# KAJIMA
## Integrated Report
# 2020

# Kajima’s Corporate Philosophy

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

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

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

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

## CONTENTS



## Editorial Policy

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

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

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

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

Environment
Social
Governance
Guidance for Collaborative Value Creation

## Scope of Report

**■ Period**

This report covers fiscal 2019 (April 1, 2019–March 31, 2020), except where otherwise stated.
"Fiscal 2019" and "FY2019" are used in this report to refer to the fiscal year ended March 31, 2020.

**■ Organization**

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

**Publication**

October 2020 (previous issue: September 2019; next issue: scheduled for September 2021)

**Online Information**

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

**Forward-Looking Statements**

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

# Message from the President

## Kajima will target growth by accelerating digitalization and global expansion to further enhance the Group's comprehensive capabilities.

**Yoshikazu Oshimi**
President, Representative Director

Our previous medium-term business plan started in fiscal 2015, the year I became president. While seeking a recovery in results and growth, its initiatives had the core theme of revitalizing and reinforcing the building construction business. In fiscal 2018, we launched the Kajima Group Medium-Term Business Plan (Fiscal 2018–2020), which builds upon the previous plan. The current plan sets key objectives and quantitative targets that address medium-term management issues, such as creating next-generation construction systems, and incorporates strategies to achieve them.

Officers and employees of the Kajima Group have worked as one to successfully implement the strategies of these two medium-term business plans. Moreover, results have been strong and exceeded plan for the five years through March 2020 in a stable business environment.

This solid performance can be accredited to the trust Kajima has earned over its 180-year history and its people and technology. We strive for Group management that enables us to secure and nurture excellent people who create value, to develop cutting-edge technologies, to continuously invest for the future, and to generate stable earnings, even should an economic downturn pressure results. Currently, we are investing in the real estate development business, which has synergy with the building construction business, and expansion in construction-related business domains that are less susceptible to economic cycles, such as real estate leasing, maintenance and management, as well as in enhancing the comprehensive capabilities that are the Kajima Group's strength.

During this period, we have implemented corporate governance reforms and improved compliance and risk management systems. Compliance is the basis of corporate activities, and we have been even more vigilant regarding compliance in light of cases in which Kajima was charged with a violation of the Anti-Monopoly Act and a Group company was ordered to pay a penalty for violation of said Act. Following a review of past construction projects that were unprofitable due to poor estimating and of significant losses on civil engineering work outside Japan, we have also rethought our organization and regulations, and are now making improvements to better manage risk.

I was inspired to join Kajima after seeing the 1969 movie *Chokoso no Akebono* (English title: *Skyscraper*), which dramatizes the construction of Japan's first skyscraper, the Kasumigaseki

Building. Constructed by Kajima, this building met contemporary needs by making effective use of scarce land at a time of rapid economic growth. We continue to draw on that same enterprising spirit that has guided Kajima throughout its history as we develop and deploy technologies in completely new fields. In doing so, we help to resolve societal issues, which supports the Group's sustainable growth. Today, techniques such as those used in skyscraper construction that I so admired are undergoing a digital evolution. A new era is already upon us, and global change will only become more rapid. Nevertheless, I believe that by constantly evolving while staying true to our corporate philosophy of striving to continually advance our business operations and contribute to society, we will forge a path to growth.

Fiscal 2020 is my sixth year as president. Although the future is unclear due to the COVID-19 pandemic, the Group is united in responding to the short-term issues that confront us and in continuing with and expanding upon initiatives that address long-term issues.

Progress of Medium-Term Business Plan (Fiscal 2018–2020) p. 26

## Fiscal 2019 in Retrospect

Consolidated net income (net income attributable to owners of the parent) for fiscal 2019 was ¥103.2 billion, exceeding ¥100 billion for the fourth consecutive year. Factors included improved profitability in Kajima Corporation's building construction business due to thorough implementation of front-end loading[1] and technology-driven productivity enhancements, as well as improved performance at domestic subsidiaries and affiliates.

We implemented measures to address current management issues such as the concentration of construction work in the Tokyo metropolitan area, while making solid progress with initiatives to prepare us for medium-to-long-term changes in the business environment, including those brought on by Japan's declining birthrate and aging population and the impact of technological innovation. Our investment plan calls for a total of ¥500 billion invested over the three years through fiscal 2020. We invested steadily to diversify revenue sources and enhance our competitiveness in areas including the real estate development business in Japan and overseas, automated construction for civil engineering, R&D focused on smart building construction, and mergers and acquisitions (M&A).

The effects of the COVID-19 pandemic began to become apparent from January 2020. At domestic construction sites, with safety as our top priority and in coalition with onsite partner companies, we are working to prevent the spread of infection. In addition, we are complementing official assistance from the Japanese government with our own measures to support the supply chain. Furthermore, although the effects of the pandemic on procurement have not been significant, we experienced delays in the delivery of some products and occasionally had to procure alternative products. We are therefore diversifying procurement sources.

In overseas operations, we had to temporarily close a number of offices and suspend construction in accordance with restrictions issued by respective governments. Worldwide, our top priority is ensuring the safety of stakeholders as we strive to maintain business continuity.

The impact of COVID-19 on Group results in Japan and overseas was minimal in fiscal 2019, but we expect revenues and earnings to decrease year on year in fiscal 2020. We had previously expected that revenues from overseas operations would make up for flat revenues in the domestic construction business. However, we now forecast that Group revenues will decrease to some extent due to the pandemic, and that consolidated net income will decrease about 20% year on year.

1. Front-end loading: This approach identifies owner requirements in the early stages of a project and builds consensus among the owner, architectural firm and construction company from the design stage, thereby reducing delays, rework and modifications in later stages of the project. This reduces the overall workload and enables suitable quality, cost, and construction period to be factored in.

Our solid performance in recent years is funding our investment plan, so despite uncertainties about the future, we will continue to steadily invest in future earnings growth. We will maintain a flexible approach to ensure that we do not miss out on good investment opportunities.

Onsite COVID-19 Countermeasures p. 57

## Market Environment Outlook Given the Impact of COVID-19

Private capital investment in Japan is expected to decrease in fields related to international tourism. At the same time, construction demand is expected to increase in other fields. This includes healthcare-related facilities, logistics centers to support growing e-commerce, data centers to support more widespread telecommuting, and factories as companies reshore production to Japan. We also expect public investment to remain firm given its role in stimulating the economy and enhancing national resilience.

We have many projects already planned for fiscal 2021 and beyond. We will also secure contract awards by diligently identifying market movements and further strengthening our technological and proposal capabilities, especially in fields where we expect demand growth.

All around the world, the COVID-19 pandemic is disrupting the way people work. In offices, wellness-related needs will become increasingly sophisticated. These include changes in layouts and the use of common space to accommodate the broad adoption of telecommuting, social distancing and more robust networked environments, as well as infection control measures using air conditioning equipment. We are currently conducting relevant research in collaboration with external research institutes and universities.

In overseas operations, although we expect recovery in hotel and resort demand to be slow, the distribution warehouse market is booming. Aggressive investment in our specialized subsidiary in the U.S., Core5 Industrial Partners LLC, and aggressive investment in joint ventures in Europe through the strategic partnership with Panattoni Europe will support revenues in overseas operations. Furthermore, while domestic manufacturers are reshoring production facilities to Japan, they are also ensuring that their operations are well-balanced across multiple regions and countries. We will proactively address this anticipated construction demand by leveraging the Group's comprehensive capabilities.

We will continue to optimize our business portfolio, accurately identify new customer and social needs brought on by change, and maintain and build upon our position as a reliable business partner even in difficult times.

Overseas Operations p. 48

## Megatrends and the Future Business Environment

In Japan, population decline due to the low birthrate and aging population is resulting in a long-term qualitative shift in demand from new construction to maintenance, repair and renovation. Outside the Tokyo metropolitan area, we expect that smart society frameworks will lead to infrastructure consolidation and the local consumption of locally produced renewable energy. Natural disasters occur frequently in Japan, necessitating long-term market forecasts that can anticipate large-scale disasters. Moreover, the shortage of skilled workers is likely to become more acute as the labor force contracts. Outside Japan, we expect that continued economic development centered on Asia will generate significant construction demand.

Changing values mean that people will emphasize space and utility rather than simply the building itself. Furthermore, we expect a greater focus on addressing physical risks such as the increasing intensity of natural disasters brought on by climate change, and on society's transition to a low carbon footprint.

Regarding the aforementioned megatrends and the United Nations' SDGs, which are universal goals for solving social issues, the Group has identified a number of long-term material issues to address. These include developing sustainable and long-lasting social infrastructure, providing technologies and services for disaster preparedness that support safety and security, and contributing actively to society's transition to a low carbon footprint. Looking beyond our traditional businesses, these material issues will guide us in generating sustainable growth as we expand our business domains and the regions we serve.

Addressing environmental issues including climate change is particularly important for sustainability. Global society and markets are increasingly committed to achieving a low carbon footprint and decarbonization. Kajima Environmental Vision: Triple Zero 2050 maps our targets through 2050. Under the vision, we are enhancing and implementing environmental initiatives both through our own business activities and by supporting the business activities of customers. Moving into fiscal 2020, we have begun rolling out the Environmental Data Evaluation System (edes) to all construction sites in order to reduce energy consumption. The system ascertains $CO_2$ emissions from construction in real time and enables timely measures to achieve targeted reductions. We will also focus on providing environmental value to our customers, such as through the construction of offshore and onshore wind power generation facilities, the design and construction of methane gas power generation facilities, and the development and application of low-carbon concrete.

In 2020, Japan again suffered damage from heavy rains, chiefly in the Kyushu region, and extreme weather and flood damage are likely to intensify in the future. Our mission as a construction company is to help prevent and mitigate disasters, support business continuity planning, and contribute to post-disaster recovery. We are therefore focusing on R&D that includes the sophisticated use of hazard maps and other knowledge-based approaches. We will continue to ensure that we can sustainably maintain and increase corporate value through our solutions to social issues related to climate change.

Material Issues p. 18
Environment p. 58

## Kajima's Vision for the Future

We are digitalizing all processes related to buildings and structures through the use of building information modeling (BIM) and construction information modeling (CIM). The Group is now deploying the Internet of Things (IoT) and artificial intelligence (AI) to create integrated services from the planning and design stage to construction and maintenance.

Linking data at each lifecycle phase of buildings and structures is already becoming a key part of our business. Companies from IT and other industries may enter the construction market in the future. However, Kajima is confident in being able to maintain a competitive advantage backed by its knowledge of buildings and structures, and its ability to provide integrated services in fields including disaster prevention, energy and environment-related technologies, and upstream and downstream businesses.

Looking beyond our current automation and labor-saving initiatives, such as Kajima Smart Future Vision and automating construction sites, modularization and the deployment of machinery and robots will enable dramatic improvements in productivity. We believe full automation is ultimately possible, particularly for civil engineering. This will require a shift in construction practices, predicated on the complete digitalization of all information, and including standardization of designs for full automation, and manufacture in factories wherever possible prior to assembly at construction sites.

We also plan to be deeply involved in the operation of smart cities and other new models of urban development. To this end, we will leverage customer relationships spanning multiple industries, our expertise in real estate development, and our proposal capabilities for integrated services that draw on proprietary construction-related data, including from BIM and CIM.

In overseas operations, we will expand our business scale and scope in countries we already serve including in Asia and North America, while also considering expansion into new and promising markets.

Kajima is accelerating technological development aligned with these objectives by complementing existing initiatives with overseas R&D centered on Kajima Technical Research Institute Singapore (KaTRIS). Proactively incorporating external knowledge and promoting open innovation is essential. As such, we are also developing technologies in coalition with leading companies in Japan and around the world and collaborating with major construction industry peers in the fields of robot construction and IoT. These initiatives are now beginning to generate results. For example, we are further expanding the use of automation in dam and tunnel construction, with welding robots and quadruped walking robots having entered the site application stage. We are thus raising productivity through labor savings and a reduction in heavy labor while consistently ensuring safety and quality.

Predicting how things will move in the future is more difficult than ever these days. Nevertheless, the Group is evolving its business model, which has so far focused on innovation to find better ways to build and deliver on-site during the construction phase. We will utilize data for the entire lifecycle of buildings and structures to find better ways to create and provide ongoing services that fully satisfy customer expectations, and thereby make services an even more important component of our business. Our objective is a unique business model that fuses digital and the real world.

Long-term, we will continue to create value in construction-related fields where we are able to demonstrate our strength. People and technology will remain our sources of value creation, complemented by data as a critical component. We will secure and nurture talent, push forward with R&D, and proactively promote external alliances and M&A.

We will continue to discuss our long-term direction as we consider our next medium-term business plan and the outlook post-COVID-19.

## Kajima's Vision for the Next 10 to 20 Years and Direction for the Next Medium-Term Business Plan

### ■ Direction for the Next Medium-Term Business Plan

We intend to launch our next medium-term business plan in fiscal 2021. We will advance initiatives in line with our long-term direction, but we must begin by squarely facing COVID-19 and making sure our foundation is solid. The nature of the construction industry cycle basically means that our sales for the next two to three years are assured. Nevertheless, the business environment has changed significantly due to the pandemic. We must move up our schedule for digital and other measures as we consider the next plan.

The next medium-term business plan must announce the progress of these measures, as well as our long-term direction and strategies and three-year milestones. Strategies under consideration for incorporation into the new plan revolve around key concepts such as people (securing and nurturing construction personnel), technology (improving productivity), digital, the environment, and expansion of Group business fields. Some of these strategies will be new, while a substantial number will advance the themes of the current plan. From fiscal 2020, to promote the steady progress of measures, we are applying key performance indicators (KPIs) to quantify outcomes. This includes KPIs for productivity improvement measures and initiatives in focus areas.

We expect that fiscal 2020 net income will fall below the ¥100 billion or more level that we have sustained over the past four years. However, we will formulate the next medium-term business plan to minimize the negative impact should the effects of the COVID-19 pandemic be prolonged, and to promote consistent initiatives for strengthening the profitability of existing businesses and expanding business domains. In doing so, we hope to achieve a quick recovery and return the Kajima Group to a growth trajectory.

## ■ Domestic Construction Business

Step one for the domestic construction business is winning contract awards. In building construction, we will support customer business continuity and growth, and maintain and strengthen relationships built on trust, notwithstanding the impact of the COVID-19 pandemic. In civil engineering, we will continue to focus on renewable energy and infrastructure renewal. While developing an organization to strategically serve the renovation field, we must further strengthen cost competitiveness in ways such as diversifying suppliers.

As ongoing initiatives, we must secure construction personnel through work-style reforms and offset the labor shortage by improving productivity. Having reviewed our ideals for construction sites, we aim to close sites for a total of eight days out of every four weeks, and are improving employment conditions and nurturing multi-skilled workers with the support of partner companies. Specifically, we have opened an educational facility for training skilled workers and are laying the groundwork to encourage young people to enter the construction industry. As we promote the Kajima Group's work-style reform initiatives to improve the work environment and raise wage levels for skilled workers, we will maintain or increase productivity through ICT, while implementing thorough measures to prevent the spread of infectious disease. By making the construction industry more attractive to work in, we will be able to expand the labor force.

In building construction, we will continue to transform construction processes under the Kajima Smart Future Vision. Our "digital twin" initiative, which involves creating a digital version of each project before construction begins, will be a particular focus. By modeling construction through to completion at the contract award stage, we are able to incorporate an array of feasible proposals, thereby improving the asset value of buildings and leading to contract awards with stable profitability in a fiercely competitive environment. After winning a contract award, we use the digitally completed building data to improve the efficiency of construction and deliver high-quality, high-value buildings. We have already finished construction of Japan's first digital twin, for a large office building completed in January 2020. We intend to expand this approach and apply it to all buildings.

In civil engineering, our goal is to fully automate the construction of dams, tunnels and other projects using our proprietary A⁴CSEL® ("quad axel") automated construction system. We have already achieved full automation of certain processes, such as concrete lining work in a mock-up tunnel, and in fiscal 2020 we entered the final stage of development targeting full-scale introduction at the Naruse Dam in Akita Prefecture. We will continue our pursuit of automated construction, the realization of which will expand business possibilities for application in other types of construction projects, for external sales as a package, and for use overseas.

Advances in the robotization and automation of construction and remote management will help the construction industry resolve the long-standing issue of eliminating occupational accidents. Dispelling preconceptions regarding hazards at construction sites is essential to making the construction industry more attractive to work in. We will work earnestly to establish systems that protect day-to-day safety and complement existing joint safety measures with our partner companies. Furthermore, in line with the expansion of overseas operations, we are working to enhance safety management and inculcate a safety-first mindset based on our SEQ Policy[2] while taking into account conditions in each country and region.

At the same time, we intend to strengthen our competitiveness by directly employing more workers and further continuing to engage in M&A and capital alliances in Japan and around the world. Directly employing people in professions that are in tight supply has already become an indispensable competitive advantage at construction sites, and we are securing and nurturing specialists in mechanical and electrical facilities. We also seek to address aging infrastructure in Japan and the increasing intensity of natural disasters brought on by climate change. For example, in collaboration with other companies, we are looking to take on challenges in new business domains, such as the maintenance and renovation of infrastructure owned by local governments, and to standardize technology to reduce costs while ensuring quality.

Feature: Initiatives to Improve Productivity p. 22

2. SEQ Policy: Safety, Environment and Quality Policy

## ■ Promoting Group Management and Strengthening Our Business Platform

In upstream and downstream businesses, one of our initiatives is to accelerate the creation of systems for delivering integrated services. This entails steadily capturing growth opportunities from our digital twin initiative using centralized data collected from planning and design, through construction, maintenance and management, based on BIM and CIM. For example, in building maintenance, management and operation, through linkage with Kajima Smart BM®, we will provide comprehensive solutions for reducing costs throughout the building lifecycle by combining energy savings from optimized operation of mechanical and electrical equipment, and life extension and breakdown prediction for machinery.

In the domestic real estate development business, we will collaborate with business partners to address new needs and provide unique value by harnessing our overseas network and technological capabilities. In particular, we will actively participate in smart city business opportunities so as to build a track record in anticipation of future market expansion. We have been participating in a series of projects that includes Haneda Innovation City and Smart City Takeshiba, and we plan to extend our involvement in smart city projects outside Tokyo as we collaborate with partners in various industries.

Overseas, we will develop a locally rooted business structure by forging alliances with reliable partner companies and by securing and nurturing employees capable of managing local subsidiaries in the future. We will also focus on short-term merchant development projects in North America and on strengthening businesses in new fields such as the student dormitory business in Europe. We have been expanding sales and assets steadily, so our next step will be improving efficiency in accordance with regional and business characteristics to achieve true growth as a global company that balances quantity and quality.

Looking to the future, it will be important for us to secure and nurture people who can create new businesses by deploying the vast amount of data collected across all Kajima Group business activities. So far, our programs have been mainly geared toward securing and nurturing talent in the domestic construction business, but we will begin harnessing both domestic and international networks for these programs. While preserving Kajima's close-knit corporate culture that strongly values employees, we will steadily develop the platform for change. We will make systemic changes so as to better respect diverse work styles and support a diverse workforce where all can fulfil their potential. In ensuring the full functionality of the talent management system currently being introduced, we will also update systems for appropriate assignment and development of personnel. Implementing these initiatives will also require significant innovation in our corporate mindset.

Human Resources p. 54

## To Our Stakeholders

Stock price is difficult to evaluate because it is determined by many factors. However, one factor that Kajima's stock price reflects is investor concern about future earnings growth. We want to eliminate that concern with sustainable growth that leads to a rise in the price of Kajima stock. We will increase corporate value by hitting our short-term targets, steadily executing the strategies and investment goals of the medium-term business plan, raising the sophistication of our business model that is driven by exceptional comprehensive capabilities in construction and real estate development, and further globalizing operations.

We emphasize a balance between delivering stockholder returns through dividends and share repurchases, and maintaining internal capital reserves to fund future investments and enhance financial strength. Stable dividends are a priority for stockholder returns, and we would like to flexibly enhance stockholder returns through measures such as stock repurchases while taking into account factors including the business environment.

Taking on board the opinions of our outside directors, we made the decision to announce a financial forecast in May 2020, despite the uncertainties in the outlook. Our reasoning is to explain the impact of and our assumptions about the COVID-19 pandemic to ensure the understanding of stockholders and investors, as well as that of Group officers and employees. We will continue to disclose information from the perspective of stockholders, investors, and other stakeholders, and reflect the opinions we obtain through stakeholder dialogue in management.

Although the economic environment is challenging, we are fully committed to steering the Kajima Group toward greater corporate value and sustainable growth. We thank all stakeholders for their continued understanding and support.


***Chokoso no Akebono*** (English title: *Skyscraper*) is a feature film produced by the current K-PROVISION Co., Ltd. that offers a spectacular retelling of the planning, design, construction and completion of Japan's first skyscraper, the landmark Kasumigaseki Building. It was released in 1969.

# A History of Creating Value

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

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

## Kajima: Building for the Next 100 Years

We will pioneer a new era by carrying on the traditions of technology and quality created by our predecessors and our history of resolutely taking on the challenges of the future.

### 1840
### Foundation and Leadership in Western-Style Buildings

Kajima's history began in 1840 when founder Iwakichi Kajima opened a carpentry business in Nakahashi Masaki-cho, Edo (now Kyobashi, Chuo-ku, Tokyo). Iwakichi, who was successful enough to frequent the residences of *daimyo* (feudal lords), expanded his business to Yokohama, where construction was booming as an open port under the Treaty of Amity and Commerce between Japan and the United States. Following the construction of the Ei-Ichiban Kan, which housed Yokohama's first foreign trading company, he became widely associated in the public mind with Western-style buildings. Thereafter, he worked on new construction in various locations including the head office of Horaisha, a trading company established by former samurai in Kobiki-cho, Kyobashi, Tokyo, thereby laying the foundation for the growth of the business to the present.

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

### 1880
### Leadership in Railways and Dams

Iwazo Kajima, the second generation of the family to run the Company, established Kajima Gumi in 1880 and started a subcontracting business for railways. The Company built numerous railways and completed the Tanna Tunnel, considered one of the century's most challenging construction projects, further enhancing its reputation in the railway field. Then, as dam construction began in various locations to meet the rapidly growing demand for electricity, Kajima completed the Ohmine Dam, Japan's first concrete high dam. It was the first of many projects that contributed significantly to Japan's development and established the Kajima name in the field of dam construction.

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

### 1960
### Rising to the Challenge of Skyscrapers

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

Kasumigaseki Building upon completion (1968)

## 1980

### Expansion into Overseas Business

Kajima's overseas operations began with railway construction projects in 1899. Thereafter, we worked on infrastructure facilities in Southeast Asia. In the 1960s, overseas operations took a great stride forward with the redevelopment of Little Tokyo, a Japanese neighborhood in Los Angeles. During the 1980s, we established a structure of three overseas bases at Kajima U.S.A. Inc. (KUSA) in the U.S. in 1986, Kajima Europe Ltd. (KE) in London, U.K. in 1987, and Kajima Overseas Asia Pte. Ltd. (KOA, now KAP) in Singapore in 1988. With the addition of Kajima Australia Pty Ltd (KA), which was established in 2015, we are actively pursuing building construction and real estate development businesses in each region.

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

## 2000

### Branching Out into Real Estate Development

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

Toranomon Towers (2006), consisting of a 23-story leased office building and a 41-story residential condominium property on elevated ground in Toranomon, central Tokyo

## 2020

### Kajima Today

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

Accelerated technology development for automated construction sites (pages 22, 42)

Development of Kajima Smart Future Vision (pages 22, 24)

Domestic and overseas real estate development businesses utilizing the Group's comprehensive capabilities (pages 46, 48)

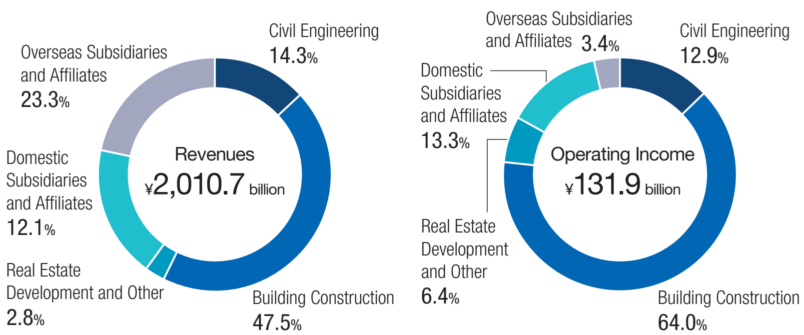
# Kajima's Businesses

## Business Domains and Business Segments

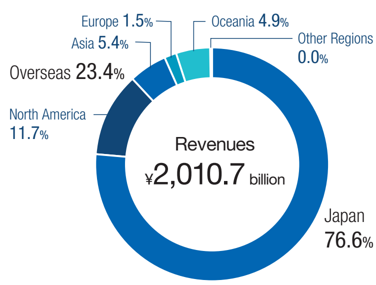
Staying always true to our corporate philosophy of striving to continually advance our business operations and contribute to society, we have established regional headquarters in North America, Asia, Europe and Oceania in addition to Japan, through which we conduct construction, engineering, real estate development and other businesses globally. Starting with the advanced construction technologies that Kajima has cultivated over its 180-year history, our businesses deploy planning, development, design and engineering capabilities in the upstream part of the construction value chain as well as downstream maintenance and management capabilities. In doing so, we provide communities and customers around the world with urban and architectural spaces and infrastructure built to the highest standard.


(FY2019)

### Revenues and Operating Income by Segment



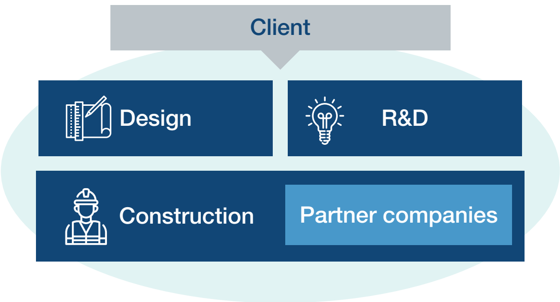

### Revenues by Region



## 1. Construction Operations (Civil Engineering/Building Construction)

The domestic construction business is organized into 12 branches across Japan, with each branch a single management unit encompassing sales, construction and administration departments under the supervision of the general manager, together with an organization of partner companies. The branches and their partner companies work together to conduct business activities rooted in each region. Using specialized knowledge, they cooperate across the design, engineering, R&D, sales, real estate development and other departments at the Head Office to identify customers' true needs and provide optimal construction services. Especially for large-scale projects that require an extended preparation and planning phase, we create a mutually advantageous situation with clients while also ensuring a stable cost structure and construction period by participating from the planning and design stage.

Our comprehensive capabilities enable us to meet the exacting conditions of large-scale, high-difficulty and short-turnaround projects. By providing high-quality buildings and structures, we contribute to our clients in the conduct of their businesses and the creation of superior assets.




### Design

To give form to client needs, we overcome various conditions, constraints and obstacles by pursuing functionality and design using our advanced architectural design technology that considers ease of construction and maintenance, as well as our specialized knowledge of bridge, tunnel and pharmaceutical-related engineering, and the real estate development business. We also make proposals that factor in measures including for natural disasters and environmental performance, based on our diverse experience and leading-edge technologies.

### R&D

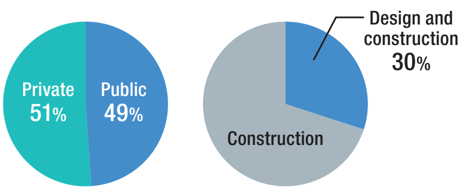
Based on the philosophy that "constant research and creativity will lead to society's progress and prosperity," we have established world-class technologies in every field, including disaster prevention technologies such as seismic damping and isolation, through research and development led by Kajima Technical Research Institute (KaTRI) in Japan and Singapore. We are advancing the development of construction technology by investigating cutting-edge technologies and engaging in technology marketing through open innovation.

### Construction and Partner Companies

We carry out reliable construction and quality control, and consider safety and the environment when planning construction methods. Our construction sites are integrated systems where as many as 100 or more partner companies form a working organization centered on Kajima engineers with highly specialized skills. In deepening mutual understanding while working side-by-side, we build win-win relationships with partner companies by encouraging them to participate in construction planning and various studies, confirming completed work together, and making daily improvements in site management. In addition, we take a long-term perspective in nurturing partner companies given their important role in our operations.

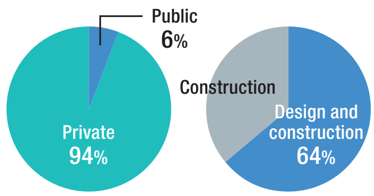
### Civil Engineering ▶ p. 42

Construction, maintenance and renewal of infrastructure such as dams, bridges, tunnels and highways.




### Building Construction ▶ p. 44

New construction and renovation of buildings such as offices, production facilities, laboratories, hospitals and schools.




Note: Charts show the ratios of public to private projects and of design and construction projects relative to total value of contract awards in FY2019.

## 2. Real Estate Development Business and Other ▶ p. 46

In the domestic real estate development business, we conduct real estate development, leasing and other businesses that leverage Kajima's technological capabilities and network, mainly in the Tokyo metropolitan area and Japan's core regional cities.

