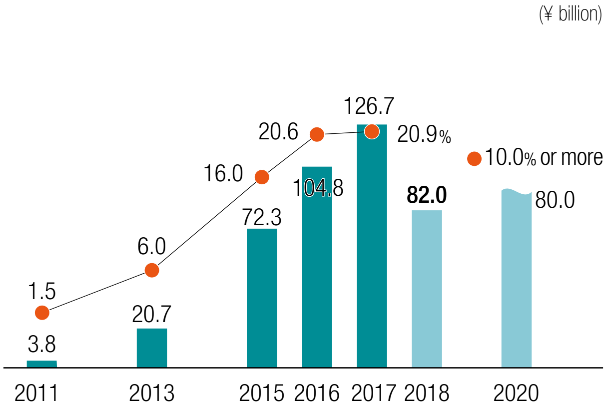
Over the medium to long term, we believe that change will sometimes be abrupt or discontinuous; it is currently difficult to predict factors that may affect all aspects of our business, from customer requirements and social needs to technological innovation and its practical applications and construction production systems. Nevertheless, we are determined to adeptly and accurately respond to changes like these with creative activities or investment in order to achieve outcomes with confidence. This is why we are examining our funding cycle—acquiring financing smoothly and at advantageous rates, measuring and assessing accurately the outcomes of this financing, and securing returns on investment.

Under current business conditions, it is important to increase the stability of the construction industry, and we are also engaged in efforts to improve payment conditions

Interest-Bearing Debt / Debt Equity Ratio



Net Income Attributable to Owners of the Parent / ROE



at partner companies. We believe that, while we source funds from cash flow from operating activities in our core business, increasing economic volume by accelerating outflow and inflow of funds (i.e., an improved capital turnover ratio) will help make the construction industry's financial position stronger.

The domestic and overseas real estate business bring with them asset impairment risk depending on business conditions. In overseas business, there are also risks associated with downturns in local economic conditions and foreign exchange rates. In order to take on a certain degree of risk for real estate development assets and expansion of overseas business, it is imperative to ensure that periodical profit and loss and balance sheets remain resilient. This is one of the reasons why we have identified "securing adequate consolidated equity capital" in the new Medium-Term Business Plan. Given that the Kajima Group aims to engage in both the construction business and also the real estate development business as a "gen-con developer" that combines the characteristics of a general contractor and a developer, we anticipate that our financial structure will also develop characteristics unique among general contractors, featuring aspects of both the flow-model construction business and the stock-model development business. One of the challenges for financial management will be to identify the advantages and disadvantages of each model and achieve a risk-resilient balance.

Ensuring Financial Soundness to Support Active Investment

Meanwhile, gaining a return on investment requires a certain amount of time. For example, take the real estate development business, where many stakeholders are involved in co-creation and the time required for the contribution to the balance sheet to become discernible is measured in years. Time is also needed in M&A—for post-merger processes to identify complementarity with the Kajima Group and accomplish the optimal role sharing. For technological development, the greater the technological leap forward that is sought, the longer the development lead time, coupled with the time and effort required to seek new knowledge in a broad range of fields. Efforts to develop skilled construction workers and promote recruitment also take time for consideration of the necessary measures and a degree of trial and error.

Although we must press forward with all such measures with due speed, given that there are some challenges that are only likely to materialize after the three-year period of the current Medium-Term Business Plan, we recognize that we will need to persevere with structural reforms.

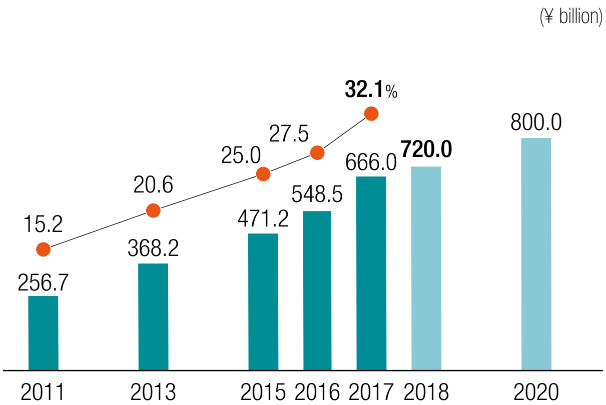
In our diverse investments going forward, we are committed to adhering to investment efficiency criteria and also to ensuring optimal allocation of funds and resources. We will implement financial controls to secure stable investment resources and avoid excessive dependence on interest-bearing debt, by utilizing cash flow from stable business revenue and achieving returns backed by investment efficiency criteria. Employing these various methods, we will assess the financial soundness of the Kajima Group based on indices such as owner's equity, owners' equity ratio, and debt-equity ratio.

Shareholder Returns

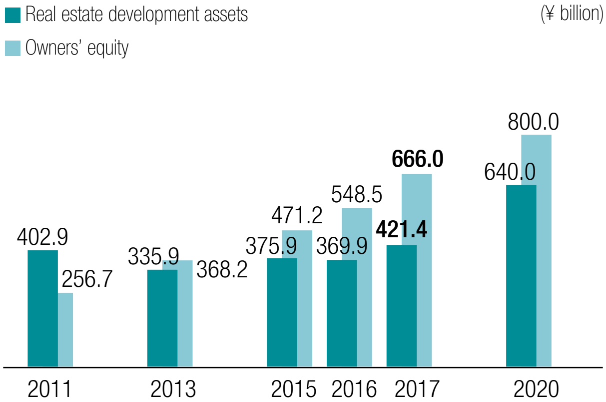
The Kajima Group's dividend policy is to "Aim to distribute stable amounts of dividend with a target range of a 20 to 30% payout ratio, while securing adequate consolidated equity capital." In terms of the utilization of earned funds, we will achieve a balance between proactive investment and returns to shareholders. We have set numerical targets for profitability in each fiscal year of the Medium-Term Business Plan, looking to achieve our target for adequate consolidated equity capital (approx. ¥800 billion) by 2020. In this process, ROE will settle into a steady pace, but in addition, by continually securing more than 10% above target levels, we aim to meet expectations for shareholder returns.

We remain committed to steadily and dependably working to deliver sustainable growth and improve corporate value, aiming to surmount any unpredictability caused by societal and environmental change as we advance toward our vision for the future described in the Medium-Term Business Plan.

Owners' Equity / Owners' Equity Ratio



Real Estate Development Assets / Owners' Equity



Long-Term Environmental and Energy Initiatives

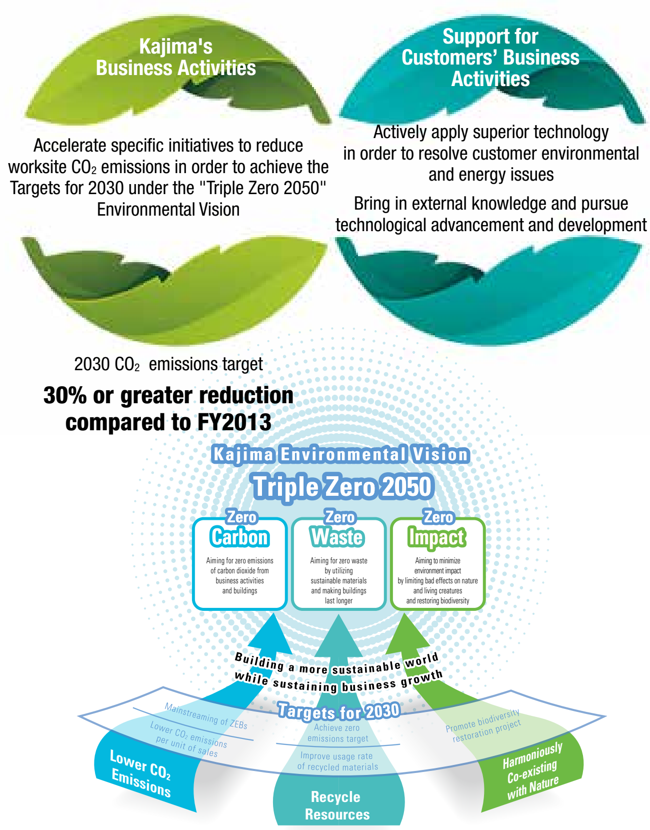
New Targets for the "Triple Zero 2050" Environmental Vision

In Kajima's Medium-Term Business Plan (2018–2020), the environmental priority is to "pursue environmental and energy opportunities for the business activities of the Kajima Group and its customers." In its own business activities, the Group will accelerate concrete efforts to reduce CO_2 emissions at worksites. Then, as part of its support for the business activities of its customers, it will utilize superior technologies to help customers address their environmental and energy issues.

Kajima's basic environmental approach is described by Kajima's "Triple Zero 2050" Environmental Vision, established in 2013. Three areas that the Group has been focused on, namely, lower CO_2 emissions, recycling resources, and harmoniously co-existing with nature, will continue to be the focus under the new Medium-Term Business Plan.

Regarding lower CO_2 emissions in particular, the targets were updated with the implementation of the Paris Agreement in 2016 and the growing ESG investment trend. Kajima is now aiming to achieve a 30% reduction in its CO_2 emissions per unit of sales (tons of CO_2 per million yen) by 2030 compared to fiscal 2013, and a reduction of 80% or more by 2050, in alignment with the Japanese government's national reduction targets.

Enhancing Long-Term Environmental and Energy Initiatives

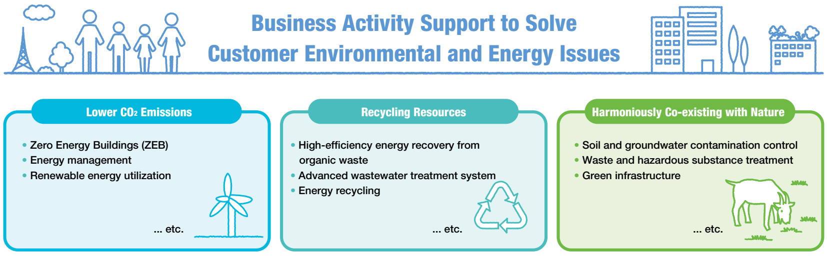


Triple Zero 2050 (Revised May 2018)

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

Helping to Solve Customers' Environmental and Energy Issues

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



Highlight 1 Lower CO_2 Emissions

Reducing Net Energy Consumption in the Building Operation Stage to Nearly Zero

Kajima is working not only to reduce CO_2 emissions from its construction work but also to reduce emissions in the building operation stage after completion and transfer to the customer. A zero energy building (ZEB) is based on the idea of lowering net energy consumption in the operation stage to as close to zero as possible, using both energy conservation techniques and renewable energy sources.

The KT Building in Minato-ku, Tokyo, completed in August 2016, is home to Kajima's Tokyo Civil Engineering Branch and Tokyo Architectural Construction Branch. Under the Building-housing Energy-efficiency Labeling System (BELS) established by the Japanese government, Kajima achieved a 54% energy conservation level, compared with a standard building. As a result, the KT Building was designated as ZEB Ready and has become a showcase for a medium-size urban office building with low CO_2 emissions.

**Building-housing Energy-efficiency Labeling System (BELS)*

Highlight 2 Recycling Resources

Effectively Utilizing Previously Unused Local Biomass Waste

Located at a pre-existing sewage treatment plant, the Toyohashi City Biomass Utilization Center in Aichi Prefecture intensively processes biomass from the local area, including sewage sludge, human waste and septic tank sludge, and organic waste, and converts it entirely into energy. The center was created through a private finance initiative (PFI), based on the establishment of a special purpose company together with JFE Engineering Corporation and others. It is the largest facility in Japan for recycling mixed local biomass, and it began operation in October 2017.

The center's pre-treatment facility uses technologies developed by Kajima. These include the Ibutoron® crushing and smoothing machine that enhances methane fermentation efficiency by removing non-fermentable materials from organic waste, as well as the Karatoron® separator which removes inorganic matter including shells to avoid problems in subsequent processes. Kajima Environment Engineering maintains and manages the equipment.

By enabling regional biomass waste to be intensively processed and turned into energy, Kajima is helping to reduce the renovation and operating costs of this existing facility. It is also helping to build a recycling-oriented community while making a meaningful contribution to global warming prevention.

CIVIL ENGINEERING

A^{4}CSEL® is a next-generation construction system (pronounced "quad axel") focused on automation of construction machinery.

Fiscal 2017 Review and the Future of the Civil Engineering Market

Masayasu Kayano

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

The Civil Engineering Division's goal in recent years has been twofold: improving productivity while at the same time addressing growing construction volume by flexibly deploying employees. In fiscal 2017, we made steady progress in our large-scale construction projects and achieved higher sales and profits. We were also able to secure new orders as forecast at the beginning of the year, due largely to our successes in the private sector energy markets as well as in the public sector in general.

Regarding future demand trends, public investment will remain stable for the time being, with a focus on road and rail infrastructure as well as disaster prevention and mitigation. We expect demand in the private energy sector to expand, including wind power generation and projects related to the restarting of nuclear power plants. In the medium to long term, maintenance and renovation work is expected to climb to counter the aging of infrastructure.

Meanwhile, the expected shortage of workers over the medium to long term is an industry-wide structural problem that needs to be addressed immediately. This is why we think we need to ensure that holidays and wages for skilled onsite workers are comparable to those in other industries, and to make construction sites attractive workplaces. Facing a decline in the number of highly skilled workers, we will take the necessary measures including major changes to the way production sites operate.

Aiming for Construction Site Automation

The Civil Engineering Division has been considering measures to deal with the problem of shortage of workers for a long time. One of our main emphases has been developing technology for turning construction sites into the equivalent of an automated factory.

Kajima has been developing automated construction using heavy machinery for more than ten years. This year, at the Koishiwaragawa Dam under construction in Fukuoka Prefecture, a new automated construction system will be put into use. The system will be the first of its kind in the world whereby construction work is performed autonomously by multiple pieces of heavy equipment. In addition, we are planning to apply this system on a wider scale at the Naruse Dam in Akita Prefecture, a project awarded to us this fiscal year. We are also developing automated construction technologies for other project types, such as NATM and TBM tunnels, using the results obtained from these dam projects.

Kajima utilized the Four-Boom Full Auto Computer Jumbo for the main boring of the Shinkuzakai Tunnel in Iwate Prefecture, a first in Japan. Going forward, the aim is to automate the entire series of operations related to tunnel construction.

We are also working to expand the use of precast materials for concrete structures in civil engineering projects, while bringing in ideas from the Building Construction Division, which already commonly uses precast in reinforced concrete buildings such as high-rise condominiums and has high construction productivity. Our ultimate goal will be to incorporate robotics technology in automating the assembly of precast materials.

In addition to the mechanization and automation of construction, we are also advancing onsite management. Unlike the manufacturing industry, where mass production occurs in factories, civil engineering projects involve unique orders and outdoor production sites. This poses difficulties in acquiring daily production data concerning these projects, which could be used to improve efficiency. However, with the remarkable advancement of information and communications technology (ICT) in recent years, it is now possible to collect various kinds of production process data from construction sites quite easily. The Productivity Promotion Department, newly established at the head office in April of this year, began using ICT to collect, share and analyze production data in a centralized manner. We will keep moving forward with widespread deployment of construction information modeling (CIM), a site management system linked with automated construction.

Open Innovation Initiatives in Japan and Overseas

The key to developing breakthrough technology is expanding our outlook beyond Japan to the rest of the world, exploring new cutting-edge technologies, and actively incorporating them. In particular, advanced technologies like AI and IoT that are critical to creating automated construction sites are concentrated at overseas venture companies and research centers.

Last year, we established a dedicated team at the head office to identify and promote collaboration with venture companies around the world. For example, one overseas venture company is developing and commercializing a system that constructs small diameter tunnels while detecting and avoiding buried objects. Japan has long been known as a leader in soft-ground tunneling using TBMs, but this overseas example shows how innovation—incorporating advanced technologies for probing and control—can create new businesses.

This summer, we are setting up a base in Silicon Valley, staffed with employees from Japan, who will engage in full-scale activities to find new technologies. We will strengthen initiatives for open innovation through collaboration with venture companies in different industries, and will create innovative technologies.

Furthermore, we expect that such automation and mechanization technologies will allow us to maintain the quality of overseas projects which are subjected to diverse local conditions. This should also help strengthen Kajima's competitiveness abroad.

BUILDING CONSTRUCTION

Fiscal 2017 Review and the Future of the Japanese Construction Market

During the three fiscal years from 2015 to 2017, our urgent challenge was to revitalize and reinforce the construction business. We used the first two years to restructure. Then, in fiscal 2017, we launched the Kajima Building Construction Total Management System (KTMS) 2017, part of our drive to improve productivity. We undertook further improvements with three initiatives: revising operational standards, leveraging ICT tools, and striving to reduce the need for labor by 30%. I am happy to report that all these efforts—buoyed by strong demand in the domestic market and stabilizing costs—raised productivity company-wide and reduced costs before order receipt and after construction start, enabling us to deliver on our performance targets and substantially improve our financial position.

During this time, we also sought to expand into new business fields by pursuing collaboration within the group. One such focus was the sale of technologies to support disaster preparedness and business continuity planning (BCP). Our q-NAVIGATOR®* building safety assessment support system has been installed in a total of over 300 buildings. We are focused on offering enhanced comprehensive solutions utilizing the expertise of Kajima Group companies.

In the Japanese construction market in fiscal 2018 and beyond, we expect construction investment to remain steady—mainly in the Tokyo metropolitan area, where there are many redevelopment plans. Yet this brings with it another concern that the intensifying slate of large-scale redevelopment projects in the Tokyo area will drive construction costs up. In the long term, we expect the environment affecting the domestic construction market to change, including a falling birthrate, aging population, and declining number of working-age people. We plan to address labor shortages and cost increases by using ICT tools to grasp and share information on those key factors.

Hiroyoshi Koizumi

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

q-NAVIGATOR®

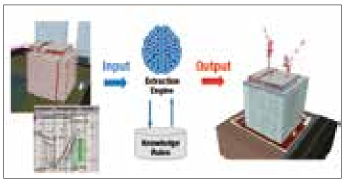
A system that supports disaster preparedness and business continuity planning by installing seismic sensors on several floors of a building. After an earthquake, the system can determine the safety of the building in a short period of time based on the magnitude of shaking measured on each floor.

Creating Next-Generation Construction Systems

KTMS 2017, which we launched last fiscal year, has reached the midpoint of our three-year roll-out plan. We are making steady progress from the introduction phase to the establishment and outcome-verification phases. Going forward, we will create next-generation construction systems so we can better meet customer needs and respond to anticipated changes in the environment affecting our ability to win contracts in 2020 and beyond.

We can further improve productivity while delivering stable quality by leveraging big data on processes from the initial project stage through construction, and on the post-completion stage, and building analysis, evaluation and feedback mechanisms. This will also help us anticipate any shortage of skilled workers for each operation type, and take the necessary measures in advance. Going forward, we hope to use AI to enable any of our personnel to prepare estimates and calculate appropriate construction periods, while also evaluating optimum construction plans.

AI-Based Construction Planning Support



By utilizing a myriad of building construction data and BIM data, AI can provide support for progress management, quality control, and construction management.

Taking New Steps to Enhance Productivity

We are pursuing a 30% reduction in the need for labor on the construction site, and we are doing this with sensitivity to today's social expectations around work-style reform and the five-day work week. Technology development is still our key focus for improving productivity. We will develop technologies under themes such as construction automation and ICT utilization while collaborating with companies inside and outside the Kajima Group. For example, with new technologies such as welding robots and onsite position locators, we will proceed with construction site work and verification of our own development projects, and use the results as a foundation for further expansion.

We will also accelerate our utilization of building information modeling (BIM). We will select model sites from among our design and build projects, and then take on the challenge of applying advanced BIM from the design and construction stages to the operation and maintenance stage. BIM technology can serve as a key information infrastructure from building planning and design, to construction and building management/operation, and we expect to find applications for it in various areas. Going forward, a key factor will be deciding what kind of information to gather, and how it will be stored and utilized.

Virtual Completion Using BIM

Through computer modeling, the aim is to achieve exceptional productivity by integrating the architecture, structure, and equipment, and to thereby reduce inconsistencies to zero before actual construction begins.

Direct Hiring of Skilled Workers by Group Companies and an Earnings System for Up/Downstream Businesses

In order to improve productivity, it is also critical that we develop multi-skilled workers. To address this challenge, the Kajima Group has begun to directly hire skilled workers. The new companies Kajima Fit Co., Ltd., the welding division of Kajima Kress Corporation, and Clima Works Co., Ltd. have become important forces on large construction sites in the Tokyo area. They are hard at work on certain sites that are difficult for existing partner companies to handle, and they also deal with additional modification work. Meanwhile, we are also expanding the scope of their activities to include the development of technologies, such as robotics.

As we pursue stable earnings for the Kajima Group over the medium to long term, we will take advantage of our core business, the construction business of Kajima Corporation, as well as the strengths of the group companies that are responsible for the upstream and downstream businesses. The Group will also expand its business portfolio and seek to leverage synergies to create new value. Specifically, in the upstream areas, we will engage in joint projects with customers and local governments, focusing on disaster preparedness and BCP, and in public real estate (PRE), while further strengthening services for renovation and building management downstream.

We are determined to remain competitive, so we are creating next-generation construction systems using our original Kajima approach. We seek to deliver sustainable growth by strengthening cooperation within the Kajima Group and by implementing work-style reform. The key to our success will be technology development—information, automation, and labor saving technologies using ICT.

Special Feature

Kajima Work-Style Reform

Instituting Five-Day Work Weeks at Construction Sites

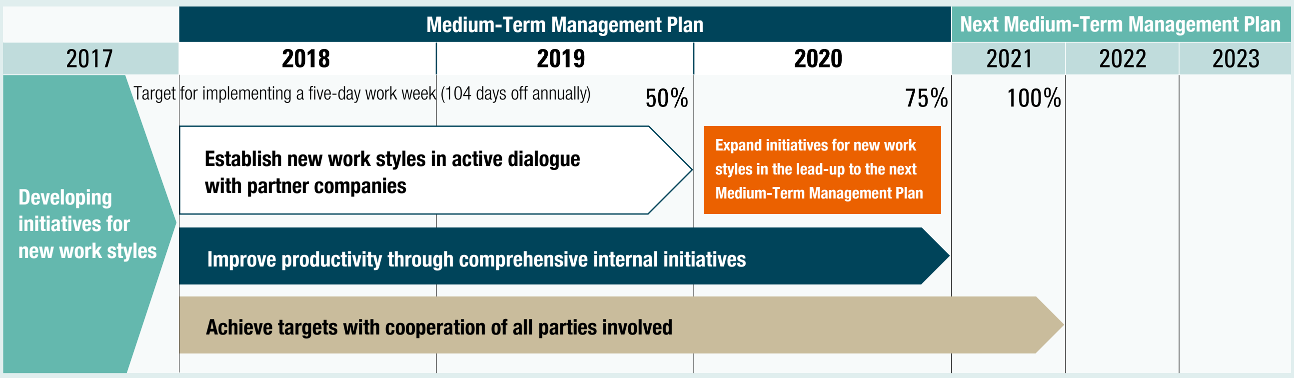
In order to address customer needs and secure sustainable growth, Kajima is implementing corporate work-style reforms at its construction sites, after determining site conditions and getting input from partner companies. Kajima is incorporating new perspectives and approaching reform from various angles to identify issues and find solutions that will enable workers to enjoy a five-day work week.

If it is to succeed in instituting five-day work weeks at all sites, Kajima must also ensure that wages for construction workers are at the very least maintained. This is why, in addition to moving toward a five-day work week, the Company is also endeavoring to improve wages and employment conditions through work-style reform. Kajima is considering the specific conditions at each construction site as it studies and implements various measures to make a five-day work week possible. While working to maintain and where possible improve wages, Kajima is also integrating new work styles that will help it to secure the next generation of workers.

Implementing a Five-Day Work Week

Kajima is moving in phases to implement a five-day work week (104 days off annually*) at construction sites. The Company aims to implement a five-day work week 50% of the time by the end of fiscal 2019. This will be increased to 75% by the end of fiscal 2020, by implementing internal initiatives to improve productivity. In the last phase, Kajima will fully implement a five-day work week, every week, at every site, by the end of fiscal 2021.

** 104 days off annually is based on 52 weeks and a five-day work week (two days off each week)*



Implementing Work-Style Reform

Kajima will formulate yearly site closure plans that will minimize the impact on work while factoring in site conditions and limitations. Administrative departments will track the actual performance against the plan and support the construction sites.