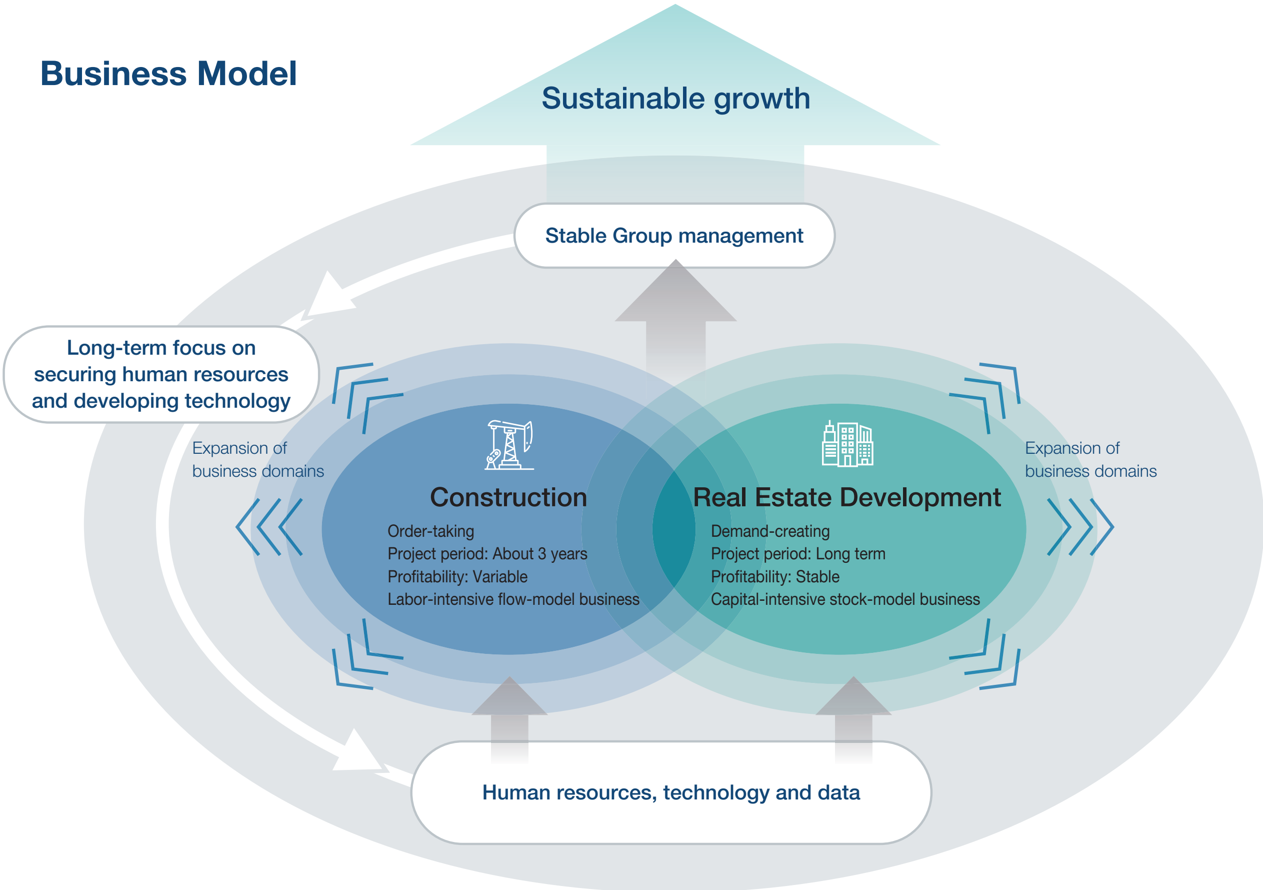
## 3. Domestic Subsidiaries and Affiliates ▶ p. 51

We conduct business through operating companies in upstream and downstream fields, primarily road paving, building management, ground improvement, equipment installation and trading companies for building materials. A number of these function as subcontractors for construction operations of the parent company.

## 4. Overseas Subsidiaries and Affiliates ▶ p. 48

Centering on North America, Asia, Europe and Oceania, we conduct business through construction, design and real estate development companies under the jurisdiction of our regional headquarters.

## Business Model




Construction was our founding business and remains our core business today. To give form to our clients' true needs, we go beyond following the blueprints to constantly strive for greater sophistication and optimization in terms of safety, environment, quality, delivery and cost (SEQDC). At the same time, we enhance our project execution capabilities, including construction technologies and acquisition of permits and licenses, while working in cooperation with a first-class supply chain to maximize project value. Construction happens locally and so it is a business with strong regional affinity. We have therefore built regionally rooted systems in Japan and other countries over many years.

The construction business is positioned midstream in the construction value chain. Because it is an order-taking business, revenues are easy to forecast over the medium term, but contract awards are susceptible to trends in corporate capital expenditure and public investment. Moreover, there is a risk of cost fluctuations depending on the balance between supply and demand of labor, materials and equipment sourced from outside the Company.

On the other hand, real estate development is a capital-intensive investment business. While differing in many ways from the labor-intensive construction business, as part of the construction value chain, the knowledge that we gather through this business, including of factors such as overall project profitability, quality requirements and costs, can be shared within the Group for substantial benefits in Group-wide profit generation. In addition, the real estate development business deploys cash generated by the construction business, and the first-class real estate it develops contributes to business performance as a stable source of income.

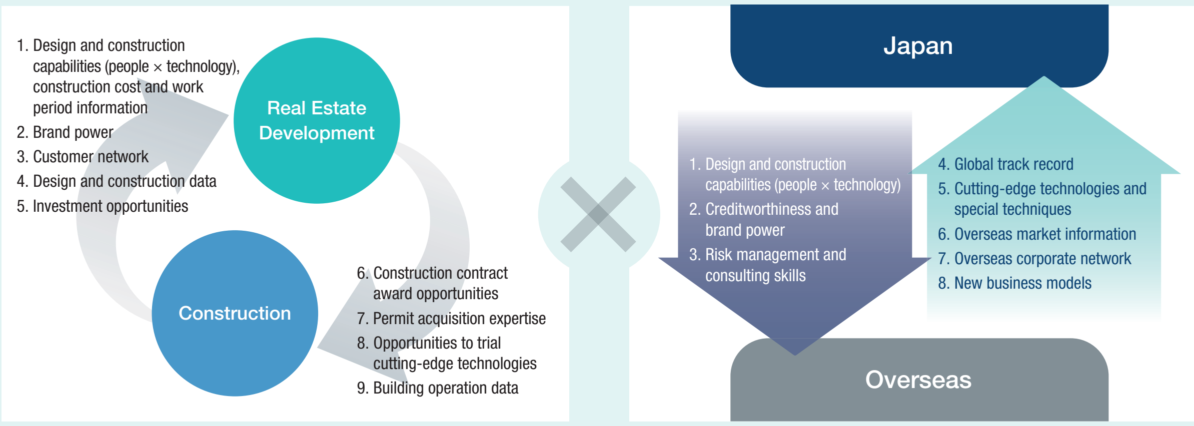
In supporting the international expansion of Japanese companies in the 1980s and official development assistance programs by the Japanese government, we have built a track record of construction work around the world and developed our overseas operations into a solid business area. Contract formats and risk levels differ among Japan, North America, Asia, Europe and Oceania, but we intend to generate reliable profits by providing construction services to Japanese companies, which have been our long-time customers, as well as by participating in quality local projects.

In addition, regions with booming investment in construction are also promising markets for the real estate development business, and construction and real estate development projects have been proceeding concurrently in our overseas operations. As a result, overseas markets have given rise to a business model that smoothly integrates construction and real estate development, generating substantial profits.

Profit opportunities and risks in upstream and downstream businesses, including real estate development, differ from those in the construction business. Combining businesses with different characteristics and conducting operations globally creates a synergistic, complementary relationship. This in turn stabilizes Group management and enables us to secure and train outstanding human resources, conduct medium-to-long-term R&D, and branch out into new business domains and regions.

Centered on its construction and real estate development businesses in Japan and overseas, Kajima is applying data to human resources and technology and stepping up its upstream design and engineering operations and its downstream maintenance and management operations. We will continue to evolve and grow with a business model that provides added value throughout the entire lifecycle of buildings and infrastructure.

## Synergy between Construction and Real Estate Development, and Domestic and Overseas Businesses




1. Advantage of having a construction department that can verify construction cost and work period in advance to ensure stable quality in real estate development projects
2. Higher commercial value of developed properties through the brand power of Kajima as a top construction company
3. Leverage of construction business's broad customer network in areas such as attracting tenants and the corporate real estate business
4. Application of data obtained from design and construction for operation management, maintenance and renovation businesses
5. Acquisition of opportunities to invest in businesses through joint participation as an attractive business partner for developers without construction departments
6. Acquisition of construction contract award opportunities from joint participation in businesses
7. Leverage of permit acquisition expertise in real estate development business to win contract awards
8. Acquisition of opportunities to trial cutting-edge technologies at construction sites for in-house real estate development projects
9. Reflection of feedback from building operation data in design

1. Deployment of design and construction technologies and human resources cultivated in domestic business to overseas construction
2. Contributing creditworthiness based on financial capacity and brand power based on track record
3. Deployment of human resources and expertise related to construction and real estate development risk management and consulting to overseas projects
4. Leverage of overseas track record to promote Kajima among multinational companies headquartered in Japan
5. Domestic application of cutting-edge technologies and special techniques of overseas subsidiaries and affiliates
6. Information sharing on overseas building material procurement
7. Acquisition of business opportunities in Japan from non-Japanese companies Kajima dealt with overseas
8. Domestic rollout of new business models from overseas

### Synergy Overseas

The synergy between our construction and real estate development operations also applies overseas, where real estate development accounts for a larger proportion of our business than it does in Japan. Our overseas construction departments enable us to ensure that quality and work periods overseas conform to plans, as well as to obtain construction contract awards and opportunities for collaboration from business partners in the real estate development business.

By supporting Japanese companies with factory construction and other services when they expand overseas, we increase the longstanding trust we have earned from our customers and build a supply chain network through which we can obtain a wider range of construction contract awards from local companies. We are also strengthening our existing businesses and expanding our earnings base in ways such as involvement in the large-scale real estate development business in Asia, where economic growth continues apace, and the distribution warehouse development business, which is a growing market due to advances in global e-commerce.

### U.S. Distribution Warehouse Development Business (Core5 Industrial Partners LLC)

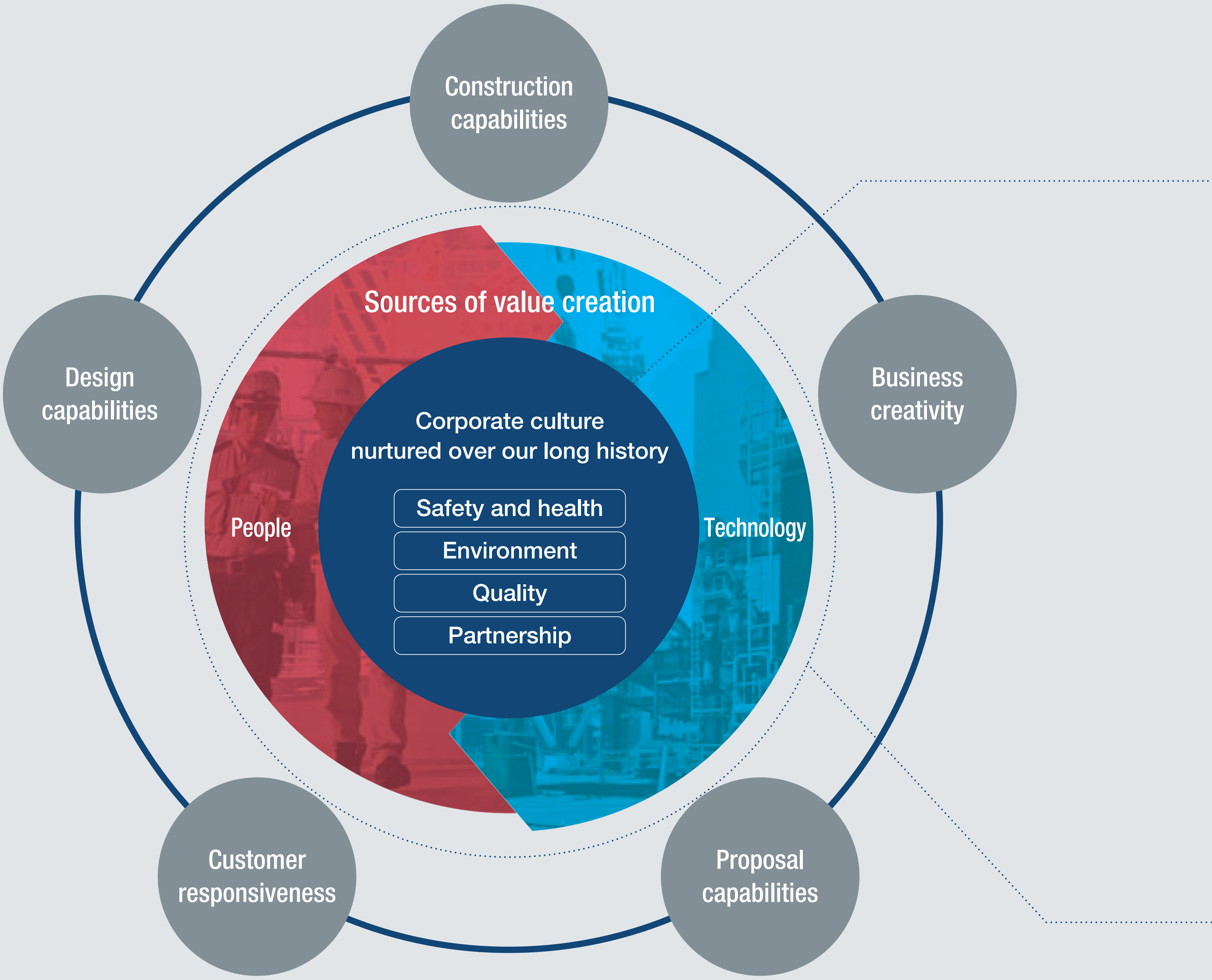
The fact that we operate in both real estate development and construction is a characteristic that we can leverage in the distribution warehouse development market, where speed is of the essence. By collaborating with the construction department, we can promptly determine appropriate land prices because of our comprehensive understanding of location features, services, investment scale, building specifications, construction costs and other factors, thus creating a business model that is highly competitive.

# Sources of Value Creation

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

## Kajima Group Strength

Comprehensive capabilities in the construction and real estate development businesses, in which highly skilled experts coordinate all phases of construction and development.




### Design and Construction Capabilities

Ability to meet the exacting construction demands of large-scale, high-difficulty and short-turnaround projects and produce superior quality by utilizing advanced design and engineering technologies

### Business Creativity

Ability to create businesses together with customers and partners using our construction-related technological skills and real estate development expertise

### Proposal Capabilities and Customer Responsiveness

Ability to organically link our design and construction capabilities, our business creativity, our specialized knowledge and our network to provide value, in addition to maintaining close customer relationships

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

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

### Safety and Health Policy

Safety is the barometer of a company's capabilities and ethics. 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.

- 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.
- 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.

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

### Quality 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.

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


### Holders of Main Qualifications

| | |
|---|---|
| Professional Engineers | 853 |
| First-Class Civil Engineering Works Execution Managing Engineers | 1,902 |
| First Class Architects | 2,365 |
| First-Class Building Operation and Management Engineers | 2,559 |

Note: As of April 1, 2020


### FY2019

| Patent applications | Patent registrations | Patent publications | Research and technology development investment |
|---|---|---|---|
| 232 | 206 | 220 | ¥18.0 billion |

# Exemplary Projects Demonstrating Strength Synergies

Project 1

Design capabilities × Construction capabilities × Business creativity × Proposal capabilities × Customer responsiveness

## Haneda Innovation City

National Strategic Special Zone / Ministry of Land, Infrastructure, Transport and Tourism Smart City Model Project

Urban Development to Create New Experiences and Value by Combining the Cutting Edge with Culture

### Project Overview

Haneda Innovation City (HICity) complex is a large-scale facility with a total floor area of more than 130,000 square meters, directly connected to Tenkubashi Station, which is one station from Haneda Airport Terminal 3 Station (formerly Haneda Airport International Terminal Station).

Featuring cutting-edge industries and cultural industries, HICity incorporates many distinctive functions, both as a pilot for applying and testing advanced technologies and as a place offering Japanese cultural experiences. A broad range of people of all backgrounds, including researchers, creators, tourists and visitors from Japan and abroad, will be able to gather here and inspire each other. This will combine cutting-edge features and culture, and give birth to exchanges and new industries that transcend the boundaries between people, goods and services. We are conducting urban development that creates new future-oriented experiences and value to realize Japan's first smart airport city.*

For HICity, which has been selected as a smart city model project by the Ministry of Land, Infrastructure, Transport and Tourism, we have implemented 3D K-Field®, a spatial information data linkage platform that utilizes BIM. We will work to raise management efficiency and optimize traffic flow by visualizing the movements of cleaning robots, guidance robots, security, luggage delivery and self-driving buses that operate in the facility using a three-dimensional model of the space.

* A smart city that is a large-scale development of mixed-use facilities in the vicinity of an airport, and where technology application and testing and other initiatives are being conducted.

### A Project Utilizing the Group's Comprehensive Capabilities

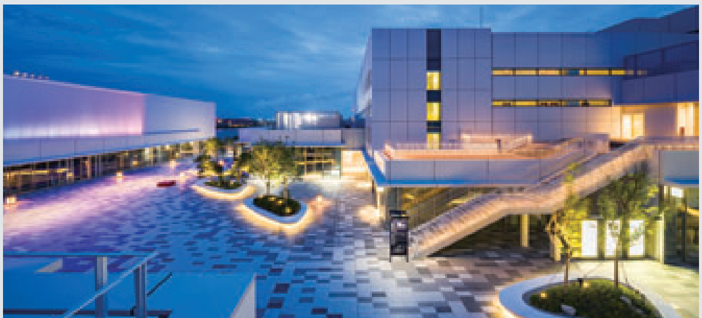
With Kajima as the representative of Haneda Mirai Development Co., Ltd., a consortium of nine investor companies, the Real Estate Development Division is handling the planning and implementation of this project. Together with four Group companies, we are advancing the overall execution of the project while cooperating to make the best use of respective fields of specialty.

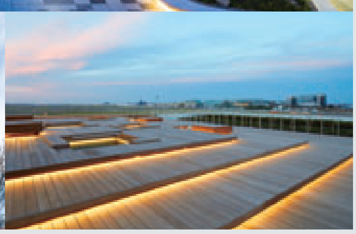
Avant Associates, Inc. serves as the secretariat of the Area Management Committee. It plays a central role in promoting operations and is conducting studies to create guidelines and establish a foundation in communities related to the project.

East Real Estate Co., Ltd.* plays a central role in property management, and Kajima Tokyo Development Corporation is applying its know-how from Tokyo East 21 in providing support that is mainly commerce-related.

In addition, Kajima Tatemono Sogo Kanri Co., Ltd. is in charge of building management, and plans to introduce the Kajima Smart BM® platform.

* Company name changed to Kajima Property Management Co., Ltd. on October 1, 2020.





### Plan Overview

**Nine Investors**

Kajima Corporation, Daiwa House Industry Co., Ltd., Keikyu Corporation, Japan Airport Terminal Co., Ltd., Airport Facilities Co., Ltd., East Japan Railway Company, Tokyo Monorail Co., Ltd., Nomura Real Estate Partners Co., Ltd., Fujifilm Corporation

**Overall planning:** Kajima Corporation Architectural Design Division

**Design:** Kajima Corporation Architectural Design Division, Daiwa House Industry Co., Ltd.

**Construction:** Kajima Corporation, Daiwa House Industry Co., Ltd.

**Uses:** R&D facilities (laboratories and large-scale offices), advanced medical research center, event hall, facility offering Japanese cultural experiences, dining establishments, conference and training accommodation facilities, hydrogen filling stations, etc.

**Scale:** Steel-frame/reinforced concrete/steel-frame reinforced concrete structure, 1 basement floor, 11 floors above ground, total floor area approx. 131,000 m²

**Construction period:** 2018–2022

**Scheduled opening:** Opening on July 3, 2020; Grand opening in 2022

Project 2

Design capabilities × Proposal capabilities × Customer responsiveness

# Operation and Management Business for Pharmaceutical Facilities

Comprehensive Outsourcing of Integrated Facility Management from Astellas Pharma Inc.

## Project Overview

Kajima's Engineering Division and Kajima Tatemono Sogo Kanri Co., Ltd. have taken on outsourced operation and management on behalf of Astellas Pharma Inc. for four production facilities and three research facilities in Japan. Facility management personnel were transferred from Astellas Business Service Co., Ltd., which performed shared administrative support for the Astellas Pharma Group. Since 2017, Kajima has conducted administrative support at these facilities, including daily management operations such as inspection, maintenance and repair of buildings, equipment and machinery, as well as management of outsourcing for cafeterias and cleaning.

## Customer Support with a High Level of Expertise

Pharmaceutical facility management requires a thorough understanding of both Good Manufacturing Practice (GMP) standards for manufacturing and quality control of pharmaceuticals and the equipment and machinery at pharmaceutical facilities. Kajima Tatemono Sogo Kanri Co., Ltd., which is well-versed in facility management, is in charge of day-to-day operations, and the Engineering Division, which has an extensive track record involving pharmaceutical facilities, provides overall supervision and specialized technical guidance. This supports the stable operation of each facility.


Project 3

Design capabilities × Construction capabilities × Business creativity

# Construction of Kajima Global Hub (KGH) in Singapore

Accelerating Synergies between Construction, Real Estate Development and Technology Development Divisions

## Project Overview

Kajima started a new project to develop a facility that integrates office and research functions at Changi Business Park in Singapore, which is a convenient five minutes' drive from Changi Airport, the largest air transportation hub in Asia. Our proposal for this project has been endorsed by the Singapore Economic Development Board. Kajima Global Hub (KGH) will be a place that embodies the Kajima Group's advanced construction technologies and facility management expertise cultivated in Japan through all phases from design to construction and property management for the benefit of people, companies, investors and governments in the Asia-Pacific region.

Kajima Technical Research Institute Singapore (KaTRIS) will establish a research facility at KGH to promote open innovation with external organizations actively engaged in technology development, including other companies, universities and government agencies in Singapore. All Kajima Group companies in Singapore will be housed at KGH so as to enhance synergies between construction, real estate development and R&D functions. We plan to incubate new businesses there as well.

# Material Issues

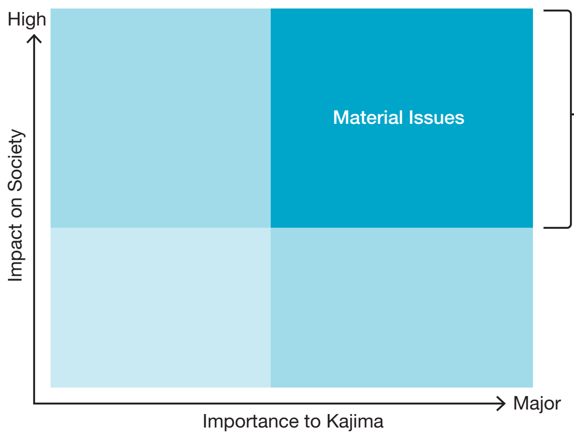
Drawing on our corporate philosophy of advancing our business operations and contributing to society, we have identified material issues to address in order to increase corporate value and achieve sustainable growth together with society.

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

## Process for Determining Material Issues

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

### Issue Mapping




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

**1**
- Addressing competition among cities
- Increasing sophistication of urban functions

**2**
- Addressing funding and personnel shortages in the field of social infrastructure maintenance and renewal

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

**4**
- Responding to climate change
- Ensuring a stable supply of energy
- Promoting efficient energy use

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

**7**
- Conducting fair business practices
- Ensuring compliance

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

## Our Material Issues and Related SDGs

| | Direction of Initiatives for Material Issues | Contribution through Customers' Businesses | Contribution through Our Businesses | Related SDGs |
|---|---|---|---|---|
| Society | **1 Creating functional urban and industrial infrastructure capable of meeting new needs**<br>Kajima combines experience and new technologies to address new needs. Furthermore, by developing functions for facilitating life, work, and wellness, Kajima proposes sophisticated value in the fields of building construction, social infrastructure construction, urban development and industrial infrastructure. | • Creating comfortable and attractive spaces<br>• Improving productivity and product quality through engineering technologies<br>• Improving workplace productivity and wellness | • Conducting large-scale, mixed-use redevelopment projects<br>• Constructing smart buildings and cities | 3, 8, 11 |
| Society | **2 Developing sustainable and long-lasting social infrastructure**<br>Kajima promotes technological development for repair, maintenance, renovation and extending the lifespan of buildings and infrastructure, and develops outstanding social infrastructure that can be used safely long into the future. | • Technologies for extending building lifespan<br>• Technologies for maintaining and renewing infrastructure<br>• Increasing sophistication of facility and building management | • Acquiring quality assets in the real estate development business<br>• Participating in concessions | 9, 11, 12 |
| Society | **3 Providing technologies and services for disaster preparedness that support safety and security**<br>Kajima provides disaster-resilient building and infrastructure construction, technology development, and services for rapid recovery and reconstruction in the event of a disaster. In light of the impact of climate change, we will increase the sophistication of disaster prevention technologies with a commitment to a safe society where people can live with peace of mind. | • Increasing sophistication of seismic damping and isolation technologies<br>• Responding to climate change with resilient buildings and structures<br>• Proposing business continuity plan (BCP) solutions | • Structuring supply chains that take BCP into account<br>• Strengthening initial response capabilities for disaster recovery | 9, 11 |
| Environment | **4 Contributing actively to society's transition to a low carbon footprint**<br>Kajima contributes actively to society's transition to a low carbon footprint by reducing $CO_2$ emissions during construction, by developing energy-efficient technologies, renewable energy facilities, and green buildings, and by managing energy efficiently. In addition, we are also committed to recycling resources and harmoniously co-existing with nature based on Kajima Environmental Vision: Triple Zero 2050. | • Delivering zero-emission and other energy-efficient buildings<br>• Structuring optimal energy systems<br>• Constructing renewable energy facilities | • Reducing $CO_2$ emissions during construction<br>• Developing green buildings<br>• Using renewable energy | 7, 12, 13, 14, 15 |

• Achieve Triple Zero 2050

| | Direction of Initiatives for Material Issues | Platform for Business Sustainability | Related SDGs |
|---|---|---|---|
| Platform for Business Sustainability | **5 Focusing on unwavering technological innovation and Kajima quality**<br>Kajima creates sustainable next-generation construction systems by developing technologies that improve productivity and safety. In addition, in order to deliver buildings and infrastructure to customers with confidence, we continually improve the quality of inspection and assurance systems with a commitment to ensuring quality and peace of mind for building, infrastructure and environment users. | • Promoting technology development and using ICT to improve productivity and safety<br>• Ensuring safe, high-quality buildings through rigorous quality assurance systems | 11, 12 |
| Platform for Business Sustainability | **6 Construction that emphasizes people and partnerships**<br>Kajima promotes work-style reform at construction sites, secures construction personnel, hires and nurtures human resources, and creates an attractive working environment in which every employee can excel. We create value in cooperation with our business partners and promote innovation through collaboration with external parties. | • Ensuring occupational health and safety<br>• Promoting work-style reform and securing construction personnel<br>• Training and developing people with an emphasis on diversity<br>• Using open innovation | 3, 4, 5, 8, 10, 17 |
| Platform for Business Sustainability | **7 Practicing corporate ethics**<br>Kajima promotes fair and honest corporate activities by practicing thorough compliance and risk management. Each employee and director of the Group acts ethically and earns the trust of customers and society through initiatives in all parts of the supply chain. | • Ensuring rigorous compliance<br>• Enhancing risk management systems and process management<br>• Conducting fair supply chain management | 16 |

• Mechanizing, automating and employing ICT in construction
• Kajima Smart Future Vision

# Kajima's Strategies for Growth



Feature

# Initiatives to Improve Productivity

Worker shortages in our industry are a pressing issue as fewer young people are interested in starting a career in construction while older skilled workers look to retire, among other factors. To address this, the Kajima Group Medium-Term Business Plan set out productivity improvement initiatives—our ongoing efforts to incorporate the most advanced technologies in construction processes—that are delivering positive results.

In our building business, we are extending the use of various robots, BIM-based cutting-edge ICT and innovative onsite management techniques throughout our sites in Japan. A notable recent achievement that takes us a step closer to the Kajima Smart Future Vision formulated in fiscal 2018, is our successful implementation for the first time in Japan of a BIM-based "digital twin" which links building data in all project phases, from planning, design and construction, to post-construction maintenance, management and operation.

In our infrastructure business, we are poised to complete our next-generation construction system A⁴CSEL® ("quad axel") for autonomous construction machinery.

Our initiatives to improve productivity are combining human experience and expertise with IoT and AI, thus bringing a new sense of excitement to working in the construction industry.

## Stepping Up Kajima Smart Future Vision Initiatives

The Kajima Smart Future Vision, launched in fiscal 2018, calls for transforming building construction processes in ways that address the coming shortage of workers while facilitating work-style reforms at the same time. With its core concept of "half of the work with robots," "half of project management done remotely," and "digitalization of all processes," we plan to achieve a 30% improvement in productivity by fiscal 2024.

### Half of the work with robots

Such productivity improvements are to come about through collaboration between humans and machines. Hazardous and repetitive tasks will be performed by robots, while work that requires complex decision-making and expertise will be done by humans.

### Half of project management done remotely

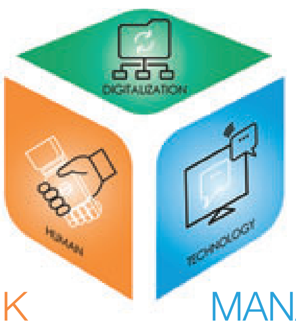
Wireless communications and sensor technology will be used extensively in pursuit of more efficient, high-quality management. This effort is also to be redoubled as a response to the COVID-19 pandemic.

### Digitalization of all processes

All information in the building construction process is to be digitalized on the basis of BIM, which will be developed from the more conventional 3D into 5D by adding material volume and time dimensions, and further into 6D by adding the maintenance and management dimension to enable use from planning and design to building management. BIM-based virtual construction simulations will help the construction industry to shift from "one-off production" —one of its biggest weaknesses—to "repeatable production."

While prime contractors compete in the development of quality, safety and other enhancements that provide advantages in business, we think it important that the industry as a whole collaborates to develop such robots, tools and other technologies that are better used commonly across subcontractors, improve user convenience, and promote their widespread use.

ENGINEERING
Digitalization of all processes




WORK
Half of the work with robots

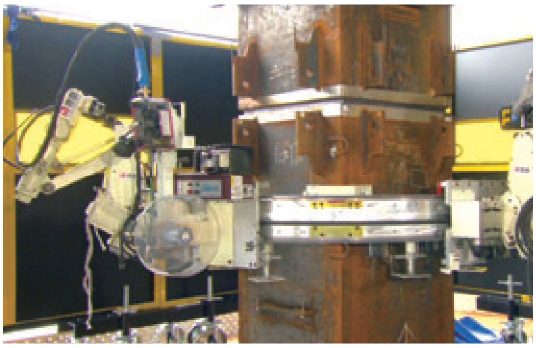
MANAGEMENT
Half of project management done remotely

Scan the QR code to access a video introducing the Kajima Smart Future Vision.

## WORK Half of the work with robots

### Manipulator-type onsite welding robot

We have developed a manipulator-type onsite welding robot that can perform welding of large steel columns. In actual application, two six-axis articulated robots capable of the same movements as a human arm are used in combination to detect the welding points and perform the welding work. They have successfully welded the entire circumference, including continuous welding of the corners of square tubular steel columns (box columns), which is considered difficult with general-purpose portable welding robots, and provided quality on par with the work of a veteran welding technician.

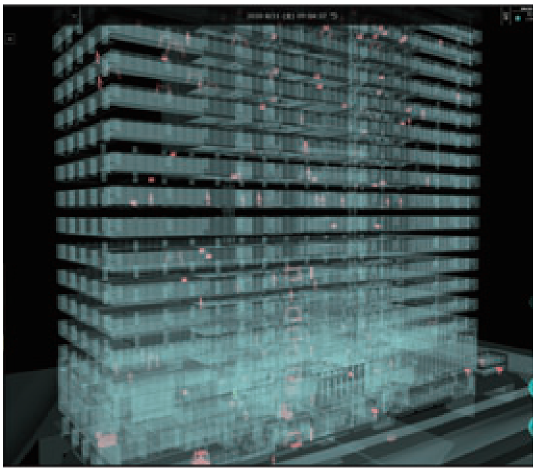


Manipulator-type onsite welding robot

## MANAGEMENT Half of project management done remotely

### K-Field® and KENLOGI® to Create a Digital Twin

We developed K-Field®, which displays the location and operating status of people, equipment, materials and construction vehicles at construction sites in real time, and are now applying it at multiple sites. With this system, positions are tracked though beacons (signal transmitters) attached to materials, equipment and people on construction sites, and gateways (signal receptors) installed on each level. By using the cloud, this information can be shared remotely from field offices, branches and other offsite locations. In 3D K-Field®, its newest version, BIM data is used to display the positions of materials, equipment and people in a 3D spatial model for a more intuitive visualization of their positions. Combining 3D K-Field® with KENLOGI®, which utilizes conventional identification tags to log the entry and exit of materials and equipment, makes possible more efficient management of various materials and equipment. These systems are being created and operated by One Team, Inc., a Group company.



3D K-Field®, which visualizes construction site conditions in real time in virtual space

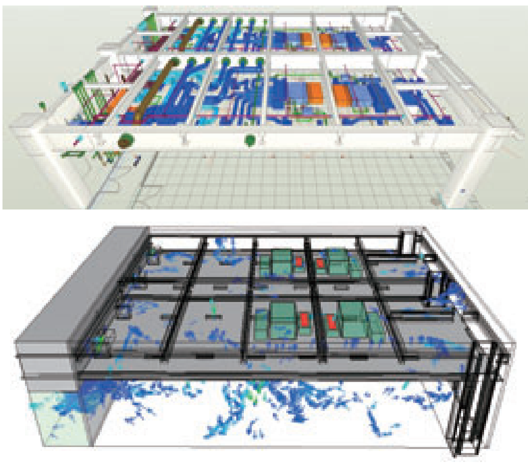
## ENGINEERING Digitalization of all processes

### Data linkage based on BIM

We will carry out all processes related to building construction based on BIM. For example, at the design stage, we use BIM to conduct various simulations including air flow and the flow of people during a fire evacuation. In the construction phase, virtual construction is performed before the start of actual construction. This exercise adds value by allowing higher-quality drawings and plans to be made, and also helps to reduce delays and rework.

In procurement, manufacturing, logistics and the construction process, the BIM Logistics System lets us see the progress of manufacture, delivery, onsite installation and other processes in real time.

In the maintenance and management stage, maintenance information collected from mobile terminals and a central monitoring system is linked with BIM to visualize building management. When such information is accumulated and analyzed, it is possible to gain insights that are beneficial to customers, and use them strategically when proposing renovation work.



Air flow simulations and assessments under various scenarios project

# 01

# First in Japan! BIM-Based Digital Twin for All Phases of Building Construction

## Project Summary

**Project name:** OBIC Midosuji Building New Construction
**Client:** OBIC Co., Ltd.
**Location:** Hiranomachi 4-chome, Chuo-ku, Osaka
**Building uses:** Hotel, event hall, office, restaurant, exhibition space, parking
**Total floor area:** 55,753 $m^2$
**Structure:** Steel-frame reinforced concrete below ground, steel frame/reinforced concrete above ground, 2 floors below ground, 25 floors above ground
**Design and construction:** Kansai Branch, Kajima Corporation
**Construction period:** May 2017–January 2020

Digital twin technology allows us to fully digitalize project information from planning, design and construction, to post-construction maintenance, management and operation, and to display it in real time in virtual space. For the first time in Japan, Kajima created a BIM-based "digital twin" for the OBIC Midosuji Building, where building data was linked consistently through all project phases.

## Background

In Japan, a variety of initiatives are in progress to make the Society 5.0 vision a reality, with increasing attention given to digital twin technology. Kajima is actively employing BIM not only to provide high-quality buildings, but also because it believes that digitalizing building information end-to-end from planning and design to post-construction maintenance, management and operation, and providing this information to customers helps to raise the asset value of their buildings. We have positioned "digitalization of all processes" at the core of the Kajima Smart Future Vision, and are working to create new construction systems based on BIM.

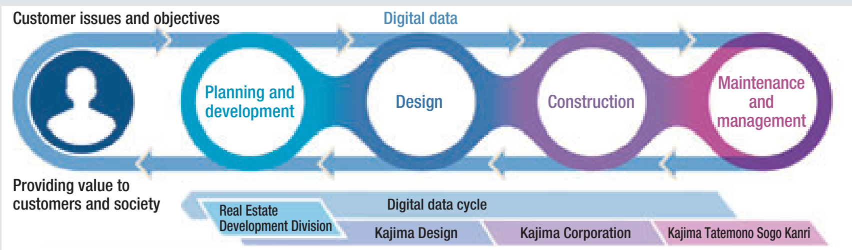
## BIM-Based Digital Twin

Under our digital twin initiative, all construction processes are linked through BIM. Productivity will be enhanced by using 5D modeling that adds material volume and time dimensions to BIM-based 3D representations of buildings, and 6D modeling will be made available for building management by further adding the maintenance and management dimension. Thus, BIM-based virtual construction simulation helps the construction industry to shift from "one-off production"—one of its biggest weaknesses—to "repeatable production." Furthermore, the BIM-based digital twin is linked with Kajima Smart BM® (see Highlight on page 45) operated by Kajima Tatemono Sogo Kanri Co., Ltd., enabling us to provide optimal building management services.

This results in digital assets that have just as much value as real buildings. Moreover, linking the information in these virtual spaces with other building information, and expanding it to city districts and regions will be an essential part of developing the smart cities we can expect to see in the future.

Kajima will continue to expand the use and application of BIM data to increase the efficiency of various tasks in construction projects, helping building owners and users not only to improve convenience and comfort, but also to enhance the asset value of their buildings.

## Digital Data Cycle



project

# 02

# Full-Scale Operation of A$^4$CSEL® for Automated Construction Sites

## Project Summary

**Project name:** Embankment Construction for Naruse Dam (Phase 1)
**Client:** Tohoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
**Location:** Higashinaruse-mura, Ogachi-gun, Akita Prefecture
**Purpose:** Multipurpose dam
**Type:** Trapezoidal CSG dam
**Dimensions:** Height 114.5 m, crest length 755.0 m, dam volume 4,850,000 m$^3$
**Construction period:** May 2018–December 2022
**Construction:** Tohoku Branch Joint Venture, Kajima Corporation

## Next-Generation Construction System A$^4$CSEL®

Cutting-edge technologies such as AI and ICT are also being increasingly applied in the field of civil engineering. To enhance onsite productivity and safety, we are creating new construction systems that include the use of ICT-enabled construction machinery and the adoption of advanced communications technology.

A$^4$CSEL® ("quad axel"), a next-generation construction machinery automation system being developed by Kajima, can convert general-purpose construction machinery into self-driving construction machinery through the mounting of measuring instruments and a control computer. The system compiles actual operating data from skilled operators to achieve automated operation through optimal control enhanced by AI and other technologies. Unlike conventional remote control, this world-first technology enables multiple construction machines to autonomously make decisions and execute automated construction simply based on work commands issued from the control room.

## The Challenge of Naruse Dam

Naruse Dam is being constructed in Higashinaruse-mura, Ogachi-gun in Akita Prefecture. With a height of 114.5 meters and a crest length of 755.0 meters, it will be the world's largest trapezoidal cemented sand and gravel (CSG) dam when completed. In its construction, we have fully introduced A$^4$CSEL®, employing 23 pieces of automated heavy machinery to take on the challenge of full-scale embankment work.

The application of A$^4$CSEL® in actual construction began with the Gokayama Dam in 2015, and we gradually expanded the number of pieces, types and the operating time of heavy machinery at the Oitagawa Dam in 2016 and then the Koishiwaragawa Dam in 2018. In the embankment work of the Koishiwaragawa Dam, seven pieces of three types of automated heavy machinery operated continuously for five hours, successfully filling one layer of core material (1,300 cubic meters). At Naruse Dam, use of A$^4$CSEL® reached a high point of having 23 pieces of five types of heavy machinery (7 dump trucks, 4 bulldozers, 7 vibration rollers, 3 oscillating rollers and 2 cleaning vehicles), the most to date, operate day and night for as many as 72 hours non-stop.

We have been making various preparations since fall 2019 for CSG placement by automated heavy machinery on an unprecedented scale, including equipment linkage tests, formation testing, and placement testing using locally manufactured CSG.

In summer 2020, we finally began CSG placement using A$^4$CSEL® automated heavy machinery. As the site is in an area of heavy snowfall, construction cannot be performed in winter. Therefore, high-speed, large-volume placement work of 16,500 cubic meters per day is required in order to achieve the scheduled completion of placement work in July 2023.

In the future, we will introduce various forms of advanced ICT, such as construction optimization technologies for efficiently deploying and operating multiple pieces of heavy machinery, and technologies needed for visualizing construction progress from real-time operating data.

### Development to Date of A$^4$CSEL®

**2009** • Start of research and development
**2012** • Vibration roller demonstration test
**2013** • Test run of automated bulldozer
Start of joint research and development with Komatsu Ltd.
**2015** • Announcement of A$^4$CSEL® next-generation construction system
Practical application of vibration roller and demonstration test of automated bulldozer in the Gokayama Dam Construction Project (Nakagawa City, Fukuoka Prefecture)
**2016** • Introduction of A$^4$CSEL® automated dump truck
Introduction test of automated dump truck in the Oitagawa Dam Construction Project (Oita City, Oita Prefecture)
Start of joint research with Japan Aerospace Exploration Agency (JAXA)
**2017** • Received numerous awards, including Grand Prize in the 19th Infrastructure Technology Development Awards
Opening of Seisho Test and Practice Field
**2018** • Carried out full-scale embankment work (with automated dump trucks, automated bulldozers and automated vibration rollers) in the Koishiwaragawa Dam Construction Project (Toho-mura/Asakura City, Fukuoka Prefecture)
Riken, Komatsu Ltd. and Kajima began joint research
**2020** • Began operating over 20 pieces of automated heavy machinery in the Naruse Dam Construction Project

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

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

We have generally seen favorable progress through the second year of the Medium-Term Business Plan. During that period, we have been adding policies to reinforce initiatives, following up on policies where progress has fallen behind and responding to changes in the environment.

## Key Objectives

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

## Priority ESG Measures

| E | S | G |
|---|---|---|
| **Pursue environmental and energy opportunities** targeting the business activities of the Kajima Group and its customers | **Improve productivity and work environment** to create sustainability-promoting construction sites | **Strengthen risk management system and secure and train human resources** to support proactive investment and business portfolio expansion |

## Key Quantitative Business Targets

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

| Consolidated | FY2019 (Actual) | FY2020 (Target) | Medium to Long Term |
|---|---|---|---|
| Sales | ¥2,010.7 billion | ¥2,150 billion | Approx. ¥2,500 billion |
| Net income attributable to owners of the parent | ¥103.2 billion | ¥80 billion or more | ¥100 billion or more |
| ROE | 13.4% | 10% or higher | — |
| Interest-bearing debt | ¥326.8 billion | ¥400 billion or less | — |

## Strategies and Specific Outcomes

| Strategies | FY2018 Specific Outcomes | FY2019 Specific Outcomes |
|---|---|---|
| **Domestic construction business**<br>Improve productivity and create an attractive work environment | • Used BIM, CIM and ICT<br>• Promoted work-style reform<br>• Strengthened collaboration with Group companies | • Reduced work hours per square meter of construction by 20% at the pilot site for Kajima Smart Future Vision<br>• Engaged in technology collaboration with major construction industry peers in the fields of robot construction and IoT<br>• Established Group company that supports onsite management tasks<br>• Established subsidy project to support hiring of young skilled workers and training activities at partner companies |
| **Domestic/overseas construction businesses**<br>Enhance efforts in promising markets and fields | • Enhanced renewable energy initiatives<br>• Strengthened market initiatives for infrastructure upgrades in civil engineering and for construction renewal<br>• Collaborated among Group companies outside Japan and promoted cooperation among divisions | • Decided on cooperation with other companies to build a self-elevating platform (SEP) vessel<br>• Won contract award for construction of offshore wind power generation facilities at Akita Port and Noshiro Port |
| **Construction-related businesses**<br>Ensure proper execution in upstream and downstream businesses and diversify revenue sources | • Used BIM to provide one-stop solutions from building planning to management and maintenance<br>• Strengthened upstream businesses such as planning and design in the pharmaceutical industry-related field that employ engineering capabilities<br>• Increased profit opportunities in the real estate operation and management business with the launch of Kajima Private REIT Inc. | • Started offering Kajima Smart BM®, a building management service that uses IoT and AI<br>• Acquired Student Depot Sp. z o.o., a company in Poland that develops and operates student dormitories |
| **Domestic/overseas real estate development businesses**<br>Increase profitability in the real estate development business | • Steadily invested according to plan domestically and overseas<br>• Enhanced initiatives to generate outstanding new projects | • Expanded initiatives toward smart cities, such as at Haneda Innovation City<br>• Consortium including Kajima designated as the prospective business operator for the Yokohama City Hall District Redevelopment Project<br>• Established joint venture for the Myanmar Yankin Township mixed-used development project with Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN) |
| **Issues common to all businesses**<br>Enhance efforts to address social issues, including the environment, energy, and disaster prevention and mitigation | • Expanded product and service businesses that help resolve environmental issues<br>• Accelerated initiatives to reduce Kajima Corporation $CO_2$ emissions<br>• Strengthened support for natural disaster risk management of customers | • Developed and introduced "edes" system for visualization of $CO_2$ emissions at construction sites<br>• Hareza Tower, which was designed and constructed by Kajima, became the first high-rise mixed-use building to acquire ZEB Ready certification<br>• Began standardized installation of q-NAVIGATOR®, a system for monitoring structural health during and after an earthquake, in Kajima design and construction projects |
| **Business platform**<br>Strategically promote R&D<br>Establish a suitable business platform for Group management | • Globalized R&D<br>• Established compliance and risk management frameworks<br>• Expanded Group personnel exchange to nurture management talent | • Investigated cutting-edge technology at the Silicon Valley business location and elsewhere, cooperated with venture business on technology development<br>• Audited bid-rigging prevention controls at Group companies<br>• Began review of employee training systems |

## Investment Plan

Total investment over three years

**¥500 billion**

Prioritize investment in domestic and overseas real estate development businesses

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

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

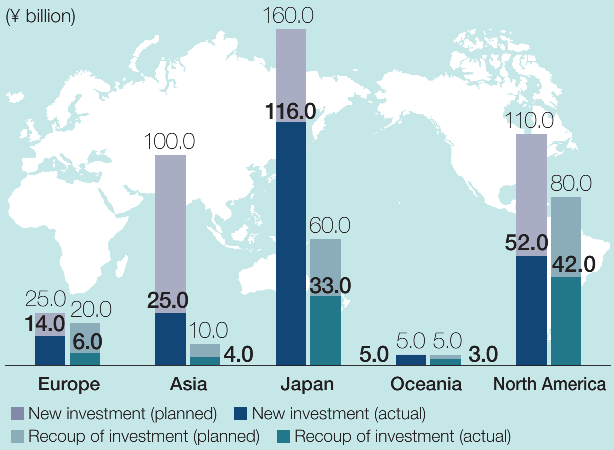
**R&D investment ¥50 billion**
Medium-Term Business Plan two-year total (actual) ¥33 billion

**Investment in strengthening competitiveness and sustainable growth**
(Domestic/overseas M&A, human resource-related, etc.) ¥50 billion
Medium-Term Business Plan two-year total (actual) ¥47 billion

### Domestic/Overseas Real Estate Development Businesses

**Medium-Term Business Plan two-year total (actual)**

New investment **¥212.0 billion**
Recoup of investment **¥88.0 billion**



# Message from the General Manager of the Treasury Division

**Adopting a medium-to-long-term perspective, we will accelerate investment to strengthen competitiveness and diversify revenue sources.**

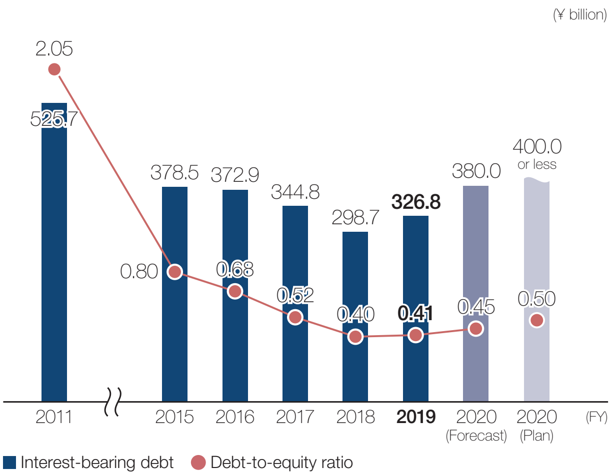
**Ken Uchida**
Director, Managing Executive Officer,
General Manager, Treasury Division

## Our Distinctive Business Structure, Securing Equity Capital and Target ROE

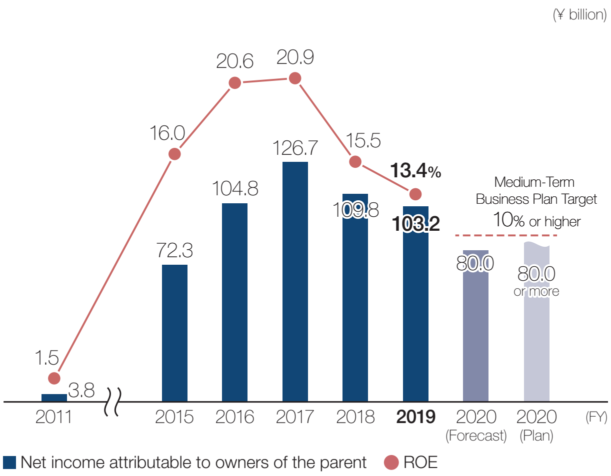
We aim to build a stable foundation for earnings through synergy between the construction business, which is our core business, and the real estate development business, which is an investment business. Although profitability of the construction business may fluctuate with economic trends and construction costs because of its order-taking business character, in recent years, we have undertaken numerous large-scale office and commercial buildings in urban areas backed by our proven track record based on trust and technological capabilities. In addition to the conventional real estate businesses of sales and lease of properties, our real estate development business is also actively engaged in demand-creating businesses, such as urban regeneration and smart cities, which have a different earnings structure and risk profile. By utilizing a portion of the cash earned in the construction business for investment in domestic and overseas real estate development, we create an optimal business cycle through linkage between construction and real estate development, which contributes not only to enabling us to carry out construction of properties ourselves, but also to achieving target earnings from the sales of properties in the short term or to generating stable earnings from long-held lease assets in the long term.

Under such a business structure, we accumulate assets in the real estate development business while maintaining a financially sound balance between the use of equity capital and borrowed capital. Currently, our consolidated real estate development assets total about ¥540 billion, adjusted equity capital excluding revaluation surplus is over ¥700 billion, and interest-bearing debt is about ¥330 billion. Therefore, we believe our finances are sound, as the debt-to-equity ratio can be maintained at 1.0 time or less even if there is

**Interest-Bearing Debt / Debt-to-Equity Ratio**




**Net Income Attributable to Owners of the Parent / ROE**



impairment in some real estate development business assets. In past medium-term business plans, we managed our finances with a focus on reducing interest-bearing debt, placing top priority on improving our financial structure. However, under the current Medium-Term Business Plan, while we are still limiting the increase in interest-bearing debt, we shifted direction to accept a certain level of interest-bearing debt in order to use leverage in the real estate development business. This change was made in consideration of the increased stability of profitability in the construction business, and our drive to invest in real estate development to secure future revenue sources. As a result, interest-bearing debt and net interest-bearing debt in fiscal 2019 turned upward from fiscal 2018, even as we maintained financial control.

Increased investments in the real estate development business may entail not only asset impairment risk in the event that business conditions deteriorate, but also foreign exchange fluctuation risk in overseas operations. In order to prepare for these risks, we have set a target of ¥800 billion for consolidated equity capital, which is a financial foundation with sufficient risk tolerance.

On the other hand, our consolidated results still largely depend on the construction business, which is our core field. It may be hard to be optimistic about the profitability of the domestic construction business, as we foresee overall construction demand will be on the gradual decline. Nevertheless, we regard the construction business as the most important component, and its significance as a revenue source will not diminish. Incorporating the future revenue source of the real estate development business and expanding business domains to upstream and downstream fields will also help us to spur new demand in the construction business. We envision that this, along with improvements in our construction capabilities and productivity, as well as allocation of funds to address the shortage of skilled workers, will enable the construction business to maintain and increase revenue and gross profit, and thus will continue contributing to earnings.

In our overseas operations, we have a well-balanced earnings structure, in which the real estate development business accounts for a relatively larger portion of our overall business and has already built an extensive track record of collaboration with the construction business. As construction demand is expected to grow in some countries and regions, we expect this unique earnings structure to lead to further business expansion and contribution to earnings.

To realize our envisioned future, we will need to enhance consolidated equity capital in order to withstand business risks. We have set ROE above the cost of equity (expected to be 6.0%–8.0%) as an indicator, and plan to further increase investment efficiency (weighted average cost of capital of around 3.5%–5.0%) to ensure that we achieve it.

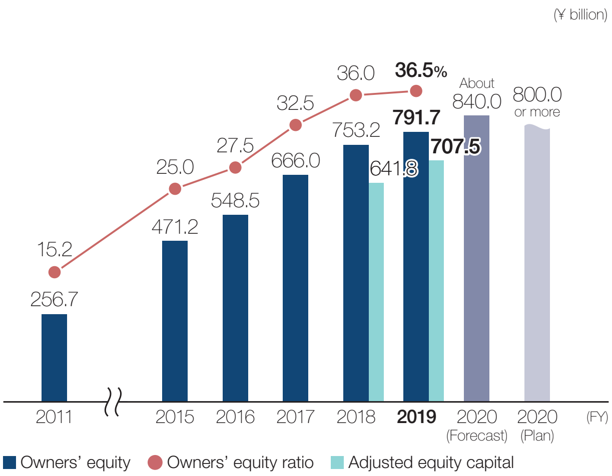
## Making Proactive Investments to Execute Our Investment Plan of ¥500 Billion

The current Medium-Term Business Plan allocates ¥500 billion for growth investments. Of that total, about ¥400 billion is earmarked for domestic and overseas real estate development businesses. In fiscal 2019, the amount of investment in these businesses grew to ¥144 billion over the previous year, partly due to the acquisition of a large-scale income-producing property in Japan, bringing cumulative investment for the first two years to roughly half of the planned total for the three-year period. We also invested ¥18 billion in R&D and ¥21 billion in strengthening competitiveness and sustainable growth. Overall, the investment plan is making steady progress.

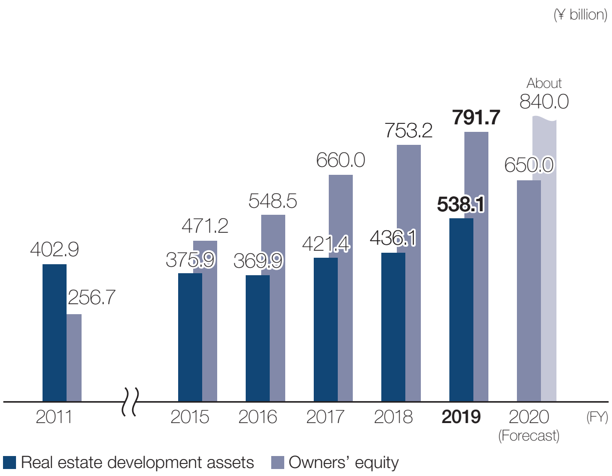
The COVID-19 pandemic will undoubtedly have an impact, but given that this investment will lay the groundwork for our future growth, we will continue to carry out investments in fiscal 2020, and aim to achieve our planned investment target while carefully identifying projects where we can secure adequate profits. M&A is another means to expand our business both quantitatively and qualitatively. We will continue to look for M&A opportunities that are compatible with our businesses (i.e. companies that have similar corporate values to ours, as well as technologies and business domains that are mutually complementary).

Formal decisions on investments of substantial scale are made after deliberation by various committees, which discuss individual projects in their respective business fields. These committees hold extensive and vigorous discussions on the suitability of the proposed investments.

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




**Real Estate Development Assets / Owners' Equity**



The most salient feature of our real estate development business is that we are a so-called “general contractor-developer”—a developer that has design and construction functions. Having skills and knowledge related to design and construction gives us many advantages. For example, at the design stage, we are able to create rational designs that take into account construction feasibility, determine a rough estimate of the construction cost, which accounts for the bulk of project expenses, and promptly reflect a wide range of information, such as conditions of land and soil, disaster prevention and neighboring communities, in the early stage of development plans. To further extend these advantages as we increase our investment in the real estate development business, we will continue to promote the enhancement of individual and organizational capabilities, engagement of external capabilities, effective application of advanced technologies and use of diverse funding sources. By promoting such measures, our professional project teams in the real estate development business will create an outstanding development business that will deliver target results. These are common challenges across our domestic and overseas operations. The Treasury Division is determined to provide full support by mobilizing its knowledge including financing perspectives while ascertaining financial impact.

## Steady Progress in Financial Management in the Second Year of the Medium-Term Business Plan

Reviewing financing activities in fiscal 2019, the second year of our current Medium-Term Business Plan, our activities largely mirrored the plan as we utilized the ample cash flows from solid performance in fiscal 2018.