The plans will be based on a five-day work week with Saturday and Sunday closures, aiming to secure 104 days off for workers each year. However, in some cases, snow accumulation and seasonal droughts can be limiting factors, making it necessary to concentrate the work within a specific time frame. Some projects may require working on weekends, such as to conduct repairs on running facilities. In that case, closures are scheduled on feasible weekdays as circumstances permit at the construction site, and extended closures are scheduled during Japan's Golden Week holidays in early May, summer, year-end, and the start of the year to secure 104 days closed annually.

Additionally, there are special projects that require the work to be completed in a very short time frame or involve public facilities that must stay open. For these projects, days off are scheduled to coincide with the facility closures and workers are scheduled to alternate days off to achieve 104 days off annually.

Kajima is having design and engineering teams work more closely with construction sites to realize these measures and using automation and mechanization to improve productivity in order to secure days off. The Company is striving to provide employees with regular work opportunities by standardizing the work and enhancing workers' skills in multiple areas. It is also working with partner companies to implement various measures that raise the efficiency of site operations. In the long term, Kajima will closely examine the measures being implemented at construction sites in order to develop a blueprint for core measures for each type of project.

Improving Public Perceptions of Construction Work

Kajima is working in various ways to improve public perceptions of the jobs done by skilled construction workers. The Company has prepared educational DVDs for young students, parents, and educators that introduce seven specialized types of construction work, describing each type of work in detail and explaining what modern construction work entails. Kajima also shows its construction sites to visitors and organizes experiential events. In order to secure the next generation of workers, the Company implements training and education for construction workers and actively strives to improve work conditions, while also pursuing various initiatives in cooperation with the Kajima Business Partners' Association.

MESSAGE

Atsuro Honda

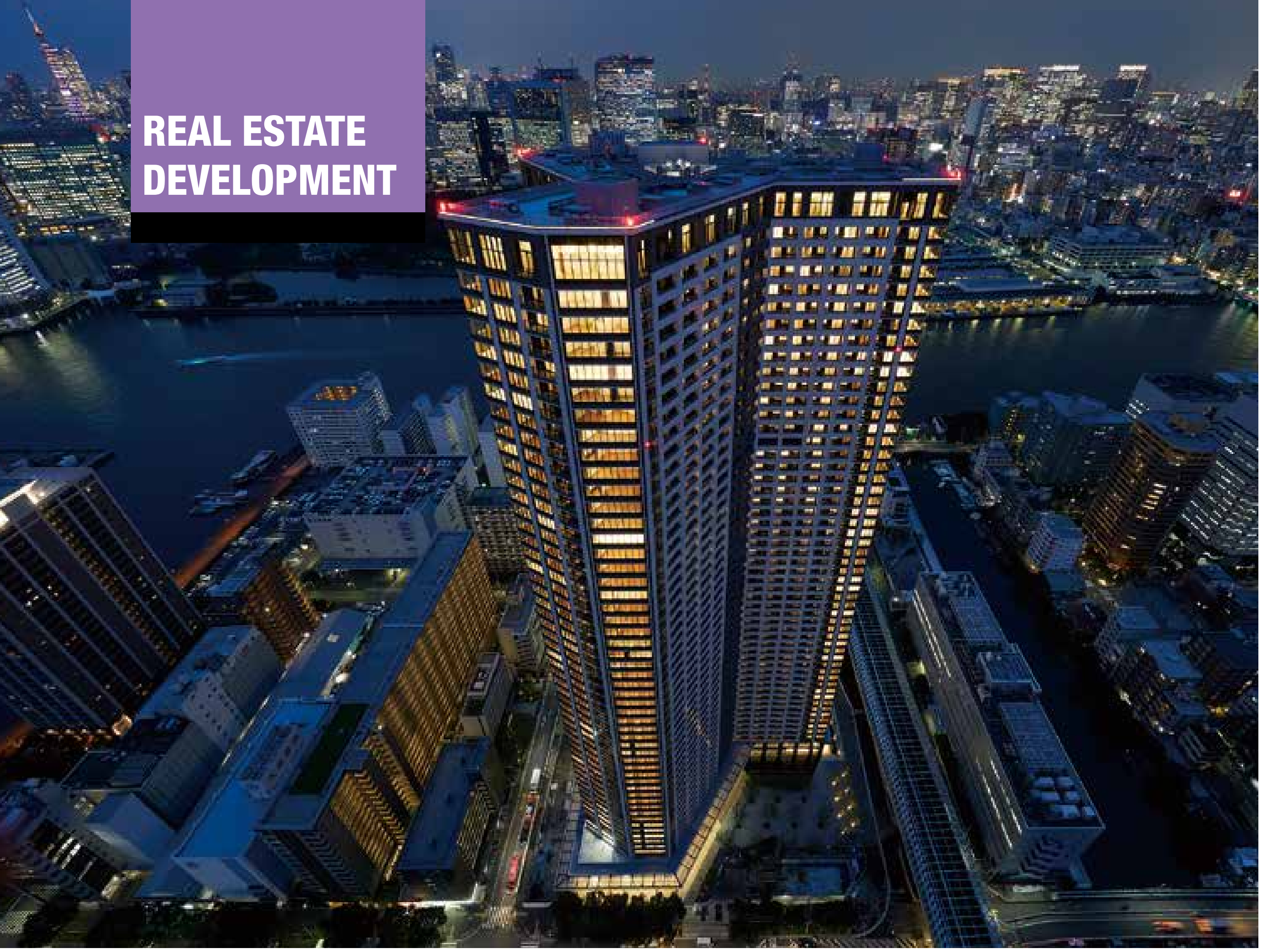
General Manager, Safety and Environmental Affairs Department

Securing the Next Generation of Workers

To keep achieving sustainable growth, Kajima must establish a stable construction work system that encompasses its partner companies. This requires that Kajima urgently secure the next generation of workers. Construction work is not currently seen as a promising occupation because of wage standards, the difficulty with getting days off, and labor conditions.

Kajima is positioning its work-style reforms as a strategy for securing the next generation of workers and implementing the reforms under a corporate action plan while recruiting forward-thinking partner companies to support the reforms to the best of their ability. We are focusing on the things that matter most to young people today, which is gaining stable employment, employment conditions that suit the labor involved, days off, and rewarding work. Accordingly, we have developed strategies in five areas (recruitment, employment conditions, training/education, site environment, and business platform) that we will execute in close cooperation with business partners' associations.

REAL ESTATE DEVELOPMENT



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

Looking Back over 2015 to 2017

Kajima has built its real estate development business by balancing flow-model projects for short-term revenue and stock-model projects for medium- to long-term revenues. Especially in the latter projects, we have been increasing asset value by leveraging the expertise of group companies even after building completion, and this has helped drive the growth of the Kajima Group.

The aim of the Medium-Term Business Plan (2015–2017) was to create profits in a short period of time and build good long-term assets. Under the plan, we have created new projects worth a total of about ¥170 billion. The fact that our comprehensive proposals have been so well received in a competitive environment where more than just price is a factor is testimony to the expertise we have accumulated since the Akihabara redevelopment project in 2002. It is also a fruition of the planning and proposal abilities we have developed as a "gen-con developer" engaged in both general contracting and real estate development.

Business Development from a Medium- and Long-Term Perspective

The Real Estate Development Division has been expanding to fulfill its role as Kajima's third core business area after civil engineering and building construction. Under the current Medium-Term Business Plan (2018–2020), we will steadily promote existing projects, mainly focusing on rental assets, in order to build a stable earnings base for 2021 and beyond. By investing about ¥160 billion over three years, we will increase our high-quality assets to about ¥300 billion, and we will also actively pursue short-term real estate turnover to drive company-wide profits higher.

Moreover, among the ¥570 trillion in public-private partnership (PPP) projects the Japanese government intends to actively develop to promote utilization of public real estate, we will undertake concession and public real estate utilization business opportunities where we can deploy our real estate expertise. We also aim to expand our business to encompass the operation and management areas, including comprehensive private consignment for public real estate serviced by group companies.

In Japan's current investment environment of ultra-low interest rates, we have begun managing a private real estate investment trust (private REIT),* and we expect it to provide stable dividend income. Through these efforts, we also believe we can expand our holding and management business with a focus on fee income, enabling companies such as Kajima Tatemono Sogo Kanri Co., Ltd. to boost revenues for the Kajima Group.

Private REIT

A real estate investment trust (REIT) operates real estate and distributes rental income and sales profit to investors. A private REIT refers to a REIT that is not listed on the stock exchange and that can be invested in for a long period of time with no fixed period of operation.

Development projects where Kajima advances the entire real estate value chain itself, including development, design, construction, and management, also play a role as opportunities for the introduction of advanced technologies. We are providing our own development assets, such as the Nagoya Fushimi Building and the Seisho Experimental Field, as sites for demonstrating the next-generation construction systems of the Building Construction Division. This includes Kajima's robotization technologies and ICT applications. Through these activities, we will contribute to the development of Kajima's construction technology.

Kajima's real estate development business makes the most of the strengths in building consensus on projects that we gained in redevelopment projects, our proposal capabilities for utilization of special districts and the acquisition of permits, and our business planning and execution abilities. It also benefits from our network capabilities as a general contractor covering all of Japan. In addition to engineering abilities for planning environmentally friendly buildings, we can also provide solutions for improving asset value such as area management, as well as optimal building and equipment maintenance, operation and management. Leveraging all of these strengths, we will continue to develop real estate in a way that is unique to Kajima, while pursuing businesses that are locally rooted and closely attuned to customers across Japan.

Highlight

Haneda Airport Unused Land Zone 1 Redevelopment Project (Phase I)

Haneda Mirai Development Co., Ltd., founded by nine investor companies including Kajima, signed a contract with Tokyo's Ota City for the promotion of the Haneda Airport Unused Land Zone 1 Redevelopment Project (Phase I). The company has undertaken the development and operation of a site to serve as a base for cutting-edge industry and Cool Japan promotion, on land with a fixed-term lease of approximately 50 years (tentative). On a site of approximately 5.9 hectares located directly above Tenkubashi Station, one station away from Haneda Airport's international passenger terminal, the company will develop and operate a complex of facilities for various uses with a total floor space of over 120,000 square meters. There will be research and development facilities, a cutting-edge medical research center, conference hall, event hall, a facility offering Japanese cultural experiences, restaurants and bars, training accommodation facilities, and a hydrogen filling station. The aim is to build a community for the creation of future-oriented value and new experiences for people coming from different parts of Japan and the rest of the world.

Minato Mirai 21 Central District Block 58

A consortium of three companies – Kajima Corporation, Sumitomo Life Insurance Company, and Mitsui Sumitomo Insurance Co., Ltd.– was selected by the City of Yokohama to undertake the Minato Mirai 21 Central District Block 58 project. Seeking to make the most of this very unique, convenient location, the consortium will construct a complex with a total floor space of approximately 86,000 square meters. It will contain highly functional rental office space that can also be used for R&D, as well as other facilities that are highly compatible with offices. The aim is to create a building with outstanding environmental and disaster prevention performance that will also be an attractive part of the cityscape, while contributing to safe, secure urban development.

OVERSEAS OPERATIONS

Keisuke Koshijima
Executive Vice President;
General Manager, Overseas Operations Division

Kajima provides construction and real estate development services in the United States, Europe, Asia, and Oceania. The overseas subsidiaries in charge of these operations form the global business platform for engaging in activities tailored to individual markets. In addition to the businesses that Kajima has built from the ground up, the platform has been expanded through M&A in certain markets and the Group is now active in 19 countries and regions.

Under the preceding Medium-Term Business Plan, the aim was to achieve ordinary income of ¥10 billion in each year of that term. We were able to achieve this goal by enhancing our business models and developing the human resources and organizations essential to execute them.

During that time, we expanded the existing platform vertically and horizontally, and increased the complexity of our business enterprise while also leveraging M&A. Now, however, we have advanced to a phase where the platform is to achieve sustainable growth. The coming three years will be used to plant the seeds for the next era as we look to grow profits in 2021 and beyond.

Kajima's M&A activities are not merely for investment purposes; we welcome overseas companies into the Kajima Group and build relationships that enable group companies to work together on shared goals. We are promoting cooperation and interaction in our expanding network, not only with group affiliates but also with external partners, in order to facilitate collaboration on both construction and real estate development. As we expand our network, we will also make the collaboration more substantial and concrete, thereby continuing to provide value-added services to our customers with global operations.

Short-Term Real Estate Projects in the United States

Over the past few years, we have sought out short-term real estate projects in the United States, focusing particularly on distribution warehouse development. We reaped the rewards of this effort in 2017 by selling the properties developed by Core5 Industrial Partners in the early stage of its establishment in 2015.

In December 2017, we acquired Flournoy Company, which develops, constructs and manages rental apartment buildings. With this acquisition, we added the residential sector to our platform which enabled us to diversify our revenue sources as well as to respond flexibly to economic fluctuations in the U.S. real estate market.

Engaging in New Development in Asia

In Vietnam, where the real estate market is expanding due to economic growth, Indochina Kajima Development Limited, established in 2016, is steadily advancing the platform in real estate development. In Singapore, a joint venture formed between Kajima Development and Singapore Press Holdings, the government-run media company, has won the bid to develop 2.54 hectares of land directly next to the underground Woodleigh MRT station in the Bidadari estate. The bid for this mixed-used development project was worth about ¥90 billion.

In Myanmar, Kajima Yankin PPP Co., Ltd., a subsidiary of Kajima Overseas Asia Pte Ltd (KOA), also began a mixed-use development project. Total value is expected to be one of the largest single overseas investments made by Kajima.

In addition, we recently acquired International Facility Engineering (IFE), a company which operates a fee-for-service business specializing in design, engineering, procurement, and construction management. It offers services to high-tech companies in fields such as pharmaceuticals, semiconductors, and electrical machinery. By collaborating with KOA, IFE will develop comprehensive services from upstream engineering to construction.

Total Market Capabilities Established in Australia

Founded in 2015, Kajima Australia Pty Ltd (KA) has been expanding its business portfolio with the acquisition of Icon Company in 2015, followed by the purchase of Cockram Construction in 2017. Icon's strength lies in the housing sector, while Cockram is competitive in the non-housing sector. This has made it possible for KA to access any field of the Australian construction market. Since Cockram also has extensive experience in engineering, procurement, and construction management for large pharmaceutical plants and laboratories in China owned by Western and Japanese companies, we expect to exhibit synergies with its existing construction business.

Highlight

Yankin Township Mixed-Use Development

Kajima brings its wealth of experience and expertise accumulated over the years in the development of large-scale mixed-use projects overseas to this project in Yangon Township of Myanmar. This mixed-use development features offices, hotels and commercial facilities spanning a total floor space of 170,000 square meters over a site area of 27,000 square meters. The project is being carried out by Kajima Yankin PPP, a subsidiary of KOA, Kajima's regional headquarters in Asia. The total value of this project is expected to be one of the largest in the past few decades. The duration of this build-operate-transfer (BOT) project will be 70 years (an initial 50 years is mandatory, with two 10-year extension options).

Under the key concept of "Garden for the People," the project will include a children's library and a transportation square designed to ease traffic congestion. Other community support functions will include disaster preparedness, such as emergency shelters, stockpiles of water, food, and blankets. This project will also contribute in the area of technology transfer and training of local construction companies, giving Myanmar's public and private sectors access to Kajima's advanced technologies, experience, and expertise relating to the environment, safety, and lifecycle cost management.

Sources of Value Creation

Kajima regards quality, safety and health, and the environment (QSE) as three priority issues in its construction businesses. Under the Quality Assurance, Safety and Health, and Environmental Policies, organizations in both the civil engineering and building construction businesses have been deploying integrated management systems since April 2003. Since quality, safety, and the environment are all interconnected, improving one area yields synergies in the others. Kajima incorporates these three perspectives into construction plans and daily operations at each site.

Quality Assurance, Safety and Health, and Environmental Policies

Basic Policy

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

Quality Assurance Policy

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

1 We ensure product quality by heeding and addressing client requirements and responding while thoroughly implementing the plan-do-check-act cycle.

2 We enhance research and development and plan ways to improve quality and increase operational efficiency.

Safety and Health Policy

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

1 We work to prevent accidents and incidents stemming from human error by focusing on the workplace, equipment, and site conditions and by using point-call-and-response practices as routine workplace procedures.

2 We strive to create safe and comfortable working environments by facilitating close communication between Kajima and partner companies and by ensuring close coordination between people, machinery, and equipment.

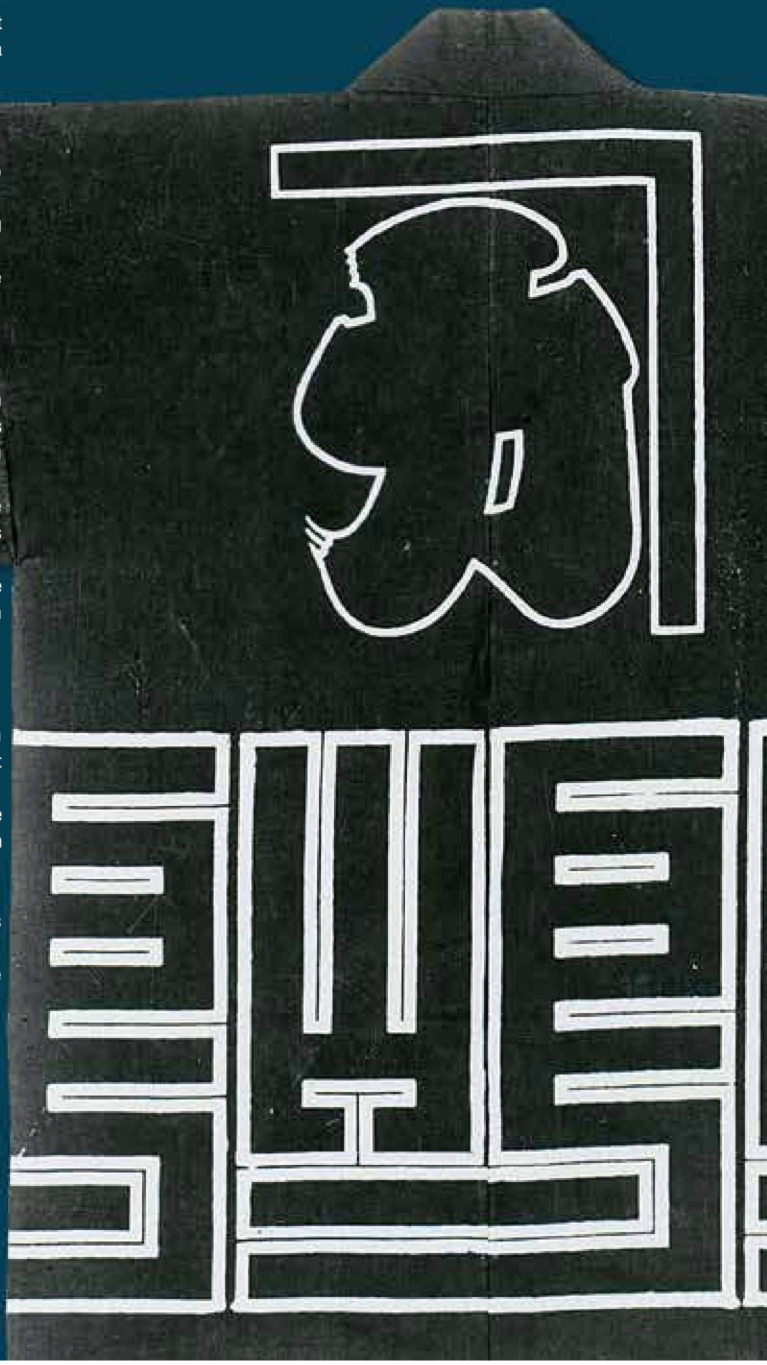
Environmental Policy

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

1 We work to reduce the environmental impact of our business and take into consideration the entire lifecycle of the structures we construct. We thereby seek to help build societies which use materials responsibly, have a low carbon footprint, and harmonize with nature.

2 As a standard for achieving these goals, Kajima:

- Creates innovative technologies that help safeguard the environment and use resources sustainably;
- Engages in construction management processes to prevent environmental damage caused by hazardous materials used in construction projects; and
- Cooperates with the public, including by proactively disclosing information.



Hanten **Jacket with the Kajima Crest**

In traditional Japan, it was the custom for construction firms to bestow *hanten* jackets on their workers in summer and winter. *Hanten* with the employer's crest were considered the most authoritative and desirable. The craftsmen who wore them were seen as having outstanding skills.

Safety and Health

Safety and health management is the responsibility of everyone involved with Kajima worksites. Kajima's role as prime contractor is to carry out planning and risk management so that the partner companies' workers and supervisors can perform their work with confidence, using safe equipment in a safe environment.

In fiscal 2017 at Kajima construction sites in Japan, there were 70 accidents resulting in at least four days off work, including four fatalities. The frequency rate for accidents resulting in at least four days off work was 0.78, and the rate for accidents resulting in one to three days off work was 1.41. The accident severity rate was 0.36. Kajima sincerely regrets the loss of life, and will do its utmost to ensure everyone on site puts safety first, using the slogan, "Think Safety! Make today accident free!"

Safety Results

		2013	2014	2015	2016	2017
Accident frequency rate	at least 4 days off work	0.78	0.93	0.80	0.66	0.78
	at least 1 day off work	1.67	1.99	1.37	1.14	1.41
Accident severity rate		0.10	0.16	0.28	0.18	0.36
No. of accidents		80	102	83	64	70
No. of fatalities		1	2	3	2	4
Cumulative working hours (millions of hours)		104.51	109.32	104.25	97.15	89.65

Frequency rate: *The number of fatalities and injuries at worksites per one million cumulative working hours*

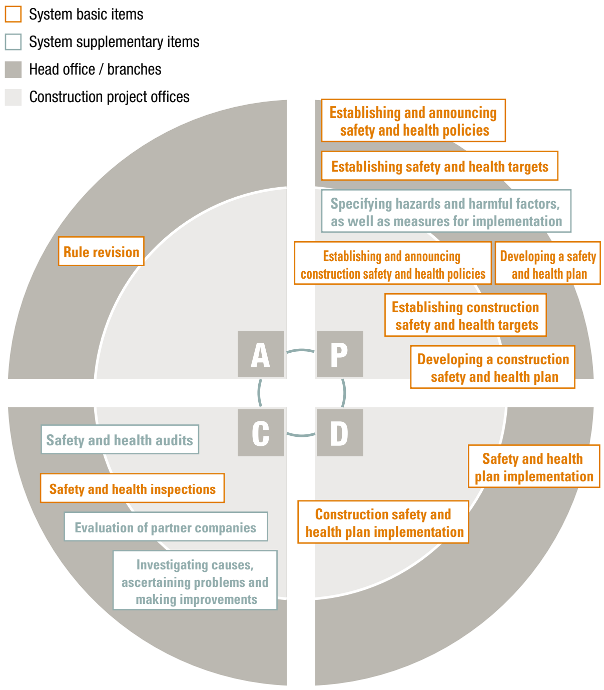
Severity rate: *The severity of illnesses and injuries represented by the number of workdays lost over one thousand cumulative working hours*

Kajima performs safety and health management in accordance with a Construction Occupational Health and Safety Management System (COHSMS).

Based on the results and circumstances of the previous fiscal year, Kajima reviews its safety and health policies as needed, and then prepares the company-wide safety and health targets and the plan for the current fiscal year. Using the company-wide policies formulated in this Plan-Do-Check-Act cycle, priority measures are set for each construction project office, as well as the head and branch offices that support them, and partner companies.

Using this infrastructure, construction safety and health policies, targets and plans are established for each site. They are shared by Kajima with partner companies and construction work proceeds accordingly. In addition, by focusing on the workplace, equipment, and site conditions in regular patrols, Kajima aims to keep improving safety and health.

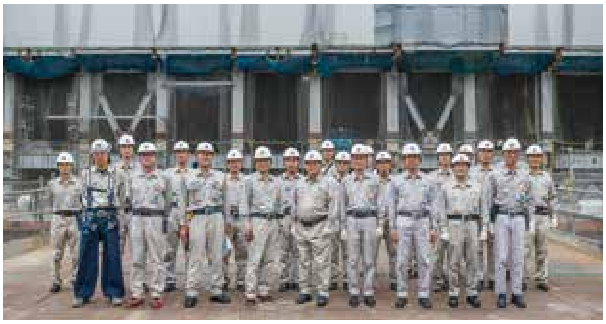
Cycle diagram of PDCA



Minister of Health, Labour and Welfare excellence awards received for two workplaces with outstanding safety and health records

Construction joint venture involving Kajima, Tokyu, Tsuchiya, and Keikyu
Musashino Forest Sports Plaza (tentative name) sub-arena / pool building construction

Construction joint venture involving Kajima, Maeda, and Keikyu
Crossing construction for the Yokohama Loop North Line



President Oshimi conducts an onsite patrol during National Safety Week

Human Resources

Kajima considers its human resources indispensable stakeholders and key assets for its activities. Kajima people are the key to the mission of contributing to society by developing and supplying high-quality infrastructure, buildings, and services.
Kajima embraces diversity and individuality, seeking to create a dynamic work environment where employees can display their individual skills as proud members of the Kajima Group.

Developing Human Resources

Human resources development at Kajima uses on-the-job training and off-the-job training, including job-specific training and management training. Kajima develops employees under two strategies: (1) strengthening the development of young and mid-career employees; and (2) continuously developing management personnel.

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

Kajima seeks to build an independent workforce by providing systematic opportunities to young employees to challenge themselves to raise their skills. The Company implements age-based training extending to mid-career employees and gives specialist personnel and non-managerial track employees various opportunities for training and education.

The Company also conducts training for overseas assignments, provides training at subsidiaries outside Japan and offers opportunities for overseas study. These programs foster global human resources with a broad perspective, specialized skills, and the strong communication skills needed in international markets.

(2) Continuously Developing Management Personnel

To develop a strong management core that will drive the Kajima Group's business, managerial track employees are given opportunities to acquire management experience and skills through personnel exchanges and intra-group training, both in and outside of Japan.

Kajima is also systematically expanding its entry-level, mid-level, and high-level management leadership training to ensure leaders acquire essential management skills.

To develop its leaders, Kajima employs personnel exchanges among Group companies and on-the-job training, for instance by rotating personnel between Group companies in and outside of Japan. It also brings engineers from overseas to train in Japan.

Improving Personnel Systems to Encourage Work-Style Reform

In 2018, Kajima began implementing work-style reforms for all employees, building on the reforms of its construction site operations. The Company is expanding its personnel systems to offer employees greater flexibility in work styles, while recognizing that these reforms require a mindset shift, improved productivity and motivation, and a work environment that enables each employee to make a dynamic contribution. Reform efforts include the following:

- Give supervisors more discretion over work schedules
- Calculate annual paid leave hourly
- Institute minimum break time between consecutive work shifts
- Improve flex-time hours for parents
- Improve program for balancing work and medical treatment
- Establish telecommuting program
- Institute rehiring program for retired employees

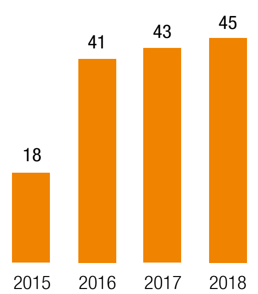
Enhancing Diversity

Kajima aims to double the numbers of its female engineers and managers by 2019, and then triple the numbers by 2024, both compared to 2014. Under the Kajima Corporation First Action Plan Based on Japan's Act to Promote Women in the Workplace, adopted in 2016, the goal is to hire at least 20% women in managerial track recruitment, and to double the number of women in managerial positions.

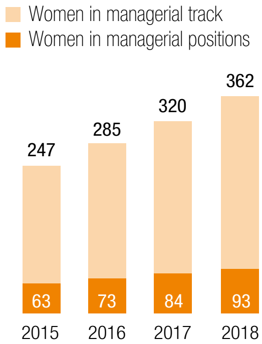
Promoting Work-Life Balance

Kajima believes that the work-life balance of each and every employee is essential to raising work motivation and improving overall productivity. The Company is improving work environments and personnel systems to ensure all employees can enjoy better work-life balance and job security while fulfilling non-work duties such as raising children and caring for family members.

Number of Women among New Graduate Hires



Number of Women in Managerial Positions



**45 women were newly hired at Kajima Corporation on April 1, 2018, accounting for 19.7% of new graduate hires.*

To support work-life balance, Kajima is enhancing its initiatives in areas such as supporting volunteer work, expanding provisions for parenting and caregiving, encouraging employees to take vacations, and recommending no overtime work on designated days.

In June 2018, Kajima distributed a handbook to all employees with information to help employees balance work and family caregiving responsibilities. To raise awareness, a total of 13 caregiving seminars were held for employees of the Head Office and branch offices in Japan.

Parenting is the job of both spouses, and men are increasingly taking advantage of parenting provisions for shorter hours and flexible scheduling to get more involved in raising their children.

Kajima is committed to establishing dynamic work environments that enable employees to keep working at different life stages, including raising children and caring for family members.

Supporting Employee Health

Kajima's Head Office has a medical clinic to facilitate employee access to medical care. The Company works closely with its business locations all over Japan on employee health initiatives. It strongly encourages employees to receive regular medical exams and treatment, and offers health advice from health nurses. Kajima is also addressing mental health by emphasizing preemptive care and early identification. In accordance with the Industrial Safety and Health Act of Japan, employees take regular stress checks online to encourage greater self-care, and the aggregate data is used to improve the work environment.

Kajima has established an overseas health support hotline operated by a third party to support the mental health of employees working overseas and their families.

In fiscal 2018, Kajima received recognition as one of the 2018 Certified Health & Productivity Management Outstanding Organizations, a recognition established by the Ministry of Economy, Trade and Industry of Japan, for its outstanding record in practicing employee health management as a major corporation.

2018
健康経営優良法人
Health and productivity
ホワイト500

The recognition mark of the 2018 Certified Health & Productivity Management Outstanding Organizations

(As of March 31 of the fiscal year)

Human Resources Data (Non-consolidated)

(Fiscal Year)	2014	2015	2016	2017
Employees	7,546	7,527	7,611	7,686
Re-employed personnel	908	921	1,102	919
Employees with disabilities (%)	2.2	2.2	2.1	2.2
Turnover rate within three years (%)	3.7	3.7	3.0	3.5
Child birth/parenting				
Employees taking extended parenting leave	28	34	39	35
Employees taking leave for spouse's childbirth	100	115	112	117
Employees taking leave for caregiving	96	86	93	90
Male employees taking shortened work hours	23	33	41	64
Caregiving				
Employees taking extended caregiving leave	1	0	0	4
Employees taking caregiving leave	24	22	22	33
Employees using leave system for volunteering	10	12	17	21
Employees taking paid leave (%)	42.5	39.6	49.5	49.6

Environment

Management Systems

Kajima operates environmental management systems (EMS) that are compliant with ISO 14001. The Group-wide Environment Committee is headed by the President and implements initiatives in each of five sectors: civil engineering, building construction, environmental engineering, engineering, and research and development. Four subcommittees address environmental management, construction environments, sustainable procurement, and biodiversity as cross-sector issues.

Environmental initiatives for Group companies in Japan are firstly focused on construction companies, due to their high environmental impact.

Previous Three Years' Performance, and the Next Three Years

Fiscal 2017 marked the final year in Kajima's three-year plan from fiscal 2015–2017. The Company largely achieved its targets under the "Triple Zero 2050" Environmental Vision, the main objectives of which are reducing carbon emissions, recycling resources, and co-existing harmoniously with nature. However, the Company identified three instances of nonconformance with regulatory procedures for waste. To prevent recurrence, Kajima conducted intensive training for branch environmental managers and strengthened support for work sites.

Under the current three-year plan that started in fiscal 2018, Kajima revised its carbon emissions reduction target under "Triple Zero 2050" to an 8% reduction compared with fiscal 2013 levels by fiscal 2020. Whereas the Company had previously excluded sludge from its resource recycling target, it has now set a target, including sludge, of generating less than 3% landfill waste, and is looking to promote sludge recycling.

Environmental Priorities under Environmental, Social and Governance Policy

Kajima actively implements initiatives at construction sites, works with customers to propose initiatives, and develops new technologies to pursue environmental and energy opportunities for the business activities of the Kajima Group and its customers.

Reducing Energy Consumption at Work Sites

Kajima is accelerating its initiatives to reduce carbon dioxide (CO_2) emissions at work sites, in an effort to achieve its reduction targets under "Triple Zero 2050."

Construction sites account for approximately 90% of Kajima's CO_2 emissions. Electricity accounts for roughly 30% of the total energy consumption at work sites, with the remaining 70% originating from the consumption of diesel oil used to operate heavy machinery at work sites.

Kajima is accelerating its initiatives to reduce CO_2 emissions at work sites by newly incorporating data visualization techniques starting in fiscal 2018, adding to ongoing energy conservation practices and energy-efficient operations. During the next three years, Kajima will endeavor to track actual energy (electricity and diesel oil) consumption at all work sites and implement initiatives to reduce CO_2 emissions.

Reducing CO_2 Emissions in Supply Chains

In addition to reducing emissions from construction sites that it directly supervises, Kajima is also working to reduce the environmental impact caused by the manufacturing and disposal of construction materials, recognizing that the construction sector constitutes part of the supply chain of its customers.

Feature

Kajima Develops Ecocrete® R^3 Ultra-Low Carbon Concrete Made from Fresh Ready-Mixed Concrete Waste

Roughly 1-2% of all concrete ordered in Japan (or four million tons annually) is unused for various reasons such as not meeting acceptance inspections at work sites. Most of this returned cement is disposed of without being recycled. It has become imperative to find ways of reducing and recycling this returned cement due to its environmental impact, which has led to measures such as levying fees for the handling and disposal of returned concrete in certain areas such as the Tokyo Metropolitan area.

Using a grant from the Environment Research and Technology Development Fund operated by the Ministry of the Environment, Kajima Corporation, in partnership with Sanwasekisan Corporation and Professor Tetsuro Kasai of Tokai University, developed CemR^3 cement made from concrete waste and Ecocrete® R^3 ultra-low carbon concrete based on CemR^3. CemR^3 is made by dehydrating returned concrete waste (solids in wastewater). This raw material is sieved, dried, and ground to a powder to make a cement that has one-eighth the CO_2 impact of regular Portland cement.

The technology was singled out for a 2017 Global Warming Prevention Activity Commendation from the Minister for the Environment. It is the third time for Kajima to receive this honor, following previous commendations for CO_2-SUICOM® in 2014 and ECM® (Energy, CO_2 Minimum) in 2015.

FY2015–2017 Results

		Three-Year Targets (FY2015–2017)	Results	Evaluation
Lower CO_2 Emissions	**Construction**	Reduce CO_2 intensity from construction by 17% compared with fiscal 1990 levels (excluding impact of electricity intensity)	16.9% reduction	○
	Design	Enhance and improve efforts to respond to enforcement of the revised Act on Rational Use of Energy in fiscal 2015 CO_2 emissions in operating stage: Achieve corporate energy efficiency target (20% reduction)	FY2015: 25.5% reduction FY2016: 29.2% reduction FY2017: 20.7% reduction	○
Recycle Resources	**Construction**	Achieve final disposal rate of less than 3% Reduce construction sludge and promote its effective use	Percentage of landfill waste generated: 2.08% (excluding sludge) 2.42% (including sludge)	○
	Design	Promote green procurement at the design phase Out of 17 standard construction materials/supplies, propose at least 4 to clients in each design	4.8 items proposed	○
Harmoniously Co-exist with Nature		Implement 6 or more outstanding biodiversity projects per year	6 outstanding biodiversity projects promoted	○
		Public relations, education, awareness-raising	Ikimachi Tsushin website, Kajima Kids Academy website, etc.	○
Common Foundation Initiative Areas		Implement research and technology development that contributes to conservation of the environment and sustainable use More than 6 examples of deploying research or technology results to on-site operations over a three-year period	6 examples of research or technology results deployed over three years	○
		Manage hazardous substances Implement preventative measures (especially for soil contamination and asbestos)	No accidents involving toxic substances 3 cases of nonconformance with procedures outlined in Waste Management and Public Cleansing Act	×
		Manage chemical substances	Verification of and guidance for chemical substance response in engineering projects	○

New Three-Year Targets and FY2018 Targets

		Three-Year (FY2018–2020) Targets	FY2018 Targets
Lower CO_2 Emissions	**Construction**	Reduce CO_2 emissions per unit of sales during construction by 8% compared to the fiscal 2013 level	Reduce CO_2 emissions intensity by 4% compared with FY2013 levels
	Design	Secure conformance with QCDSE (Quality, Cost, Design, Safety, Environment) obligatory standards in Building Energy Efficiency Act	Implement action plans that conform with obligatory standards in Building Energy Efficiency Act
		Develop industry-leading CO_2 emissions targets	Actively utilize labeling programs such as the Building Energy-efficiency Labeling System (BELS) Achieve corporate targets for energy efficiency
Recycle Resources	**Construction**	Less than 3% landfill waste including sludge	Less than 3% landfill waste including sludge
	Design	Implement green procurement	Propose more than four items, indicate them on working design drawings, and verify whether or not the proposed items were ultimately adopted
		Design buildings with a longer life	Attain a score of at least 3.6 for evaluations based on in-house check sheet
Harmoniously Co-exist with Nature		Implement outstanding biodiversity projects	Implement more than 6 outstanding biodiversity projects
		Reduce the environmental impact of construction (particularly through management of toxic substances and polluted water management, etc.)	Limit the environmental impact of construction (particularly through management of toxic substances and polluted water management, etc.)
Common Foundation Initiative Areas		Implement R&D and promote technologies and services that support "Triple Zero 2050" objectives	Implement R&D and promote technologies and services that support "Triple Zero 2050" objectives

Material Flow

	INPUT		OUTPUT	
Project sites	Electricity	108,310,000 kWh	CO_2 emissions	274,000 t
	Diesel oil	67,234 kℓ	Construction surplus soil	837,000 m^3
	Kerosene	3,823 kℓ	Hazardous materials received	
	Water	865,000 m^3	*Materials containing asbestos*	17,490.1 t
	Main construction materials	2,233,000 t	*CFCs and halon received*	2.9 t
			Fluorescent tubes	41.8 t
			Construction waste	1,988,000 t
			Final disposal volume	48,000 t
Offices	Electricity	26,220,000 kWh	CO_2 emissions (construction)	14,000 t
	Heavy Oil	12 kℓ		
	Kerosene	0 kℓ		
	Gas	172,000 m^3	Volume of waste	1,942.4 t
	Heating/Steam/Cooling	15,077 GJ		
	Water	148,000 m^3		

Note: Third party verification performed by the Japan Quality Assurance Organization (JQA) for greenhouse gas emissions (Scope 1, 2, and 3), energy consumption, hazardous materials received, water usage, and waste discharge.

History of the Kajima Technical Research Institute

Kajima established the first technical research institute in the Japanese construction industry in 1949. In 1956, the Kajima Technical Research Institute (KaTRI) moved to its present location in Tobitakyu, Chofu-shi (Tokyo). Sites for different types of research were also established: the Nishi-Chofu Complex, the Hayama Marine Science Laboratory, and the Kemigawa Revegetation Experiment Site. Over the decades, KaTRI has taken on the challenge of leading-edge research and next-generation technology development.

In 2013, KaTRI opened a base for technology marketing in Singapore, and in 2017 it established the Seisho Experiment Site on the outskirts of Odawara (Kanagawa Prefecture) as a place for demonstration of automated construction. In addition, for the revitalization of the Tobitakyu Complex, conducted between 2009 and 2011, the Institute set up an experimentation building along with a demonstration research building, aiming to improve intellectual productivity as well as energy-conservation and environmentally friendly technologies.

Kajima Technical Research Institute

The Foundation of Kajima's Technical Capabilities

KaTRI main building received the highest CASBEE rating for built environmental efficiency

KaTRI is moving ahead with maintenance and upgrades of the various experimental equipment and facilities indispensable for research and development, according to its own needs and the needs of society. Recently, KaTRI set up W-DECKER, the world's largest high-performance three-dimensional shaking table system, which can reproduce the long-period ground motion of major earthquakes. It also built a multi-wave flume, which enables experiments reproducing the effect of a tsunami like the one generated by the Great East Japan Earthquake. These facilities are contributing to the construction of buildings that are safer and more secure, as well as technology to withstand tsunami disasters.

Embracing the Challenge of Open Innovation by Incorporating Technologies from Different Industries around the World

The Japanese construction industry is proud to have many general contractors with technical research laboratories and to have developed many world-leading technologies. However, the role played by new technologies is rapidly changing. The role of AI, IoT and robotics technologies is rapidly expanding, as these become fundamental technologies supporting society and industry. Accordingly, if a company limits itself to the construction industry or to a single country, it will be left out of the global technological progress.

Given this situation, KaTRI is implementing R&D with an emphasis on environmental, social and governance (ESG) measures, as well as the promotion of a sustainable society, digital technology, open innovation, overseas development, and group management.

The Kajima Group's Medium-Term Business Plan (2018–2020) calls for the creation of next-generation construction systems that enhance productivity by efficiently allocating roles to people and machines. It also aims to help create a sustainable society with both economic strength and healthy, happy citizens. The latter is a social issue and an objective of ESG initiatives. Consequently, KaTRI is focusing on research and development that utilizes external resources from overseas and diverse industries. It is also targeting R&D that combines construction technology with new technologies such as AI and IoT at a high level.

For example, A^4CSEL®, a technology Kajima is developing to turn construction sites into the equivalent of an automated factory, is characterized by autonomous construction machinery operation rather than remote control. This technology is also expected to be useful for unmanned construction of bases on the moon and Mars, and KaTRI is pursuing joint research with the Japan Aerospace Exploration Agency (JAXA).

Furthermore, in fiscal 2017, KaTRI began joint research with Riken, Japan's largest comprehensive research institution. The aims are to accelerate human resource development and the promotion of AI research for the optimization of construction planning and management in ever-changing construction situations, as well as to accelerate advanced autonomous functions that adapt to environmental changes.

In addition to AI and IoT, there are many technologies created overseas based on completely different perspectives than those used in Japan. In September 2013, as part of the Singapore government's Smart Nation initiative, the Kajima Technical Research Institute Singapore (KaTRIS) was established in that country to gather advanced technology information from around the world. KaTRIS has been promoting joint research and PR activities concerning Kajima's technical capabilities. Going forward, as a foundation for the Kajima Group's technology marketing, KaTRIS will promote Kajima technology to the world. The Institute aims to become an advanced consulting organization that offers both technologies and solution capabilities to meet customer needs outside Japan.

Highlight

miniGeo®

Development of miniGeo® Compact Soil Exploring Vehicle

When building on soft ground, it is necessary to ensure that the piles extend down to the hard underground support layer. To design and construct a high-quality, efficient building foundation, the underground situation at the site must first be accurately ascertained. Kajima has developed and has been operating a soil exploring system called Geo-Explorer. Equipped with proprietary technology, Geo-Explorer has been used to quickly and accurately determine underground support layers at low cost since 1994, for almost a quarter century. In recent years, there has been a growing demand for accurately determining support layer distribution, as a result of social scandals with pile data falsification, and there is also an increasing need to survey tight spaces, such as those in downtown districts, and unprepared land before land formation. To meet these needs, a compact soil exploring vehicle, miniGeo®, was developed, and it went into operation in 2017.

Ecore Kumamoto

Demonstrating Biotope Creation to Protect and Foster a Local Ecosystem

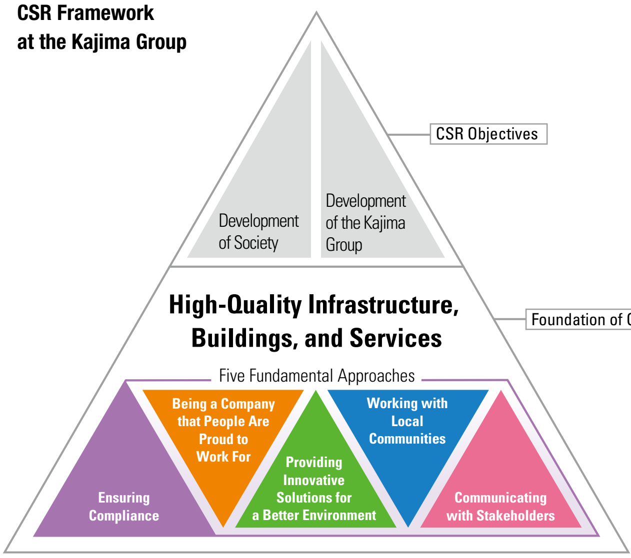
The Kumamoto Prefecture Public Participation Industrial Waste Management Landfill project (Ecore Kumamoto) in Nankan-machi, Kumamoto Prefecture, created a firefly biotope. This facility contributes to the local community and serves as a place for environmental education in northern Kumamoto. It allows people to learn not only about local ecosystem conservation, but also about resource recycling and biodiversity conservation. Since its completion in October 2015, there has been an increase in the number of fireflies and other scarce species. In addition to serving as a natural environmental base, Ecore Kumamoto is a useful facility for the community. This is thanks to the creation of green infrastructure and the ongoing surveys and management performed using Ikimono Note®, a Kajima environmental system for monitoring flora and fauna. The achievements of Ecore Kumamoto have been well received, and Kajima was recognized with an Environmental Award for the project from the Japan Society of Civil Engineers in 2016.

Social Responsibility at the Kajima Group

Kajima's management philosophy is to contribute to society by advancing its business operations. Under the CSR Framework of the Kajima Group, Kajima is taking a group-wide approach to social responsibility.

Since buildings can be used for decades by successive generations, providing high-quality construction is a great contributor to the sustainable development of a society. Another way Kajima adds social value is by undertaking — and ensuring sufficient medium- and long-term consideration in—the entire process through construction completion and the subsequent building maintenance and management. Kajima is doing its utmost to make a contribution in these two areas.

CSR Framework at the Kajima Group



Social Contribution Activities

Through business activities focusing on building construction and real estate development, each Kajima site and workplace has great involvement with the local community; these activities are an important form of communication with society. Under its CSR Framework, Kajima is proactively making social contributions, taking advantage of its own business operations, technologies, human resources, and site network.

Kajima supports activities for disaster recovery, community support, environmental conservation, and education for the next-generation, while promoting cultural and artistic activities through its foundations. The Company also supports the volunteer activities of its employees.

Environmental Conservation

Official Supporter of the International Year of the Reef 2018

The International Year of the Reef 2018 is a worldwide campaign sponsored by Japan's Ministry of the Environment. Its goal is to raise awareness of the value of coral reef ecosystems and the threats facing them, in order to encourage people to take action.

Logo of the International Year of the Reef 2018

Kajima has been supporting activities to regenerate coral communities using a biodegradable product it has developed. CORAL NET® has been utilized in the Kerama Islands National Park in Okinawa Prefecture since 2010. As a result of this activity, Kajima was recognized as an official supporter of the International Year of the Reef 2018. The Company will continue to focus on the development of conservation technologies and strive to raise awareness in local communities.

Coral community being regenerated using CORAL NET® (Kerama Islands National Park in Okinawa Prefecture)

Support for Cultural and Artistic Activities

Kajima Sculpture Competition

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

The works of all the past winners can be seen on the Kajima website.
https://www.kajima.co.jp/csr/culture/sculpture/index.html

emphasizing a close connection between sculpture and architectural space.

The judges include art critic Tadayasu Sakai, sculptors Kiichi Sumikawa and Kan Yasuda, architects Fumihiko Maki and Yoshio Taniguchi, as well as Kajima Director and Senior Advisor Shoichi Kajima.

Education for the Next Generation

Kajima Summer School

As an initial pilot project, "Kajima Summer School 2017: Experience an Actual Construction Site," was implemented in July and August 2017. Tours were provided to young people at Kajima construction sites across Japan during the summer vacation. They were delivered as an educational activity for the next generation, as part of Kajima's social contribution activities.

Publicity and participant recruitment was carried out via the Kajima website. Information was also directly provided to residents near the host construction sites and to students at technical high schools. For some sites, the families of construction-related employees at Kajima and its partner companies participated as well. The summer school tours were tailored to the situations at each host worksite, and 37 tours were provided to a total of 767 participants at 33 sites across Japan.

The tours were provided at a wide range of construction sites such as those for tunnels, bridges, skyscrapers, and hospitals. Many participants remarked that their impression of the construction industry had changed after the tour.

One technical high school student said, "I was really impressed by those people working hard in this hot summer weather. I didn't think it would be so cool." Another remarked, "I thought the measures to ensure the safety and health of workers were very good."

Kajima hopes that creating opportunities for young people to walk through an actual construction site and come in contact with the process of construction will help to attract future employees by showing them the appeal of the industry.

Kajima Foundations Promote Science, Culture and Art

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

The Kajima Foundation

Since 1976, the Kajima Foundation has been improving living environments by enhancing urban and residential neighborhoods and promoting effective use of national land and resources. It also works to promote academic and cultural development in Japan, offering research grants and supporting researcher exchanges. In fiscal 2017, 56 projects were funded, with grants and assistance totaling ¥68.85 million.