Fiscal 2019 was a period in which we had to fund large-scale construction projects in advance. Rather than relying exclusively on the cash accumulated through the previous year, we raised necessary funds as needed using financing methods suited to the nature of each project. Specifically, we made our first issuance of Green Bonds (used to finance/refinance green building construction) in the amount of ¥10 billion, and flexibly issued commercial paper from our issuance limit of ¥300 billion. We also maintained the optimal amount of cash and deposits on hand to ensure that any deterioration in ordinary cash flows due to the COVID-19 pandemic would not interfere with funding, and increased our committed line of credit to ¥250 billion as a precaution against unforeseen circumstances. This structure will allow for stable funding regardless of the financing environment. On the other hand, regarding the increasing number of overseas real estate development projects, we considered factors such as whether cash demands arising from projects were equity- or debt-oriented. In the case of the latter, we partially funded projects by making parent-company loans to overseas subsidiaries that had been raising funds locally with interest-bearing debt. With this and other strategies, we enhanced the Group’s overall capital efficiency and implemented specific measures to control finances globally.

In addition to securing required funds, the Treasury Division is also responsible for comprehensively identifying and hedging financial risks after fully considering the business characteristics of new projects, and controlling overall corporate cash flow. We verify the profitability of individual projects through the aforementioned internal committees that assess business risks and discuss countermeasures, and work to manage financial risk with a bird’s-eye view of the Group. In other words, the division’s roles include: (1) maintaining the right balance of projects, taking into account differences in business scale in each region; (2) assessing the profitability and recoupment of investment for each type of business in the real estate development business portfolio; (3) for M&A, measuring compatibility with existing businesses in the Group and the potential for profit synergies, while making business continuity decisions that also consider criteria for withdrawal; (4) increasing the speed of capital turnover in the construction business; and (5) securing diverse funding options to finance projects with the optimal methods for each business. It is difficult to make future assumptions about risks resulting from the COVID-19 pandemic as the situation is changing daily, but we will examine risks as far in advance as possible in order to preempt them.

## Distributing Stable Dividends Based on Our Stockholder Return Policy

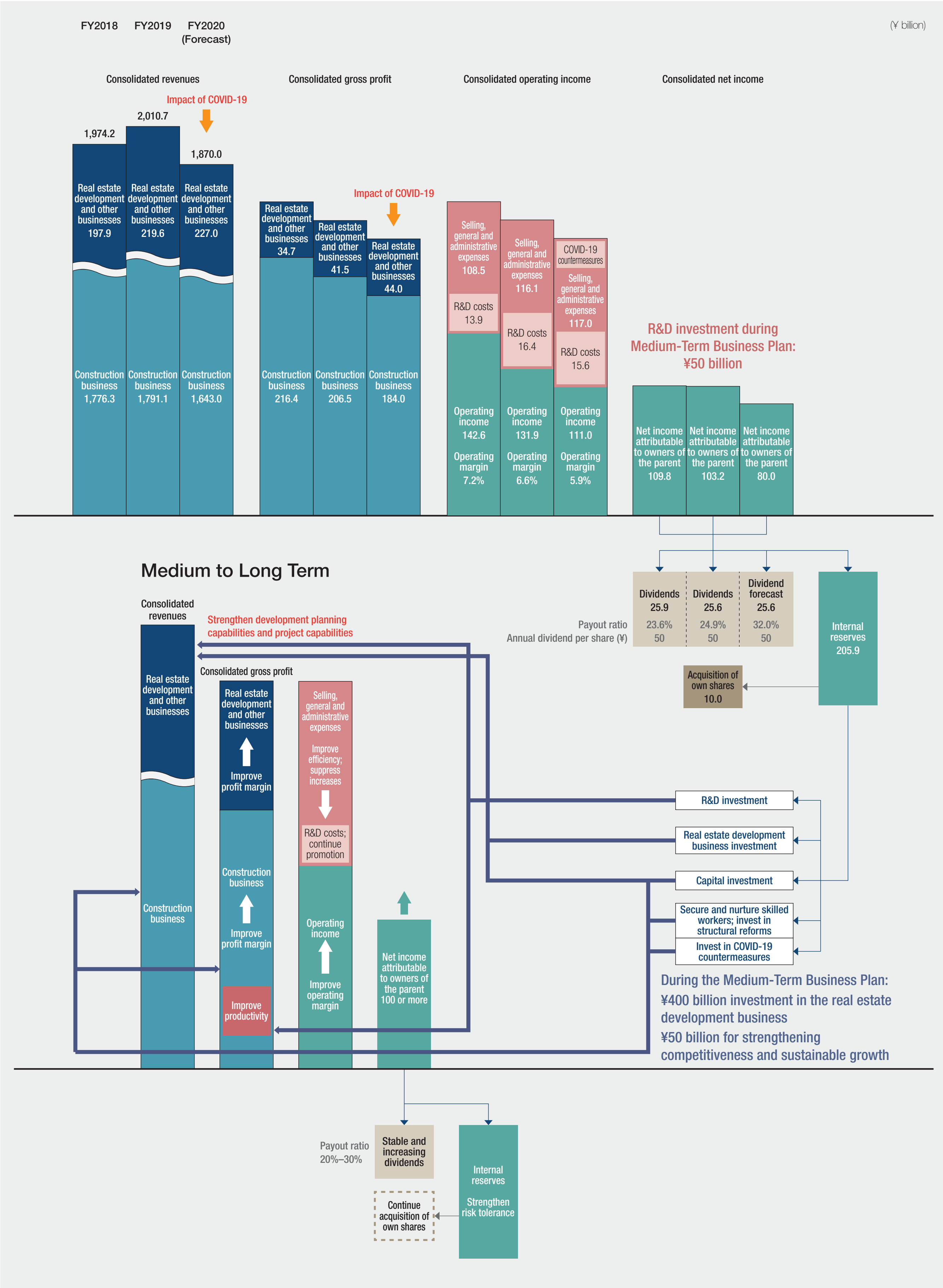
The Kajima Group’s dividend policy is to “Aim to distribute stable amounts of dividend with a target range of a 20 to 30% payout ratio, while securing adequate consolidated equity capital, as well as to provide stockholder returns with consideration of business performance, financial condition and business environment.” We are further enhancing stockholder returns in line with this policy.

In fiscal 2019, cash outflows were as expected under the Medium-Term Business Plan, but we refrained from changing the dividend level and suspended acquisition of our own shares as a precaution against a possible shortfall in cash inflows. As a result, the annual dividend per share was ¥50, the same as the previous year. We made this decision after also taking into account the unprecedented circumstances of the COVID-19 pandemic. For fiscal 2020, although we are forecasting a decline in profit, we plan to distribute the same dividend as this year, reflecting the importance we place on stable dividends. To meet the expectations of stockholders, we will continue to consider the dividend level and acquisition of our own shares based on economic conditions, business results, investment plans, financial condition and other factors at the time earnings are reported as well as the three- to five-year forecast.

Under our policy on reduction of the holding of listed stocks for strategic purposes including cross-shareholdings over the medium to long term, while taking into account the impact of the disposal of such stocks, we will use the proceeds in a balanced manner for our future growth. This will include investments in technology R&D, which is progressing with increasing speed in the construction business, measures to secure skilled workers, ongoing investments in the real estate development business, stockholder returns, and improvement of our financial position.

We will further deepen our dialogue with stockholders and continue pursuing our long-term initiatives while keeping in mind ESG perspectives and the material issues aimed at addressing the targets of the SDGs, as we work to generate sustainable growth and increase corporate value.

## Three Years of the Medium-Term Business Plan



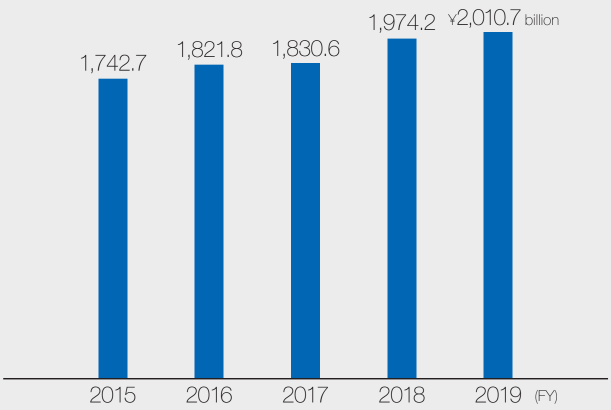
# Financial and Non-Financial Highlights

**Kajima Group by the Numbers**

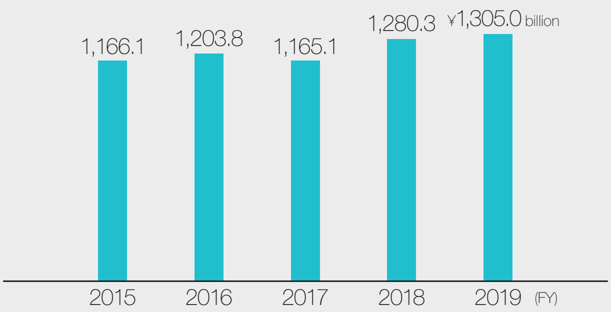
A review of Kajima's data for fiscal 2019 (ended March 31, 2020)

### Revenues

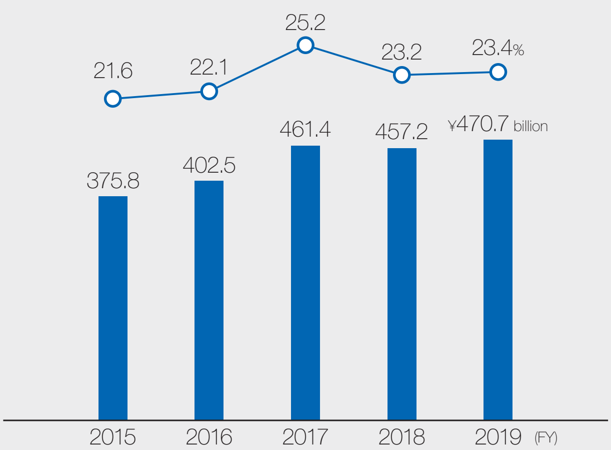
Consolidated ¥2,010.7 billion



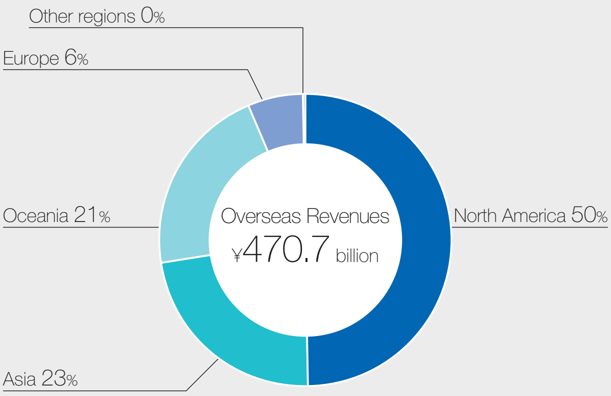

Non-consolidated ¥1,305.0 billion




### Overseas Revenues / Total Revenues Ratio




### Revenues outside Japan, by Region




### Construction Contract Awards

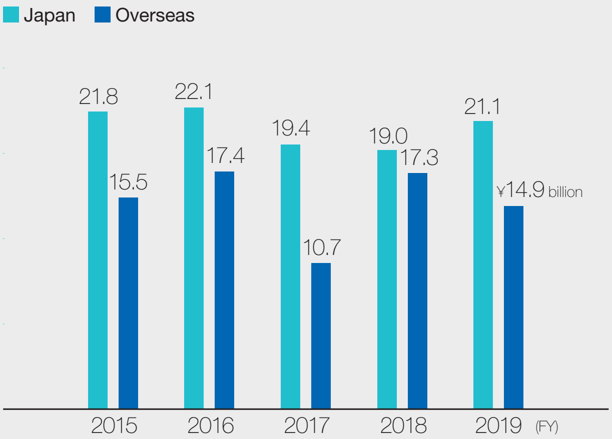
Consolidated ¥1,752.8 billion

Non-consolidated ¥1,122.5 billion

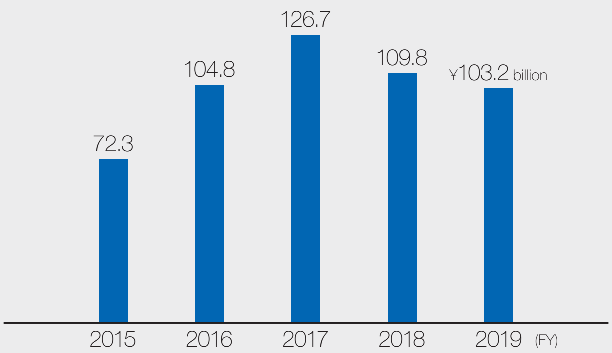
| Civil Engineering | Building Construction |
|---|---|
| ¥327.6 billion | ¥794.9 billion |

### Ordinary Income

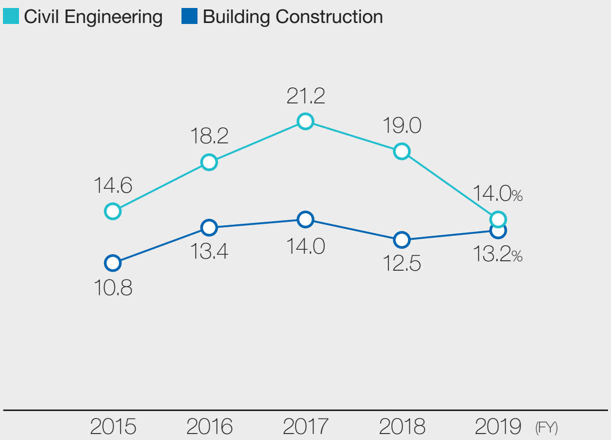

### Ordinary Income at Group Companies in Japan and Overseas



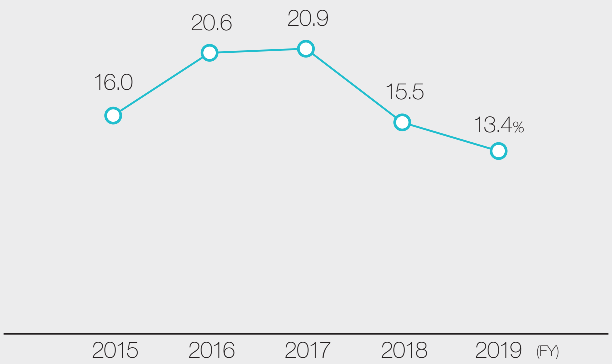

### Net Income Attributable to Owners of the Parent



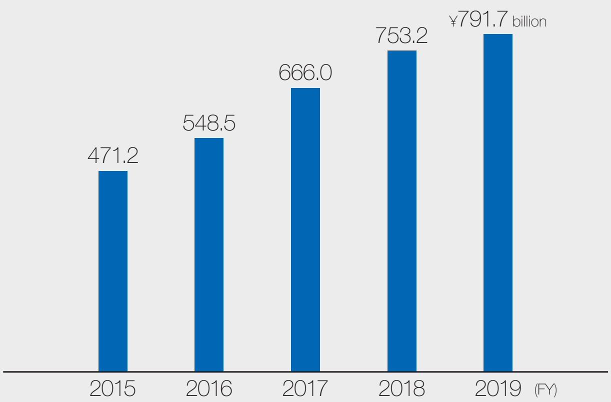

### Gross Profit Margin for Civil Engineering / Building Construction Businesses (Non-Consolidated)




### Return on Equity

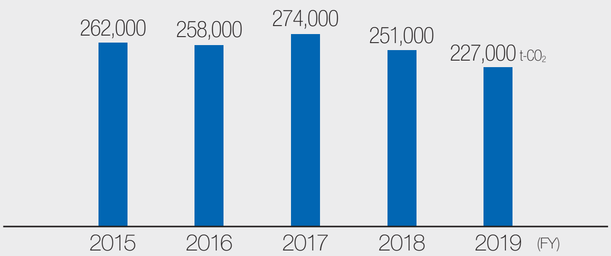



### Owners' Equity



### $CO_2$ Emissions Attributable to Construction

**227,000** t-$CO_2$




### Reduction in $CO_2$ Emissions Per Unit of Sales Attributable to Construction

**20.0** %

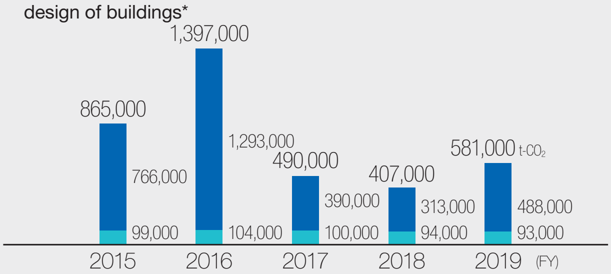
Rate of reduction compared with benchmark fiscal year for $CO_2$ emissions per unit of sales attributable to construction ($CO_2$ emissions per ¥1 hundred million in construction)


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

### Indirect Contributions to $CO_2$ Reduction

**581,000** t-$CO_2$

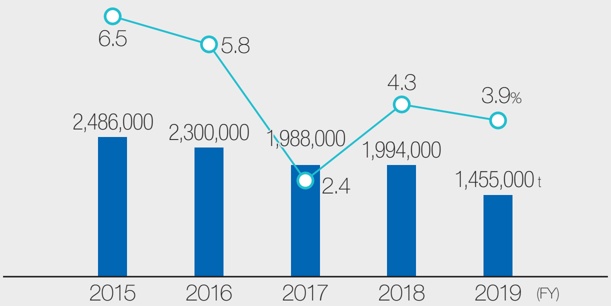
- Contribution to $CO_2$ emissions reduction attributable to green procurement (blast furnace cement/concrete)
- Contribution to $CO_2$ emissions reduction attributable to energy-saving design of buildings*




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

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

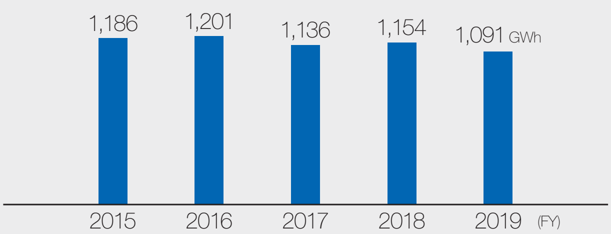
**3.9** %




### Energy Consumption (Project Sites and Offices)

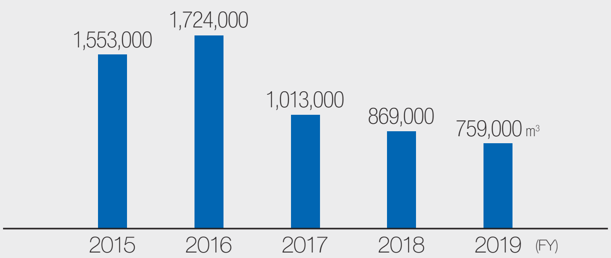
**1,091** GWh

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)

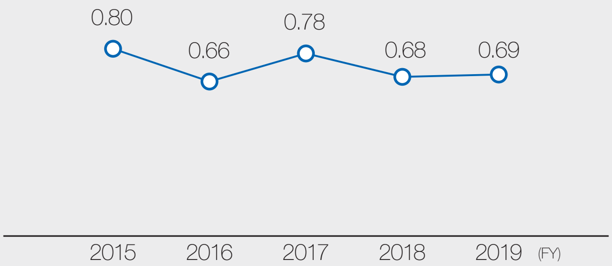
**759,000** $m^3$



## On-Site Safety

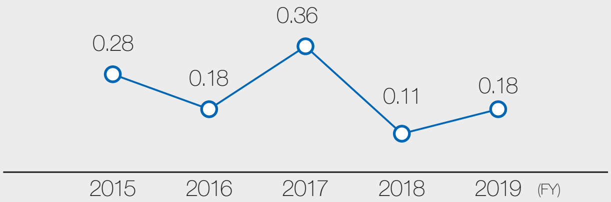
### Accident Frequency Rate (Lost Work Time of 4 or More Days)

**0.69**




### Accident Severity Rate

**0.18**

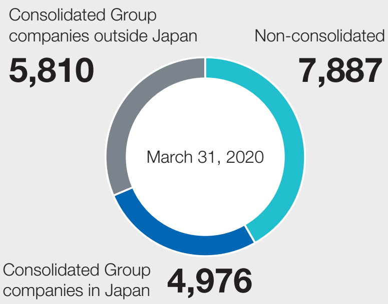



Frequency rate: The number of fatalities and injuries at worksites per one million cumulative working hours
Severity rate: The severity of illnesses and injuries represented by the number of workdays lost per thousand cumulative working hours

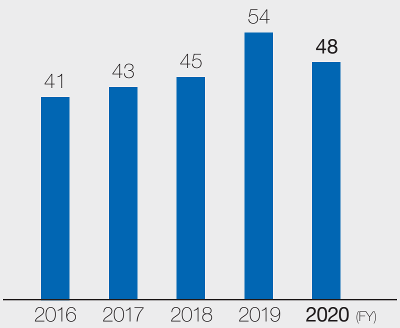
### Number of Employees

**18,673**

(20,504 including non-consolidated subsidiaries)

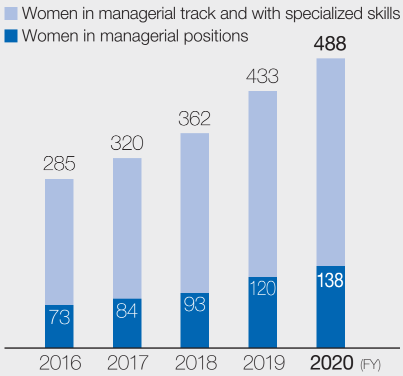



### Number of Women among New Graduate Hires




* Of 251 new graduate hires at Kajima Corporation on April 1, 2020, women accounted for 19.1%.

### Number of Women in Managerial Positions




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

### Human Resources Data (Non-Consolidated)

(As of March 31 of the fiscal year)

| | | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Employees | Number of employees | 7,527 | 7,611 | 7,686 | 7,783 | 7,887 |
| | Re-employed personnel | 921 | 1,102 | 919 | 930 | 961 |
| | Employees with disabilities (%) | 2.2 | 2.1 | 2.2 | 2.2 | 2.1 |
| | Turnover rate within three years (%) | 3.7 | 3.0 | 3.5 | 2.0 | 2.0 |
| Childbirth/ parenting/ caregiving | Employees taking extended parenting leave | 34 | 39 | 35 | 53 | 60 |
| | Employees taking leave for spouse's childbirth | 115 | 112 | 117 | 111 | 108 |
| | Employees taking leave for caregiving | 86 | 93 | 90 | 78 | 87 |
| | Male employees taking shortened work hours | 33 | 41 | 64 | 89 | 98 |
| | Employees taking extended caregiving leave | 22 | 22 | 37 | 22 | 63 |
| Other | Employees using leave system for volunteering | 12 | 17 | 21 | 15 | 24 |
| | Employees taking paid leave (%) | 39.6 | 49.5 | 49.6 | 46.4 | 52.8 |

# 10-Year Highlights

## Consolidated

| (FY) | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **Financial Results** | | | | |
| Construction Contract Awards | 1,188.4 | 1,296.0 | 1,333.2 | 1,573.5 |
| Revenues | 1,325.6 | 1,457.7 | 1,485.0 | 1,521.1 |
| Operating Income | 17.2 | 29.4 | 18.4 | 23.0 |
| Ordinary Income | 17.5 | 41.3 | 24.6 | 27.0 |
| Net Income Attributable to Owners of the Parent | 25.8 | 3.8 | 23.4 | 20.7 |
| Operating Margin (%) | 1.3 | 2.0 | 1.2 | 1.5 |
| R&D Costs | 9.7 | 9.1 | 8.4 | 7.8 |
| Capital Investment | 22.9 | 35.9 | 20.5 | 19.8 |
| **Kajima Corporation** | | | | |
| **Civil Engineering** | | | | |
| Gross Profit Margin (%) | 0.7 | 8.1 | 3.5 | 17.2 |
| **Building Construction** | | | | |
| Gross Profit Margin (%) | 9.7 | 6.7 | 6.2 | 0.3 |
| **Financial Position** | | | | |
| Total Assets | 1,644.9 | 1,686.2 | 1,686.0 | 1,789.4 |
| Owners' Equity | 252.8 | 256.7 | 320.4 | 368.2 |
| Total Equity | 253.2 | 256.7 | 318.1 | 364.1 |
| Interest-Bearing Debt | 558.9 | 525.7 | 480.1 | 444.7 |
| **Cash Flows** | | | | |
| Cash Flows from Operating Activities | 64.0 | 81.7 | 58.4 | 32.9 |
| Cash Flows from Investing Activities | 2.9 | (38.7) | 36.7 | 17.3 |
| Cash Flows from Financing Activities | (50.5) | (37.7) | (58.6) | (17.1) |
| **Stock Information** | | | | |
| Basic Net Income per Share (¥) | 24.87 | 3.69 | 22.55 | 19.98 |
| Owners' Equity per Share (¥) | 243.35 | 247.12 | 308.49 | 354.62 |
| Cash Dividends per Share (¥) | 6.0 | 5.0 | 5.0 | 5.0 |
| **Management Benchmarks** | | | | |
| Ratio of Net Income to Owners' Equity (ROE) (%) | 10.0 | 1.5 | 8.1 | 6.0 |
| Owners' Equity Ratio (%) | 15.4 | 15.2 | 19.0 | 20.6 |
| Debt-to-Equity Ratio | 2.21 | 2.05 | 1.50 | 1.21 |

| | | | | |
|---|---|---|---|---|
| **Non-Financial Information** | | | | |
| Number of Employees (Consolidated) | 15,083 | 15,149 | 15,468 | 15,391 |
| Kajima Corporation | 8,164 | 7,925 | 7,737 | 7,657 |
| Consolidated Group Companies in Japan | 3,760 | 3,785 | 3,920 | 3,945 |
| Consolidated Group Companies outside Japan | 3,159 | 3,439 | 3,811 | 3,789 |
| $CO_2$ Emissions Attributable to Construction (t-$CO_2$) | 205,000 | 213,000 | 229,000 | 228,000 |
| $CO_2$ Emissions per Unit of Sales Attributable to Construction (t-$CO_2$/¥ hundred million) | 21.5 | 21.3 | 22.0 | 22.0 |
| Final Disposal Rate for Construction Waste (Incl. Sludge) (%) | 13 | 9 | 6.9 | 6.9 |

Notes: 1. The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, basic net income per share for FY2017 and FY2018 is calculated as if the consolidation of shares had been conducted at the beginning of FY2017.

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

(¥ billion)

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| 1,474.8 | 1,795.8 | 1,728.3 | 1,685.9 | 2,010.1 | 1,752.8 |
| 1,693.6 | 1,742.7 | 1,821.8 | 1,830.6 | 1,974.2 | 2,010.7 |
| 12.6 | 111.0 | 155.3 | 158.3 | 142.6 | 131.9 |
| 21.3 | 113.3 | 163.4 | 179.7 | 162.9 | 146.6 |
| 15.1 | 72.3 | 104.8 | 126.7 | 109.8 | 103.2 |
| 0.7 | 6.4 | 8.5 | 8.7 | 7.2 | 6.6 |
| 7.7 | 7.8 | 8.2 | 10.3 | 13.9 | 16.4 |
| 25.4 | 32.9 | 29.4 | 16.1 | 28.4 | 86.3 |
| (0.1) | 14.6 | 18.2 | 21.2 | 19.0 | 14.0 |
| 1.1 | 10.8 | 13.4 | 14.0 | 12.5 | 13.2 |
| 1,839.2 | 1,886.7 | 1,992.8 | 2,051.2 | 2,091.1 | 2,172.1 |
| 434.9 | 471.2 | 548.5 | 666.0 | 753.2 | 791.7 |
| 436.9 | 474.0 | 552.5 | 669.7 | 756.9 | 796.0 |
| 385.0 | 378.5 | 372.9 | 344.8 | 298.7 | 326.8 |
| 59.2 | 36.3 | 187.5 | 120.4 | 30.3 | 53.0 |
| 8.3 | (27.8) | (31.9) | (47.3) | (25.3) | (101.8) |
| (70.7) | (13.1) | (20.5) | (53.0) | (75.0) | (10.8) |
| 14.58 | 69.66 | 101.01 | 244.29 | 211.67 | 200.99 |
| 418.86 | 453.93 | 528.46 | 1,283.38 | 1,451.66 | 1,544.71 |
| 5.0 | 12.0 | 20.0 | 48.0 | 50.0 | 50.0 |
| 3.8 | 16.0 | 20.6 | 20.9 | 15.5 | 13.4 |
| 23.6 | 25.0 | 27.5 | 32.5 | 36.0 | 36.5 |
| 0.89 | 0.80 | 0.68 | 0.52 | 0.40 | 0.41 |
| 15,383 | 15,810 | 16,422 | 17,730 | 18,297 | 18,673 |
| 7,546 | 7,527 | 7,611 | 7,686 | 7,783 | 7,887 |
| 4,068 | 4,144 | 4,442 | 4,674 | 4,816 | 4,976 |
| 3,769 | 4,139 | 4,369 | 5,370 | 5,698 | 5,810 |
| 262,000 | 262,000 | 258,000 | 274,000 | 251,000 | 227,000 |
| 22.2 | 21.5 | 21.5 | 21.4 | 20.0 | 17.6 |
| 7.1 | 6.5 | 5.8 | 2.4 | 4.3 | 3.9 |

# Dialogue between the President and an Outside Director


In a discussion on the evolution of corporate governance and Kajima's vision for itself and the construction industry, President Yoshikazu Oshimi exchanges views with Masahiro Sakane, an experienced manager who has been part of the management team since becoming Kajima's first outside director in 2015.