The Kajima Foundation for the Arts

The Kajima Foundation for the Arts, established in 1982, provides grants for research in the arts, related publications, international exchange, and projects to foster art dissemination, aiming to foster the arts and enrich Japanese culture. In fiscal 2017, a total of 75 projects were funded, with a total of ¥62.24 million. Every year, the Kajima Foundation for the Arts Awards are held to recognize those who have produced outstanding results from their funded research, and to give them an opportunity to present their achievements.

Kajima Institute of International Peace

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

Atsumi International Scholarship Foundation

The Atsumi International Foundation has been providing student scholarships and developing international exchange programs since 1994. It has granted scholarships to 278 students, including 13 in fiscal 2017, from 49 countries and regions. To build long-lasting networks among recipients, it also sponsors forums, workshops, and study tours led by former program scholars, who now teach at universities worldwide. These events have been held in Beijing, Manila, Seoul, Taipei and elsewhere.

Kajima Ikueikai Foundation

The Kajima Ikueikai Foundation, established in 1956, provides scholarships and financial assistance to university students in Japan, including students from other countries. In fiscal 2017, the Foundation provided scholarships to a total of 62 students, including four foreign students, with a total value of ¥39.60 million.

Corporate Governance

True to its corporate philosophy, the Kajima Group strives to continually advance its business operations and contribute to society. The Group's objective is to earn the trust and regard of all stakeholders, including shareholders, customers, business partners, local communities and employees.

Message from the Chairman of the Board of Directors

Kajima strives to improve corporate value by delivering sustainable growth in order to fulfill its corporate philosophy of contributing to society by advancing its business operations. In today's constantly evolving business environment, strengthening corporate governance, which is a prerequisite for business management, is a critical task. As part of this effort, we are working to reform our Board of Directors.

Since the appointment of three outside directors in 2015, Kajima has been working to further enhance the function of its Board of Directors. We are regularly evaluating the Board's effectiveness, providing feedback at outside directors meetings, and ensuring adequate deliberation time for important meeting agenda items.

The Board of Directors ascertains the progress made under the business plan and the current status and issues for each business area based on monthly performance reports, deliberations on important issues, and reports from each division. It also oversees the activities of the executive officers. Any regrettable news such as accidents, disasters, and legal violations are required to be reported in a timely manner at the beginning of each Board of Directors meeting. This reinforces the Board's supervisory functions, including confirmation of the post-incident response and measures to prevent reoccurrence. In addition, before the Board discusses key agenda items such as the business plan or officer assignment, an effort is made to ensure objectivity and transparency by providing opportunities for the board members to consult with the outside directors.

In order to shape the new Medium-Term Business Plan, Board members, including the outside directors, deliberated and examined the issues over a sufficient time period at four meetings of the Board of Directors and confirmed the course that the Kajima Group should take. In the previous fiscal year, experts in corporate governance were invited to give lectures, and workshops were held on the latest trends in corporate governance. This enabled the Board to acquire valuable external knowledge.

Recently, after a series of investigations, charges were filed against Kajima for suspected violation of Japan's Antimonopoly Act. They stemmed from Chuo Shinkansen construction projects carried out for the Central Japan Railway Company. After the charges were filed, we immediately retained an outside attorney to conduct a thorough in-house investigation, and an objective investigation report was delivered to the Board of Directors.

Going forward, we are determined to ensure that the Board of Directors provides even more thorough compliance oversight. We will carefully follow progress on the Medium-Term Business Plan to ensure sustainable growth and improve corporate value. In addition to achieving performance targets, Kajima will steadily advance the other priority measures set forth in the Medium-Term Business Plan, including Kajima work-style reform, the promotion of R&D, as well as domestic and overseas real estate development. The Board of Directors is committed to further deepening its discussions to ensure that Kajima succeeds.

In order to strengthen compliance and risk management across the entire Kajima Group, a new Administration Division was established in a resolution of the Board of Directors in March 2018. This was accomplished via a reorganization and strengthening of the head office organization. In addition, we set up the new Compliance and Risk Management Committee, which is chaired by the president, and tasked it with driving the effort to build an ESG management foundation, as mandated in the Medium-Term Business Plan.

Our efforts to enhance corporate governance are not yet complete, and I will do my utmost to lead Kajima forward steadily step by step, while taking into account objective feedback from external sources including our outside directors. You can count on Kajima to keep strengthening corporate governance and improving corporate value over the medium to long term to meet the expectations of society and our shareholders.

Mitsuyoshi Nakamura

Chairman and Representative Director

Corporate Governance

Fundamental Stance

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

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

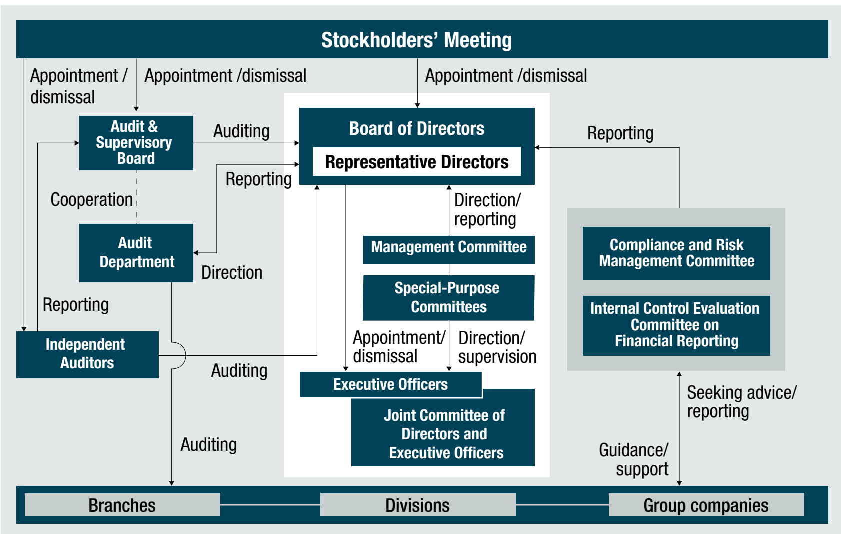
Kajima has elected to use a Board of Corporate Auditors structure with a Board of Directors to make key business decisions and monitor business execution and to use an Audit & Supervisory Board to audit the execution of duties by directors.

The Board of Directors meets once a month and additionally as needed. In addition to 11 internal directors with expert knowledge of the Company's businesses, the Board has three outside directors, who add an independent perspective on key decisions and enhance management supervision. The total membership of the Board of Directors is 14 persons.

To support the sustainable growth and progress of the Group for years to come, appointees to the Board of Directors must have the ability to apply the knowledge they have cultivated in their respective fields, such as business, finance, and technology. Candidate selection is performed based on the corporate philosophy, and by taking into consideration the diversity and appropriate size of the Board of Directors, while pursuing the needed balance of knowledge, experience and abilities. When nominating a candidate for the Board of Directors, the chairman, president and outside directors are consulted in advance. Based on their advice and recommendations, the Board of Directors then deliberates and makes a decision. Five Audit & Supervisory Board members, including three outside Audit

Governance Structure
Board of Corporate Auditors

Directors:	14 persons (including three outside directors) Term: 2 years
Audit & Supervisory Board Members:	5 persons (including three outside members)
Executive officer system:	Yes
Independent directors:	6 persons



Board of Directors

Chaired by the Chairman and meets once a month, and additionally as needed, to discuss and make decisions on basic management direction and other important matters and to supervise business execution.

Management Committee

Chaired by the President and meets three times a month to discuss and report on important management issues, consistent with guidelines designated by the Board of Directors.

Joint Committee of Directors and Executive Officers

Chaired by the President and meets once a month to inform all executive officers of decisions made at the Board of Directors and Management Committee, and reports on and evaluates business execution.

Audit & Supervisory Board and Its Members

Designates audit policies and audits the execution of duties by directors. Meets once a month to discuss reports from its members and prepare audit reports.

Audit Department

Works independently of all departments that execute business operations. Conducts internal audits on the appropriateness of the accounting and business activities of Kajima and its group companies, as well as the effectiveness of internal controls over financial reporting.

Independent Auditor

Kajima has elected to use Deloitte Touche Tohmatsu LLC as an independent auditor to conduct fair and impartial audits of Kajima's business practices.

Special-Purpose Committees

Special-purpose committees conduct risk assessments and discuss measures regarding important investments and loans. These include the Development Steering Committee, Overseas Business Steering Committee, Overseas Development Project Steering Committee, and PFI Civil Engineering and Building Committee.

& Supervisory Board members, also attend the Board of Directors meetings.

The outside directors and outside members of the Audit & Supervisory Board apply their experience and provide insight regarding the appropriateness and validity of decisions made by the Board of Directors. They also provide input from a third-party perspective to enhance objectivity and neutrality.

In 2005, Kajima adopted an executive officer system to clarify the responsibilities and functions of directors who execute business. Also, a Management Committee headed by the President meets three times a month to discuss important management issues, endeavoring to increase the efficiency and speed of business execution.

The Audit & Supervisory Board comprises two inside and three outside members, including finance and accounting experts. They attend important meetings, including Board of Directors meetings, and audit the appropriateness and validity of business execution by directors, with the support of the Office of Audit & Supervisory Board Members.

They also work closely with independent auditors and the Audit Department, receiving information from the Compliance and Risk Management Committee and Internal Control Evaluation Committee on Financial Reporting concerning the implementation of internal controls, and working to enhance the effectiveness and efficiency of auditing.

Current Outside Directors and Outside Members of Audit & Supervisory Board

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

Major Internal Meetings in FY2017

Board of Directors	14 meetings
Management Committee	38 meetings
Joint Committee of Directors and Executive Officers	11 meetings
Audit & Supervisory Board	16 meetings

Basis for Appointing Outside Directors

Name	Independent Director	Major Concurrent Positions	Reason for Appointment	Attendance in FY2017
Koji Furukawa	**Yes**	Advisor, Mitsubishi Corporation	Furukawa provides valuable insight from his extensive experience in senior management positions with leading organizations in different industries, including Mitsubishi Corporation, Mitsubishi Motors Corporation, Japan Post Bank Co., Ltd., and Japan Post Network Co., Ltd. His appointment was based on his past advice to Kajima management and his appropriate oversight of business execution.	14 of 14 Board of Directors meetings
Masahiro Sakane	**Yes**	Councilor, Komatsu Ltd.; Outside Director, Takeda Pharmaceutical Company Limited	Sakane provides valuable insight from his experience leading a global manufacturer. He served as President and later Chairman and then Councilor at Komatsu Ltd. He is also an External Director for Takeda Pharmaceutical Co., Ltd. His appointment was based on his past advice to Kajima management and his appropriate oversight of business execution.	13 of 14 Board of Directors meetings
Kiyomi Saito	**Yes**	President, JBond Totan Securities Co., Ltd.; Outside Audit & Supervisory Board Member, Showa Denko K.K.	Saito provides valuable insight from her extensive experience gained as a business leader and entrepreneur. She served as Executive Director at Morgan Stanley and is the President & Representative Director of JBond Totan Securities Co., Ltd. (which she founded as JBond Co., Ltd.). She is also an Outside Audit & Supervisory Board Member at Showa Denko K.K. Her appointment was based on her past advice to Kajima management and her appropriate oversight of business execution.	14 of 14 Board of Directors meetings

Corporate Governance

Basis for Appointing Outside Members of Audit & Supervisory Board

Name	Independent Director	Major Concurrent Positions	Reason for Appointment	Attendance in FY2017
Masahiro Nakagawa	**Yes**	—	Nakagawa possesses considerable knowledge relating to finance and accounting. He served as Director at Sumitomo Mitsui Banking Corporation and President & CEO of SMBC Trust Bank Ltd. His appointment was based on the neutral and objective opinions he is able to provide by drawing upon his extensive experience with financial institutions.	Newly appointed in FY2018
Shuichiro Sudo	**Yes**	—	Sudo provides valuable input from a neutral and objective perspective, based on insight gained from his extensive experience in senior management positions at insurance companies including The Dowa Fire and Marine Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. His appointment was based on these credentials.	14 of 14 Board of Directors meetings 16 of 16 Audit & Supervisory Board meetings
Yukio Machida	**Yes**	Attorney, Outside Statutory Auditor of Asahi Mutual Life Insurance,and Outside Director of Mizuho Bank Ltd.	Machida brings specialized knowledge as a prosecutor and attorney, and provides valuable input from a neutral and objective perspective based on insight gained from his extensive legal experience. His appointment was based on these credentials.	14 of 14 Board of Directors meetings 16 of 16 Audit & Supervisory Board meetings

Remuneration for Directors

Kajima has established policies for the determination of officer remuneration, etc.

When deciding remuneration for directors, the chairman, president and outside directors are consulted in advance. Based on their advice and recommendations, the Board of Directors then deliberates and makes a decision.

Kajima pays directors monthly wages as fixed payments and variable compensation in conjunction with a business performance bonus, decided according to their positions (including operating officer positions for directors concurrently serving in that role) and tenure, within parameters determined by resolution at Stockholder's Meetings. Non-executive directors, however, are paid only monthly wages.

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

FY2017 Remuneration for Board of Directors and Audit & Supervisory Board Members

(¥ million)

Position	Total remuneration	Monthly remuneration	Bonus	No. of persons
Directors (excluding outside directors)	718	513	205	12
Audit & Supervisory Board members (excluding outside members)	55	55	-	3
Outside directors and members of the Audit & Supervisory Board	100	100	-	6

Evaluating the Effectiveness of the Board of Directors

Kajima evaluates the effectiveness of its Board of Directors once a year in order to enhance the Board's function and effectiveness. Each year, external experts are also asked to improve the evaluation method and identify opportunities to improve it.

As part of the evaluation process, the Board of Directors receives a report on its management in the previous fiscal year and on progress made following resolutions on major projects. Then, all members including outside directors and outside Audit & Supervisory Board members discuss ways to enhance the Board's effectiveness while identifying issues and points for improvement.

The results of the recent Board of Directors evaluation indicate that the Board has been supplied in advance with appropriate information for its deliberations and has been carrying out appropriate management. It was also determined that opinions of the outside directors have been actively incorporated by the Board and that there have

Major agenda items discussed by the Board of Directors in fiscal 2017

- Setting important issues to be addressed over the medium to long term
- Formulation of the Kajima Group Medium-Term Business Plan (2018 to 2020)
- Revision of the compliance and risk management system
- Promotion of Kajima work-style reform
- Composition of Kajima's private REITs
- Implementation of a large-scale multi-use development project in Myanmar
- Acquisition of IFE, an engineering company based in Singapore

been ongoing efforts to raise effectiveness. Moreover, the deliberation and decision-making for some important executive matters were handed over to the management team. The opinion was that further discussion should be carried out with respect to the Company's medium- and long-term direction, including the management policy and targets.

The Board of Directors is working to improve its effectiveness by revising the agenda item submission criteria to focus on topics for discussion, and by enhancing deliberation on the medium to long-term business plan for the entire Group.

Outside Director Support System

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

While also meeting on their own, the outside directors regularly meet with Kajima management. In addition, they receive tours of branch offices and construction sites. This enhances management supervision by ensuring that the outside directors have an incisive understanding of Kajima's business.

Policy on Constructive Dialogue with Stockholders

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

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

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

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

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

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

Meeting of outside directors

Overseas operations briefing

Main IR Activities in FY2017

Activity	Times conducted	Description
Briefing for analysts and institutional investors	4	Earnings briefing with the president held at the end of Q2 and the fiscal year. IR teleconference briefings were held at the end of Q1 and Q3.
Site tours for analysts and institutional investors, etc.	2	Overseas operations briefings and tours of the Seisho Experimental Field
IR activities for institutional investors outside of Japan	Regularly	Participated in three conferences arranged by securities companies, mainly holding one-on-one meetings with institutional investors. Telephone and individual meetings were also provided upon request.
Release of documents at IR website	Regularly	Released earnings briefing documents, Fact Book, quarterly earnings reports, and data on contract awards at Kajima's investor relations website: *https://www.kajima.co.jp/english/ir/*

Risk Management

With appropriate and efficient risk management systems established, the Kajima Group has made its best effort to identify risks in day-to-day operations and prevent them. The Group also strives to keep improving corporate value by winning the trust of shareholders, clients, and others with timely information disclosure.

Company-Wide Risk Management System

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

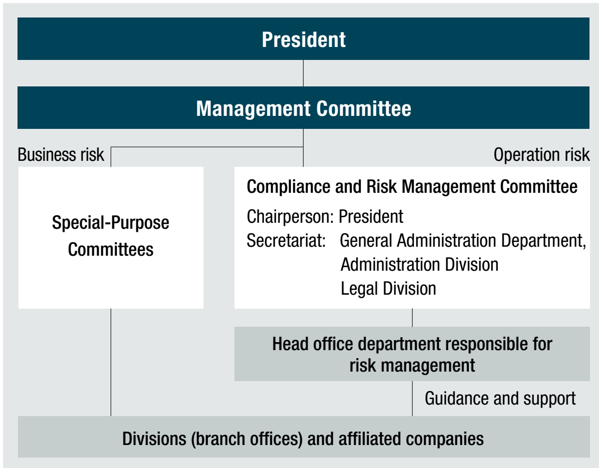
Operational risks, such as legal compliance violations, are identified and addressed company-wide as major business risks that must be controlled. Kajima seeks to raise awareness of these risks and undertakes risk management initiatives using the PDCA cycle. Group companies in and outside of Japan have adopted standardized systems and have independently introduced risk management initiatives.

In April 2018, a reorganization was carried out to further strengthen the compliance and risk management system for the entire Group.

The Administration Division was established to supervise the Administration and Legal Departments, and a Risk Management Group was set up in the Administration Department. The compliance sections in the Legal Department were reorganized to form a new Compliance Office. A new Compliance and Risk Management Committee chaired by the president was created, replacing previous organizations. With these changes, compliance and risk are now managed comprehensively for the entire Kajima Group.

In April 2018, general manager positions for compliance

Risk Management Framework



Special-purpose committees to ascertain business risk and deliberate measures

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

and risk management were set up under every branch manager. At major subsidiaries in Japan, administrative leaders were made responsible for compliance and risk management. The people in these positions, the Administration Division, the divisional planning management departments, and the branch management departments collaborate to ensure total compliance at every level.

Information Security

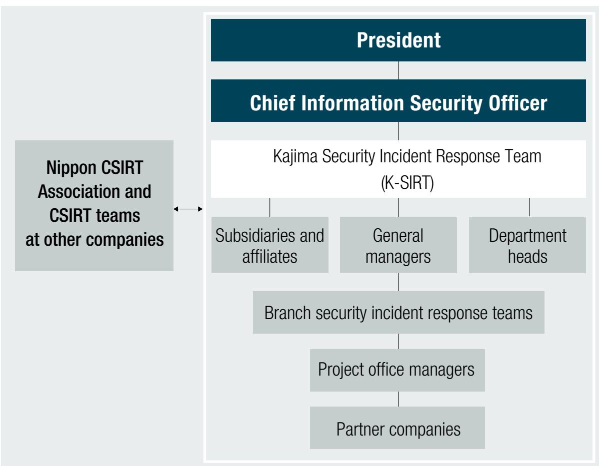
Kajima firmly prioritizes constant risk management and operates an information security policy. Employees of the Kajima Group and its business partners receive an annual online course on information security. Special emphasis is placed on response to targeted cyber-attacks, which have increased in recent years.

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

In fiscal 2017, information security audits at 22 sites uncovered eight issues. After improvements were made, the measures were deployed horizontally to other sites.

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

Information Security Management Framework



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

**1 KAJIMA Security Incident Response Team*

Business Continuity Plan: Preparing for Disasters

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

Kajima is also enhancing its cooperation with local governments and public infrastructure operators via disaster preparedness agreements to support recovery after a disaster.

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

Addressing Risks Outside of Japan

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

Kajima has compiled a manual on preparedness measures and emergency response in areas where it operates and is currently educating employees on assignment outside of Japan on these topics.

Compliance

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

Compliance Framework

The Corporate Conduct Committee, with the president as its chair and the Legal Department as its secretariat, meets once a year to examine the implementation results of various compliance-related measures and to check the plan for the following fiscal year. Over the years, its efforts have established corporate ethics and thorough legal compliance at Kajima. As of April 2018, group-wide compliance is now being comprehensively promoted by the new Compliance and Risk Management Committee, which has replaced the Corporate Conduct Committee, as works to reinforce the Group's compliance and risk management framework.

Major Compliance Initiatives

- Preparation and distribution of the Handbook for Practical Application of the Code of Conduct (August 2016 revised version)
- Implementation of e-learning to deliver Code of Conduct training to all employees of the Kajima Group (Participants in fiscal 2017: 16,446 employees, including 7,457 employees at 37 group companies)

Prevention of Bid Rigging

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

On March 23, 2018, Kajima and one of its employees were charged with a suspected violation of the Antimonopoly Act. The charge related to the construction of stations in Shinagawa (Tokyo) and Nagoya as part of the Chuo Shinkansen line project for the Central Japan Railway Company. On March 28, 2018, Kajima Road Co., Ltd. was ordered to pay a penalty by the Fair Trade Commission for violation of the Antimonopoly Act. This related to pavement work ordered by Narita International Airport Corporation.

Kajima Group Code of Conduct

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

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

3 Respect for All People Connected to the Kajima Group
1 Prohibiting discrimination and unfair treatment
2 Providing a safe and secure workplace environment
3 Respecting employees' unique characteristics and promoting individual development
4 No child labor or forced labor

4 Responsibility to the Environment
1 Approach to environmental issues

5 Implementation of Corporate Code of Conduct
1 Education and awareness
2 Establishment of an effective internal monitoring structure

6 Occurrence of Code Violations
1 Accountability and preventive measures
2 Disciplinary action

Kajima is thoroughly investigating the details of the charges relating to the Chuo Shinkansen construction project and will defend itself in court. Along with the penalty imposed on its subsidiary, the Company takes these charges very seriously. In order to further strengthen the Group's compliance and risk management, the entire framework was reorganized in April 2018 (see page 58, "Risk Management Framework"). In addition, the Civil Engineering Sales Division was integrated into the Civil Engineering Management Division to better control bidding activities. Also established was a new General Affairs & Compliance Group within the Administration Department of the Civil Engineering Management Division, giving the civil engineering business a better framework for ensuring total compliance in daily operations.

In addition, based on thorough analysis and review of the recent indictment, Kajima will make the necessary revisions to its internal regulations and will thoroughly inform employees through continuing education. The Group will continue to promote sweeping measures to prevent bid rigging and to preclude any possibility of suspected or actual legal violations in the future.

Other major measures being implemented for bid-rigging prevention include:

- Preparation and distribution of the Manual for Compliance with the Antimonopoly Act (revised in July 2016)

- Antimonopoly Act workshops held across Japan by an attorney with relevant expertise (participants in fiscal 2017: 1,062 employees including 232 from 23 group companies)
- Bidding process record keeping and regular audits
- Establishment of rules concerning contact with other companies in the same industry and participation in external meetings, as well as pre-approval procedures

Whistleblower System

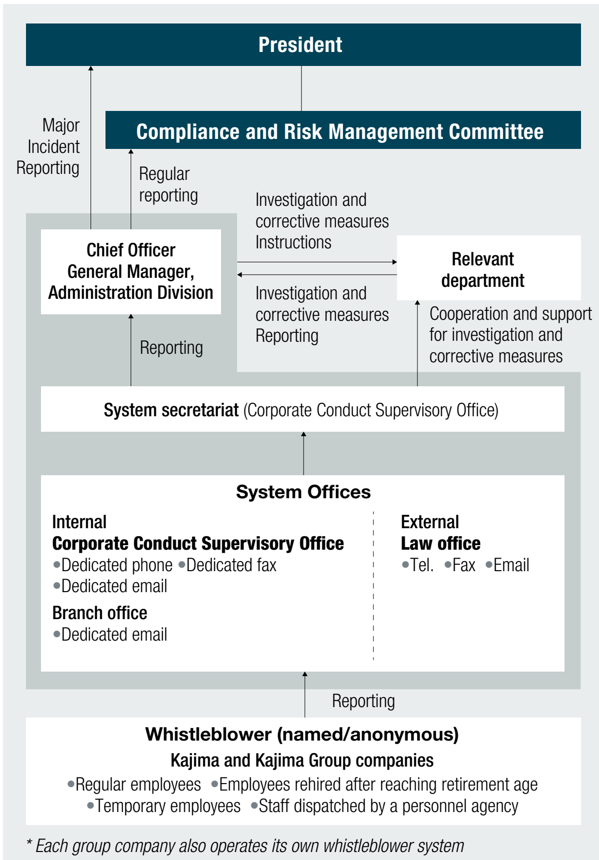
The Kajima Group has established a whistleblower system that allows employees and others to report facts or suspicions concerning wrongdoing in the Group. Anyone can report, anonymously if desired, misconduct or legal violations, including corruption such as bribery involving officers or employees.

In order to ensure the convenience and effectiveness of the system, a contact office has also been established outside the company.

The system prohibits retaliatory actions against whistle-blowers and any kind of disadvantageous treatment. Through e-learning and the distribution of information cards to everyone in the Group, employees are being made thoroughly aware of the system and are urged to use it without hesitation.

The system also provides consultation for external stakeholders. Consultation details and personal information are treated as confidential information.

Corporate Ethics Whistleblower System Framework



Directors and Auditors (As of June 26, 2018)

Chairman;
Representative Director

Mitsuyoshi Nakamura

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

President;
Representative Director

Yoshikazu Oshimi

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

Representative Director;
Executive Vice President

Naoki Atsumi

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

Representative Director;
Executive Vice President

Tamiharu Tashiro

1971 Joined the Company
2005 Executive Officer; General Manager, Tokyo Civil Engineering Branch, Tokyo Metropolitan Business Division
2007 Managing Executive Officer; General Manager, Civil Engineering Management Division; Overseeing Machinery and Electrical Engineering Department
2008 Senior Executive Officer
2009 Director
2010 Representative Director (to the present); Executive Vice President (to the present)

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

Hiroyoshi Koizumi

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

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

Takashi Hinago

1968 Joined the Company
2003 Director
2005 Executive Officer
2006 Managing Executive Officer
2007 General Manager, Sales and Marketing Division (to the present)
2008 Senior Executive Officer
2011 Executive Vice President (to the present)
2012 Director (to the present)

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

Masayasu Kayano

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

Director; Executive Vice President;
Responsible for Sales and Marketing

Hiroshi Ishikawa

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

Director; Managing Executive Officer;
General Manager, Treasury Division

Ken Uchida

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

Director

Nobuyuki Hiraizumi

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

Director;
Senior Advisor

Shoichi Kajima

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

Director*

Koji Furukawa

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

Director*

Masahiro Sakane

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

Director*

Kiyomi Saito

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

Audit & Supervisory Board Member

Toshinobu Nakatani

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

Audit & Supervisory Board Member

Koji Fukada

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

Audit & Supervisory Board Member**

Masahiro Nakagawa

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

Audit & Supervisory Board Member**

Shuichiro Sudo

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

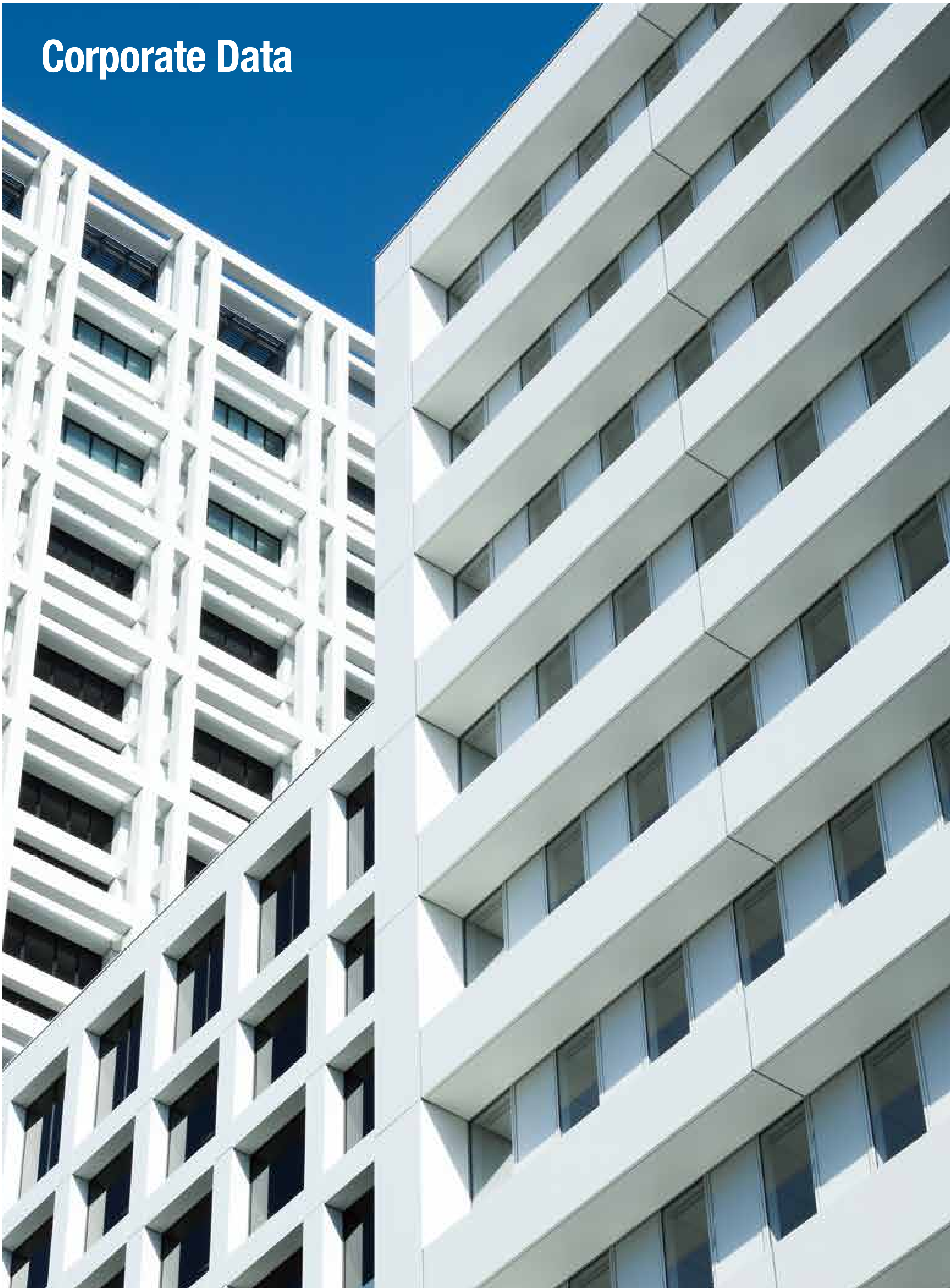
Audit & Supervisory Board Member**

Yukio Machida

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

* Outside Director as defined in Article 2, Item 15, of the Companies Act.
** Outside Company Auditor as defined in Article 2, Item 16, of the Companies Act.

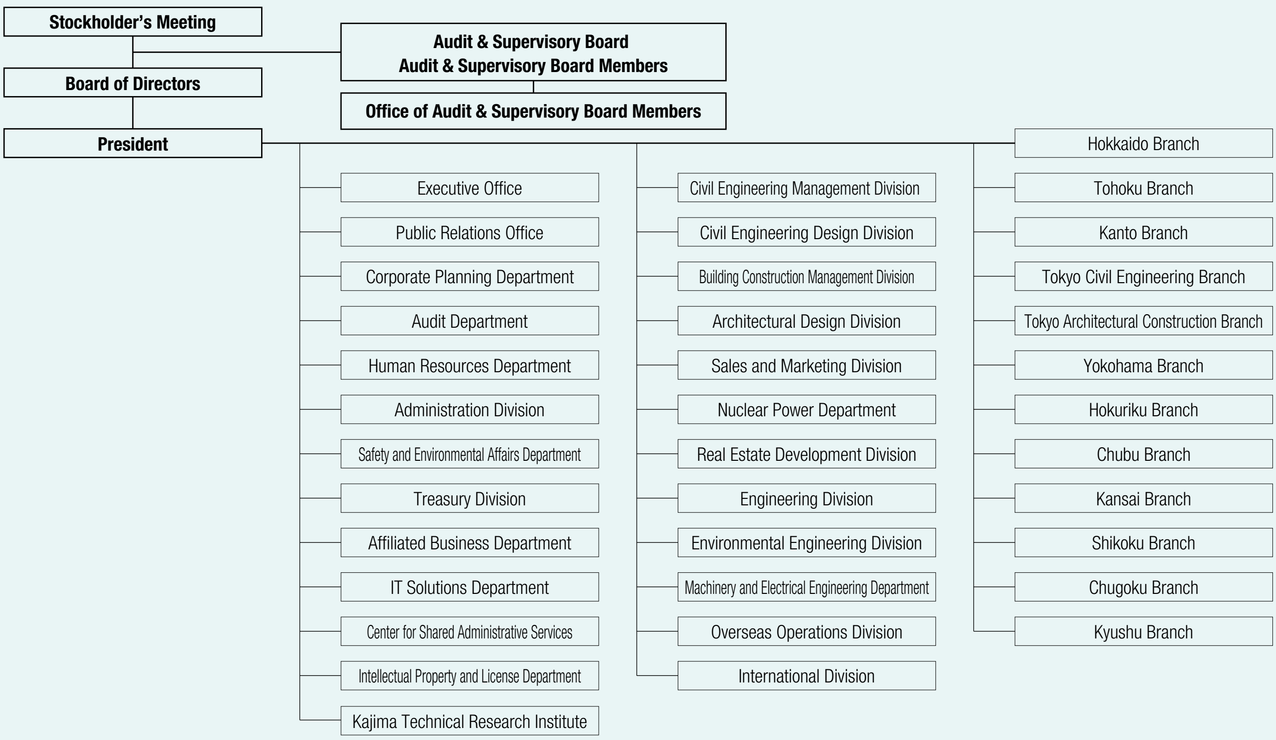
Corporate Data



Corporate Profile

Company Name	Kajima Corporation
Head Office	3-1, Motoakasaka 1-chome, Minato-ku, Tokyo 107-8388, Japan
Established	1840
Incorporated	1930
Paid-in Capital	Over ¥81,400 million
Number of Employees*	7,686 (non-consolidated), 19,426 (group)
Business Domains	Construction, real estate development, architectural design, civil engineering design, engineering, and other
Offices*	Head Office; Real Estate Development Division, Engineering Division, and Overseas Operations Division; Kajima Technical Research Institute; 12 branches; 27 offices in Japan; 42 offices outside Japan (in 19 countries and regions)
Group Companies*	234 companies (including 92 in Japan and 142 outside Japan)
	*As of March 31, 2018

Corporate Organization



Executive Officers (As of July 10, 2018)

President

Yoshikazu Oshimi

Executive Vice Presidents

Naoki Atsumi

Tamiharu Tashiro

Hiroyoshi Koizumi
General Manager, Building Construction Management Division

Takashi Hinago
General Manager, Sales and Marketing Division

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

Teruaki Yamaguchi
General Manager, Real Estate Development Division

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

Hiroshi Ishikawa
Responsible for Sales and Marketing

Hiromasa Amano
General Manager, Tokyo Architectural Construction Branch

Masaru Ozaki
Responsible for Architectural Design Division

Keisuke Koshijima
General Manager, Overseas Operations Division

Senior Executive Officers

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

Masao Oka
Responsible for Mechanical and Electrical Facilities

Takao Nomura
General Manager, Yokohama Branch

Koichi Matsuzaki
General Manager, Kansai Branch

Jun Matsushima
Deputy General Manager, Tokyo Architectural Construction Branch

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

Shigeru Tomoda
Deputy General Manager, Sales and Marketing Division

Managing Executive Officers

Hitoshi Ito
Deputy General Manager, Building Construction Management Division

Isao Kinoshita
General Manager, Hokkaido Branch

Hideya Marugame
General Manager, Engineering Division

Masaru Kazama
General Manager, Tokyo Civil Engineering Branch

Yoshinori Sakamoto
General Manager, Business Development Division

Kenji Otsu
Senior Supervisory Engineer, Civil Engineering Management Division

Yutaka Katayama
General Manager, Chubu Branch

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

Kengo Kono
General Manager, Kyushu Branch

Takeshi Tadokoro
General Manager, Kanto Branch

Hiroshi Shoji
General Manager, Tohoku Branch

Ken Uchida
General Manager, Treasury Division

Takaharu Fukuda
Director, Kajima Technical Research Institute

Executive Officers

Toshiharu Tanaka
General Manager, International Division

Takao Shinkawa
General Manager, Environmental Engineering Division

Yoshihiko Riho
Deputy General Manager, Civil Engineering Management Division

Kiyomi Aikawa
General Manager, Civil Engineering Design Division

Norio Kita
General Manager, Architectural Design Division

Masahito Tanaami
Deputy General Manager, Architectural Design Division

Hiroshi Kunihira
Deputy General Manager, Architectural Design Division

Yasuhiko Yamada
Deputy General Manager, Tokyo Architectural Construction Branch

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

Eiichi Tanaka
General Manager, Nuclear Power Department

Shigeru Yoshikai
Deputy General Manager, Architectural Design Division

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

Koji Sugimoto
President, Kajima Overseas Asia (HQ) Pte Ltd

Shuichi Oishi
President, Kajima Development Pte. Ltd.

Kazuyoshi Yonezawa
Deputy General Manager, Tokyo Architectural Construction Branch

Koji Ikkatai
Deputy General Manager, Engineering Division

Osamu Shimoyasu
Senior Supervisory Engineer, Civil Engineering Management Division

Koh Kimura
Senior Supervisory Engineer, Civil Engineering Management Division

Hidenobu Yoshida
General Manager, Shikoku Branch

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

Ryuzo Ikegami
General Manager, Chugoku Branch

Shinichiro Shiozawa
Deputy General Manager, Sales and Marketing Division

Munehisa Yoshimi
Deputy General Manager, Sales and Marketing Division

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

Nobuhiro Kobayashi
Deputy General Manager, Tokyo Architectural Construction Branch

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

Tadashi Fujimura
Deputy General Manager, Architectural Design Division

Hidemitsu Yoshihiro
President, Kajima Road Co., Ltd.

Miki Ito
Deputy General Manager, Tokyo Architectural Construction Branch

Tetsuya Ashida
General Manager, Hokuriku Branch

Takahiko Tsukada
Deputy General Manager, Real Estate Development Division

Principal Subsidiaries and Affiliates

In Japan

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

Principal Subsidiaries and Affiliates

Overseas

Kajima Europe Ltd.

United Kingdom
- Kajima Europe Ltd.
- Kajima Partnerships Ltd.
- Kajima Properties (Europe) Ltd.

France
- Kajima France Development S.A.R.L.
- Kajima Europe Lou Roucas S.A.R.L.

Czech Republic
- Kajima Czech Design and Construction s.r.o.

Poland
- Kajima Poland Sp. z o.o.

Kajima Overseas Asia Pte Ltd

Singapore
- Kajima Overseas Asia Pte Ltd
- Kajima Overseas Asia (HQ) Pte. Ltd.
- Kajima Design Asia Pte Ltd
- Kajima Development Pte. Ltd.
- International Facility Engineering Pte. Ltd.

Indonesia
- PT Kajima Indonesia
- PT Senayan Trikarya Sempana
- PT Jimbaran Greenhill

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

Malaysia
- Kajima (Malaysia) Sdn. Bhd.

Vietnam
- Kajima Vietnam Co., Ltd.
- Indochina Kajima Development Ltd.

The Philippines
- Kajima Philippines Inc.

Hong Kong
- Allied Kajima Ltd.

India
- Kajima India Pvt. Ltd.

Myanmar
- Kajima Myanmar Co., Ltd.
- Kajima Yankin PPP Co., Ltd.

Kajima Australia Pty Ltd

Melbourne

Kajima Australia Pty Ltd
Icon Co Pty Ltd
Cockram Construction Australia Pty Ltd
Icon Developments Australia Pty Ltd

Shanghai

Cockram Projects (Shanghai) Construction & Engineering Co Ltd

Hong Kong

Scenario Cockram Limited

Kajima Corporation (China) Co., Ltd.

Shanghai

Chung-Lu Construction Co., Ltd.

Taiwan

Kajima U.S.A. Inc.

Atlanta

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

Columbus

Flournoy Construction Company
Flournoy Development Company

Los Angeles

KCS West, Inc.
Kajima Development Corporation

Honolulu

Hawaiian Dredging Construction Company, Inc.

Cleveland

The Austin Company

New York

Development Ventures Group, Inc.
Anglebrook Golf Club

León (Mexico)

Kajima Alberici Construcciones S.A. de C.V.

Shareholder Information (As of March 31, 2018)

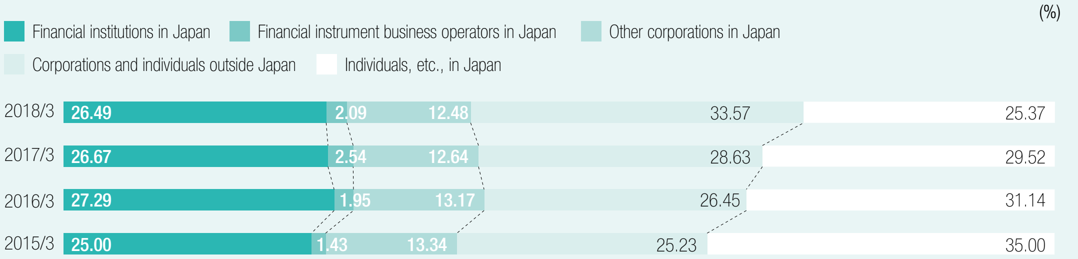
Number of Shares - Authorized	2,500,000,000
Number of Shares - Issued and Outstanding	1,057,312,022 (including treasury stock of 17,567,805 shares)
Number of Shareholders	54,957 (down 8,341 from fiscal 2016 end)

Major Shareholders

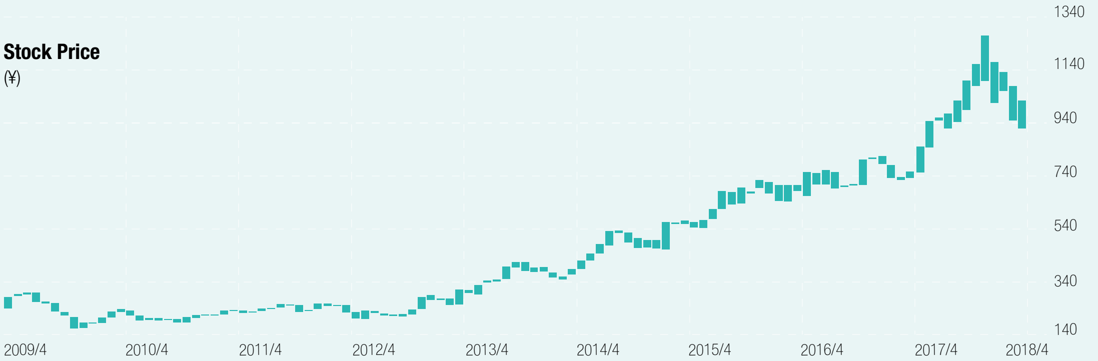
Shareholders	Number of shares (Thousand shares)	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	67,379	6.48
Japan Trustee Services Bank, Ltd. (Trust Account)	44,592	4.29
Shoichi Kajima	31,585	3.04
State Street Bank West Client - Treaty 505234	21,621	2.08
Sumitomo Mitsui Banking Corporation	20,442	1.97
Japan Trustee Services Bank, Ltd. (Trust Account 5)	18,816	1.81
Japan Trustee Services Bank, Ltd. (Trust Account 7)	17,136	1.65
Kajima Employee Stock Ownership	16,664	1.60
Government of Norway	15,345	1.48
The Kajima Foundation	14,470	1.39

Notes 1. In addition to the above, Kajima Corporation has treasury stock of 17,567,000 shares.
2. Shareholding was computed excluding total treasury stock

Stock Ownership Breakdown



Stock Price
(¥)



External Recognition

CORPORATE REPORT
Financial Review 2018
Year ended March 31, 2018

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Summary and Forecast of Business Performance

Amounts less than ¥0.1 billion have been rounded down.

Overview of Business Performance

During the fiscal year ended March 31, 2018, the economies of many countries and regions improved against the backdrop of brisk trade and investment, despite political and economic situations that remained unpredictable around the world.

The Japanese economy picked up moderately as corporate earnings remained at high levels on the back of solid demand for exports, while private-sector capital investment increased and the job market improved.

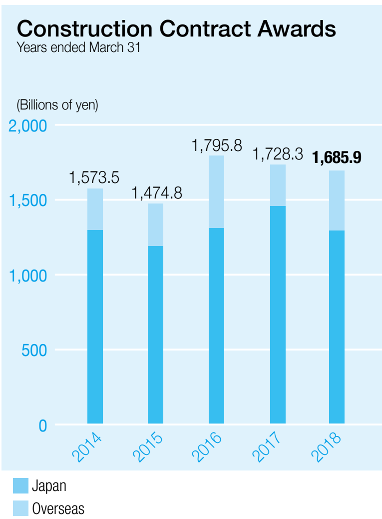
In the Japanese construction market, construction investment continued to be stable amid steady investment in redevelopment projects and construction of manufacturing facilities, while rising construction costs were held in check.

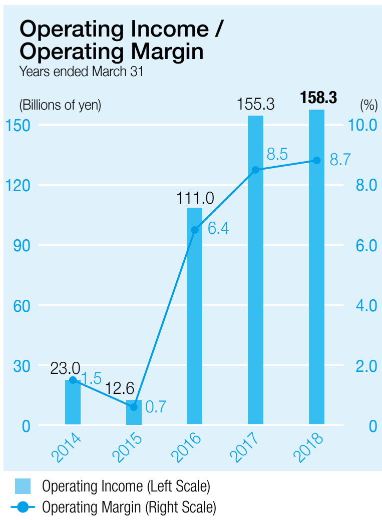
Under those circumstances, the Kajima Group took steps to bolster the competitiveness of its construction business in Japan based on the Kajima Group Medium-Term Business Plan (2015–2017), which reached its final year. At the same time, the Group strengthened and expanded businesses that leverage its competitive advantages and worked to lay a solid operational foundation going forward. As a result, the Group's consolidated financial results for the fiscal year ended March 31, 2018, were as follows.

Total construction contract awards remained roughly at the same level as the previous fiscal year at ¥1,685.9 billion, down 2.4% from ¥1,728.3 billion. On a non-consolidated basis, total contracts awarded to Kajima Corporation (hereinafter, the "Company"), including those for real estate development and other projects, amounted to ¥1,200.0 billion, down 11.1% from ¥1,349.9 billion in the previous fiscal year.

Consolidated revenues remained roughly at the same level as the previous fiscal year at ¥1,830.6 billion, up 0.5% from ¥1,821.8 billion.

On the profit front, operating income amounted to ¥158.3 billion, an increase of 1.9% from ¥155.3 billion in the previous fiscal year, mainly due to an improvement of gross profit margin in the construction business. Net income attributable to owners of the parent came in at ¥126.7 billion, an increase of 20.9% from ¥104.8 billion in the previous fiscal year.





Overview of Performance by Business Segment

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

Civil Engineering

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

Revenues increased in both Japan and overseas, up 23.5% to ¥366.5 billion from ¥296.8 billion in the previous fiscal year. Operating income totaled ¥57.4 billion, an increase of 59.5% from ¥35.9 billion due to the higher gross profit margin of construction projects.

(Billions of yen)

(Years ended March 31)	2018	2017	2018/2017 (%)
Revenues	366.5	296.8	23.5
Operating income	57.4	35.9	59.5

Building Construction

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

Revenues amounted to ¥752.6 billion, down 9.9% from ¥835.1 billion in the previous fiscal year. Operating income was also down, to ¥70.9 billion, 9.8% below the ¥78.6 billion recorded in the previous fiscal year.

(Billions of yen)

(Years ended March 31)	2018	2017	2018/2017 (%)
Revenues	752.6	835.1	(9.9)
Operating income	70.9	78.6	(9.8)

Real Estate Development and Other Businesses

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

Revenues amounted to ¥45.9 billion, a year-on-year decrease of 36.1% from ¥71.8 billion mainly due to the absence of large-scale property sales recorded in the previous fiscal year. Operating income also decreased to ¥6.8 billion, down 30.7% from ¥9.8 billion in the previous fiscal year.