## Evolution of the Board of Directors

**Oshimi:** You became an outside director five years ago. What changes have you noticed at Kajima through channels including Board discussions since our dialogue three years ago?

**Sakane:** The Board has evolved in various ways. I applaud Kajima for the series of changes it has made over the past several years, such as establishing the Governance Committee to discuss strategic governance issues including officer-related personnel matters and remuneration, setting the term of office for directors at one year, and making at least one-third of the Board outside directors. I hope this evolution continues.

I ask the boards of directors at other companies where I am an outside director to hear bad news first, and Kajima's Board makes it a point to start its meetings that way.

The fundamental role of outside directors is to speak on behalf of society and stockholders. My fellow outside directors and I are able to speak out frequently and openly at Kajima's Board meetings, which signifies that the groundwork has been laid for meaningful discussion. The Board agenda involves reporting, discussion and resolution, and I have been asking my fellow Board members to emphasize discussion. Particularly for key matters, the most informed decisions are not likely to be made if outside directors only participate at the resolution stage of the deliberation process. My requests have resulted in more time allotted to discussing key proposals, but I would say this needs to go even further.

**Oshimi:** Bad news reported in the course of daily operations was not raised at Board of Directors meetings until we brought in outside directors in 2015. Explanation in the presence of outside directors has helped the Board to reexamine risk factors and ways to prevent recurrence. Furthermore, the presence of outside directors at related interdepartmental review meetings has resulted in much more multifaceted discussion.

I agree that the time allotted for discussion is still insufficient. Outside directors provide the Board with valuable opinions and suggestions, and we also gain insights through the act of


preparing to explain relevant information and background. I have chaired the Board since July 2020, and I would like to make a point of increasing opportunities for discussion.

**Sakane:** Bad news is what it is—it won't go away. It is human to err, and societal standards change. What was within permissible norms 20 years ago may not be now. If reporting bad news to the Board immediately is a matter of course, employees who delay doing so will be called out by the President. Such reporting can only make Kajima better. Compliance-related concerns are also reported to the Board immediately when they arise. Kajima benefits from the Board's organization and confirmation of information and the exchange of opinions with outside directors who have multifaceted backgrounds.

## The Future of the Construction Industry and Kajima's Challenges

**Oshimi:** We want to be a global technology leader, so we are always working to incorporate external knowledge and move forward with R&D. What technological innovations should we aim for and what is your take on open innovation?

**Sakane:** Open innovation is not simply about amassing superior technologies. First, Kajima needs to set goals, such as a future business model. Then it must identify what it lacks and what it needs in order to achieve those goals, and adopt relevant external technologies. I am positive about recent technology alliances with other major construction industry peers because these alliances represent a change in course from trying to do everything in-house.

Construction companies are hard to distinguish from each other. Nonetheless, Kajima can differentiate itself in ways such as further enhancing its design capabilities.

We are entering the CASE* era. The construction industry will certainly have to address changing needs in areas such as data usage and building ownership that derive from changes in technology and lifestyles. To offer services that meet diverse building needs, it is necessary to have the ability, for example, to propose and design communication systems, air conditioning and energy supply that are ideal for remote offices used by telecommuters. This will certainly require external expertise. Design capabilities that specifically address needs have always been important, but they will be even more important in the future. It is in areas such as this where Kajima can differentiate itself.

* CASE: Connected, autonomous, shared and electric

**Oshimi:** Our corporate culture embraces an enterprising spirit, but we may have overlooked technological innovations that are accessible to us.

For example, we were slow to realize that collecting and using data from heavy equipment at construction sites can raise construction efficiency. A huge amount of construction process information is available if we collect it intelligently. I am sure that thinking about how we can collect data and reflect it in design will enable new technologies. Going forward, Kajima will innovate construction technology by making digitalization the starting point for construction.

**Sakane:** Management involves investing earnings, paying employees, returning profits to stockholders and contributing to society. All resources come from creating more value for customers, so doing so is fundamental. I believe that Kajima can enhance its relationships with customers through technological development and sales and service activities that help create value.

**Oshimi:** You have pointed out that now is the time for Kajima to show leadership by examining its vision for itself as a general contractor, including the issue of working styles, and reform the multilayer subcontracting structure of the construction industry.

We also want to directly employ more skilled workers in occupations where labor is in short supply, and to secure the next generation of workers. Through the Kajima Smart Future Vision and initiatives to automate construction sites, we are working to increase productivity and make the construction industry more appealing. Moreover, we are promoting various measures to improve the work environment and employment conditions for skilled workers.

What else do you think we need to do in terms of the construction industry and Kajima itself?

**Sakane:** Multilayer subcontracting is a feature of business in Japan, not just in the construction industry, and I would say it has become something of a burden for the nation as a whole. It worked well when labor was readily available, but is probably not sustainable when labor is in short supply and the linkage of information technology is essential.

I mentioned CASE earlier. An example would be Komatsu Ltd.'s Smart Construction initiative, which shows the position of dump trucks and their payload status on a map. This makes it possible to directly contract with drivers and make payments based on load weight records, which obviates the need for subcontracting with a company that owns dump trucks.

Until now, a single construction project provided multiple companies with work under the multilayer subcontracting structure, but that structure and internal corporate hierarchies are going to collapse.

**Oshimi:** The entire construction industry knows it must change the current multilayer subcontracting structure, but the reality is that progress is slow. It is essential for the construction industry to develop a new approach for mutually beneficial relationships with partner companies in order to become sustainable. As a first step, we will take on the challenge of limiting the scope of contracts to secondary subcontractors, in principle.

## Future Growth

**Oshimi:** In Shikaoi-cho, Hokkaido, we are conducting a demonstration project for generating hydrogen locally from livestock excreta to supply energy for local consumption. Kajima seeks to target other energy-related projects in the future. Outside Tokyo, cities need to consolidate infrastructure as much as possible to reduce management costs while creating bases in regions critical to business continuity planning, so Kajima will take on the challenge of urban design from a long-term perspective, making good use of hazard maps.

**Sakane:** Japan is strongly affected by rising average temperatures and other effects of climate change, and is dealing with increasingly severe natural disasters. It therefore faces the need to address climate change, particularly issues in the energy sector. In that respect, I would like Kajima to consider a broad array of initiatives, without being constrained by conventional ideas and methods.

Kajima has the potential to contribute to urban development through environmental initiatives. The need for such contributions is emerging in Japan and in new urban centers in China and other countries and regions in Asia. Kajima's experience in a developed country such as Japan should be useful for international expansion.

Creating databases of automobile traffic to analyze movement will enable the creation of urban centers with a minimum of parking space and cars, thus reducing $CO_2$ while providing convenience for all. A comprehensive understanding of this data will lead to the creation of businesses that use the operational data for urban centers. That idea led me to consider the outstanding expertise and new business model that a general contractor could achieve by developing an urban center and managing it responsibly.

**Oshimi:** In the future, Kajima will expand its scope from a business centered on high-quality building to include businesses that deploy data collected through external collaboration. We have already participated in several smart city projects and are taking on various related challenges.

In addition, in our overseas operations we must further enhance our locally rooted business development programs and implement relevant strategies.

What insights can you share from your experience managing companies overseas?

**Sakane:** The construction industry is typically the oldest industry in any given country, and every country has homegrown construction companies. Kajima's ability to provide highly earthquake-resistant construction as a construction company headquartered in earthquake-prone Japan is a key selling point for participating in markets outside Japan. In addition, natural disasters are bound to increase due to global warming, and quality problems are likely to appear everywhere in existing buildings and structures. Therefore, I would advise Kajima to differentiate itself by establishing a reputation for high-quality construction that won't be affected by such problems 30 to 40 years from now. However, because each country's construction industry is deeply rooted in the nation's history, Kajima should adopt a strategy of quickly identifying strong local partners and putting Japanese quality to work through those partners.

**Oshimi:** Thank you for your valuable insights. In entering new markets, we need to work with reliable local partners and take on challenges with the intention of working with them long into the future.

We will continue to reflect the suggestions and opinions of outside directors in management in order to enhance the effectiveness of the Board of Directors. In addition, while working toward the business targets for fiscal 2020, we will formulate our next medium-term business plan and work together as one toward further growth.

### Suggestions for Improvement from Previous Dialogue (*Corporate Report 2017*) and Actions Taken

| Suggestions for improvement | Key actions |
|---|---|
| **Board of Directors**<br>• Provide status reports, particularly any bad news.<br>• Focus on discussion. | • Gave a status report at the start of every Board meeting, including bad news.<br>• 17 matters discussed (June 2019–May 2020). |
| **Open innovation and collaborative development**<br>• Clearly identify areas where the Company excels and procure technology externally in areas where it lacks strength. | • Kajima Technical Research Institute Singapore Office (KaTRIS) is conducting collaborative research with the National University of Singapore and others.<br>• Encouraged open innovation by investing in a start-up incubator fund, and opened an office in Silicon Valley in June 2018.<br>• Began technological collaboration with other major construction industry peers in January 2020 in the fields of robot construction and IoT.<br>• Introduced an upgraded version of Boston Dynamics' quadruped walking robot at civil engineering sites. |
| **Vision for the construction industry**<br>• Reform of the multilayer subcontracting structure. Show leadership by reexamining Kajima's vision for itself as a general contractor, including work-style reform. | • Currently reviewing procurement and ordering approaches with the goal of creating construction systems that limit the scope of contracts to secondary subcontractors, in principle.<br>• Implementing Kajima Smart Future Vision to raise productivity, and automating construction sites with a focus on A⁴CSEL® ("quad axel") as a means of addressing the shortage of construction workers and implementing work-style reform.<br>• Various initiatives are under way, including promotion and use of the Construction Career Up System, the introduction of financial incentives, the implementation of training for young people before and after they enter the industry, and preparations to open an educational and training facility.<br>• Directly hired employees with skills such as welding and fireproof coating application. |

# Civil Engineering

## Business Policy

- **Strengthen initiatives in promising fields with a medium-to-long-term view**
- **Innovate production systems using ICT**

### Strengths

- A culture of taking on challenges in new technologies and fields
- Extensive track record of construction using advanced technology
- Comprehensive capabilities of human resources and the organization

### Opportunities and Risks

- Changes in social needs and the market environment
- Expansion of the renewable energy field and the infrastructure maintenance and renewal field
- Expected shortage of workers due to fewer people entering the construction industry
- Development and implementation of labor-saving technologies using ICT

## Business Strategies

**Masayasu Kayano**

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

### Strengthening Initiatives in Promising Fields

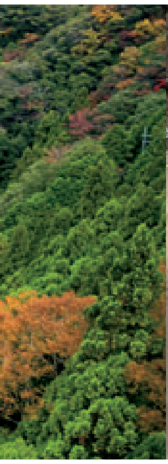
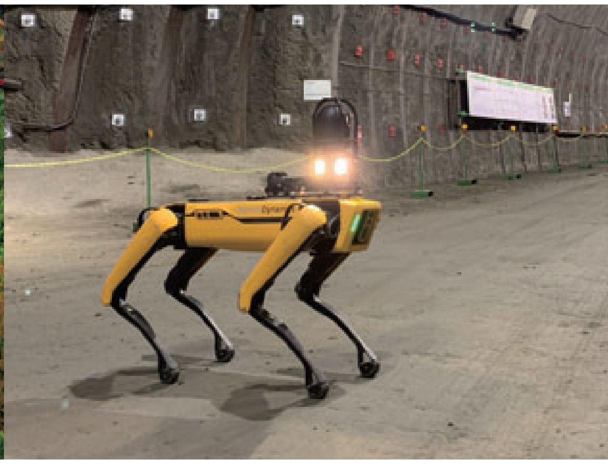
In the domestic civil engineering market, we expect continuing investment in road and rail infrastructure, as well as in disaster prevention and mitigation (programs for national resilience), and increasing demand in the renewable energy sector. We will work to capture a significant share of the renewable energy market as Japan transitions to a low-carbon society.

As part of this effort, we have established a new department at the Head Office that specializes in the renewable energy sector. A first priority is to centrally manage various tasks relating to wind power projects, such as design, construction, procurement and contracting. A further goal is to accumulate the knowledge and expertise needed to turn this field into a medium-to-long-term revenue source.

In February 2020, we began full-scale construction on an offshore wind power generation facility in Akita Prefecture, the first of its kind to be developed as a private-sector commercial venture. The project requires the use of a self-elevating platform (SEP) vessel. To that end, we are collaborating with Penta-Ocean Construction Co., Ltd. and Yorigami Maritime Construction Co., Ltd. to build an SEP vessel that will be capable of constructing the largest feasible class of wind turbines safely, efficiently and at a reasonable cost.

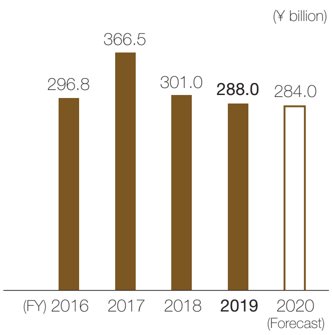
Meanwhile, we expect the maintenance and management field to expand in the domestic infrastructure market. To strengthen our competitiveness in this field, we are developing measurement technologies based on optical fibers. Optical fibers enable us to accurately measure strain and temperature over long periods and can be installed in structures to measure age-related changes starting from the time of construction, so our idea is to use these technologies to evaluate the durability and safety of structures, and to more accurately predict when repair or renovation becomes necessary. In this way, we will leverage our expertise in advanced data analysis to facilitate effective maintenance and management after project delivery.

Outside of Japan, where we can expect growth in civil engineering work, we will focus on the types of work for which we can effectively deploy our technological and management capabilities. We will also identify regions where we can sustainably generate profit and develop initiatives rooted in local communities.

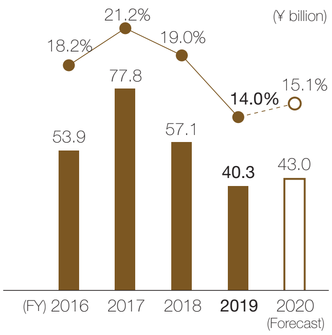




## Business Overview

### Revenues




### Construction Project Gross Profit and Gross Profit Margin




### Innovating Production Systems

To respond to the future shortage of workers, there is an urgent need to enhance productivity and safety by innovating construction systems through further mechanization and automation. We will expand our next-generation construction system, A$^4$CSEL®, which we have mainly been using in the dam field, to the tunnel field. For robotic work, in 2019 we introduced Spot, Boston Dynamics' quadruped robot, modified to be able to walk freely in tunnels under construction. Taking advantage of its mobility, we will expand its use not only for patrol work, but also for hazardous work such as surveying and measurement on steep slopes.

We are also further promoting the use of ICT and CIM.[1] In addition to proactively introducing the latest technologies such as augmented reality and mixed reality to construction sites, we are strengthening our proposal capabilities through the application of CIM from the design stage. Such capabilities are important because ECI[2] projects have become increasingly common in recent years. Linking CIM data and process chart software enables "virtual completion," whereby work progress through to completion is visualized before the start of construction. Through this procedure, our design and construction departments can cooperatively establish optimal construction methods at the earliest stage, and so enhance safety and quality, and reduce costs.

We are serious about the concept of open innovation as a means of accelerating technological development. In Silicon Valley and Singapore, for instance, we are networking with governments and academia, and gathering information from a wide range of sources. We are committed to the development and application of automation technologies, and other new technologies that are relevant, given the ongoing COVID-19 pandemic.

HIGHLIGHT

### Completion of Wind Farm Tsugaru, the Largest Onshore Wind Farm in Japan

While preparing for our full-scale entry into offshore wind power, we continue to add to our extensive track record in onshore wind power, a field in which we are a forerunner. Wind Farm Tsugaru was completed in Tsugaru City, Aomori Prefecture in spring 2020, and commercial operation began in April. With a generation capacity of 121.6 megawatts, it is the largest wind farm in Japan. It is located at the base of the Tsugaru Peninsula, with 38 wind turbines extending approximately nine kilometers from north to south.

Featuring rotor blades with a diameter of 103 meters and towering to a maximum height of 149.8 meters, these are the largest onshore wind turbines in Japan.

We were also involved in the construction of the Shin-Aoyama Kogen Wind Farm (Tsu City/Iga City, Mie Prefecture) in 2017. It too was Japan's largest wind farm at the time, with a generation capacity of 80 megawatts. We continue to steadily accumulate expertise in the construction of large wind turbines.

**Construction of Wind Farm Tsugaru**
Location: Tsugaru City, Aomori Prefecture
Client: Green Power Tsugaru GK
(Green Power Investment Corporation)
Scale: Generation capacity of 121.6 MW
(38 × 3.2 MW wind turbines)
Civil engineering work, wind turbine transportation and installation, and electrical installation
Construction period: August 2017–May 2020

1. **Construction Information Modeling (CIM):** System for integrated construction production that improves efficiency and sophistication through the sharing of various types of information about building structures, mainly through 3D modeling.
2. **Early Contractor Involvement (ECI):** A bidding contract format in which the contractor provides technical assistance from the design stage.

# Building Construction

## Business Policy

- Create next-generation construction systems
- Provide construction and services of high value to society and customers
- Establish a Group-wide business platform for growth

**Strengths**

- Collaboration with Group companies involved in upstream and downstream fields of the construction business
- A business platform where domestic and overseas construction and real estate development businesses complement each other

**Opportunities and Risks**

- Changes in the market environment in a post-COVID-19 society
- Evolving needs of society and customers for streamlining and efficiency
- Decrease in the number of skilled construction workers

## Business Strategies

**Hiroyoshi Koizumi**

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

### Enhancing Construction Efficiency in a Market Environment of Radical Change

In the run-up to the Tokyo Olympic and Paralympic Games scheduled for 2020, the environment in the domestic building construction market was relatively stable, but was transformed by the impact of the COVID-19 pandemic. It is imperative that we accelerate measures currently under way and respond to the new environment. To do so, we must implement systems that promote further operational improvements in quality and productivity. With the introduction of Kajima Building Construction Total Management System (KTMS) 2017, we sought to promote new operational standards, leverage IT tools, and reduce the need for labor by 30%. From fiscal 2020, we will evolve and accelerate these measures as KTMS 2020.

First, we will restructure the training curriculum for project managers and engineers in order to promote work-style reform and raise employee productivity (revenue per head). We are establishing a new hands-on training facility in order to fast-track development of construction engineers with the necessary high-level specialized skills and diverse work experience. We will also continue to foster management skills through the dispatch to overseas subsidiaries of employees in their sixth year with the Company who have mastered their work to a certain level.

Next, we will gather and make advanced use of data. The full-scale deployment of BIM will be the basis for strengthening our design and construction capabilities as we aim to achieve virtual completion at the start of construction and for offering services that provide new value to customers at the facility operation stage (our “digital twin” initiative).

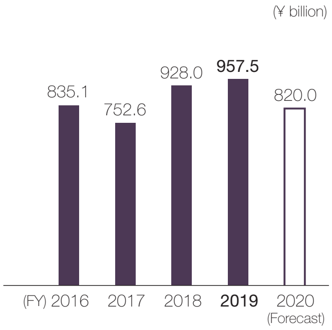
In construction management, we are reinforcing the use of IT tools already at the operational stage. In particular, for labor management, in addition to the introduction of IT for work coordination and safety management documents, we will use digital technology for facial recognition and entry and exit management in conjunction with the Construction Career Up System (CCUS). These tools will better enable us to properly evaluate the experience and skills of workers and so provide an environment that is more attractive to work in.

One Team, Inc. is a new Kajima Group company established for the further enhancement of quality and productivity at construction sites. It works in conjunction with the new Productivity Enhancement and Technical Support Team at the Head Office and branches to support the launch of IT environments at construction sites and to provide assistance for inspections, thereby enabling onsite employees to focus on their primary duties. In conjunction with the Kajima Smart Future Vision, currently in the testing phase, One Team will continue to promote labor-saving and enhance the efficiency of onsite management. (See Feature on pages 22–23.)

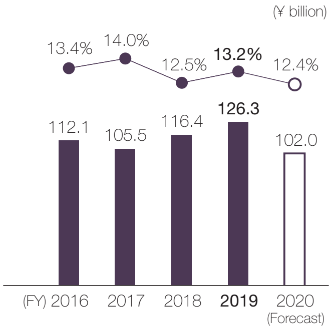
Construction automation technologies, such as welding robots being developed in cooperation with Kajima Kress Corporation, have the potential to help resolve the major issue of securing a future workforce. In addition, by expanding remote-controlled

## Business Overview

### Revenues




### Construction Project Gross Profit and Gross Profit Margin




construction management and the types of construction work that can be performed, they may also be a highly effective countermeasure against COVID-19. (See Domestic Subsidiaries and Affiliates on page 51.)

### Working to Expand Business Domains

By accelerating and expanding the deployment of BIM, we will be able to gather, analyze and make more effective use of a variety of data from building operation. We are already conducting R&D for the development of smart buildings, and we are testing the use of BIM data in areas such as resident wellness, IT-based management and energy control. Monitoring the movement of people and goods, as well as the real-time operating status of equipment, will enable us to optimize environmental control based on factors such as facility congestion and a variety of user needs, visualization of elevator movement, and environmental control of areas such as conference rooms. These technologies have enormous potential in that they can be rolled out from smart buildings to smart cities.

These services enhance user comfort, convenience and work productivity. Through collaboration across the Group, we will use them to expand the business domains of each Group company involved in upstream and downstream fields. As an example, Global BIM Inc., which supports the implementation of BIM at the design and construction stage, and Kajima Tatemono Sogo Kanri Co., Ltd., which works in partnership with customers at the building operation stage, will provide new services such as the Kajima Smart BM® (Building Management) platform in conjunction with digital twin modeling, and generate stable business opportunities over the long term.

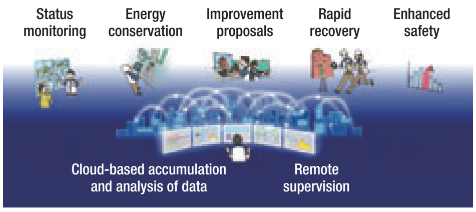
Through the adoption of IT and digitalization for site operational management and smart construction, we will introduce next-generation construction systems while working with Group companies to build a business platform that can respond to an environment of radical change.

HIGHLIGHT

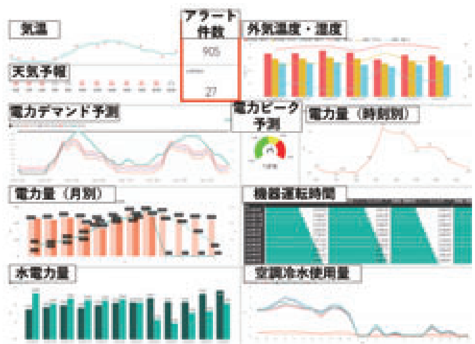
### Providing New Building Management Services Using the Kajima Smart BM® Platform

In collaboration with Microsoft Japan Co., Ltd., Kajima and Kajima Tatemono Sogo Kanri Co., Ltd. have developed Kajima Smart BM® (Building Management). This building management platform automates the gathering and storage of operational management data from buildings in a cloud network environment. Through the analysis and use of this data, we can monitor the operating status of equipment, conserve energy, propose operational improvements, rapidly recover from emergencies, and enhance customer safety.

As of July 2020, Kajima Smart BM® is in use at approximately 51 buildings managed by Kajima Tatemono Sogo Kanri. Moving forward, we plan to expand this into a service that better enhances comfort and convenience by combining it with data on building usage and user behavior.




Concept of building management services using Kajima Smart BM®




Kajima Smart BM® dashboard and usage status at the management site

# Real Estate Development

## Business Policy

- **Accumulate quality assets through steady promotion of ongoing projects**
- **Generate new projects to build a resilient portfolio**
- **Establish an efficient and robust Group-wide business platform for real estate development**

### Strengths

- Creation of high-quality assets by leveraging technological capabilities of the Building Construction Division
- Diverse business opportunities that leverage the Company's extensive information network
- Pursuit of investment efficiency through approaches integrating real estate and finance, including private REIT

### Opportunities and Risks

- Development of new, sustainable communities in the face of social change
- Strengthening of operational management capabilities in cooperation with Group companies
- Establishment and implementation of new real estate development management methods in coordination with production technology innovation

## Business Strategies

**Takahiko Tsukaguchi**

Executive Officer,
General Manager, Real Estate Development Division

### Development Projects in Japan

| Project Name | Remarks |
|---|---|
| Haneda Innovation City | Completed May 2020 (Phase I)<br>Completion scheduled for fiscal 2022 (Phase II) |
| Tokyo Portcity Takeshiba | Completed May 2020 |
| Hamamatsucho 2-Chome District 4 Block A (Building A3) | Completion scheduled for Mar. 2021 |
| Hakata Ekimae 4-Chome Building (tentative name) | Completion scheduled for Jun. 2021 |
| Yokohama Gate Tower | Completion scheduled for Sep. 2021 |
| Kudan Kaikan Reconstruction Project | Completion scheduled for Jul. 2022 |
| Minato Mirai 21 Central District 37 Block Development Plan (tentative name) | Completion scheduled for Jan. 2023 |
| Park Tower Kachidoki South | Completion scheduled for Aug. 2023 |
| Yokohama City Hall District Redevelopment Project | Completion scheduled for fiscal 2025 |
| Hamamatsucho 2-Chome District Type 1 Urban Area Redevelopment Project | Completion scheduled for 2026 |

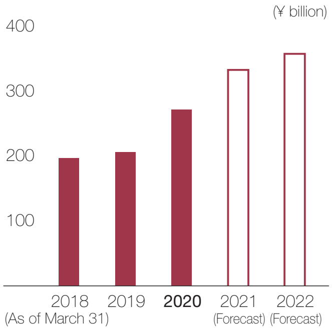
### Creating Quality Assets and Pursuing Investment Efficiency through Collaboration with the Building Construction Division

The Kajima Group Medium-Term Business Plan (Fiscal 2018–2020) calls for us to expand the real estate development business as our third core business alongside civil engineering and building construction. Under the plan, we aim to raise earnings by investing ¥160 billion over three years, thereby increasing domestic assets to approximately ¥300 billion. In fiscal 2019, Kajima's domestic real estate development business invested ¥84.8 billion. This includes the completion and opening of NAGOYA FUSHIMI K-SQUARE; the start of construction of the Yokohama Gate Tower, the Kudan Minami 1-Chome Project (tentative name) and the Hakata Ekimae 4-Chome Building (tentative name); new participation in the KANNAI 8 consortium, the prospective operator of the Yokohama City Hall District Redevelopment Project; and the acquisition of income-generating buildings in Osaka, Sendai and other regions. As a result, domestic real estate development business assets as of March 31, 2020 totaled approximately ¥270 billion. We are therefore on track to achieve or exceed the Medium-Term Business Plan target. In fiscal 2020, we will steadily advance ongoing projects, including the opening of Haneda Innovation City and the completion and opening of Tokyo Portcity Takeshiba. In positioning corporate real estate, public real estate, and redevelopment as key strategic areas, we are taking on the challenge of generating new projects that will grow revenues. Such large-scale projects are executed as joint ventures with major customers. We aim to undertake sophisticated real estate development projects that combine the expertise of our customers with our own technological capabilities. In doing so, we will continue to build a portfolio of highly competitive quality assets.

In addition, we will continue to pursue investment efficiency while expanding the scale of our assets. By using capital-saving project schemes and pursuing profitability through asset replacement as

# Business Overview

### Domestic Real Estate Development Assets




### Assets as of March 31, 2020


appropriate, we will work toward our target ROE of 10% or higher while ensuring that we make the most effective use of our finite funds. On another note, Group company Kajima Real Estate Investment Advisors Inc. launched a private REIT in fiscal 2018. The REIT has over ¥40 billion in assets under management and is expanding steadily toward its asset target of ¥100 billion in fiscal 2023. As a sponsor, we will continue to provide maximum support to institutional investors to improve profitability and provide new investment opportunities that contribute to long-term stable asset management.

## Developing New Communities Adapted to Social Changes

The roles of cities and facilities in Japan are undergoing a major transformation as a result of technological innovations such as AI and IoT, changes in social structure due to population decline from the low birthrate and aging population, changes in industrial structure based on globalization and policies on international tourism, and the need to respond to social risks such as the COVID-19 pandemic. Furthermore, the companies engaged in developing such cities and facilities must also transform their attitude toward social contribution, with the SDGs as a prime example. We will proactively take on the challenges that come with considering community building for the new era and what our contribution to that should be. Our area management business, which targets development of whole communities rather than standalone development projects, began in 2007 in Akihabara, and since then we have expanded the business to a number of locations. Specifically, at Haneda Innovation City we are working on a smart city model project and the development of a new industry-creation and cultural center, and in the Takeshiba district of Tokyo we are trialing and verifying ways to implement new mobility services. Going forward, we are committed to the creation of a sustainable society through our real estate development projects.

HIGHLIGHT

## Completion of a Project Introducing the Kajima Smart Future Vision as a Technology Showcase

In October 2019, NAGOYA FUSHIMI K-SQUARE opened in Naka-ku, Nagoya City. This property was developed by Kajima, which handled business planning, design and construction. Facing onto Nishiki-dori, the main street in Nagoya's business district, it is a rental office building with commercial space on the 1st floor and office space on the 2nd through 13th floors. The exterior features high-performance, double-coated, low-emissivity glass, and the blinds are equipped with an automatic control system that tracks sunlight. The aluminum curtain wall material has been treated with a highly weather-resistant polyester powder coating that does not emit hexavalent chromium, and the interior of the entrance hall and elevator hall on each floor uses solid Japanese cypress from the Kiso region. These and other measures help conserve energy and reduce environmental impact. Another characteristic of the building is the initiatives that were introduced at the construction phase and took into account post-construction operation. As a pilot site for the Kajima Smart Future Vision, which targets innovation across all construction processes and enhanced productivity, we applied and verified 18 state-of-the-art technologies and systems, including a variety of ICT-based construction robots and site management tools. Since completion, we have been working with Kajima Tatemono Sogo Kanri Co., Ltd. to build a BIM-FM* system that uses BIM data from the construction phase for building maintenance and management.

* **FM:** Facility management

The entrance and elevator halls use solid Japanese cypress from the Kiso region

Photography by Shinsuke Kera/Urban Arts

# Overseas Operations


## Business Policy

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

**Strengths**

- Multi-dimensional global network based on organizations and businesses rooted in each country
- Real estate development business that leverages our Group's comprehensive capabilities

**Opportunities and Risks**

- Diversifying revenue sources
- Capturing growth in Asia

## Business Strategies

**Keisuke Koshijima**

Executive Vice President, General Manager, Overseas Operations Division

### Multi-Dimensional Global Network

The Kajima Group currently has more than 100 overseas subsidiaries, including multiple firms acquired via M&A. They provide a wide range of services either independently or in collaboration with leading local partners in 18 countries and regions in the U.S., Asia, Europe and Oceania. Through these subsidiaries, we offer quality services worldwide to our multinational customers as they initiate construction projects across multiple countries and regions. We have been developing a system for effectively sharing successful examples of how customer requirements have been realized in one country for replication at Group companies operating in other countries.

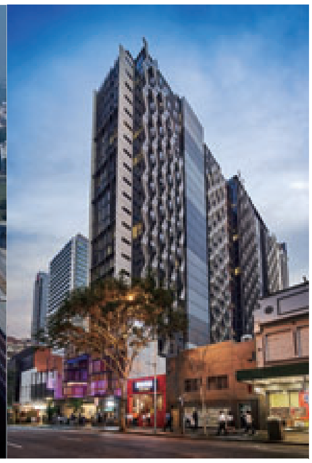
Our success is not limited to inter-company collaboration among overseas subsidiaries; it is also evident in collaboration between overseas subsidiaries and domestic departments and branches in Japan. A Group company in Australia with strengths in theme park construction, for example, is engaged in one such collaboration in Japan. One characteristic of our overseas operations is that companies are not only intermittently connected when needed; each company has expanded its sphere of business like radar screens which overlap and interact with each other on a regular basis. This global network that we have today enables us to deploy our best resources and Group-wide expertise where needed at any time.

In addition to building partnerships with local companies, we acquire companies with high market potential, and corporate cultures, sizes and fields that match the needs of our Group. Post-acquisition, these companies are welcomed into our Group as fellow members that share Kajima's corporate culture and values, which emphasize long-term trust and high-quality services.

### Real Estate Development Business That Leverages Our Group's Comprehensive Capabilities

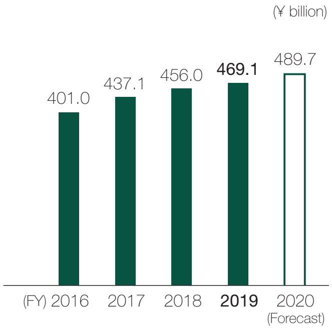
We pursue construction and real estate development businesses deeply rooted in each region as one of the few "general contractor-developers" with integrated Group functions from design through construction, development, operation and sale. For example, we engage in hotel development as well as large-scale, long-term, mixed-use redevelopment projects in Southeast Asia, which is experiencing rapid urbanization. Meanwhile, in the U.S. and Europe, we are focusing on senior care facilities and high-rise rental apartments, which are less susceptible to economic fluctuations, as well as short-term merchant development projects such as distribution warehouses fueled by today's growing e-commerce. We are building platforms,[1] which are designed to fit the characteristics of each market, to become firmly established within each region.

AEON Mall Ha Dong
Design and construction: Kajima Vietnam Hoa Binh Joint Venture
Development and operation: AEON Mall Vietnam Co., Ltd.

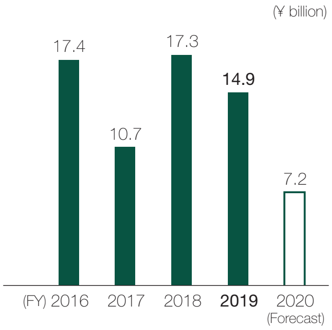


## Business Overview

### Revenues




### Ordinary Income




Due to the COVID-19 pandemic, the e-commerce market is growing at an unprecedented pace, and the distribution warehouse development business in the U.S. and Europe is expected to continue making a significant contribution to profit. In addition to delivering quality buildings as a general contractor, our Group is also engaged in real estate development and operations as a developer. In doing so, it not only provides differentiated value-added services to our customers, but also offers long-term stable returns to institutional investors.

### Diversifying Revenue Sources

We are also securing new revenue sources to generate synergies with our existing businesses. We acquired the largest developer-operator of student dormitories in Poland, where many foreign students choose to study, as well as a company engaged in asset management in the U.K. and Ireland. Going forward, we will increase collaboration with our construction business in Poland in the student dormitory business and with our European private finance initiative (PFI) business in the asset management business.[2]

### Capturing Growth in Asia

The key to success both in the building construction and real estate development businesses is how to capitalize on economic growth. We are striving to become a leading player in the Asian market, which is expected to continue growing. By leveraging the Kajima Group's multi-dimensional global network, we will be able to provide multifaceted support not only to Japanese companies, but also to other global companies entering the Asian market as well as to Asian companies entering the U.S. and European markets and expanding within Asian regions, thereby enabling us to develop value-added businesses in a wide range of fields.

HIGHLIGHT

### Success in the Distribution Warehouse Development Business in the U.S. and Europe

The U.S. distribution warehouse market covers a broad spectrum from huge "mega-box" centers in distribution hub cities to "last-mile" facilities that are close to the delivery destination. Due to growth in e-commerce, demand for distribution warehouses is strong, with low vacancy rates and stable rent prices.

In 1989, Kajima U.S.A. Inc. (KUSA) entered the distribution warehouse development business with the establishment of Industrial Developments International, Inc. (IDI). It accumulated expertise in this segment over the years until the business was sold in 2013. Established in 2015, Core5 Industrial Partners LLC carries forward the expertise that Kajima gained through IDI to develop distribution warehouses that reflect the needs of user companies by accurately capturing market demand and applying reliable site selection capabilities. Moreover, working in collaboration with KUSA construction subsidiaries, Core5 ensures that construction risks are minimized, thereby realizing a highly competitive business model.

In Europe, in spring 2016 we formed a development joint venture with Panattoni Europe, a leading developer of distribution warehouses, to develop the distribution warehouse business centering on Poland and the Czech Republic, countries with good access to many EU member states. Leveraging our experience in the U.S. in identifying market demand and selecting ideal sites, we are collaborating with construction subsidiaries of Kajima Europe Ltd. to achieve high-quality development in Europe.

Core5 Industrial Partners LLC in the U.S. has undertaken more than 40 projects, including those that have been sold. With the inclusion of European development joint ventures, the Kajima Group has been involved in more than 50 projects over the past four years.

Panattoni SMYK/Media Expert Tomaszowska

1. In overseas operations, we are establishing business platforms consisting of business models that generate revenue, and of people and organizations that execute and achieve those business models.
2. We acquired Student Depot Sp. z o.o., a company in Poland that develops and operates student dormitories, in May 2019, and Pario Limited, which operates a PFI asset management business in the U.K. and Ireland, in October 2019. These companies are developing their businesses and contributing to the expansion of our Group's overseas operations, which demonstrates that the right people are successfully assigned to the right places, irrespective of nationality or background.

# Engineering

## Characteristics of Business

- Construct highly functional and efficient facilities from a production process perspective
- Create added value through synergy with building construction

## Main Initiatives

Our engineering business provides total engineering solutions, mainly in the field of production facilities. These solutions propose and structure optimal production systems that encompass a full range of functions, including construction, production, logistics, information and utilities as a single integrated system. The engineering business operates in three domains: the domestic EPC (engineering, procurement and construction) business, which builds highly functional production facilities in conjunction with the building construction business; the overseas business, which applies the engineering capabilities we have developed in Japan to overseas operations; and the operation and maintenance (O&M) business, which provides post-construction operation and management services.

In the core domestic EPC business, we are focusing on production and logistics facilities for products including pharmaceuticals, medical devices, cosmetics and food products, in which stable capital investment is expected. In particular, we are focusing on the growing field of biopharmaceuticals. In order to respond to customer issues such as reducing time-to-market and ensuring virus inactivation, we have developed proprietary technologies, such as KaMoS® (Kajima Modular Facility System) for pharmaceutical production facilities and HAZARD BUSTER®, a continuous thermal inactivation wastewater treatment unit, through which we are building a track record in this field.

In the overseas business, with International Facility Engineering (Singapore) Pte. Ltd. (IFE), acquired in 2018, as a core, and Kajima Overseas Asia Pte. Ltd. (KOA), our local construction subsidiary, we are expanding in Southeast Asia, where the pharmaceutical market continues to grow. We have already been awarded contracts for projects from several pharmaceutical companies in the region and we are building a track record. Meticulous planning capabilities backed by extensive experience are a forte of Kajima's engineering business and highly regarded overseas. We will continue to grow this business by leveraging synergies with IFE's local network and KOA's construction capabilities.

In the O&M business, we meet facility management outsourcing needs. We are currently providing such management services to Astellas Pharma Inc. among other customers. By comprehensively combining our engineering capabilities with the facility management capabilities of Kajima Tatemono Sogo Kanri Co., Ltd. and extending contact points with customers to operation and management downstream in the value chain, we are able to gain a deeper understanding of facility operation issues, thereby strengthening our proposal capabilities at the upstream facility planning stage.

HIGHLIGHT

### Supporting the Automation of Industrial Facilities

Given the domestic labor shortage and calls to reduce heavy labor, there is growing need for automation and labor-saving at all kinds of industrial facilities.

Kajima has built a variety of automation equipment, primarily for automation of inter-process transport in factories. The latest example is at the No. 3 SD Building at the Ibaraki Plant of Tsumura & Co., completed in 2019. Tsumura & Co. is a leading manufacturer of prescription Kampo medicines.* Based on the concept of improving productivity through automation, this facility processes powdered extracts as an intermediate product for Kampo medicines. Raw ingredients, such as roots, stems, leaves, fruits and minerals, come in a variety of forms and with different properties, and automating the process of cutting, weighing and mixing them according to the formula of each preparation had previously proved difficult. Nevertheless, we overcame this challenge through the development and introduction of state-of-the-art robots, thereby enhancing process safety and efficiency.

Building automation equipment and making factories smarter will require wide-reaching collaboration, including with robot manufacturers, system integrators, logistics equipment manufacturers, instrumentation manufacturers and AI vendors. Kajima will continue to contribute to the automation of industrial facilities by utilizing its engineering capabilities to build systems that integrate a variety of technologies.

* Kampo medicines: Japanese traditional medicines prepared from herbal and other raw ingredients originating from ancient Chinese medicines.

Intake automation equipment

Automated material handling equipment

# Domestic Subsidiaries and Affiliates

## Characteristics of Business

- Expand and strengthen the functions required by the Group through means such as M&As
- Diversify revenue sources across the entire lifecycle of buildings and structures

## Main Initiatives

As of March 31, 2020, the Kajima Group has 95 domestic subsidiaries and affiliates, consisting of 42 subsidiaries and 53 affiliates. These companies are involved in a wide range of upstream and downstream fields with a focus on construction. Highly skilled experts throughout the Group collaborate to provide comprehensive capabilities at all stages from planning, development, design, engineering and construction, to post-completion operation and management, and maintenance and repair.

The aim of the current Medium-Term Business Plan is to ensure sustainable growth from fiscal 2021 onward by establishing a Group-wide business platform for growth. Toward this objective, in fiscal 2019 we strengthened profitability in the domestic construction business and upstream and downstream businesses. We did this by improving productivity and service functions through IT and robots, using BIM in stages from building design and construction, to maintenance and management, providing BCP solutions through Group collaboration, and engaging in initiatives targeting public-private partnerships (PPP) and public real estate (PRE) utilization. In fiscal 2019, mainly due to stable construction demand, consolidated revenues from domestic subsidiaries and affiliates were essentially unchanged at ¥398.0 billion and ordinary income increased to ¥21.1 billion, up 11% from the previous fiscal year.

### Performance of Main Domestic Subsidiaries and Affiliates

| | FY2019 (¥ billion) | | Employees (As of March 31, 2020) |
|---|---|---|---|
| | Revenues | Ordinary Income | |
| Kajima Road Co., Ltd. | 133.5 | 6.50 | 1,414 |
| Taiko Trading Co., Ltd. | 109.6 | 1.87 | 296 |
| Kajima Tatemono Sogo Kanri Co., Ltd. | 62.3 | 3.72 | 1,862 |
| Chemical Grouting Co., Ltd. | 28.3 | 1.47 | 291 |
| Clima-Teq Co., Ltd. | 24.6 | 1.32 | 377 |
| Ilya Corporation | 10.9 | 0.91 | 180 |
| Kajima Mechatro Engineering Co., Ltd. | 9.4 | 0.06 | 200 |
| Kajima Leasing Corporation | 9.0 | 0.86 | 55 |

HIGHLIGHTS

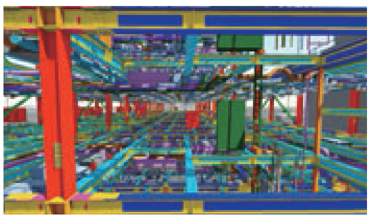
### Automation and Robotization of Construction

One of the core concepts of the Kajima Smart Future Vision that we are currently implementing is “half of the work with robots.” We are advancing automation and robotization of construction in conjunction with Group companies, targeting processes such as those performed in harsh environments and for which automation offers quality or efficiency benefits. Specifically, we aim to improve performance by actively applying Kajima Fit Co., Ltd.’s fireproof coating spray robots and Kajima Kress Corporation’s welding robots in actual construction work. Furthermore, the expertise of directly employed skilled workers who operate robots is contributing to technological development.

Construction using a fireproof coating spray robot

### Adoption of BIM Inside and Outside the Group

In 2017, we established Global BIM Inc. as a company specializing in BIM. It provides the BIM platform “Global BIM,” which utilizes cloud services and can be accessed by all project stakeholders. Since its establishment, the company has contributed significantly to the adoption of BIM within the Kajima Group, and has also actively provided services to companies outside the Group. In addition to providing a BIM platform, Global BIM Inc. is also actively engaged in the modeling business, which generates BIM data, and the consulting business, which focuses on using BIM data to improve work efficiency and reduce costs at construction sites. As a result, transactions with Kajima’s construction sites and with companies outside the Group continue to grow.



Example of BIM modeling

# Foundations for Strength and Growth

# Human Resources

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

Nevertheless, our business environment is constantly changing, and in 2020 we find ourselves facing extraordinary circumstances in the form of an unexpected pandemic. Taking this as an opportunity to transform business processes and work styles, we are implementing wide-reaching reforms.

From fiscal 2019 through fiscal 2020, we are overhauling our human resources systems, which we will follow up with the opening of a new training facility in the winter of fiscal 2020. These measures will improve our competitiveness by enabling us to consider compatibility across a wide spectrum of careers and fields where individual employees can fully exercise their capabilities and further develop their skills, while ensuring that we can assign the right people to the right places, in a timely fashion.

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

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

## Developing Human Resources

### • Comprehensive Career Development

As Japan's population continues to decline due to the low birthrate and aging population, our environment is changing radically and with unanticipated speed, and the future is ever more uncertain. To survive and thrive in this business environment, we believe that enhancing individual capabilities and organizational management is essential. We therefore introduced a new talent management system in June 2020. Through this system, employees are able to engage in self-directed development by stating short-term and medium-to-long-term career aspirations, receiving advice from human resources experts and supervisors, and participating in relevant training and seminars. The system also provides the Company with a more detailed understanding of the diverse experience, motivations, aptitudes and capabilities of individual employees around the world. This information can then be reflected in the timely assignment of the right people to the right places, as well as in employee development.

### • Expanding Our Business Domains

The Kajima Group has been actively developing its human resources, and aims to train highly skilled specialists across a broad range of fields as well as management personnel capable of coordinating those specialists to fully meet the expectations of customers and society.

In order to expand into new business domains in an unpredictable economic environment, it is important that each employee has the ability to apply management and business perspectives. We will build new training frameworks so that employees can acquire a high level of specialization, as well as a good balance of management and business skills.

The COVID-19 pandemic has also prompted us to implement sweeping revisions to our training methods. We are actively switching from conventional in-person training to online training, thereby enabling personnel at overseas locations or domestic branches and construction sites to participate in training in their own time.

### • Establishing a Forum for Developing the Next Generation of Business Leaders

While we are shifting to online training, we also recognize the importance of open face-to-face communication, and the connection and inspiration that employees provide each other. We are preparing to open a new small-group training facility in Toshima-ku, Tokyo in the winter of fiscal 2020. We will use this facility as:
(1) a forum for insights and learning through discussion-based workshops and seminars;
(2) a forum for connecting employees irrespective of roles or departments; and
(3) a forum for co-creation through study meetings and presentations.

By building on the support for career development and enhanced training programs discussed above with this training facility, we expect to foster greater employee-driven personal development, leading to the growth of the Company.

Concept render of conference hall at the new training facility

# Diversity & Inclusion

## • Promoting Active Roles for Women and Work-Life Balance

Kajima believes it is essential to create an environment in which people from diverse backgrounds—with different genders, nationalities, religions and degrees of disability—take on active roles in which they can fully express their individuality and skills. Furthermore, we are enhancing workplaces and systems that enable employees to continue working with peace of mind and flourish as they navigate various life events.

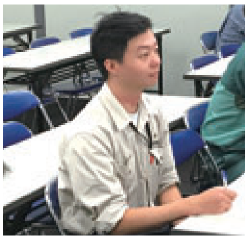
In recent years, a particular focus has been to ensure that employees can achieve a better balance between work, parenting and family caregiving. This has included systemic enhancements, such as improving the system of flex-time hours for parents, introducing a telecommuting program, and creating a new program for family support leave, as well as activities to raise awareness, such as distributing a handbook, and holding seminars and individual consultation events. Consequently, we achieved our targets of doubling the number of both female engineers and female managers over the five-year period starting fiscal 2014, and greatly increased the number of employees taking extended caregiving leave, which averaged between 20 to 30 people in past years, to a total of 63 people in fiscal 2019.

**Number of Female Engineers and Women in Managerial Positions**

| | FY2014 | FY2020 | FY2024 (Target) |
|---|---|---|---|
| Female engineers | 175 | 377 | 525 |
| Women in managerial positions | 54 | 138 | 162 |

## • Active Roles for Employees of All Nationalities

As our overseas operations have grown year by year, so has the number of overseas consolidated subsidiaries, where employees now total 5,810 people. In 2009, Chung-Lu Construction Co., Ltd., a subsidiary in Taiwan, introduced a program for local employees to train in Japan. Through the program, a total of 17 employees have taken part in technology training at Japanese worksites. A second-time trainee performing steel frame work at the Kansai Branch in October 2019 reported that the experience was valuable, and highlighted the patience with which all his questions were answered and the thorough understanding he was able to gain of work performed at the site. We believe that it is important to accumulate experience domestically and overseas by promoting cross-border personnel exchange through this kind of initiative.


Trainee attending a meeting


Confirming installation of a seismic base isolator

## • New Work Styles

In response to the COVID-19 pandemic, we have introduced staggered commuting times, teleworking, and remote meetings to avoid the “three Cs” of closed spaces, crowded places, and close-contact settings. The pandemic is expected to continue for some time, so to create a work environment in which employees can work with confidence in their safety, we are considering ways to enhance our personnel systems.

Rather than being temporary measures, we plan to leverage these as lasting changes that improve and optimize operations. To create the necessary environment, we are actively implementing digital transformation, revising operations and processes, improving our IT environment, and enhancing our systems.

Each employee’s circumstances and environment differ, with conditions that are constantly changing, so we are creating a work environment that is flexible and conducive to improved productivity.

# Improving Employee Health

Guided by the slogan of “Promoting the health of employees creates healthier and livelier workplaces!” we understand that healthy employees are an important management resource. We continuously implement health and productivity management and have been selected every year since 2017 under the Certified Health & Productivity Management Outstanding Organizations Recognition Program. As part of health and productivity management, we have established a clinic within the Head Office to make it easier for employees to receive medical examinations. We also ensure that employees undergo regular medical examinations and receive treatment advice, and actively provide healthcare guidance from health nurses and other follow-up. Furthermore, based on the guidance of occupational health physicians, our Central Safety and Health Committee investigates and deliberates on healthcare matters, and delivers its conclusions through safety and health committees at each domestic branch.

We recognize the importance of both self-care (self-assessment and action taken by employees themselves) and line care (health management by managers) in the prevention and rapid identification of employee mental health issues. In fiscal 2019, we therefore started new mental health training aimed at mid-level management personnel. Since fiscal 2016, we have conducted annual stress checks in accordance with the Industrial Safety and Health Act. Results of the stress checks continue to show that the level of comprehensive health risk among employees is roughly 20% lower than Japan’s national average.

# Partnerships

Partner companies are essential to Kajima's supply chain.

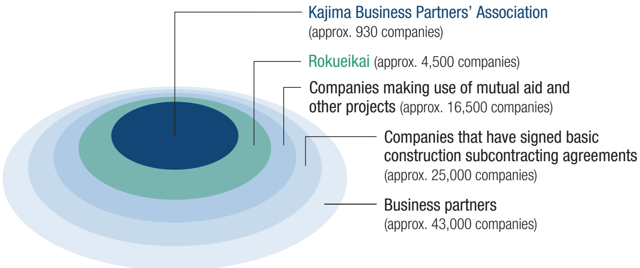
In the construction industry, supply chains involve not only equipment and materials but also human resources, primarily at partner companies, who work with the contractor on-site to bring construction projects to completion. To ensure that it works only with partner companies that possess appropriate construction capabilities, Kajima utilizes outside organizations and a proprietary system to evaluate, select and manage those companies.

We require suppliers to comply with laws including those prohibiting discrimination, unfair treatment, child labor, and forced labor, and we monitor compliance as part of supplier evaluations. Furthermore, in accordance with the Kajima Group's Corporate Code of Conduct, our evaluations take into account compliance with laws and regulations, maintenance of equitable relationships with partner companies, the eradication of antisocial activities, respect for the cultures and customs of all nations and people, prohibition of discrimination and unfair treatment, prohibition of child labor and forced labor, and action on environmental issues (energy usage, climate change impact including $CO_2$ and greenhouse gas emissions, water usage, biodiversity impact, pollution, and waste). In keeping with the Statement for Respecting Fair Labor Cost Estimation put forward by the Japan Federation of Construction Contractors, we strive to create mutually beneficial relationships by improving employment conditions for skilled workers and by securing skilled workers and supporting their development.

## Working with Partner Companies

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

In order to address issues such as securing the next generation of workers and improving productivity, we aim to make the construction industry more attractive to work in based on opinion exchange and dialogue with partner companies.




In August 2020, Kajima announced its Declaration of Partnership Building. This is a framework developed by the Council on Promoting Partnership Building for Cultivating the Future, whose members include the Chairman of Keidanren, the Chairman of the Japan Chamber of Commerce and Industry, the President of the Japanese Trade Union Confederation (RENGO), and related ministers (from the Cabinet Office; Ministry of Economy, Trade and Industry; Ministry of Health, Labour and Welfare; Ministry of Agriculture, Forestry and Fisheries; and Ministry of Land, Infrastructure, Transport and Tourism). Under this framework, company representatives declare their commitment to creating new partnerships through cooperation and mutually beneficial relationships with business partners in the supply chain and entities seeking to create value.

## Improving Employment Conditions for Construction Workers

Since fiscal 2015, we have operated the Kajima Meister System, a registration and direct financial incentive system for outstanding foremen, and the New E Award System, an incentive system for outstanding skilled workers, as a way of improving employment conditions for engineers and skilled workers.

### Kajima Meister System

Exceptional engineers and foremen, who are key construction personnel, primarily at major partner companies, are eligible for registration as "Kajima Meisters" and are paid a direct financial incentive determined by the number of days worked at Kajima sites.

### New E Award System

Outstanding foremen, next-generation skilled workers, and other personnel who have made an exceptional contribution to Kajima's construction work are eligible for selection to receive a direct incentive.

| Registration and Direct Financial Incentive System for Outstanding Foremen<br>Kajima Meister System | |
|---|---|
| **Supermeister**<br>Approx. 100 Supermeisters certified from among Meisters<br>(Fiscal 2020: 106 people)<br>Per-day incentive of ¥4,000 | **Meister**<br>Approx. 500 Meisters<br>(Fiscal 2020: 393 people)<br>Per-day incentive of ¥2,000 |

| Incentive System for Outstanding Skilled Workers<br>New E Award System |
|---|
| **Approx. 400 each year**<br>(Fiscal 2019: 593 people)<br>Per-year incentive of ¥100,000 |

## Implementing a Five-Day Work Week

Kajima is pushing forward with the implementation of a five-day work week at construction sites (closing sites for 104 days each year*) in stages. As of the end of fiscal 2019, five-day work weeks were implemented at 38% of all sites, versus the target of 50%. In the second stage, we aim to achieve implementation at 75% of sites by the end of fiscal 2020. Our ultimate goal is to have all construction sites operating on a five-day work week by the end of fiscal 2021.

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

# Framework for Ensuring Safety

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

In fiscal 2019 at Kajima construction sites in Japan, there were 67 accidents with lost work time of four or more days, including two fatal accidents. The frequency rate of accidents resulting in lost work time of four or more days was 0.69, and the rate for accidents resulting in lost work time of one or more days was 1.24, resulting in a severity rate of 0.18. Under the slogan "Think safety! Make today accident free," we will continue to do our utmost to ensure a safety-first approach to work.

### Safety Performance

(FY)

| | | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| **Accident frequency rate** | Lost work time of 4 or more days | 0.80 | 0.66 | 0.78 | 0.68 | 0.69 |
| | Lost work time of 1 day or more | 1.37 | 1.14 | 1.41 | 1.49 | 1.24 |
| **Accident severity rate** | | 0.28 | 0.18 | 0.36 | 0.11 | 0.18 |
| **No. of accidents** | | 83 | 64 | 70 | 66 | 67 |
| **No. of fatalities** | | 3 | 2 | 4 | 1 | 2 |
| **Cumulative working hours (Millions of hours)** | | 104.25 | 97.15 | 89.65 | 96.71 | 97.62 |

Frequency rate: The number of fatalities and injuries at worksites per one million cumulative working hours
Severity rate: The severity of illnesses and injuries represented by the number of workdays lost per one thousand cumulative working hours
Note: Calculations include partner company workers.

## Management System

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

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

## Safety Dialogue at Construction Sites

In terms of planning and equipment, safety measures employed at recent construction sites are more comprehensive than those in the past. However, a consequence of the decreased frequency with which construction workers are directly faced by an accident or injury, among other factors, is lower sensitivity to potential hazards.

In order to heighten that sensitivity, Kajima conducts monthly "safety dialogue" at all sites. Prime contractor employees, foremen of partner companies and other workers gather to engage in dialogue focused on safety, sharing opinions about actual cases of accidents that have occurred at construction sites in the past, as well as other topics.

In addition to fostering greater safety awareness among all workers and preventing recurrence of accidents, safety dialogue provides opportunities for sharing information and encourages communication.

## Onsite COVID-19 Countermeasures

The construction industry plays an important role in supporting infrastructure. Therefore, operations must continue even in the event of an infectious disease pandemic. To thoroughly prevent infection at construction sites, Kajima is implementing countermeasures based on avoiding closed spaces, crowded places, and close-contact settings.

Morning meetings are staggered and social distancing is maintained between participants. Cardboard, acrylic screens, plastic sheeting and other partitions are used in construction project offices, break rooms, and smoking areas to prevent close contact. We are also using our contact and work coordination system to replace onsite meetings held at construction project offices with remote information registration and management. Furthermore, we are combining body temperature measurement with facial recognition access control systems, and accelerating measures that contribute to managing the health of skilled workers.