(Billions of yen)

(Years ended March 31)	2018	2017	2018/2017 (%)
Revenues	45.9	71.8	(36.1)
Operating income	6.8	9.8	(30.7)

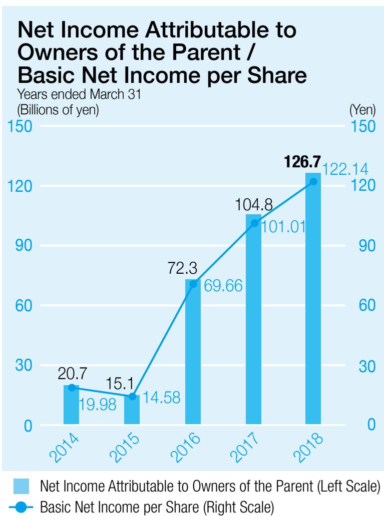
Domestic Subsidiaries and Affiliates

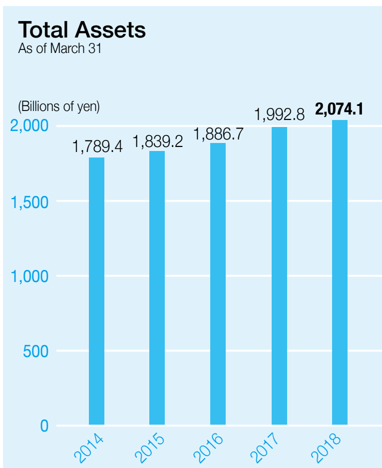
(Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by domestic subsidiaries and affiliates)

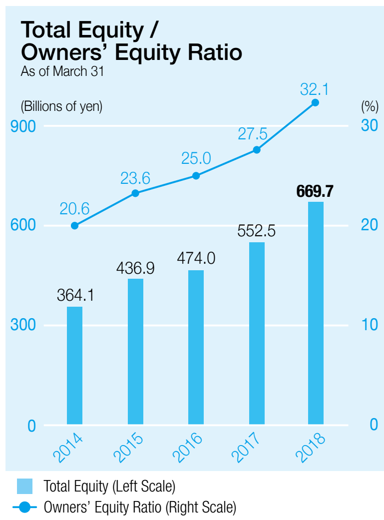
Revenues were roughly in line with the previous fiscal year at ¥363.9 billion, up 0.8% from ¥361.1 billion in the previous fiscal year. Operating income decreased 16.8% to ¥16.2 billion compared with ¥19.5 billion in the previous fiscal year, mainly due to lower gross profit margin in the segment's businesses.

(Billions of yen)

(Years ended March 31)	2018	2017	2018/2017 (%)
Revenues	363.9	361.1	0.8
Operating income	16.2	19.5	(16.8)







Overseas Subsidiaries and Affiliates

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

Revenues increased by 9.0% to ¥437.1 billion compared with ¥400.9 billion in the previous fiscal year. Operating income fell to ¥1.6 billion, a decrease of 85.6% from ¥11.6 billion in the previous fiscal year, primarily due to lower gross profit margin and increase of selling, general and administrative expenses.

(Billions of yen)

(Years ended March 31)	2018	2017	2018/2017 (%)
Revenues	437.1	400.9	9.0
Operating income	1.6	11.6	(85.6)

Analysis of Financial Position

Assets, Liabilities and Equity

As of March 31, 2018, total assets amounted to ¥2,074.1 billion, an increase of ¥81.3 billion compared with ¥1,992.8 billion at the end of the previous fiscal year. Main factors underlying the difference included increases in long-term loans to unconsolidated subsidiaries and affiliates, investments in securities, which reflected gains from higher market values of stockholdings, and an increase in cash and cash equivalents.

Total liabilities came to ¥1,404.3 billion, a decrease of ¥35.8 billion compared with ¥1,440.2 billion at the end of the previous fiscal year. This was mainly due to decreases in long-term debt and advances received on construction projects in progress.

Total equity amounted to ¥669.7 billion, an increase of ¥117.2 billion compared with ¥552.5 billion at the end of the previous fiscal year.

As a result, the owners' equity ratio improved to 32.1%, up 4.6 points compared with 27.5% at the end of the previous fiscal year.

Cash Flows

Cash flows in operating activities generated a net cash inflow of ¥120.4 billion, compared with ¥187.5 billion in the previous fiscal year. This cash inflow resulted mainly from income before income taxes with adjustment for depreciation and amortization, which exceeded the main cash outflows of payment for income taxes and a net decrease in advances received.

Investing activities resulted in a net cash outflow of ¥47.3 billion, compared with ¥31.9 billion in the previous fiscal year. The main contributing factors to the outflow were disbursements for loans and payment for purchases of property and equipment.

Financing activities resulted in a net cash outflow of ¥53.0 billion, compared with ¥20.5 billion in the previous fiscal year. Primary cash outflows were net of financing and repayment of short-term borrowings, long-term debt, commercial paper and bonds, as well as cash dividends paid.

As a result of the above, cash and cash equivalents amounted to ¥389.3 billion, an increase of ¥21.8 billion, compared with ¥367.4 billion at the end of the previous fiscal year.

Statements of Cash Flows Highlights

(Billions of yen)

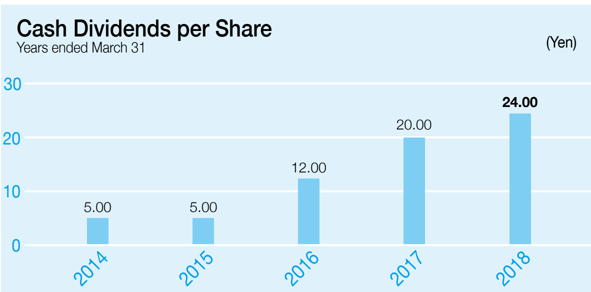
(Years ended March 31)	2018	2017	2016
Net cash provided by operating activities	120.4	187.5	36.3
Net cash used in investing activities	(47.3)	(31.9)	(27.8)
Net cash used in financing activities	(53.0)	(20.5)	(13.1)
Cash and cash equivalents, end of year	389.3	367.4	234.8

Basic Profit Allocation Policy and Payment of Dividends*

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

Taking into account the business performance of the fiscal year under review and the foreseeable business environment, the Company paid an annual dividend of ¥24 per share, which consists of a year-end dividend of ¥14 per share and an interim (end of second quarter) dividend of ¥10 per share. The Company plans to pay an interim dividend of ¥12 per share and a year-end dividend of ¥24 per share for the year ending March 31, 2019.

Note: The Company intends to consolidate its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, the above-mentioned forecast of the year-end dividend of ¥24 per share for the year ending March 31, 2019, reflects the outcome of the consolidation of shares. Leaving the consolidation out of consideration, the year-end dividend per share and the total dividend per share for the year ending March 31, 2019, are forecast at ¥12 and ¥24, respectively.



* The forecasts contained herein are based on information available as of the date of the announcement, May 15, 2018, and the actual results may differ materially from the forecasts due to various factors.

Forecast for the Fiscal Year Ending March 31, 2019*

Despite uncertainty in the global economy, the Japanese economy is expected to continue growing moderately as domestic demand makes a recovery.

In the Japanese construction market, construction investment is expected to be brisk, particularly in the greater Tokyo area, over the short term. However, there are concerns that construction costs could rise steeply as a large number of projects proceed at full tilt, including large-scale redevelopment projects and construction of facilities associated with the upcoming Tokyo 2020 Olympic and Paralympic Games. Over the long term, major changes are expected in the domestic construction market due to Japan's low birthrate, aging population, and shrinking working age population.

Incorporating this outlook, the Kajima Group has launched a new medium-term business plan, which calls for the Group to pursue various measures to address management issues and work to achieve sustainable growth while addressing environmental, social, and governance (ESG) performance.

The forecast for consolidated financial results for the fiscal year ending March 31, 2019, is as follows.

Consolidated revenues are forecast to increase 9.3% to ¥2,000.0 billion, compared with ¥1,830.6 billion in the fiscal year under review. Operating income is forecast at ¥108.0 billion, down 31.8% from ¥158.3 billion. Net income attributable to owners of the parent is forecast at ¥82.0 billion, down 35.3% from ¥126.7 billion in the fiscal year under review.

* The forecasts contained herein are based on information available as of the date of the announcement, May 15, 2018, and the actual results may differ materially from the forecasts due to various factors.

Business-Related Risks

Risk factors that investors should consider before making decisions concerning the Kajima Group include, but are not limited to, the risks listed below. The Group precludes, diversifies and hedges these and other business-related risks and uncertainties to the largest extent practically possible in order to minimize their impact on its corporate activities. Any forward-looking statements in this section are based on judgments made by the Company's management as of March 31, 2018.

1. Changes in the Business Environment

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

2. Changes in Construction Costs

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

3. Fluctuations in Interest and Foreign Exchange Rates

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

4. Fluctuations in Asset Value and Profitability

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

5. Country Risk

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

6. Changes in the Environment Surrounding Private Finance Initiatives

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

7. Defective Construction or Other Services

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

8. Counterparty Credit Risk

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

9. Changes in Regulations Concerning Deferred Income Tax Assets

The Kajima Group expects to fully utilize deferred income tax assets outstanding as of March 31, 2018, for the purpose of offsetting taxable income in the future. However, unexpected events including, but not limited to, changes in tax regulations may partially prevent the Group from doing so.

10. Changes to Laws and Regulations

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

Consolidated Balance Sheet

KAJIMA Corporation and Consolidated Subsidiaries

	As of March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	**¥ 389,349**	¥ 367,473	**$ 3,673,104**
Marketable securities (Notes 3 and 17)	**188**	113	**1,774**
Operational investments in securities (Notes 3 and 17)	**12,388**	10,156	**116,868**
Notes and accounts receivable—trade (Notes 8 and 17)	**626,715**	609,701	**5,912,406**
Allowance for doubtful accounts (Note 17)	**(854)**	(1,654)	**(8,057)**
Inventories:			
Construction projects in progress	**54,079**	92,273	**510,179**
Development projects in progress, real estate for sale and other (Note 8)	**124,978**	107,064	**1,179,038**
Deferred tax assets (Note 14)	**36,252**	42,677	**342,000**
Other current assets (Notes 8 and 17)	**87,019**	76,844	**820,933**
Total current assets	**1,330,114**	1,304,647	**12,548,245**
PROPERTY AND EQUIPMENT:			
Land (Notes 4, 5, 6 and 8)	**182,701**	187,052	**1,723,594**
Buildings and structures (Notes 5, 6 and 8)	**134,905**	145,749	**1,272,689**
Machinery, equipment and other	**19,796**	19,767	**186,755**
Construction in progress (Note 6)	**3,527**	1,077	**33,274**
Total property and equipment	**340,929**	353,645	**3,216,312**
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 3, 8 and 17)	**255,148**	229,994	**2,407,057**
Investments in unconsolidated subsidiaries and affiliates (Notes 8 and 17)	**40,149**	35,439	**378,764**
Long-term loans receivable (Notes 7, 8 and 17)	**15,036**	18,233	**141,849**
Long-term loans to unconsolidated subsidiaries and affiliates (Notes 8 and 17)	**39,281**	12,183	**370,575**
Allowance for doubtful accounts (Note 17)	**(7,615)**	(9,823)	**(71,840)**
Deferred tax assets (Note 14)	**1,801**	1,075	**16,991**
Other (Note 12)	**59,340**	47,430	**559,811**
Total investments and other assets	**403,140**	334,531	**3,803,207**
TOTAL	**¥ 2,074,183**	¥ 1,992,823	**$ 19,567,764**

	As of March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 17)	**¥ 67,811**	¥ 65,160	**$ 639,726**
Commercial paper (Notes 10 and 17)	**61,000**	75,000	**575,472**
Current portion of long-term debt (Notes 8, 9 and 17)	**52,642**	45,305	**496,623**
Notes and accounts payable—trade (Note 17)	**509,027**	517,835	**4,802,142**
Advances received:			
Construction projects in progress (Note 11)	**187,648**	210,429	**1,770,264**
Development projects in progress, real estate for sale and other	**13,489**	11,404	**127,255**
Income taxes payable (Note 17)	**28,787**	30,021	**271,575**
Accrued expenses	**38,999**	35,004	**367,915**
Other current liabilities (Note 8)	**144,264**	126,915	**1,360,981**
Total current liabilities	**1,103,667**	1,117,073	**10,411,953**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 9 and 17)	**166,121**	190,631	**1,567,179**
Deferred tax liabilities (Note 14)	**23,870**	16,510	**225,189**
Deferred tax liabilities on revaluation surplus of land (Note 4)	**20,714**	21,726	**195,415**
Liability for retirement benefits (Note 12)	**57,705**	56,065	**544,387**
Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates	**1,279**	1,227	**12,066**
Other long-term liabilities (Note 8)	**31,031**	37,038	**292,745**
Total long-term liabilities	**300,720**	323,197	**2,836,981**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16, 18 and 19)			
EQUITY (Notes 13 and 24)**:**			
Common stock, authorized, 2,500,000,000 shares; issued, 1,057,312,022 shares (Note 23)	**81,447**	81,447	**768,368**
Capital surplus	**45,304**	45,304	**427,396**
Retained earnings	**424,195**	319,834	**4,001,840**
Treasury stock—at cost, 19,394,811 shares in 2018 and 19,335,335 shares in 2017	**(6,567)**	(6,506)	**(61,953)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	**97,469**	79,330	**919,519**
Deferred loss on derivatives under hedge accounting (Note 18)	**(223)**	(409)	**(2,104)**
Revaluation surplus of land (Note 4)	**18,663**	20,109	**176,066**
Foreign currency translation adjustments	**7,225**	10,952	**68,160**
Defined retirement benefit plans (Note 12)	**(1,491)**	(1,527)	**(14,066)**
Total	**666,022**	548,534	**6,283,226**
Noncontrolling Interests	**3,774**	4,019	**35,604**
Total equity	**669,796**	552,553	**6,318,830**
TOTAL	**¥ 2,074,183**	¥ 1,992,823	**$ 19,567,764**

Consolidated Statement of Income

KAJIMA Corporation and Consolidated Subsidiaries

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
REVENUES:			
Construction projects	**¥ 1,645,462**	¥ 1,602,054	**$ 15,523,226**
Real estate and other (Note 6)	**185,164**	219,752	**1,746,831**
Total revenues	**1,830,626**	1,821,806	**17,270,057**
COST OF REVENUES:			
Construction projects	**1,421,641**	1,397,045	**13,411,708**
Real estate and other (Note 6)	**150,061**	177,697	**1,415,670**
Total cost of revenues	**1,571,702**	1,574,742	**14,827,378**
Gross profit	**258,924**	247,064	**2,442,679**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**100,550**	91,672	**948,585**
Operating income	**158,374**	155,392	**1,494,094**
OTHER INCOME (EXPENSES):			
Interest and dividends	**8,328**	9,278	**78,566**
Interest expense	**(3,349)**	(3,894)	**(31,594)**
Foreign currency exchange gain (loss)	**643**	(9)	**6,066**
Equity in earnings of unconsolidated subsidiaries and affiliates	**3,421**	2,282	**32,274**
Equity in earnings of partnership	**5,232**	2,201	**49,358**
Provision for doubtful accounts	**—**	(273)	**—**
Reversal of allowance for doubtful accounts	**2,153**	—	**20,311**
Gain (loss) on sales or disposals of property and equipment—net (Note 6)	**2**	(426)	**19**
Gain on sales of marketable and investment securities—net (Note 3)	**418**	358	**3,943**
Valuation loss on marketable and investment securities (Note 3)	**(3)**	(355)	**(28)**
Loss on sales of investments in unconsolidated subsidiaries and affiliates	**—**	(17)	**—**
Loss on liquidation of subsidiaries and affiliates	**(2)**	—	**(19)**
Loss on impairment of long-lived assets (Notes 5 and 6)	**(6,647)**	(706)	**(62,708)**
Litigation settlement	**(131)**	(107)	**(1,236)**
Reversal of foreign currency translation adjustments	**4,383**	—	**41,349**
Other—net	**4,816**	(1,539)	**45,434**
Other income —net	**19,264**	6,793	**181,735**
INCOME BEFORE INCOME TAXES	**177,638**	162,185	**1,675,829**
INCOME TAXES (Note 14)**:**			
Current	**46,786**	44,596	**441,377**
Deferred	**4,300**	11,293	**40,566**
Total income taxes	**51,086**	55,889	**481,943**
NET INCOME	**126,552**	106,296	**1,193,886**
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**227**	(1,439)	**2,142**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 126,779**	¥ 104,857	**$ 1,196,028**
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 22)**:**			
Basic net income	**¥ 122.14**	¥ 101.01	**$ 1.152**
Cash dividends applicable to the year	**24.00**	20.00	**0.226**

Consolidated Statement of Comprehensive Income

KAJIMA Corporation and Consolidated Subsidiaries

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
NET INCOME	**¥ 126,552**	¥ 106,296	**$ 1,193,886**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):			
Unrealized gain (loss) on available-for-sale securities	**18,139**	(3,258)	**171,123**
Deferred gain on derivatives under hedge accounting	**132**	235	**1,246**
Revaluation surplus of land	**10**	(0)	**94**
Foreign currency translation adjustments	**(1,109)**	(8,909)	**(10,462)**
Defined retirement benefit plans (Note 12)	**(2)**	671	**(19)**
Share of other comprehensive (loss) income in unconsolidated subsidiaries and affiliates	**(2,666)**	368	**(25,151)**
Total other comprehensive income (loss)	**14,504**	(10,893)	**136,831**
COMPREHENSIVE INCOME	**¥ 141,056**	¥ 95,403	**$ 1,330,717**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	**¥ 141,422**	¥ 94,048	**$ 1,334,170**
Noncontrolling interests	**(366)**	1,355	**(3,453)**

Consolidated Statement of Changes in Equity

KAJIMA Corporation and Consolidated Subsidiaries

Years Ended March 31, 2018 and 2017

	Thousands	Millions of Yen					
						Accumulated Other Comprehensive Income	
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting
BALANCE, APRIL 1, 2016	1,038,251	¥ 81,447	¥ 45,304	¥ 231,499	¥ (6,307)	¥ 82,588	¥ (725)
Net income attributable to owners of the parent	—	—	—	104,857	—	—	—
Cash dividends paid:							
Final for prior year, ¥9.00 per share	—	—	—	(9,344)	—	—	—
Interim for current year, ¥7.00 per share	—	—	—	(7,266)	—	—	—
Reversal of revaluation surplus of land	—	—	—	88	—	—	—
Purchase of treasury stock	(274)	—	—	—	(199)	—	—
Net change in the year	—	—	—	—	—	(3,258)	316
BALANCE, MARCH 31, 2017	1,037,977	81,447	45,304	319,834	(6,506)	79,330	(409)
Net income attributable to owners of the parent	**—**	**—**	**—**	**126,779**	**—**	**—**	**—**
Cash dividends paid:							
Final for prior year, ¥13.00 per share	**—**	**—**	**—**	**(13,494)**	**—**	**—**	**—**
Interim for current year, ¥10.00 per share	**—**	**—**	**—**	**(10,379)**	**—**	**—**	**—**
Reversal of revaluation surplus of land	**—**	**—**	**—**	**1,455**	**—**	**—**	**—**
Purchase of treasury stock	**(60)**	**—**	**—**	**—**	**(61)**	**—**	**—**
Net change in the year	**—**	**—**	**—**	**—**	**—**	**18,139**	**186**
BALANCE, MARCH 31, 2018	**1,037,917**	**¥ 81,447**	**¥ 45,304**	**¥ 424,195**	**¥ (6,567)**	**¥ 97,469**	**¥ (223)**

	Millions of Yen					
		Accumulated Other Comprehensive Income				
	Revaluation Surplus of Land	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2016	¥ 20,197	¥ 19,486	¥ (2,194)	¥ 471,295	¥ 2,757	¥ 474,052
Net income attributable to owners of the parent	—	—	—	104,857	—	104,857
Cash dividends paid:			—			
Final for prior year, ¥9.00 per share	—	—	—	(9,344)	—	(9,344)
Interim for current year, ¥7.00 per share	—	—	—	(7,266)	—	(7,266)
Reversal of revaluation surplus of land	(88)	—	—	(0)	—	(0)
Purchase of treasury stock	—	—	—	(199)	—	(199)
Net change in the year	—	(8,534)	667	(10,809)	1,262	(9,547)
BALANCE, MARCH 31, 2017	20,109	10,952	(1,527)	548,534	4,019	552,553
Net income attributable to owners of the parent	**—**	**—**	**—**	**126,779**	**—**	**126,779**
Cash dividends paid:						
Final for prior year, ¥13.00 per share	**—**	**—**	**—**	**(13,494)**	**—**	**(13,494)**
Interim for current year, ¥10.00 per share	**—**	**—**	**—**	**(10,379)**	**—**	**(10,379)**
Reversal of revaluation surplus of land	**(1,446)**	**—**	**—**	**9**	**—**	**9**
Purchase of treasury stock	**—**	**—**	**—**	**(61)**	**—**	**(61)**
Net change in the year	**—**	**(3,727)**	**36**	**14,634**	**(245)**	**14,389**
BALANCE, MARCH 31, 2018	**¥ 18,663**	**¥ 7,225**	**¥ (1,491)**	**¥ 666,022**	**¥ 3,774**	**¥ 669,796**

Year Ended March 31, 2018

	Thousands of U.S. Dollars (Note 1)					
					Accumulated Other Comprehensive Income	
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting
BALANCE, MARCH 31, 2017	$ 768,368	$ 427,396	$ 3,017,302	$ (61,378)	$ 748,396	$ (3,858)
Net income attributable to owners of the parent	—	—	**1,196,028**	—	—	—
Cash dividends paid:						
Final for prior year, $0.123 per share	—	—	**(127,301)**	—	—	—
Interim for current year, $0.094 per share	—	—	**(97,915)**	—	—	—
Reversal of revaluation surplus of land	—	—	**13,726**	—	—	—
Purchase of treasury stock	—	—	—	**(575)**	—	—
Net change in the year	—	—	—	—	**171,123**	**1,754**
BALANCE, MARCH 31, 2018	**$ 768,368**	**$ 427,396**	**$ 4,001,840**	**$ (61,953)**	**$ 919,519**	**$ (2,104)**

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income					
	Revaluation Surplus of Land	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2017	$ 189,708	$ 103,321	$ (14,406)	$ 5,174,849	$ 37,915	$ 5,212,764
Net income attributable to owners of the parent	—	—	—	**1,196,028**	—	**1,196,028**
Cash dividends paid:						
Final for prior year, $0.123 per share	—	—	—	**(127,301)**	—	**(127,301)**
Interim for current year, $0.094 per share	—	—	—	**(97,915)**	—	**(97,915)**
Reversal of revaluation surplus of land	**(13,642)**	—	—	**84**	—	**84**
Purchase of treasury stock	—	—	—	**(575)**	—	**(575)**
Net change in the year	—	**(35,161)**	**340**	**138,056**	**(2,311)**	**135,745**
BALANCE, MARCH 31, 2018	**$ 176,066**	**$ 68,160**	**$ (14,066)**	**$ 6,283,226**	**$ 35,604**	**$ 6,318,830**

Consolidated Statement of Cash Flows

KAJIMA Corporation and Consolidated Subsidiaries

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 177,638**	¥ 162,185	**$ 1,675,829**
Adjustments for:			
Income taxes—paid	**(48,070)**	(44,995)	**(453,491)**
Depreciation and amortization	**19,380**	19,343	**182,830**
Provision for doubtful accounts	**(2,220)**	279	**(20,943)**
Foreign currency exchange (gain) loss	**(1,930)**	603	**(18,208)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(3,421)**	(2,282)	**(32,274)**
Reversal of foreign currency translation adjustments	**(4,383)**	—	**(41,349)**
Valuation loss on marketable and investment securities	**3**	355	**28**
(Gain) loss on sales or disposals of property and equipment—net	**(2)**	426	**(19)**
Gain on sales of marketable and investment securities—net	**(418)**	(358)	**(3,943)**
Loss on impairment of long-lived assets	**6,647**	706	**62,708**
Loss on sales of investments in unconsolidated subsidiaries and affiliates	**—**	17	**—**
Changes in operating assets and liabilities:			
Increase in receivables	**(13,955)**	(25,240)	**(131,651)**
Decrease (increase) in inventories	**18,780**	(12,172)	**177,170**
Increase in operational investments in securities	**(2,232)**	—	**(21,057)**
(Decrease) increase in payables	**(9,266)**	4,114	**(87,415)**
(Decrease) increase in advances received	**(25,208)**	54,247	**(237,811)**
Increase in accrued expenses	**3,984**	7,238	**37,585**
Increase in liability for retirement benefits	**1,297**	1,601	**12,236**
(Increase) decrease in other assets	**(11,334)**	45,667	**(106,924)**
Increase (decrease) in other liabilities	**14,092**	(26,720)	**132,943**
Other—net	**1,098**	2,533	**10,359**
Net cash provided by operating activities	**120,480**	187,547	**1,136,603**
INVESTING ACTIVITIES:			
Decrease in time deposits excluding cash equivalents—net	**1,635**	298	**15,425**
Payment for purchases of marketable and investment securities	**(394)**	(755)	**(3,717)**
Payment for investments in unconsolidated subsidiaries and affiliates	**(4,410)**	(841)	**(41,604)**
Proceeds from sales and redemption of marketable and investment securities	**1,323**	1,169	**12,481**
Proceeds from sales and redemption of investments in unconsolidated subsidiaries and affiliates	**3,847**	500	**36,292**
Payment for purchases of property and equipment	**(12,731)**	(25,031)	**(120,104)**
Proceeds from sales of property and equipment	**1,200**	505	**11,321**
Payment for purchase of intangible assets	**(2,081)**	(2,847)	**(19,632)**
Purchases of shares of subsidiaries resulting in change in scope of consolidation (Note 21)	**(158)**	—	**(1,491)**
Disbursements for loans	**(29,894)**	(8,193)	**(282,019)**
Proceeds from collection of loans	**7,036**	6,546	**66,377**
Other—net	**(12,728)**	(3,264)	**(120,074)**
Net cash used in investing activities	**(47,355)**	(31,913)	**(446,745)**
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings—net	**2,255**	(222)	**21,273**
Repayment of commercial paper—net	**(14,000)**	(5,000)	**(132,075)**
Proceeds from issuance of long-term debt	**20,840**	52,505	**196,604**
Repayment of long-term debt	**(46,878)**	(69,818)	**(442,246)**
Proceeds from issuance of bonds	**10,000**	20,000	**94,340**
Repayment of finance lease obligations	**(1,205)**	(1,255)	**(11,368)**
Cash dividends paid	**(23,873)**	(16,610)	**(225,216)**
Other—net	**(238)**	(178)	**(2,246)**
Net cash used in financing activities	**(53,099)**	(20,578)	**(500,934)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**1,850**	(2,578)	**17,453**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**21,876**	132,478	**206,377**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**367,473**	234,811	**3,466,727**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	**—**	184	**—**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 389,349**	¥ 367,473	**$ 3,673,104**

Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries

Year Ended March 31, 2018

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to $1, the approximate rate of exchange at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2018, include the accounts of the Company and its 128 (102 in 2017) significant subsidiaries.