Morning meeting with social distancing

Partitions in a break area

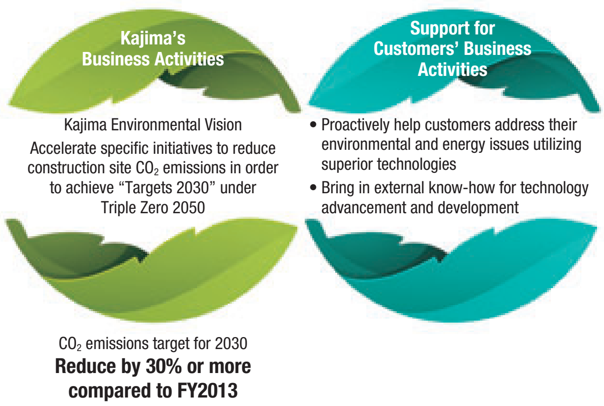
# Environment

## Environmental Vision and Medium-Term Business Plan

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

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

In fiscal 2019, we defined our material issues in order to achieve the SDGs and analyzed Task Force on Climate-related Financial Disclosures (TCFD) scenarios (see page 74 for details). Based on this, we revised our approach to reducing $CO_2$ emissions under "risks and opportunities," the full text of which is available on our website. In February 2020, we issued ¥10 billion in Green Bonds for refinancing the construction of Yokohama Gate Tower (Yokohama City, Kanagawa Prefecture), which is currently under construction, and of the KT Building (Minato-ku, Tokyo), which is owned by the Company.





### Triple Zero 2050 (Revised May 2018)

| | Social Goals | Triple Zero 2050 | Targets 2030 |
|---|---|---|---|
| Building a More Sustainable World | **Lower $CO_2$ Emissions**<br>Balancing greenhouse gas emissions from human activities with the Earth's capacity for $CO_2$ absorption | **Zero Carbon**<br>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**<br>Reduce Group-wide greenhouse gas emissions (Scope 1 and 2 emissions) per unit of sales to 30% of fiscal 2013 level or lower (equivalent to a 30% reduction of total emissions with fixed construction amount); contribute to the reduction of Scope 3 emissions as well, through joint efforts in the supply chain<br>**Construction Operations**<br>Reduce construction site greenhouse gas emissions per unit of sales to 30% of fiscal 2013 level or lower<br>**Architectural Design**<br>Reduce $CO_2$ 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**<br>Pursuing zero emissions by employing state-of-the-art infrastructure maintained and operated using sustainable resources | **Zero Waste**<br>Aiming to eliminate waste from construction operations by ensuring zero landfill disposal of waste during construction, utilizing sustainable materials, and making buildings last longer | Completely eliminate final landfill waste from construction operations<br>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**<br>Valuing the continuous benefits of ecosystem services by minimizing the impact of human activities on the environment and living creatures | **Zero Impact**<br>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<br>Build a portfolio of effective projects and make them hubs for biodiversity-related networking |
| | **Common Foundation Initiative Areas** | • Management of hazardous substances: Ensure preventative measures (especially for soil contamination and asbestos) and proper management of chemical substances<br>• Conduct research and technology development<br>• Actively distribute information in and outside the Company | |

Three-year (FY2018–2020) environmental targets have been set for each sector and activities are under way (See page 61 for details.)

## Expanding Services to Help Customers Address Their Environmental and Energy Issues

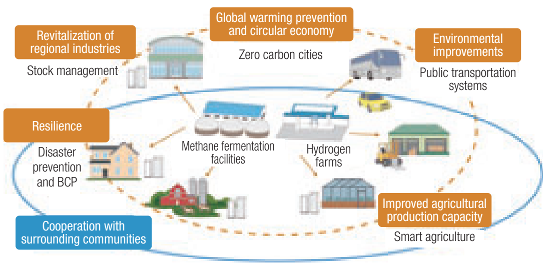
Kajima provides technologies and services to support the business activities of its customers and help them address their environmental and energy issues in the areas of lower $CO_2$ emissions, recycling resources, and harmoniously co-existing with nature. In particular, we are reinforcing measures that meet today's most urgent needs in fields in which we have many years of experience, such as zero energy buildings (ZEB), energy usage, wastewater treatment systems, treatment of contaminated or hazardous materials, and recycling.

We coordinate with Group companies to expand upstream and downstream construction business opportunities. For example, Kajima Tatemono Sogo Kanri Co., Ltd. provides post-completion energy management for buildings, while Kajima Environment Engineering Corporation is responsible for the maintenance and management of final landfill waste disposal sites.

### HIGHLIGHT 1 Building Smart Regional Societies

In recent years, local consumption of locally produced energy is a topic of great attention. One example is the potential for new industries founded on the production, storage, transport and supply of hydrogen from untapped local energy resources. The effective use of energy sources unique to each region is also important from a BCP perspective. In Shikaoi-cho, Kato-gun, Hokkaido, Kajima has been working since 2015 on the Shikaoi Hydrogen Farm, a joint project of four companies including the Company* to create a hydrogen supply chain using hydrogen generated from livestock excreta. This project is part of the Regional Cooperation and Low-carbon Hydrogen Technology Demonstration Project commissioned by the Ministry of the Environment. From fiscal 2020, we will also be performing verification projects concerning the supply of hydrogen for fueling cell-powered forklifts used in agricultural warehouses, as well as hydrogen-storing alloys and fuel cell utilization systems for emergency power use. In addition to enabling the local production and consumption of energy, hydrogen supply chains can also contribute to addressing regional issues including disaster prevention and mitigation, social infrastructure and the revitalization of regional industries. Kajima will continue to leverage its renewable energy and BCP technologies and coordinate with local governments to advance measures such as these, with the aim of realizing smart regional societies.

**Conceptual Image of Smart Regional Societies Centered on Hydrogen Supply Chains**




* Four companies: Air Water Inc., Nippon Steel Pipeline & Engineering Co., Ltd., Air Products Japan K.K., and Kajima Corporation

### HIGHLIGHT 2 Reducing $CO_2$ Emissions during the Building Management Stage and Carbon Offsets

Kajima complies with energy-saving regulations, such as the Act on the Rational Use of Energy and the Tokyo Cap-and-Trade Program for its office buildings. We have worked to implement energy-saving plans and reduce energy consumption in ways including updating equipment at our offices, such as Tokyo East 21 (Koto-ku, Tokyo), Akasaka K-Tower (Minato-ku, Tokyo), and other Kajima facilities. Under the Act on the Rational Use of Energy, companies are obliged to make an effort to reduce emission intensity by an annual average of 1% or more over a five-year period. Kajima has achieved an average annual reduction of 2.5% over the past five years, and has maintained its classification as an S Class superior energy-efficient and conservation company as announced by the Ministry of Economy, Trade and Industry.

Tokyo's Cap-and-Trade Program allows companies to bank emission reduction amounts in excess of mandatory emission reduction targets as credits. We used our stock of credits from the first plan period (2010–2014) for carbon offsets. Specifically, we offset $CO_2$ emissions from diesel oil and power used in the Fujimura Gakuen New Mixed-Use Gymnasium Construction Project in Kunitachi City, Tokyo (tentative name; completion scheduled for end of August 2021), in cooperation with Zero Emission Tokyo initiatives.

## Reducing the Environmental Impact of Our Business Activities

### Kajima's Environmental Management Systems

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

For domestic Group companies, environmental initiatives and energy usage studies are implemented primarily at 14 construction-related companies that have particularly high environmental impact.

### Summary of Environmental Activities for Fiscal 2019

For the most part, activities have progressed well during fiscal 2019, the second year of the current three-year plan. In pursuing lower $CO_2$ emissions, we achieved a 20% reduction in $CO_2$ emissions attributable to construction, surpassing our reduction target of 6% compared with fiscal 2013. In recycling resources, our final disposal rate for waste, including sludge, was 3.9%, falling short of our target of less than 3%. Final disposal rates are affected by the type of construction and the surrounding environment, such as the presence of outstanding waste disposal facilities.

With regard to environmental accidents, while there were no serious breaches of laws resulting in administrative sanctions, there were six minor violations due to shortcomings in preliminary surveys for confirming the presence of asbestos and inappropriate outsourcing of waste disposal. Furthermore, in preparation for revisions to the Air Pollution Control Act and the Ordinance on Prevention of Health Impairment due to Asbestos, we have shared information regarding expanded notification requirements with the asbestos managers of all branches.

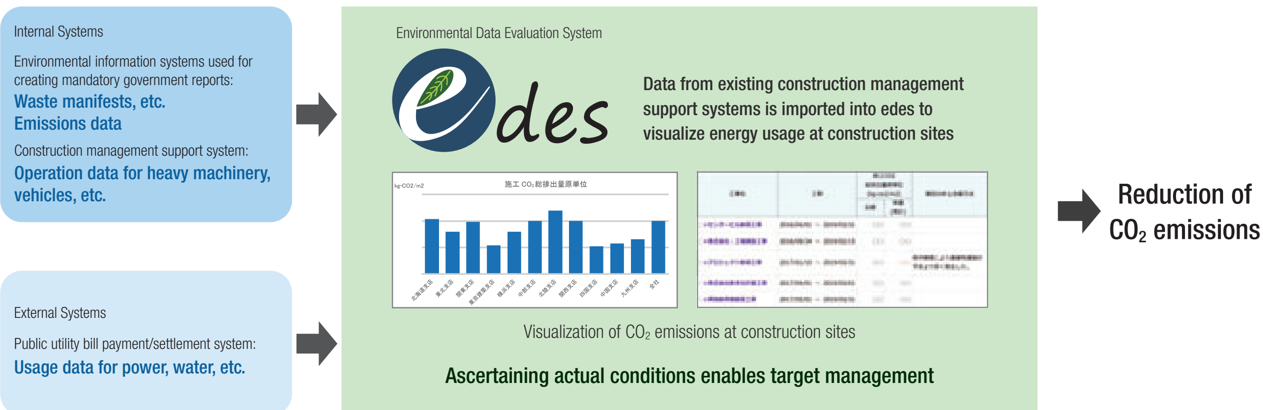
### Full-Scale Operation of Environmental Data Evaluation System (edes) to Reduce Energy Use at Construction Sites

About 90% of Kajima's $CO_2$ emissions from its own business activities are generated at construction sites. Of the energy consumed on-site, 70% is from diesel oil used in heavy machinery and elsewhere, and 30% is from electricity. We have been working to reduce the amount of energy used through instruction in fuel-efficient operation and other activities and we have ascertained the $CO_2$ emissions of the Company as a whole. We did this using sampling data from studies over a pre-determined period of energy consumption vis-à-vis the value of finished work at construction sites across the country. However, given that accelerating the reduction of $CO_2$ emissions during construction is a critical issue, we need to know the emissions per construction site and then implement timely and effective reduction methods tailored to conditions at each site.

For this reason, in fiscal 2018 we developed the Environmental Data Evaluation System (edes), which enables users to ascertain and visualize $CO_2$ emissions for all processes at all construction sites on a monthly basis. In fiscal 2019, full-scale operation of edes began throughout Japan.

By linking it to construction management support services already deployed at Kajima construction sites, information such as the types, number and operating hours of construction machinery is automatically imported into edes and used to calculate $CO_2$ emissions. Furthermore, vehicles used to transport soil, sand and waste are linked to existing environmental information systems used for creating mandatory government reports, and power and water usage is linked to the recently introduced public utility bill payment/settlement system. These diverse systems created to improve construction site productivity are enabling us to ascertain the amount of energy used and $CO_2$ emissions at each site.

We aim to introduce edes at all domestic construction sites by the end of fiscal 2020, and will accelerate efforts to reduce $CO_2$ emissions during construction by comparing the figures for each construction site and branch to formulate effective reduction measures and deploy these measures at locations throughout Japan.



## Environmental Targets (FY2018–2020) and FY2019 Actual Figures

| | | Three-Year (FY2018–2020) Targets | FY2019 Targets | FY2019 Results |
|---|---|---|---|---|
| Lower $CO_2$ Emissions | Construction | Reduce $CO_2$ emissions per unit of sales attributable to construction by 8% compared to fiscal 2013 | Reduce $CO_2$ emissions by 6% | Reduced $CO_2$ emissions by 20% |
| | Design | Secure conformance with SEQDC mandatory standards in Building Energy Efficiency Act | Implement action plans that conform with mandatory standards in Building Energy Efficiency Act | Set and managed original issues in line with building use |
| | | Develop industry-leading $CO_2$ emissions targets | Actively utilize labeling programs such as the Building Energy-efficiency Labeling System (BELS) | Numerous projects for which efforts are underway to obtain BELS, CASBEE-New Structure, CASBEE-Wellness Office, LEED NC and other certifications<br>Obtained the highest score in Japan in this fiscal year's CASBEE-Wellness Office evaluation: S rank CASBEE-Smart Wellness Office certification. |
| | | | Achieve corporate targets for energy efficiency (20% reduction) | 15.9% reduction |
| Recycle Resources | Construction | Less than 3% landfill waste including sludge | Less than 3% landfill waste including sludge | Final disposal rate of 3.9% (including sludge) |
| | Design | Implement green procurement | Propose more than four items, indicate them on working drawings, and verify whether or not the proposed items were ultimately adopted | Average of 5.2 items proposed |
| Harmoniously Co-Existing with Nature | | Implement outstanding biodiversity projects | Implement more than six outstanding biodiversity projects per year | Selected eight outstanding projects |
| | | Reduce the environmental impact of construction (particularly through management of hazardous materials and polluted water management, etc.) | Limit the environmental impact of construction (particularly through management of hazardous materials and polluted water, etc.) | No environmental impact from hazardous materials or polluted water |
| Common Foundation Initiative Areas | | Implement R&D and promote technologies and services that support Triple Zero 2050 objectives | | |
| | R&D | Implement research and technology development that contributes to preservation of the environment and sustainable use<br>More than six examples of deploying research or technology results to onsite operations over the three-year period | Environmental contribution R&D projects: 6<br>Environmental contribution technology project deployment: 2 | Designated environmental topics: 17<br>Results deployed: 8 instances |
| | Environment Engineering | Promote environmental management in concert with Group companies<br>Make technical innovations and create projects based on Triple Zero 2050 | Improve environment-related proposal capabilities, pursue project making | Strengthened efforts in four priority fields<br>Efforts toward next-generation technologies/ projects, follow-up for environmental fairs (four branches) and handling of 64 requests |
| | Engineering | Provide customers with high-environmental performance production facilities | Confirm Triple Zero 2050 approaches and measures for dealing with chemical substances in projects | Confirmation at Division Design Review, project review committees (reviews conducted for all 7 target projects) |

## Material Flow

### Input

| | | FY2019 |
|---|---|---|
| Construction sites | • Energy | |
| | · Electricity (kWh) | 120,990,000 |
| | · Diesel oil (kℓ) | 63,383 |
| | · Kerosene (kℓ) | 1,261 |
| | · Heavy oil (kℓ) | 142 |
| | • Water ($m^3$) | 609,000 |
| | • Main construction materials (t) | 2,276,000 |
| Offices | • Energy | |
| | · Electricity (kWh) | 25,400,000 |
| | · Diesel oil (kℓ) | 5 |
| | · Kerosene (kℓ) | 10 |
| | · Heavy oil (kℓ) | 10 |
| | · Gas ($m^3$) | 163,000 |
| | · Heating/Steam/Cooling (GJ) | 14,776 |
| | • Water ($m^3$) | 150,000 |

### Output

| | | FY2019 |
|---|---|---|
| Construction sites | • $CO_2$ emissions (t) | 227,000 |
| | • Construction surplus soil ($m^3$) | 2,014,000 |
| | • Hazardous materials collected | |
| | · Materials containing asbestos (t) | 6,197 |
| | · CFCs and halon (t) | 0.2 |
| | · Fluorescent tubes (t) | 43.3 |
| | • Construction waste (t) | 1,455,000 |
| | • Final disposal volume (t) | 57,000 |
| Offices | • $CO_2$ emissions (t) | 13,000 |
| | • Volume of waste (t) | 2,096.5 |

# Corporate Governance

Kajima's fundamental commitment on corporate governance is to ensure fair and transparent corporate activities using enhanced management supervision by the Board of Directors and Audit & Supervisory Board. This is combined with risk management and accountability achieved via internal controls and systematic steps to secure compliance. Kajima will continue to strengthen its corporate governance based on the Corporate Governance Code outlined by the Tokyo Stock Exchange.

## Overview of Corporate Governance Structure

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

The Board of Directors meets once a month and additionally as needed. In addition to eight internal directors with expert knowledge of the Company's businesses, the Board has four outside directors, who add an independent perspective on key decisions and enhance management supervision. The Board of Directors has a total membership of 12 persons and is headed by the chairman.

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

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

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

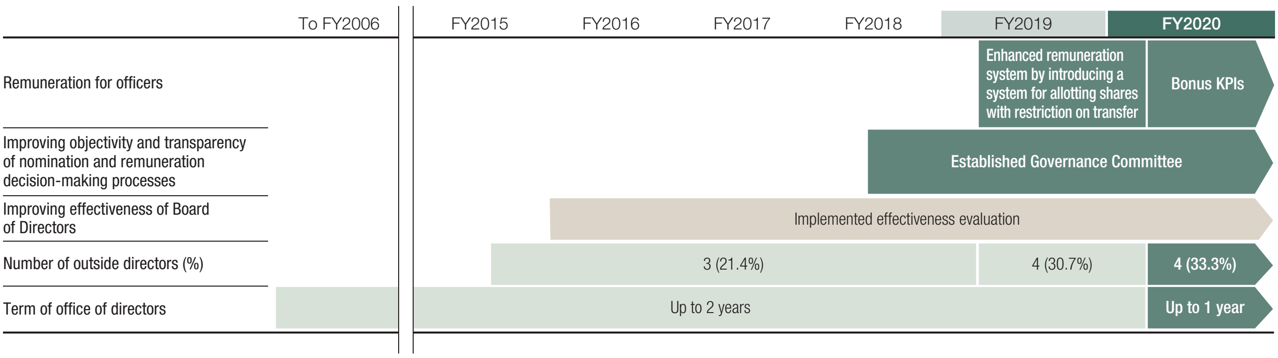
## Initiatives to Strengthen Corporate Governance

In June 2020, the term of office of directors was reduced from up to two years to up to one year and the responsibilities of directors were clarified. The number of internal directors was also reduced, and it was decided that outside directors must account for one-third or more of the Board of Directors. In accordance with the newly formulated Basic Policy on Officer Remuneration, key performance indicators (KPIs) and other criteria used in calculating directors' performance-linked remuneration (bonus) were revised from the perspectives of increasing corporate value over the medium to long term and aligning values with those of stockholders.

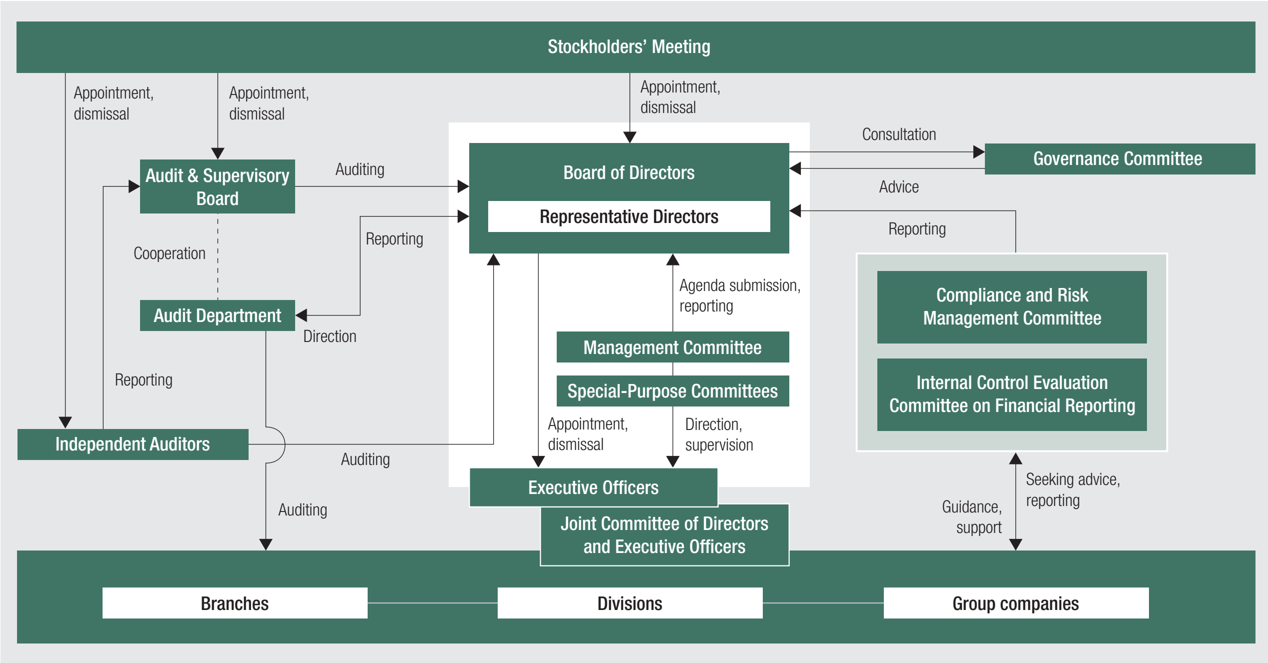
### Governance Structure: Company with an Audit & Supervisory Board

| | |
|---|---|
| **Directors** | 12 persons (including 4 outside directors) Term: 1 year |
| **Audit & Supervisory Board members** | 5 persons (including 3 outside members) |
| **Executive officer system** | Yes |
| **Independent directors** | 7 persons |

### Progress in Strengthening Corporate Governance



### Diagram of Corporate Governance Structure




### Governance Committee

#### Main agenda items

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

#### Members

Outside directors: Koji Furukawa (chair), Masahiro Sakane, Kiyomi Saito, Yukio Machida

Outside Audit & Supervisory Board members: Masahiro Nakagawa, Kazumine Terawaki, Yukiko Fujikawa

Governance Committee meeting attended by the President in August 2020

The Governance Committee is a discretionary committee that incorporates the functions of both a nomination committee and a remuneration committee, deliberating on important matters related to corporate governance, including officer personnel and remuneration-related matters, and providing recommendations to the Board of Directors. It was established with the aim of ensuring the objectivity and transparency of Kajima's corporate governance.

The committee comprises outside directors and outside Audit & Supervisory Board members and meets regularly twice a year, and additionally as needed. Depending on the content of the agenda, persons including the President and other executives on the management team may also be invited to attend in order to provide briefings.

## ▶ Outside Director Support System

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

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

Tour of a construction site in Taiwan by an outside director
(third from right: Koji Furukawa)

## Evaluating the Effectiveness of the Board of Directors

Kajima evaluates the effectiveness of its Board of Directors once a year in order to enhance the Board's function. Each year, external experts are also asked to review the evaluation method. Below is an overview of the findings of the review conducted in June 2020.

**Evaluation Content**

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

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

**Evaluation Results**
(Board of Directors meeting held on June 9, 2020)

- The Board of Directors receives reports regarding matters including the progress of the Medium-Term Business Plan and the status of compliance and risk management in a timely manner, and has a thorough understanding of management conditions.
- The management team actively takes into consideration the opinions of the Board of Directors based on discussions of appropriately selected agenda topics concerning long-term issues and reflects them in operational improvements.
- With regard to meeting administration, the necessary materials are made available and sufficient discussion time is allocated.

**It was determined that a suitable structure was in place for the Board of Directors to exercise its supervisory functions, and that Board of Directors meetings were being effectively conducted.**

### Points for Improvement

| | Issues Raised | Response |
|---|---|---|
| 1 | While positive steps have been taken to increase the amount of time available for discussions of long-term management issues, there is a need to ensure that in-depth discussions continue. | We will work to further invigorate discussions and enhance their content through agenda items that address long-term management issues such as responding to future customer and social needs following COVID-19, and maintaining our competitive position. |
| 2 | There is a need for greater opportunities to engage in dialogue other than at Board of Directors meetings. | We will create additional opportunities for communication between outside directors, executive officers, and employees, and enhance the sharing of information with outside officers. |

## • Main Initiatives Implemented during the Evaluation Period (June 2019–May 2020)

**(1) Enhancing discussions regarding medium- and long-term management issues**

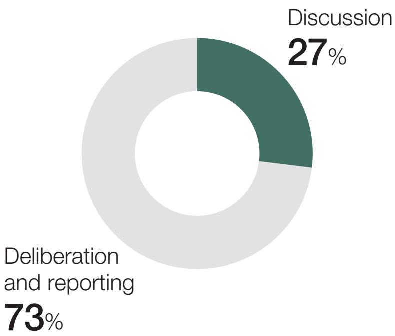
In response to the recommendation that we enhance discussions regarding management approaches and medium- and long-term issues, greater opportunities were provided for discussion.

### Principal Matters Discussed

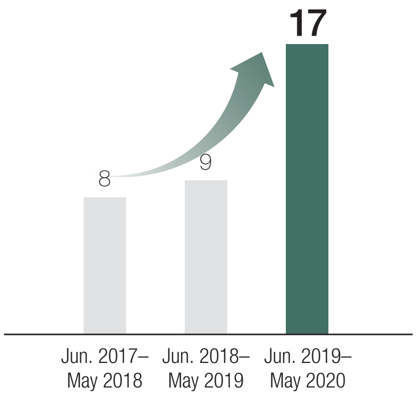
A total of 17 matters were discussed, including:

- Domestic and overseas construction market trends and business portfolios of other domestic and overseas construction companies
- Policy regarding growth fields in construction markets
- Impact of COVID-19 pandemic
- Technology development and partnerships with other companies in the IoT field, including robot construction
- Follow-up regarding the Kajima Group Medium-Term Business Plan
- Progress of investment plans (real estate development, R&D, etc.)
- Acquisition of company engaged in asset management in the U.K. and Ireland
- Establishment of ship-owning company for SEP vessel

**Agenda Composition**




**Number of Matters Discussed**




**(2) Enhancing Group governance**

1. Compliance risks, including those of Group companies in Japan and overseas, were reviewed regularly. High-priority issues were discussed multiple times through inclusion as Board of Directors agenda items and management status was confirmed.
2. Opportunities for dialogue between outside officers and executives of local companies were created in order to improve governance in overseas operations. Through this dialogue, local conditions and issues were reported and opinions were exchanged.
3. Information was shared and opinions exchanged at Board of Directors meetings regarding feedback from dialogue with stockholders, investors and other stakeholders.

**(3) Further leveraging the functions of the Governance Committee as an advisory organ**

The Governance Committee provided advice following multiple discussions concerning the structure of the Board of Directors and officer remuneration. Based on this advice, the Board of Directors engaged in deliberations and made the following decisions.

1. In order to maintain the size of the Board of Directors within appropriate bounds, clarify the management responsibilities of individual directors, and create a management system capable of rapidly responding to changes in the business environment, the number of directors stipulated in the Articles of Incorporation would be reduced to 13 or fewer and the term of office would be shortened to up to one year (presented and approved at the 123rd Ordinary Stockholders' Meeting held on June 25, 2020).
2. From the perspectives of providing incentives aimed at improving medium- and long-term business performance and reflecting the characteristics of the construction industry, the director and executive officer performance-linked remuneration (bonus) system was revised.

**(4) Administration of Board of Directors meetings and other matters**

1. In addition to individual exchanges of opinions between the President and outside directors, communication opportunities were provided for the free exchange of opinions other than at Board of Directors meetings, such as social gatherings attended by outside directors and executive officers.
2. Progress on matters decided at Board of Directors meetings was confirmed.
3. In order to invigorate discussions at Board of Directors meetings by making materials more visually intuitive and improving presentation methods, paperless practices were introduced.