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

Another 35 (38 in 2017) subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 71 (60 in 2017) affiliates were accounted for using the equity method.

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

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

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

As of March 31, 2018, the Company had 2 special purpose entities (2 in 2017) which were established and are being operated for the purpose of liquidation of real estate, and as such are not consolidated in accordance with Japanese GAAP. The total assets and liabilities of such special purpose entities were ¥43,091 million ($406,519 thousand) and ¥43,082 million ($406,434 thousand), respectively, as of March 31, 2018, and ¥42,240 million and ¥42,232 million, respectively, as of March 31, 2017. The Company recognized lease payments of ¥3,321 million ($31,330 thousand) and ¥3,389 million based on lease agreements of real estate for the years ended March 31, 2018 and 2017, respectively. The investment in anonymous associations was ¥5,737 million ($54,123 thousand) and ¥5,505 million as of March 31, 2018 and 2017, respectively, and its related distributed profit was ¥1,512 million ($14,264 thousand) and ¥1,704 million for the years ended March 31, 2018 and 2017, respectively.

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

(1) Breakdown as of March 31, 2018

1) Number of consolidated subsidiaries	:	128 Taiko Trading Co., Ltd., Kajima Road Co., Ltd., Kajima Leasing Corporation, Chemical Grouting Co., Ltd., Kajima Tatemono Sogo Kanri Co., Ltd., Kajima U.S.A. Inc. (KUSA) and its 28 subsidiaries, Kajima Overseas Asia Pte. Ltd. (KOA) and its 36 subsidiaries, Kajima Europe Ltd. (KE) and its 21 subsidiaries, Kajima Europe B.V. and its 1 subsidiary, Kajima Australia Pty. Ltd. (KA) and its 25 subsidiaries, Chung-Lu Construction Co., Ltd., and 6 subsidiaries of the Company
2) Number of unconsolidated subsidiaries accounted for using the equity method	:	35 ARTES Corporation, Japan Sea Works Co., Ltd. and 33 other companies
3) Number of affiliates accounted for using the equity method	:	71 Katabami Kogyo Co., Ltd. and 70 other companies

(2) Changes for the year ended March 31, 2018

1) Newly consolidated companies	:	3 subsidiaries of KUSA, 11 subsidiaries of KOA and 16 subsidiaries of KA due to new establishment and acquisition
2) Companies excluded from consolidation	:	2 subsidiaries of KOA, 1 subsidiary of KE and Kajima Europe U.K. Holding Ltd. due to liquidation

3) Companies newly accounted for using the equity method : 3 subsidiaries and 12 affiliates due to new establishment, acquisition and applying the influence concept
4) Companies excluded from the equity method : 6 subsidiaries and 1 affiliate due to liquidation

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

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

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

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

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

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

As a result, gross profit for the years ended March 31, 2018 and 2017, decreased by ¥648 million ($6,113 thousand) and ¥1,653 million, respectively.

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

g. Capitalization of Interest — Interest costs incurred for real estate development projects conducted by certain overseas subsidiaries have been capitalized as part of the development costs of such projects. Interest expenses capitalized were ¥108 million ($1,019 thousand) and ¥181 million for the years ended March 31, 2018 and 2017, respectively.

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

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

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

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

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

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

Accumulated depreciation totaled ¥322,376 million ($3,041,283 thousand) and ¥311,854 million as of March 31, 2018 and 2017, respectively.

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

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

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

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

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

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

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

The revenues posted by way of the percentage-of-completion method for the years ended March 31, 2018 and 2017, were ¥1,508,312 million ($14,229,358 thousand) and ¥1,456,273 million, respectively.

The Companies provided for foreseeable losses on a contract backlog which was recorded in other current liabilities. The accrual for foreseeable losses on the contract backlog was ¥14,768 million ($139,321 thousand) and ¥13,787 million as of March 31, 2018 and 2017, respectively.

o. Costs of Research and Development and Debenture Issuance — All research and development costs and debenture issuance costs are charged to income as incurred. Costs of research and development for the years ended March 31, 2018 and 2017, totaled ¥10,322 million ($97,377 thousand) and ¥8,222 million, respectively.

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

All other leases are accounted for as operating leases.

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

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

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

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

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

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

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

Derivative financial instruments are classified and accounted for as follows:

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

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

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

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

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

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

Diluted net income per share is not disclosed because the Companies did not have dilutive shares for the years ended March 31, 2018 and 2017.

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

w. New Accounting Pronouncements

(1) Partial Amendments to Accounting Standard for Tax Effect Accounting

On February 16, 2018, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," and revised ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets." The new standard requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under previous accounting standard. In addition, the revised guidance confirms recoverability of deferred tax assets of the entity classified as Category 1. The new accounting standard and the revised guidance are effective for annual periods beginning on or after April 1, 2018.

The Companies expect to apply the accounting standard and guidance for annual periods beginning on April 1, 2018, and are in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

(2) Accounting Standard for Revenue Recognition

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

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

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

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

Marketable securities, operational investments in securities and investments in securities as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Current:			
Equity securities	**¥ 100**	¥ —	**$ 944**
Government and corporate bonds	**88**	113	**830**
Preferred equity investment	**10,156**	10,156	**95,811**
Other	**2,232**	—	**21,057**
Total	**¥ 12,576**	¥ 10,269	**$ 118,642**
Non-Current:			
Equity securities	**¥ 246,423**	¥ 221,547	**$ 2,324,745**
Government and corporate bonds	**1,213**	1,189	**11,443**
Other	**7,512**	7,258	**70,869**
Total	**¥ 255,148**	¥ 229,994	**$ 2,407,057**

The costs and aggregate fair values related to the category of the securities classified as available-for-sale as of March 31, 2018 and 2017, were as follows:

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

As of March 31, 2017	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	¥ 101,746	¥ 116,158	¥ (2,779)	¥ 215,125
Government and corporate bonds	1,273	32	(3)	1,302
Other	1,390	368	(5)	1,753
Total	¥ 104,409	¥ 116,558	¥ (2,787)	¥ 218,180

As of March 31, 2018	Thousands of U.S. Dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	**$ 949,830**	**$ 1,334,472**	**$ (19,632)**	**$ 2,264,670**
Government and corporate bonds	**12,075**	**226**	**(28)**	**12,273**
Other	**13,010**	**3,783**	**(47)**	**16,746**
Total	**$ 974,915**	**$ 1,338,481**	**$ (19,707)**	**$ 2,293,689**

The above figures include marketable equity securities temporarily lent to financial institutions based on securities lending agreements in the amount of ¥311 million ($2,934 thousand) and ¥387 million as of March 31, 2018 and 2017, respectively.

The information for available-for-sale securities which were sold during the years ended March 31, 2018 and 2017, was as follows:

Year Ended March 31, 2018	Millions of Yen		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**¥ 1,187**	**¥ 424**	**¥ (6)**
Government and corporate bonds	**3**	**0**	**—**
Other	**27**	**0**	**(0)**
Total	**¥ 1,217**	**¥ 424**	**¥ (6)**

Year Ended March 31, 2017	Millions of Yen		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	¥ 694	¥ 391	¥ (35)
Government and corporate bonds	130	2	—
Total	¥ 824	¥ 393	¥ (35)

Year Ended March 31, 2018	Thousands of U.S. Dollars		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**$ 11,198**	**$ 4,000**	**$ (57)**
Government and corporate bonds	**28**	**0**	**—**
Other	**255**	**0**	**(0)**
Total	**$ 11,481**	**$ 4,000**	**$ (57)**

The impairment losses on available-for-sale securities were ¥3 million ($28 thousand) and ¥355 million for the years ended March 31, 2018 and 2017, respectively.

4. REVALUATION OF LAND

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

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

5. LONG-LIVED ASSETS

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

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

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

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

As a result, the Company and domestic consolidated subsidiaries recognized impairment losses of ¥6,647 million ($62,708 thousand), which consisted of asset held for rent of ¥1,955 million ($18,444 thousand) and idle properties of ¥4,692 million ($44,264 thousand) for the year ended March 31, 2018.

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

For the year ended March 31, 2017, the Company and a domestic consolidated subsidiary recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of assets
Assets held for rent	Land, Buildings and structures	Nagano Prefecture	1
Idle properties	Land, Buildings and structures	Kanagawa Prefecture and others	7

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

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

As a result, the Company and a domestic consolidated subsidiary recognized impairment losses of ¥706 million, which consisted of asset held for rent of ¥348 million and idle properties of ¥358 million for the year ended March 31, 2017.

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

6. INVESTMENT PROPERTY

The Companies own certain rental properties such as office buildings and commercial facilities in Tokyo, other areas in Japan and overseas (Indonesia, United Kingdom and others). The net of rental income and operating expenses for those rental properties was ¥9,805 million ($92,500 thousand), gain on sales or disposals of property and equipment—net was ¥21 million ($198 thousand) and loss on impairment of long-lived assets was ¥6,647 million ($62,708 thousand) for the year ended March 31, 2018. The net of rental income and operating expenses for those rental properties was ¥9,451 million, loss on sales or disposals of property and equipment—net was ¥46 million and loss on impairment of long-lived assets was ¥706 million for the year ended March 31, 2017.

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

Millions of Yen

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

Millions of Yen

Carrying amount			Fair value
As of April 1, 2016	Increase/Decrease	As of March 31, 2017	As of March 31, 2017
¥ 164,865	¥ (1,803)	¥ 163,062	¥ 313,817

Thousands of U.S. Dollars

Carrying amount			Fair value
As of April 1, 2017	**Increase/Decrease**	**As of March 31, 2018**	**As of March 31, 2018**
$ 1,538,321	**$ (57,217)**	**$ 1,481,104**	**$ 3,038,708**

Notes:
(1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation, if any.
(2) Fair value of properties as of March 31, 2018 and 2017, was measured as follows:
1) Fair value of domestic properties is principally measured by the Companies in accordance with its Real Estate Appraisal Standard, including adjustments using indexes.
2) Fair value of overseas properties is principally measured by third-party appraisal reports.

7. LONG-TERM LOANS RECEIVABLE

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

8. PLEDGED ASSETS

As of March 31, 2018, the following assets of the Companies were pledged to secure the repayment of current portion of long-term debt of ¥2,318 million ($21,868 thousand), other current liabilities of ¥42 million ($396 thousand), long-term debt of ¥17,406 million ($164,208 thousand) and other long-term liabilities of ¥373 million ($3,519thousand) and to assure the performance by the Companies under certain agreements.

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable—trade	**¥ 832**	**$ 7,849**
Inventories:		
Development projects in progress, real estate for sale and other	**22,639**	**213,576**
Other current assets	**85**	**802**
Land	**26**	**245**
Buildings and structures	**9,351**	**88,217**
Investments in securities and Investments in unconsolidated subsidiaries and affiliates	**953**	**8,991**
Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates	**1,093**	**10,311**
Total	**¥ 34,979**	**$ 329,991**

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2018 and 2017, mainly consisted of bank overdrafts. The weighted-average interest rates of short-term borrowings as of March 31, 2018 and 2017, were 0.92% and 0.74%, respectively.

Long-term debt as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Long-term loans, due 2018 – 2077	¥ 146,021	¥ 152,768	$ 1,377,557
Corporate bonds, due 2018 – 2026	70,000	80,000	660,377
Lease obligations	2,742	3,168	25,868
Total	218,763	235,936	2,063,802
Current portion included in current liabilities	(52,642)	(45,305)	(496,623)
Total	¥ 166,121	¥ 190,631	$ 1,567,179

Long-term loans as of March 31, 2018 and 2017, were primarily from banks and insurance companies. The weighted-average interest rates of long-term loans as of March 31, 2018 and 2017, were 1.40% and 1.27%, respectively. The Company issues corporate bonds to meet its financial needs and the weighted-average interest rates for the outstanding balances of such corporate bonds as of March 31, 2018 and 2017, were 0.49% and 0.62%, respectively. Certain short-term and long-term bank loans of the Company and its domestic consolidated subsidiaries are made under agreements which, as is customary in Japan, provide that the bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the loans, and that the bank may treat any collateral, whether furnished as security for short-term or long-term loans or otherwise, as collateral for all indebtedness to such bank. However, the Company and its domestic consolidated subsidiaries have never received such a request.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2018, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 52,642	$ 496,623
2020	19,641	185,292
2021	52,981	499,821
2022	11,044	104,189
2023	4,031	38,028
2024 and thereafter	78,424	739,849
Total	¥ 218,763	$ 2,063,802

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

The outstanding balances of such loans as of March 31, 2018 and 2017, were included in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Current portion of long-term debt	¥ 2,000	¥ –	$ 18,868
Long-term debt	15,000	17,000	141,509
Total	¥ 17,000	¥ 17,000	$ 160,377

In addition, the Company entered into committed loan facility agreements aggregating ¥150,000 million ($1,415,094 thousand) with several Japanese banks. There were no outstanding balances under the committed loan facility agreements as of March 31, 2018.

10. COMMERCIAL PAPER

Commercial paper was represented by 7- to 203- day paper issued by the Company with the weighted-average interest rate of (0.01) % and 13- to 94- day paper with the weighted-average interest rate of (0.01)% as of March 31, 2018 and 2017, respectively.

11. ADVANCES RECEIVED ON CONSTRUCTION PROJECTS IN PROGRESS

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

12. RETIREMENT BENEFITS

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

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

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

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

a. Changes in defined benefit obligation

The changes in defined benefit obligation for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥ 62,998**	¥ 62,009	**$ 594,321**
Current service cost	**4,458**	4,456	**42,057**
Interest cost	**357**	301	**3,368**
Actuarial losses	**731**	287	**6,896**
Benefits paid	**(3,415)**	(4,045)	**(32,217)**
Other	**32**	(10)	**302**
Balance at end of year	**¥ 65,161**	¥ 62,998	**$ 614,727**

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

b. Changes in plan assets

The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥ 9,085**	¥ 8,448	**$ 85,708**
Expected return on plan assets	**66**	71	**623**
Actuarial gains	**503**	876	**4,745**
Contributions from the employer	**157**	162	**1,481**
Gain on contribution of securities to retirement benefit trust	**726**	—	**6,849**
Benefits paid	**(441)**	(472)	**(4,161)**
Balance at end of year	**¥ 10,096**	¥ 9,085	**$ 95,245**

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

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

The changes in net defined benefit liability accounted for using the simplified method for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 1,567	¥ 1,416	$ 14,783
Benefit cost	318	277	3,000
Benefits paid	(151)	(77)	(1,425)
Contributions from the funds	(52)	(46)	(491)
Other	8	(3)	76
Balance at end of year	¥ 1,690	¥ 1,567	$ 15,943

d. Reconciliation with the consolidated balance sheet

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded defined benefit obligation	¥ 9,515	¥ 9,562	$ 89,764
Plan assets	(10,460)	(9,408)	(98,679)
Total	(945)	154	(8,915)
Unfunded defined benefit obligation	57,700	55,326	544,340
Net liability for defined benefit obligation	¥ 56,755	¥ 55,480	$ 535,425

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits	¥ 57,705	¥ 56,065	$ 544,387
Asset for retirement benefits	(950)	(585)	(8,962)
Net liability for defined benefit obligation	¥ 56,755	¥ 55,480	$ 535,425

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

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

e. Periodic benefit costs

The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost	¥ 4,458	¥ 4,456	$ 42,057
Interest cost	357	301	3,368
Expected return on plan assets	(66)	(71)	(623)
Recognized actuarial losses	291	444	2,745
Amortization of past service cost	(37)	(37)	(349)
Benefit cost in simplified method	318	277	3,000
Other	2	9	19
Net periodic benefit costs	¥ 5,323	¥ 5,379	$ 50,217

f. Other comprehensive income

Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Past service cost	**¥ (37)**	¥ (37)	**$ (349)**
Actuarial gains	**70**	1,041	**660**
Total	**¥ 33**	¥ 1,004	**$ 311**

g. Accumulated other comprehensive income

Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unrecognized past service cost	**¥ —**	¥ 37	**$ —**
Unrecognized actuarial losses	**(2,012)**	(2,082)	**(18,981)**
Total	**¥ (2,012)**	¥ (2,045)	**$ (18,981)**

h. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2018 and 2017, consisted of the following:

	2018	2017
Equity investments	**58 %**	54 %
Debt investmensts	**20**	23
Cash and cash equivalents	**9**	9
General accounts with life insurance companies	**7**	7
Other	**6**	7
Total	**100 %**	100 %

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

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

i. Assumptions

Assumptions used for the years ended March 31, 2018 and 2017, were set forth as follows:

	2018	2017
Discount rate	**0.1% to 0.7%**	0.1% to 0.6%
Expected rate of return on plan assets	**1.0% to 2.5%**	1.0% to 2.5%

j. Defined contribution pension plans

The costs of defined contribution plans were ¥2,671 million ($25,189 thousand) and ¥2,630 million for the years ended March 31, 2018 and 2017, respectively.

13. EQUITY

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

a. Dividends

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

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

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

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

c. Treasury stock and treasury stock acquisition rights

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

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

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.8% for the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Deferred tax assets:			
Liability for retirement benefits	**¥ 18,105**	¥ 17,543	**$ 170,802**
Valuation loss on property and equipment	**16,522**	15,323	**155,868**
Other	**55,405**	62,333	**522,688**
Subtotal	**90,032**	95,199	**849,358**
Valuation allowance	**(26,256)**	(25,848)	**(247,698)**
Total	**63,776**	69,351	**601,660**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(43,414)**	(35,749)	**(409,566)**
Other	**(6,195)**	(6,361)	**(58,443)**
Total	**(49,609)**	(42,110)	**(468,009)**
Net deferred tax assets	**¥ 14,167**	¥ 27,241	**$ 133,651**

As of March 31, 2018, certain consolidated subsidiaries of the Company have tax loss carryforwards available to offset future taxable income, which will start expiring in 2019. As for the domestic consolidated subsidiaries, their tax loss carryforwards will gradually expire by 2027. Due to the uncertainty in the realization of such tax loss carryforwards, the Companies have established a valuation allowance to offset part of the related deferred tax assets in the amount of ¥1,576 million ($14,868 thousand) and ¥1,326 million as of March 31, 2018 and 2017 respectively.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2018, with the corresponding figures for 2017, was as follows:

	2018	2017
Normal effective statutory tax rate	**30.8 %**	30.8 %
Expenses not deductible for income tax purposes	**0.8**	1.0
Valuation allowance	**(0.7)**	3.2
Tax credit for income growth	**(1.4)**	(0.6)
Other—net	**(0.7)**	0.1
Actual effective tax rate	**28.8 %**	34.5 %

15. BUSINESS COMBINATIONS

Year Ended March 31, 2018

Business Combination by Acquisition

a. Outline of the business combination

(1) Name of acquired company and its business outline

Name of the acquired company: Cockram Holdings Pty Ltd

Business outline: Construction business in Australia and other countries

(2) Major reason for the business combination

The acquired company, operating in major cities in Australia and other countries including China, USA and New Zealand, is a multidisciplinary construction company which, especially in Australia, has extensive expertise in non-residential construction fields such as medical welfare, education, research, cultural and industrial facilities.

The Company implements to create broad spectrum in business fundamentals which enables to cope with changes in the market environment through this acquisition as strengthening competitive edges in non-residential construction fields was accomplished.

(3) Date of business combination

May 2, 2017

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of the company after the combination

Cockram Holdings Pty Ltd

(6) Ratio of voting rights acquired

70%

(7) Basis for determining the acquirer

It is based on the fact that a consolidated subsidiary of Kajima Australia Pty Ltd, a consolidated subsidiary of the Company, acquired 70% of voting rights by means of share acquisition in consideration for cash.

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

The operations of the acquired company for the eight months from May 2, 2017 to December 31, 2017, were included in the consolidated statement of income for the year ended March 31, 2018, because the financial year end of the acquired company is December 31 which differs by three months from that of the Company.

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

	Millions of Yen		Thousands of U.S. Dollars	
Consideration for acquisition—Cash	¥	2,535	$	23,915
Acquisition cost	¥	2,535	$	23,915

d. Major acquisition-related costs

Advisory fees to the lawyers and others: ¥112 million ($1,057 thousand)

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

(1) Amount of goodwill incurred

¥1,971 million ($18,594 thousand)

(2) Reasons for the goodwill incurred

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

(3) Method and period of amortization

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

f. The assets acquired and the liabilities assumed

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

	Millions of Yen		Thousands of U.S. Dollars	
Current assets	¥	7,249	$	68,387
Non-current assets		815		7,689
Total assets		8,064		76,076
Current liabilities		7,258		68,472
Total liabilities	¥	7,258	$	68,472

g. Pro forma information

Pro forma information, assuming that the business combination had been completed on the beginning of the financial year, was omitted since the effects were immaterial.

16. LEASES

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

a. Operating leases as a lessee

The minimum rental commitments under noncancelable operating leases as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Due within one year	**¥ 7,036**	¥ 6,798	**$ 66,377**
Due after one year	**46,050**	49,003	**434,434**
Total	**¥ 53,086**	¥ 55,801	**$ 500,811**

b. Operating leases as a lessor

The minimum rental receivables under noncancelable operating leases as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Due within one year	**¥ 7,883**	¥ 9,235	**$ 74,368**
Due after one year	**45,535**	50,757	**429,575**
Total	**¥ 53,418**	¥ 59,992	**$ 503,943**

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Policy for financial instruments

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

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

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

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

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

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

Derivatives mainly include foreign exchange forward contracts, currency swaps and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of future demand and collection of foreign-currency-denominated funds, and from changes in interest rates of loans from banks and bonds. Please see Note 18 for more details regarding derivatives.

In addition, the Company entered into committed loan facility agreements aggregating ¥150,000 million ($1,415,094 thousand) with several Japanese banks to manage exposure to liquidity risks on raising funds.

c. Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 18 for the details of the fair values of derivatives.

(1) Fair value of financial instruments

The carrying amount, fair value and unrealized gain (loss) of financial instruments as of March 31, 2018 and 2017, were as follows. However, financial instruments whose fair value cannot be reliably determined are not included.

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

As of March 31, 2017	Carrying Amount (Millions of Yen)	Fair Value (Millions of Yen)	Unrealized Gain (Loss) (Millions of Yen)
ASSETS			
Cash and cash equivalents	¥ 367,473	¥ 367,473	¥ —
Marketable securities and investments in securities			
Available-for-sale securities	218,180	218,180	—
Notes and accounts receivable—trade	609,701		
Allowance for doubtful accounts	(546)		
	609,155	609,345	190
Other current assets			
Time deposits due after three months of the date of acquisition	6,620	6,620	—
Long-term loans receivable	18,233		
Long-term loans to unconsolidated subsidiaries and affiliates	12,183		
Allowance for doubtful accounts	(6,833)		
	23,583	23,802	219
Total	¥ 1,225,011	¥ 1,225,420	¥ 409
LIABILITIES			
Short-term borrowings	¥ 65,160	¥ 65,160	¥ —
Commercial paper	75,000	75,000	—
Current portion of long-term debt	45,305	45,383	78
Notes and accounts payable—trade	517,835	517,835	—
Income taxes payable	30,021	30,021	—
Long-term debt	190,631	190,512	(119)
Total	¥ 923,952	¥ 923,911	¥ (41)

As of March 31, 2018	Carrying Amount (Thousands of U.S. Dollars)	Fair Value (Thousands of U.S. Dollars)	Unrealized Gain (Loss) (Thousands of U.S. Dollars)
ASSETS			
Cash and cash equivalents	**$ 3,673,104**	**$ 3,673,104**	**$ —**
Marketable securities and investments in securities			
Available-for-sale securities	**2,293,689**	**2,293,689**	**—**
Notes and accounts receivable—trade	**5,912,406**		
Allowance for doubtful accounts	**(5,925)**		
	5,906,481	**5,907,160**	**679**
Other current assets			
Time deposits due after three months of the date of acquisition	**49,075**	**49,075**	**—**
Long-term loans receivable	**141,849**		
Long-term loans to unconsolidated subsidiaries and affiliates	**370,575**		
Allowance for doubtful accounts	**(55,349)**		
	457,075	**458,887**	**1,812**
Total	**$ 12,379,424**	**$ 12,381,915**	**$ 2,491**
LIABILITIES			
Short-term borrowings	**$ 639,726**	**$ 639,726**	**$ —**
Commercial paper	**575,472**	**575,472**	**—**
Current portion of long-term debt	**496,623**	**497,538**	**915**
Notes and accounts payable—trade	**4,802,142**	**4,802,142**	**—**
Income taxes payable	**271,575**	**271,575**	**—**
Long-term debt	**1,567,179**	**1,564,858**	**(2,321)**
Total	**$ 8,352,717**	**$ 8,351,311**	**$ (1,406)**

ASSETS

Cash and cash equivalents and Other current assets (Time deposits due after three months of the date of acquisition)

The carrying amounts of cash and cash equivalents and other current assets (time deposits due after three months of the date of acquisition) approximate fair value because of their short maturities.

Marketable securities and Investments in securities

The fair values of marketable securities and investments in securities, consisting of available-for-sale securities whose fair value can be reliably determined, are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair values of marketable securities and investments in securities by classification is included in Note 3.

Notes and accounts receivable—trade

The carrying amounts of notes and accounts receivable—trade with short maturities approximate fair value.
The fair values of notes and accounts receivable—trade with maturities of over one year are measured at the amount to be received at maturity discounted at the Companies' assumed corporate discount rate with consideration for the remaining terms and credit risks.

Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates

The fair values of long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates are principally measured by discounting the cash flows at the Companies' assumed corporate discount rate by adding the credit spread to the appropriate indexes such as the yield of government bonds. In addition, the fair values of certain doubtful long-term loans receivable are equivalent to the carrying amount after deduction of allowance for doubtful accounts quoted by the estimated amount to be received subject to collateral and guarantee.

LIABILITIES

Short-term borrowings, Commercial paper, Notes and accounts payable—trade and Income taxes payable

The carrying amounts of short-term borrowings, commercial paper, notes and accounts payable—trade and income taxes payable approximate fair value because of their short maturities.

Current portion of long-term debt

The carrying amounts of the current portion of long-term loans approximate fair value because of their short maturities. The fair values of the current portion of long-term bonds are principally measured at market price.

Long-term debt

The carrying amounts of long-term loans with fluctuating interest rates approximate fair value because the variable interest rates reflect market rates in a short period of time and the credit standing of the Company is not substantially changed. The fair values of long-term loans with fixed interest rates are measured by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate. In addition, the fair values of long-term bonds are principally measured at market price.

DERIVATIVES

The information on the fair values of derivatives is included in Note 18.

(2) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Investments in securities			
Available-for-sale:			
Equity securities	**¥ 6,468**	¥ 6,422	**$ 61,019**
Preferred equity investment	**10,156**	10,156	**95,811**
Other	**7,969**	5,505	**75,180**
Investments in unconsolidated subsidiaries and affiliates	**40,149**	35,439	**378,764**
Total	**¥ 64,742**	¥ 57,522	**$ 610,774**

The carrying amounts mentioned above include the carrying amounts of operational investments in securities, whose fair value cannot be reliably determined, because there are no quoted prices in active markets.

d. Maturity analysis for financial assets and securities with contractual maturities

As of March 31, 2018	Millions of Yen Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 389,349	¥ —	¥ —	¥ —
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Equity securities	100	—	—	—
Government and corporate bonds	88	870	322	—
Notes and accounts receivable—trade	604,999	20,835	114	767
Other current assets				
Time deposits due after three months of the date of acquisition	5,202	—	—	—
Long-term loans receivable	67	9,903	18	5,115
Long-term loans to unconsolidated subsidiaries and affiliates	134	30,794	375	8,112
Total	¥ 999,939	¥ 62,402	¥ 829	¥ 13,994

As of March 31, 2018	Thousands of U.S. Dollars Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 3,673,104	$ —	$ —	$ —
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Equity securities	943	—	—	—
Government and corporate bonds	830	8,208	3,038	—
Notes and accounts receivable—trade	5,707,538	196,557	1,075	7,236
Other current assets				
Time deposits due after three months of the date of acquisition	49,075	—	—	—
Long-term loans receivable	632	93,424	170	48,255
Long-term loans to unconsolidated subsidiaries and affiliates	1,264	290,509	3,538	76,528
Total	$ 9,433,386	$ 588,698	$ 7,821	$ 132,019

Please see Note 9 for annual maturities of long-term debt.

18. DERIVATIVES

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

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

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Companies' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major domestic or overseas financial institutions, the Companies do not anticipate any losses arising from credit risk.

a. Derivative transactions to which hedge accounting is not applied

As of March 31, 2018	Millions of Yen Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Buying:				
Polish Zloty forward	**¥ 3,203**	**¥ —**	**¥ 33**	**¥ 33**
Selling:				
Euro forward	**2,807**	**422**	**57**	**57**
Total	**¥ 6,010**	**¥ 422**	**¥ 90**	**¥ 90**

As of March 31, 2017	Millions of Yen Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Buying:				
Polish Zloty forward	¥ 1,282	¥ —	¥ 17	¥ 17
Selling:				
Euro forward	374	—	0	0
Total	¥ 1,656	¥ —	¥ 17	¥ 17
Interest rate swaps				
Pay—fix / Receive—float	¥ 30,000	¥ —	¥ (133)	¥ (133)
Total	¥ 30,000	¥ —	¥ (133)	¥ (133)

As of March 31, 2018	Thousands of U.S. Dollars Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Buying:				
Polish Zloty forward	**$ 30,218**	**$ —**	**$ 311**	**$ 311**
Selling:				
Euro forward	**26,481**	**3,981**	**538**	**538**
Total	**$ 56,699**	**$ 3,981**	**$ 849**	**$ 849**

b. Derivative transactions to which hedge accounting is applied

As of March 31, 2018	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
	Millions of Yen			
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	¥ 54	¥ —	¥ (3)
Norwegian Krone forward	Accounts payable—trade	76	—	0
Euro forward	Accounts payable—trade	20	—	(0)
Selling:				
Euro forward	Accounts receivable—trade	3,892	—	83
Total		¥ 4,042	¥ —	¥ 80
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	¥ 32,994	¥ 31,833	¥ (465)
Total		¥ 32,994	¥ 31,833	¥ (465)

As of March 31, 2017	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
	Millions of Yen			
Foreign exchange forward contracts				
Selling:				
Euro forward	Accounts receivable—trade	¥ 4,386	¥ —	¥ (32)
Total		¥ 4,386	¥ —	¥ (32)
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	¥ 36,031	¥ 33,031	¥ (670)
Total		¥ 36,031	¥ 33,031	¥ (670)

As of March 31, 2018	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
	Thousands of U.S. Dollars			
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	$ 509	$ —	$ (28)
Norwegian Krone forward	Accounts payable—trade	717	—	0
Euro forward	Accounts payable—trade	189	—	(0)
Selling:				
Euro forward	Accounts receivable—trade	36,717	—	783
Total		$ 38,132	$ —	$ 755
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	$ 311,264	$ 300,311	$ (4,387)
Total		$ 311,264	$ 300,311	$ (4,387)

The fair value of derivative transactions is mainly measured at the quoted price obtained from the financial institution.

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

19. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2018, contingent liabilities for loans guaranteed, including related items of a similar nature, amounted to ¥13,090 million ($123,491 thousand). In addition, there is a contingent liability for collection of receivables for the Dubai Metro Project from the Roads & Transport Authority of Dubai, the United Arab Emirates, amounting to ¥3,061 million ($28,877 thousand), which would be realized only upon the default of Dubai, the United Arab Emirates, due to its financial or national collapse.

20. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥ 26,644**	¥ (4,496)	**$ 251,359**
Reclassification adjustments to profit or loss	**(631)**	(139)	**(5,953)**
Amount before income tax effect	**26,013**	(4,635)	**245,406**
Income tax effect	**(7,874)**	1,377	**(74,283)**
Total	**¥ 18,139**	¥ (3,258)	**$ 171,123**
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	**¥ 304**	¥ 94	**$ 2,868**
Reclassification adjustments to profit or loss	**(146)**	268	**(1,377)**
Amount before income tax effect	**158**	362	**1,491**
Income tax effect	**(26)**	(127)	**(245)**
Total	**¥ 132**	¥ 235	**$ 1,246**
Revaluation surplus of land:			
Adjustments arising during the year	**¥ —**	¥ —	**$ —**
Reclassification adjustments to profit or loss	**—**	—	**—**
Amount before income tax effect	**—**	—	**—**
Income tax effect	**10**	(0)	**94**
Total	**¥ 10**	¥ (0)	**$ 94**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 3,274**	¥ (8,909)	**$ 30,887**
Reclassification adjustments to profit or loss	**(4,383)**	—	**(41,349)**
Amount before income tax effect	**(1,109)**	(8,909)	**(10,462)**
Income tax effect	**—**	—	**—**
Total	**¥ (1,109)**	¥ (8,909)	**$ (10,462)**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥ (221)**	¥ 597	**$ (2,085)**
Reclassification adjustments to profit or loss	**254**	407	**2,396**
Amount before income tax effect	**33**	1,004	**311**
Income tax effect	**(35)**	(333)	**(330)**
Total	**¥ (2)**	¥ 671	**$ (19)**
Share of other comprehensive (loss) income in unconsolidated subsidiaries and affiliates:			
(Losses) gains arising during the year	**¥ (1,416)**	¥ 297	**$ (13,359)**
Reclassification adjustments to profit or loss	**(1,250)**	71	**(11,792)**
Total	**¥ (2,666)**	¥ 368	**$ (25,151)**
Total other comprehensive income (loss)	**¥ 14,504**	¥ (10,893)	**$ 136,831**

21. SUPPLEMENTAL CASH FLOW INFORMATION

The components of assets acquired and liabilities assumed of consolidated subsidiaries which were acquired through a share acquisition during the year ended March 31, 2018, as well as a reconciliation between the acquisition cost and the payment for the acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 7,249	$ 68,387
Non-current assets	815	7,689
Goodwill	1,971	18,594
Current liabilities	(7,258)	(68,472)
Noncontrolling interests	(242)	(2,283)
Acquisition cost	2,535	23,915
Accounts payable	(552)	(5,207)
Cash and cash equivalents of subsidiaries	(1,825)	(17,217)
Net payment for acquisition	**¥ 158**	**$ 1,491**

22. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2018 and 2017, was as follows:

	Millions of Yen	Thousand of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted—Average Shares	EPS	
For the year ended March 31, 2018:				
Basic EPS				
Net income attributable to common stockholders	**¥ 126,779**	**1,037,948**	**¥ 122.14**	**$ 1.152**
For the year ended March 31, 2017:				
Basic EPS				
Net income attributable to common stockholders	¥ 104,857	1,038,089	¥ 101.01	

Regarding calculation basis for the number of shares, the consolidation of shares whose effective date will be on October 1, 2018 has not been reflected. Please see Note 23 for more details.

23. ADDITIONAL INFORMATION

Change in the number of shares constituting one unit and consolidation of shares

The Company, at the Board of Directors' Meeting held on March 13, 2018, resolved partial amendments to its Articles of Incorporation concerning a change in the number of shares constituting one unit and the submission of a proposal for a share consolidation to the 121st Ordinary Stockholders' Meeting of the Company, held on June 26, 2018. This proposal was approved and resolved as originally proposed at the 121st Ordinary Stockholders' Meeting of the Company.

(1) Change in the Number of Shares Constituting One Unit

1) Reason for change

Stock exchanges nationwide have announced the Action Plan for Consolidating Trading Units, which aims to unify the trading unit of common stock of listed domestic companies into 100 shares by October 1, 2018.

As being listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange, the Company shall respect this intention, and change the number of its shares constituting one unit from 1,000 shares to 100 shares.

2) Content of change

The Company will change the number of shares constituting one unit from 1,000 shares to 100 shares.

3) Effective date of change

October 1, 2018

(2) Consolidation of Shares

1) Objective of consolidation of shares

In connection with the change in the number of shares constituting one unit for the stock of the Company as stated in "(1)

Change in the Number of Shares Constituting One Unit" above, the Company will conduct a consolidation of shares in order to meet the requisite level of investment unit price, considering potential stock price movements in the future.

2) Contents of consolidation

i) Type of shares to be consolidated

Common shares

ii) Method and ratio of consolidation

On October 1, 2018, the Company will consolidate its shares held by shareholders who are recorded in the final shareholder register as of September 30, 2018, at a ratio of one share for every two shares.

iii) Number of shares to be reduced by consolidation

Total number of shares issued before the consolidation (as of March 31, 2018)	1,057,312,022 shares
Number of shares to be reduced by the consolidation	528,656,011 shares
Total number of shares issued after the consolidation	528,656,011 shares

Note: The "number of shares to be reduced by the consolidation" and the "total number of shares issued after the consolidation" are theoretical values calculated by multiplying the total number of shares issued before the consolidation by the ratio of consolidation of shares.

3) Treatment of fractions less than one share

If fractions less than one share arise as a result of the consolidation of shares, the Company will dispose of such fractions in block, and distribute the proceeds of the disposition to the shareholders who had the fractions in proportion to the fractions attributed to them, pursuant to the provisions of Article 235 of the Companies Act.

4) Total number of shares authorized to be issued on the effective date

In line with the decrease in the total number of shares issued due to the consolidation of shares, in order to optimize the total number of shares authorized to be issued, the Company will reduce the total number of shares authorized to be issued on the effective date (October 1, 2018) by the same ratio as the consolidation of shares (one half).

Total number of shares authorized to be issued before the change	2,500,000,000 shares
Total number of shares authorized to be issued after the change (as of October 1, 2018)	1,250,000,000 shares

(3) Schedule of Change in the Number of Shares Constituting One Unit and Consolidation of Shares

Date of resolution at the Board of Directors' Meeting	March 13, 2018
Date of resolution of the 121st Ordinary Stockholders' Meeting	June 26, 2018
Effective date of change of the number of shares constituting one unit	October 1, 2018 (scheduled)
Effective date of the consolidation of shares	October 1, 2018 (scheduled)

(4) The effects on net income per share

Basic net income per share for the years ended March 31, 2018 and 2017, as if the consolidation of shares occurs at the beginning of the financial year ended March 31, 2017, is as follows:

		Millions of Yen	Thousand of Shares		Yen		U.S. Dollars
		Net Income Attributable to Owners of the Parent	Weighted—Average Shares		EPS		
For the year ended March 31, 2018:							
Basic EPS							
Net income attributable to common stockholders	¥	**126,779**	**518,974**	¥	**244.29**	$	**2.305**
For the year ended March 31, 2017:							
Basic EPS							
Net income attributable to common stockholders	¥	104,857	519,044	¥	202.02		

24. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

On June 26, 2018, the stockholders of the Company approved the appropriation of retained earnings to pay a dividend of ¥14.00 ($0.132) per share (final for the year ended March 31, 2018) for a total amount of ¥14,556 million ($137,321 thousand).

25. SEGMENT INFORMATION

a. Segment Information

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors of the Company is being performed in order to decide how resources are allocated among the Group and to assess performance of each reportable segment.

The Group operates in a wide and multilateral business. The Company organizes management divisions for each operating segment, such as civil engineering, building construction, real estate development and other, which strategize and develop their business. Also, the Company's domestic and overseas subsidiaries and affiliates cooperate with the Company to expand the range of the Group's business.

Therefore, the Group consists of five reportable segments as follows:

Civil Engineering:	Civil engineering in the construction business operated by the Company
Building Construction:	Building construction in the construction business operated by the Company
Real Estate Development and Other:	Urban, regional and other real estate development business, architectural, structural and other design business and engineering business operated by the Company
Domestic Subsidiaries and Affiliates:	Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by the domestic subsidiaries and affiliates
Overseas Subsidiaries and Affiliates:	Construction business, real estate development business and others in overseas such as U.S.A., Europe, Asia, Oceania and other areas operated by the overseas subsidiaries and affiliates

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies". The profit (loss) of each reportable segment is measured by its operating income (loss). The contracts between the reportable segments are entered into on an arm's-length basis and in the normal course of business.

(3) Information about revenues, profit (loss), assets, liabilities and other items is as follows:

Year Ended March 31, 2018	Millions of Yen							
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	**¥ 366,589**	**¥ 750,342**	**¥ 43,458**	**¥ 233,125**	**¥ 437,112**	**¥ 1,830,626**	**¥ —**	**¥ 1,830,626**
Intersegment sales or transfers	**—**	**2,335**	**2,452**	**130,824**	**18**	**135,629**	**(135,629)**	**—**
Total	**¥ 366,589**	**¥ 752,677**	**¥ 45,910**	**¥ 363,949**	**¥ 437,130**	**¥ 1,966,255**	**¥ (135,629)**	**¥ 1,830,626**
Segment profit	**¥ 57,405**	**¥ 70,935**	**¥ 6,849**	**¥ 16,300**	**¥ 1,687**	**¥ 153,176**	**¥ 5,198**	**¥ 158,374**
Other:								
Depreciation	**¥ 1,184**	**¥ 2,432**	**¥ 3,939**	**¥ 5,668**	**¥ 6,314**	**¥ 19,537**	**¥ (157)**	**¥ 19,380**
Amortization of goodwill	**—**	**—**	**—**	**—**	**825**	**825**	**—**	**825**

Year Ended March 31, 2017	Millions of Yen							
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	¥ 296,858	¥ 830,108	¥ 69,868	¥ 224,000	¥ 400,972	¥ 1,821,806	¥ —	¥ 1,821,806
Intersegment sales or transfers	—	5,042	1,969	137,191	17	144,219	(144,219)	—
Total	¥ 296,858	¥ 835,150	¥ 71,837	¥ 361,191	¥ 400,989	¥ 1,966,025	¥ (144,219)	¥ 1,821,806
Segment profit	¥ 35,995	¥ 78,611	¥ 9,889	¥ 19,594	¥ 11,683	¥ 155,772	¥ (380)	¥ 155,392
Other:								
Depreciation	¥ 960	¥ 2,700	¥ 4,117	¥ 5,340	¥ 6,378	¥ 19,495	¥ (152)	¥ 19,343
Amortization of goodwill	—	—	—	—	523	523	—	523

Year Ended March 31, 2018	Thousands of U.S. Dollars							
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	**$ 3,458,387**	**$ 7,078,699**	**$ 409,981**	**$ 2,199,292**	**$ 4,123,698**	**$ 17,270,057**	**$ —**	**$ 17,270,057**
Intersegment sales or transfers	**—**	**22,028**	**23,132**	**1,234,188**	**170**	**1,279,518**	**(1,279,518)**	**—**
Total	**$ 3,458,387**	**$ 7,100,727**	**$ 433,113**	**$ 3,433,480**	**$ 4,123,868**	**$ 18,549,575**	**$ (1,279,518)**	**$ 17,270,057**
Segment profit	**$ 541,557**	**$ 669,198**	**$ 64,613**	**$ 153,774**	**$ 15,915**	**$ 1,445,057**	**$ 49,037**	**$ 1,494,094**
Other:								
Depreciation	**$ 11,170**	**$ 22,943**	**$ 37,160**	**$ 53,472**	**$ 59,566**	**$ 184,311**	**$ (1,481)**	**$ 182,830**
Amortization of goodwill	**—**	**—**	**—**	**—**	**7,783**	**7,783**	**—**	**7,783**

Notes:
(1) The amount of reconciliations in segment profit, which was profit of ¥5,198 million ($49,037 thousand) and loss of ¥380 million for the years ended March 31, 2018 and 2017, respectively, mainly consists of the elimination of intersegment transactions.
(2) Consolidated segment profit is equal to operating income in the consolidated statement of income.
(3) Assets are not allocated to operating segments.

b. Related Information

(1) Information about products and services

Year Ended March 31, 2018	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	**¥ 1,645,462**	**¥ 60,120**	**¥ 125,044**	**¥ 1,830,626**

Year Ended March 31, 2017	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	¥ 1,602,054	¥ 100,557	¥ 119,195	¥ 1,821,806

Year Ended March 31, 2018	Thousands of U.S. Dollars			
	Construction	Real Estate	Other	Total
Sales to external customers	**$ 15,523,226**	**$ 567,170**	**$ 1,179,661**	**$ 17,270,057**

(2) Information about geographical areas

1) Revenues

Millions of Yen													
2018													
Japan		North America		Europe		Asia		Oceania		Other Areas		Total	
¥	**1,369,150**	**¥**	**180,725**	**¥**	**22,028**	**¥**	**127,052**	**¥**	**107,825**	**¥**	**23,846**	**¥**	**1,830,626**

Millions of Yen													
2017													
Japan		North America		Europe		Asia		Oceania		Other Areas		Total	
¥	1,419,246	¥	218,278	¥	15,839	¥	113,385	¥	54,291	¥	767	¥	1,821,806

Thousands of U.S. Dollars													
2018													
Japan		North America		Europe		Asia		Oceania		Other Areas		Total	
$	**12,916,509**	**$**	**1,704,953**	**$**	**207,811**	**$**	**1,198,604**	**$**	**1,017,217**	**$**	**224,963**	**$**	**17,270,057**

Note: Revenues are classified by country or region based on the location of customers.

2) Property and equipment

Millions of Yen													
2018													
Japan		North America		Europe		Asia		Oceania		Other Areas		Total	
¥	**261,246**	**¥**	**10,813**	**¥**	**10,138**	**¥**	**58,303**	**¥**	**423**	**¥**	**6**	**¥**	**340,929**

Millions of Yen													
2017													
Japan		North America		Europe		Asia		Oceania		Other Areas		Total	
¥	270,860	¥	10,233	¥	9,441	¥	62,850	¥	259	¥	2	¥	353,645

Thousands of U.S. Dollars													
2018													
Japan		North America		Europe		Asia		Oceania		Other Areas		Total	
$	**2,464,585**	**$**	**102,009**	**$**	**95,642**	**$**	**550,028**	**$**	**3,991**	**$**	**57**	**$**	**3,216,312**

c. Information about impairment losses of assets

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		**2018**	
Impairment losses of assets	**¥**	**6,647**	¥	706	**$**	**62,708**

Notes:

(1) Impairment losses of assets of ¥6,647 million ($62,708 thousand) for the year ended March 31, 2018, consisted of asset held for rent of ¥1,955 million ($18,444 thousand) and idle properties of ¥4,692 million ($44,264 thousand). Impairment losses of assets of ¥706 million for the year ended March 31, 2017, consisted of asset held for rent of ¥348 million and idle properties of ¥358 million. Please see Note 5 for more details.

(2) Impairment losses of assets are not allocated to operating segments.

d. Information about goodwill

(1) Amortization of goodwill for the years ended March 31, 2018 and 2017

Millions of Yen		Thousands of U.S. Dollars
2018	2017	**2018**
¥ 825	¥ 523	**$ 7,783**

(2) Carrying amounts of goodwill as of March 31, 2018 and 2017

Millions of Yen		Thousands of U.S. Dollars
2018	2017	**2018**
¥ 3,022	¥ 1,794	**$ 28,509**

Note: Goodwill is not allocated to operating segments.

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kajima Corporation:

We have audited the accompanying consolidated balance sheet of Kajima Corporation and its consolidated subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kajima Corporation and its consolidated subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2018

Member of
Deloitte Touche Tohmatsu Limited

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