## Outside Directors and Outside Audit & Supervisory Board Members

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

### Basis for Appointing Outside Directors

| Name | | Independent officer | Major concurrent positions | Reason for appointment |
|---|---|---|---|---|
| Koji Furukawa | | Yes | Advisor, Mitsubishi Corporation | Koji Furukawa has a wealth of experience and high-level expertise as a corporate executive in a variety of industries, having served in various executive posts including Director, Senior Executive Vice President of Mitsubishi Corporation, Vice Chairman of the Board of Mitsubishi Motors Corporation, Chairman and CEO, Representative Director of Japan Post Bank Co., Ltd., and Chairman and CEO, Representative Director of Japan Post Co., Ltd. His appointment was based on his excellent track record in providing effective advice to the management of the Company while appropriately supervising its business execution. |
| Masahiro Sakane | | Yes | Councilor, Komatsu Ltd., Outside Director, Takeda Pharmaceutical Company Limited | Masahiro Sakane has a wealth of experience and high-level expertise as a manager of a manufacturer with global business operations, having served as President and Representative Director, as well as Chairman of the Board and Representative Director of Komatsu Ltd. His appointment was based on his excellent track record in providing effective advice to the management of the Company while appropriately supervising its business execution. |
| Kiyomi Saito | | Yes | President, JBond Totan Securities Co., Ltd., Outside Audit & Supervisory Board Member, Showa Denko K.K. | Kiyomi Saito has a wealth of experience and high-level expertise as an entrepreneur and corporate executive, having served as Executive Director of Morgan Stanley, and established JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.), of which she has long been serving as President. Her appointment was based on her excellent track record in providing effective advice to the management of the Company while appropriately supervising its business execution. |
| Yukio Machida | | Yes | Attorney, Outside Audit & Supervisory Board Member, Asahi Mutual Life Insurance Co. | During his term as an outside Audit & Supervisory Board member at the Company, Yukio Machida provided clear opinions from an independent and objective perspective, based on professional insight as a public prosecutor and attorney as well as extensive experience and high-level expertise as a legal practitioner, and performed his duties effectively. His appointment was based on the expectation that he would be able to leverage his extensive knowledge and experience in the management of the Company, considering that he is well-versed in our business through his previous duties as an Audit & Supervisory Board member. |

### Basis for Appointing Outside Audit & Supervisory Board Members

| Name | | Independent officer | Major concurrent positions | Reason for appointment |
|---|---|---|---|---|
| Masahiro Nakagawa | | Yes | – | Masahiro Nakagawa possesses considerable knowledge relating to finance and accounting. He served as Director at Sumitomo Mitsui Banking Corporation and President & CEO of SMBC Trust Bank Ltd. His appointment was based on the neutral and objective opinions he is able to provide by drawing upon his extensive experience with financial institutions. |
| Kazumine Terawaki | | Yes | Attorney, Outside Director, Toshiba Machine Co., Ltd., Outside Audit & Supervisory Board Member, Kewpie Corporation, External Audit & Supervisory Board Member, Shoko Chukin Bank, Ltd. | Kazumine Terawaki possesses professional insight as a public prosecutor and attorney as well as extensive experience and high-level expertise in legal matters, having served as Director-General of the Public Security Investigation Agency, Superintending Prosecutor of the Sendai High Public Prosecutors Office, and Superintending Prosecutor of the Osaka High Public Prosecutors Office. Since registering as an attorney, in addition to legal practice, he has been serving as outside director and outside audit and supervisory board member at multiple listed companies. His appointment was based on the neutral and objective opinions he is able to provide by drawing upon his extensive experience. |
| Yukiko Fujikawa | | Yes | President, Yukiko Fujikawa CPA Office, Outside Director, Toyo Securities Co., Ltd., Outside Director, Sotetsu Holdings Inc., Supervisory Director, Hoshino Resorts REIT, Inc. | Yukiko Fujikawa has professional insight regarding finance and accounting as a Certified Public Accountant and Certified Public Tax Accountant. Having served as Financial Securities Inspector at the Inspection Department of the Financial Supervisory Agency (currently Financial Services Agency), she established Yukiko Fujikawa CPA Office, of which she has long been serving as President. Her appointment as an outside Audit & Supervisory Board member was based on her extensive experience and high-level insight. |

### Major Internal Meetings in FY2019

| Board of Directors | Audit & Supervisory Board | Governance Committee |
|---|---|---|
| 14 meetings | 15 meetings | 4 meetings |

| Years in position | Main areas of specialized experience | | | | | | Attendance in FY2019 Period: April 1, 2019–March 31, 2020 | |
|---|---|---|---|---|---|---|---|---|
| | Corporate management | Finance/ Accounting | Legal/Risk management | Technology/ IT | Government | Global business | | |
| 5 | ○ | ○ | ○ | | | ○ | 14 of 14 Board of Directors meetings | 4 of 4 Governance Committee meetings |
| 5 | ○ | | | ○ | | ○ | 14 of 14 Board of Directors meetings | 4 of 4 Governance Committee meetings |
| 5 | ○ | ○ | | | | ○ | 14 of 14 Board of Directors meetings | 4 of 4 Governance Committee meetings |
| 1* | | | ○ | | ○ | | 11 of 11 Board of Directors meetings | 4 of 4 Governance Committee meetings |

* Previously an outside Audit & Supervisory Board member from June 2015 to June 2019

| Years in position | Main areas of specialized experience | | | | | | Attendance in FY2019 Period: April 1, 2019–March 31, 2020 | |
|---|---|---|---|---|---|---|---|---|
| | Corporate management | Finance/ Accounting | Legal/Risk management | Technology/IT | Government | Global business | | |
| 2 | ○ | ○ | ○ | | | | 14 of 14 Board of Directors meetings<br>15 of 15 Audit & Supervisory Board meetings | 4 of 4 Governance Committee meetings |
| 1 | | | ○ | | ○ | | 10 of 11 Board of Directors meetings<br>10 of 11 Audit & Supervisory Board meetings | 2 of 2 Governance Committee meetings |
| Appointed in June 2020 | | ○ | | | ○ | | — | — |

## Officer Remuneration

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

### Basic Policy on Officer Remuneration

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

#### • Director Remuneration System

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

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

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

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

### Details of Officer Remuneration

| | Total remuneration | Directors* | Outside directors | Audit & Supervisory Board members |
|---|---|---|---|---|
| **Monthly remuneration** | Directors: Up to ¥60 million/month<br>Audit & Supervisory Board members: up to ¥15 million/month | ● | ● | ● |
| **Performance-linked remuneration (bonus)** | Up to ¥300 million/year | ● | — | — |
| **Remuneration in shares with restriction on transfer** | Up to ¥300 million/year | ● | — | — |

* Excluding outside directors

### FY2019 Remuneration for Directors and Audit & Supervisory Board Members

(¥ million)

| Position | Total remuneration | Monthly remuneration | Bonus | Stock remuneration | Recipients |
|---|---|---|---|---|---|
| **Directors** (excluding outside directors) | 716 | 447 | 213 | 56 | 11 |
| **Audit & Supervisory Board members** (excluding outside members) | 56 | 56 | — | — | 2 |
| **Outside directors and outside Audit & Supervisory Board members** | 110 | 110 | — | — | 8 |

## Fixed Remuneration

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

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

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

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

## Performance-Linked Remuneration

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

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

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

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

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

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

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

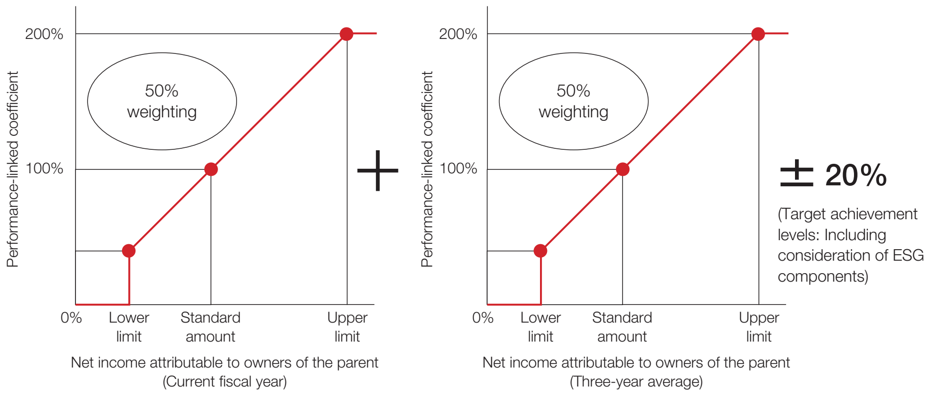
For fiscal 2019, the Board of Directors deliberated and decided, after discussions at the Governance Committee and based on the committee's advice and recommendations, to pay bonuses based on an evaluation coefficient of 190%.

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

### Formula

Bonus amount
= Standard bonus amount
× evaluation coefficient*

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




## Stock Remuneration

Stock remuneration is handled as indicated below.

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

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

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

## • Audit & Supervisory Board Member Remuneration System

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

# Risk Management

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

## Group-Wide Risk Management System

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

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

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

### Risk Management Framework


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

| Committee name | Chairperson | Purpose |
|---|---|---|
| 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) |
| Overseas Development Project Steering Committee | General Manager, Overseas Operations 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 Civil Engineering Project Review Committee<br>Overseas Building Construction Project Review Committee | General Manager, Civil Engineering Management Division<br>General Manager, Building Construction Management Division | Investigate and report on technical, construction, and contractual risks at the time of order receiving for major overseas construction projects; also investigate and report on measures to address any serious problems that may occur during construction |
| Development Steering Committee | General Manager, Administration Division | Deliberates and reports on investments in Japanese real estate development projects, and on the commercialization or sale of important real estate properties and other ongoing projects |
| Important Construction Project Review Committees | General Manager, Civil Engineering Management Division<br>General Manager, Building Construction Management Division | Confirm the technical, construction and contractual risks prior to estimate submission for important construction projects in Japan, and articulate policy on estimate submission |
| PFI Civil Engineering Committee<br>PFI Building Committee | General Manager, Civil Engineering Management Division<br>General Manager, Building Construction Management Division | Deliberate and report on Group-wide response policies and frameworks related to PFI and other projects, individual projects involving business risks such as investment, and response policies concerning the formation of consortia of companies |
| Business Investment Review Committee | General Manager, Administration Division | Identifies and deliberates on risks and issues regarding alliances, M&A, company establishment and new investment projects, other than the above; also provides support for the promotion of such projects |

## Information Security

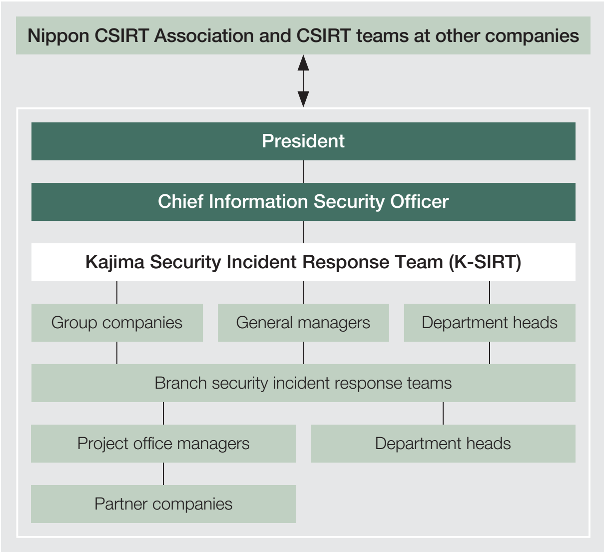
The Kajima Group handles a wide range of information, including that relating to buildings, customers, management, technology, intellectual property and personal information, in the course of providing various services, including design and construction. The Group adheres to an information security policy and conducts thorough risk management in order to protect such information, including from external attacks or leakage due to negligence.

Employees throughout the Group take an annual online course in information security, and training topics include risks associated with the use of cloud services and new threats such as 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 customers and partner companies during the construction process. Thorough information management is therefore required. Accordingly, Kajima conducts regular inspections and audits to verify that physical, personal and technical measures are in place, while continuing to enhance such measures. For partner companies, Kajima also distributes standard check sheets, awareness posters, and educational materials provided by the Japan Federation of Construction Contractors. The Company is working to improve the level of information security at its partners.

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

### Information Security Management Framework




## Multi-Hazard Business Continuity Plan

When a major earthquake, wind or flood damage, or other natural disaster occurs, the construction industry must quickly mobilize to ensure business continuity and the rapid recovery of vital social infrastructure, including the reopening of roads and the repair of bridges. As a member of the Japan Federation of Construction Contractors that receives requests from the Government of Japan, Kajima operates and updates a business continuity plan (BCP) and conducts regular drills to prepare for contingencies. The Company has earned the Business Continuity and Disaster Recovery Certification for Construction Companies[1] and Resilience Certification.[2]

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

In response to the COVID-19 pandemic, the Group positioned preventing the spread of infection as a top priority issue, and was quick to establish a Crisis Response Headquarters. The Group is gathering information, assessing risk scenarios, instructing employees in Japan and overseas on actions to take, providing guidance to partner companies and implementing other necessary measures, in order to ensure business continuity and minimize damage to the greatest extent possible.

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

## Addressing Risks Outside of Japan

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

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

## Business and Other Risks

| Risk factors | Risks and opportunities | Response |
|---|---|---|
| **Risks of changes in the business environment** | • If there are significant changes in construction, real estate development or other business environments, such as a significant decrease in construction demand or a rapid contraction of the real estate market due to factors such as an economic downturn, there could be a decline in construction contract awards and a decrease in real estate sales and lease income.<br>• If competition with other general construction companies intensifies and the Group is unable to maintain its competitiveness in aspects such as quality, cost or service content, there could be a deterioration in the Group's business performance. | • While accurately responding to changing conditions and market trends, the Group will continue to actively advance the measures set forth in the Kajima Group Medium-Term Business Plan (Fiscal 2018–2020) and address material issues as it works to achieve management targets and increase corporate value. |
| **Risks of fluctuation in construction costs** | • Construction projects are subject to fluctuations in construction costs because they require the procurement of materials, equipment and labor over a long period of time. If a rapid rise in main material prices and labor costs results in unexpected increases in construction costs that the Group is unable to reflect in the contracted amount, there could be a deterioration in the profitability of construction work. | • The Group implements measures such as early procurement, securing diverse suppliers and including price adjustment clauses in contracts with clients, in order to minimize the impact of construction cost fluctuations. |
| **Risks of fluctuation in prices and profitability of assets held** | • In the event of a decline in the profitability of real estate for sale (consolidated balance sheet balance of ¥62.8 billion as of March 31, 2020), or a significant decline in the market value of assets such as real estate for lease (¥198.5 billion) and investments in securities (¥309.6 billion), the Group could be required to register a valuation loss or impairment loss. | • The Group manages real estate development business assets by ascertaining impairment risk for each project and maintaining total impairment risk below a defined level in proportion to consolidated equity capital.<br>• The Group has set a target of ¥800 billion for consolidated equity capital in order to maintain a financial foundation that can sufficiently accommodate future growth in domestic and overseas real estate development business assets during the period of the Medium-Term Business Plan.<br>• When investing in individual projects, Head Office special-purpose committees (Development Steering Committee and Overseas Development Project Steering Committee) and others ascertain risks and deliberate on countermeasures. The Board of Directors and the Management Committee then deliberate on these investments in accordance with defined standards.<br>• Each fiscal year, the Board of Directors deliberates on listed stocks held for strategic purposes, based on an assessment of the rationality of continuing to hold them and asset efficiency from a medium-to-long-term perspective, and sells off, in principle, stocks that no longer satisfy the relevant criteria. |
| **Risks related to changes in political and economic conditions in other countries** | • The Group's policy is to develop its construction and real estate development businesses overseas in regions including North America, Europe, Asia and Oceania, enter new overseas markets, and expand its domains in existing markets in accordance with the Medium-Term Business Plan. If there are significant changes in political and economic conditions, legal systems or foreign exchange rates in the countries in which the Group operates, there could be an impact on the Group's business performance. | • When conducting M&A and entering into new markets overseas, a Head Office special-purpose committee (Overseas Business Steering Committee) ascertains risks and deliberates on countermeasures. The Board of Directors and the Management Committee then deliberate on these matters in accordance with defined standards.<br>• Kajima has established an International Emergency Response Committee to ensure the safety of employees and their families and provide local support in the event of incidents such as a terrorist attack or civil disturbance. |
| **Risks associated with the shortage of workers in the construction industry** | • In Japan, the number of skilled construction workers in the construction industry is on the decline, and unless sufficient measures are taken, it will be difficult to maintain the construction system. This could lead to effects including a decline in revenues or a decrease in the profit margin on construction projects due to higher labor procurement costs. | • In order to maintain the construction system in the future based on the Medium-Term Business Plan, the Group is promoting Kajima Work-Style Reform that aims to improve the work environment not only for employees, but also for partner companies and skilled workers.<br>• The Group is improving working conditions by promoting operational efficiency through greater productivity and by closing construction sites for a total of eight days out of every four weeks while ensuring adherence to construction schedules. The Group is also implementing various measures to improve employment conditions for skilled workers, stabilize their income and make the profession more attractive to work in.<br>• The Group is implementing measures to support partner companies in improving employment conditions for skilled workers. The Group is also systematically developing automation, labor-saving and robotic technologies to compensate for the shortage of construction workers. |

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

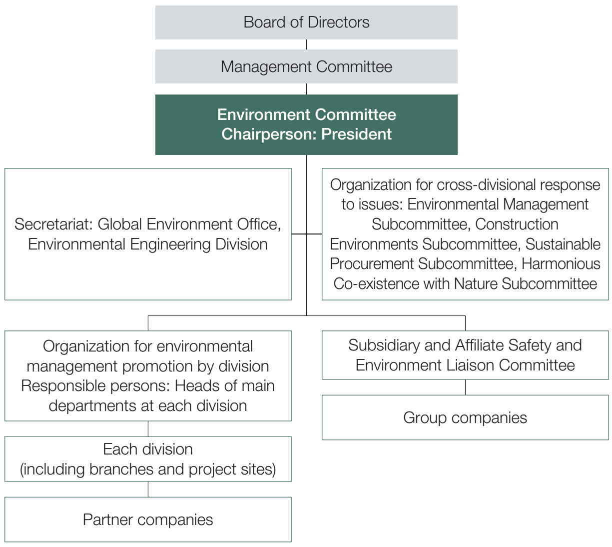
# Disclosure of Climate Change-Related Information (Disclosure in line with the TCFD Recommendations)

Kajima recognizes that addressing environmental issues including climate change is a key management issue, and includes "providing technologies and services for disaster preparedness that support safety and security" and "contributing actively to society's transition to a low carbon footprint" among its material issues. In December 2019, Kajima expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

While society and markets are increasingly committed to achieving a low carbon footprint and decarbonization, the world is already experiencing extreme weather events and floods that are becoming more severe. We will continue to contribute to the resolution of social issues related to climate change through our businesses. This includes contributing to the social mission of the construction industry in terms of disaster prevention and mitigation, BCP and disaster recovery.

## 1. Governance Measures

Kajima has established the Environment Committee as an organ to deliberate and decide on environmental issues. The committee is chaired by the President and comprises members from the management team and executives from domestic and overseas subsidiaries and affiliates. It deliberates and decides on important environmental policies and measures, including measures to address climate change. Important policies are then deliberated and decided on by the Board of Directors and the Management Committee. The policies and measures decided on are incorporated into each division's business plan and implemented. The next year, the Environment Committee follows up on progress and results, thereby leading to further improvements and new initiatives. The low-carbon policies discussed by the committee have been integrated as priority initiatives in the current Medium-Term Business Plan (Fiscal 2018–2020). The Board of Directors regularly follows up on the implementation of initiatives.




## 2. Strategy

The construction industry uses materials that emit a large amount of greenhouse gases during manufacture, such as cement and steel, and the long operating life of buildings and structures has a significant impact on the greenhouse gas emissions of customers. Accordingly, public policies related to carbon pricing and carbon emissions, zero energy buildings (ZEB) and renewable energy-related construction markets, and low-carbon construction technologies have been identified as highly relevant transition risks. The construction industry has a serious social mission in terms of contributing to disaster prevention and mitigation. As such, physical risks that have been identified given the frequent nature of outdoor construction work include the impact of changing weather patterns, the intensification of extreme weather events, the effect of rising temperatures on labor productivity, and corresponding labor legislation. In light of growing demand for renewable energy and business opportunities such as differentiation through low-carbon construction, Kajima believes that it has sufficient resilience.

Kajima has estimated the impact on the domestic construction business in 2030 under the following two scenarios.

### 2°C scenario[1]

Scenario in which strict measures are taken against climate change, and the temperature increase in 2100 is limited to about 2°C above pre-industrial levels.

### 4°C scenario[2]

Scenario in which strict measures are not taken against climate change, and the temperature increase in 2100 reaches about 4°C above pre-industrial levels.

1. Parameters used to calculate impact are based on the Sustainable Development Scenario in the *World Energy Outlook 2018*, International Energy Agency (IEA), *Japan's Long-term Strategy under the Paris Agreement*, Japan's Ministry of the Environment, and other references.
2. Parameters used to calculate impact are based on *The Aqueduct Global Flood Analyzer*, World Resources Institute (WRI), *Working on a warmer planet*, International Labour Organization (ILO), and other references.

## Risks and Opportunities

| Category | | Risks and opportunities | | | Impact on FY2030 profits and losses | |
|---|---|---|---|---|---|---|
| | | | | | 2°C scenario | 4°C scenario |
| Transition risks | Policy | Increase in costs due to carbon tax | Risks | A carbon tax is levied on $CO_2$ emissions during cement and steel manufacture and $CO_2$ emissions during construction, increasing construction costs. | − − − | |
| | | | Opportunities | Low-carbon construction becomes price competitive. | | |
| | | Construction market contraction due to higher taxes | Risks | Private sector construction investment declines due to higher taxes. A decline in private consumption is assumed, similar to the decline that occurred with the domestic consumption tax hike. | − | |
| | | Restrictions on business based on $CO_2$ emission allowances | Risks | Governments cut down on construction investments to meet national emission targets. Costs of emission rights trading and purchasing certificates (credits) to meet the Company's emission targets increase. | − | |
| | Markets | Change in the energy mix (reduction in fossil fuels) | Risks | Demand for construction of fossil fuel power generation facilities declines. | − | |
| | | Increase in demand for renewable energy | Opportunities | Investments in construction of wind power generation and other renewable energy-related facilities increase. | + + | + + |
| | | Expansion of ZEB market | Opportunities | While the 4°C scenario assumes a certain level of ZEB adoption, under the 2°C scenario ZEB will become much more widespread, leading to higher added value. | + + | + |
| Physical risks | Chronic | Effects of rising temperatures on working conditions | Risks | Heat stress reduces labor productivity and increases construction costs as more skilled workers are needed to sustain the same volume of work. | − | − − |
| | Acute | Disaster prevention and mitigation, and national resilience | Risks | Extreme weather events cause damage to Group facilities. | + + | + + |
| | | | Opportunities | Intensification of torrential rains and extreme weather events creates demand for disaster prevention and mitigation measures including flood control and recovery measures. | | |
| | | Relocation from disaster risk areas | Risks | Natural disaster risk areas expand, and factories and other facilities are relocated overseas. | | − + |
| | | | Opportunities | Demand for relocation from low elevation areas is created. | | |

## Countermeasures

| | | |
|---|---|---|
| Responding to carbon tax and emission allowance regulations | • Increase in costs due to carbon tax<br>• Construction market contraction due to higher taxes<br>• Restrictions on business based on $CO_2$ emission allowances | (1) Promotion of activities to reduce $CO_2$ emissions during construction<br>(2) Development and introduction of low-carbon construction materials<br>(3) Securing of renewable electricity supplies |
| Developing technologies for new markets and climate change | • Change in the energy mix (reduction in fossil fuels)<br>• Increase in demand for renewable energy<br>• Expansion of the ZEB market<br>• Effects of rising temperatures on working conditions | (1) Selection of focus fields based on the energy mix<br>(2) Development of design and construction technologies for renewable energy facilities<br>(3) Pursuit of business feasibility and comfort for ZEBs<br>(4) Development of labor-saving construction technologies |
| Responding to intensification of extreme weather events | • Disaster prevention and mitigation, and national resilience<br>• Relocation from disaster risk areas | (1) Promotion of technology development related to disaster prevention and mitigation, and BCP<br>(2) Development and application of hazard maps that leverage proprietary knowledge<br>(3) Construction work that contributes to national resilience and the resilience of buildings and structures |

### 3. Risk Management

To address climate change-related risks, the Global Environment Office of the Environmental Engineering Division, which serves as the secretariat for the Environment Committee, leads cross-organizational assessments of the environmental impact of climate change-related risks by the Environmental Management Subcommittee and other relevant internal departments. Finally, the Environment Committee deliberates and decides on risks and opportunities each year.

All operational risks, including climate change-related risks, are assessed by the Compliance and Risk Management Committee, which is chaired by the President, and reported to the Board of Directors twice a year. In addition, Kajima is working to further improve its disaster preparedness and business continuity capabilities through means such as practical BCP drills for torrential rain and other scenarios, based on its BCP in case of a disaster.

### 4. Indicators and Targets

In 2013, Kajima formulated and announced the Kajima Environmental Vision: Triple Zero 2050 as the basis for environmental initiatives. At the same time, Kajima is implementing activities under Targets 2030, which sets specific quantitative milestones for 2030.

In line with Japan's $CO_2$ reduction targets under the Paris Agreement, Kajima aims to reduce $CO_2$ from construction (Scope 1 and 2 emissions) by 30% compared to fiscal 2013 by 2030, and to reduce $CO_2$ from construction (Scope 1 and 2 emissions) as well as $CO_2$ from building operation and other activities (Scope 3 emissions) by 80% compared to fiscal 2013 by 2050.

Kajima manages its environmental activities by assessing climate change-related risks and opportunities and reviewing indicators and targets every three years based on this environmental vision. The period for environmental targets is synchronized with the Group's medium-term business plan. Kajima thus aims to increase corporate value and solve environmental issues in an integrated manner.

# Compliance

Kajima recognizes that compliance is the foundation of all corporate activities. To articulate this stance, it has established the Kajima Group Code of Conduct, under which the entire Kajima Group works to promote compliance.

## Compliance Framework

Kajima established the Compliance and Risk Management Committee with the aim of ensuring thorough compliance.

As for specific measures, under the direction of the General Manager of the Administration Division, the Legal Department has formulated and regularly reviews a compliance manual and conducts training via online courses, while departments responsible for each business field formulate rules and guidelines and conduct training as necessary. Each Group company has also established and implements a compliance framework in line with that of Kajima, including the formulation of a compliance manual, establishment of a whistleblower system and training programs.

The Compliance and Risk Management Committee receives progress reports from the entire Group on the implementation of these measures as appropriate, receives reports on any major incidents should they arise, and issues instructions for any necessary measures or improvements.

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

**Major Initiatives in FY2019**

- Code of Conduct online course
  Participants: 22,621 employees, including 8,975 employees from 37 Group companies
  Participation rate: 100%
- Revision of compliance manuals (5th edition)
  Each Group company formulated a revised edition in line with the Company's revisions (with the Company's guidance and support)

### 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

## Ensuring a Framework for Strict Compliance with the Anti-Monopoly Act

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.

During fiscal 2019, in order to further promote appropriate bidding activities and management based on the Kajima Regulations for Preventing Collusion formulated in September 2018, we worked to raise employees' awareness of the purpose and content of these regulations in ways such as Anti-Monopoly Act training sessions held at the Head Office and branches, and instructions issued by Head Office and branch management. Compliance with regulations was confirmed through multiple in-house audits by attorneys, the Legal Department and the Audit Department.

Group companies engaged in bidding activities related to public procurement also review their own regulations in line with the Kajima Regulations for Preventing Collusion. The Company is actively involved in checking the compliance status of Group companies by attending their bid-rigging prevention audits and reviewing reports to more thoroughly ensure compliance.

Kajima has entered a plea of not guilty in ongoing trial proceedings relating to a March 23, 2018 charge of violating the Anti-Monopoly Act in connection with construction work ordered by Central Japan Railway Company for the Chuo Shinkansen Line at Shinagawa Station and Nagoya Station.

In addition, on July 30, 2019, Kajima Road Co., Ltd., a subsidiary of Kajima Corporation, received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission in connection with the manufacture and sales of asphalt mixture materials in Japan in violation of the Anti-Monopoly Act. On January 29, 2020, Kajima Road Co., Ltd. filed an appeal with the Tokyo District Court requesting the revocation of the orders, arguing that there are errors in the Japan Fair Trade Commission's findings of facts and judgments. Nevertheless, the Company is taking the allegations seriously and is proceeding with steps such as reviewing its processes and rules regarding the determination of sales prices of mixture materials, strengthening its auditing framework, and reinforcing its management of interaction with other companies in the same industry.

**Anti-Monopoly Act Training Sessions Held in FY2019**

Participants: 1,339 employees, including 138 employees from 20 Group companies

### Selected Initiatives Based on the Kajima Regulations for Preventing Collusion

- Ensuring the recording of all processes leading up to bids for public works projects and selected construction works ordered by private companies (such as subsidized construction work and construction work for clients acting in the public interest)
- Prohibiting interaction with other companies in the same industry and implementing thorough management when interaction is unavoidable
- When making a decision on bid policy and amounts, ensuring confirmation of whether or not there has been contact or information exchange with or receipt of documentation from other companies in the same industry
- Ensuring reporting of any approach from other companies that could be suspected of being improper
- Confirming operational status through bid-rigging prevention audits

## Initiatives at Overseas Group Companies

In response to the expansion and diversification of overseas operations, from fiscal 2018 to fiscal 2019 the Legal Department conducted interviews with overseas Group companies at their offices to confirm their compliance frameworks and latest management status.

Based on the results of these interviews, we instructed Group companies to review their compliance programs as necessary. At the same time, we are developing and strengthening risk prevention systems that are appropriate for respective countries.

## Initiatives to Prohibit Bribery

The Kajima Group implements a variety of measures to prevent corrupt practices, including bribery.

### Clarification of Policies

A relevant section of the *Handbook for Practical Application of the Kajima Group Code of Conduct*, which serves as the compliance manual, clearly states Kajima's policies on prohibited benefit sharing and relationships with politicians and public officials.

### Education and Training

Continuing education is provided through online courses on the Code of Conduct, and overseas departments conduct separate training sessions led by attorneys.

### Strict Checks of Financial Accounting

Accounting and other departments rigorously check the recipients and purpose of payments to confirm legality and propriety.

In fiscal 2019, there were no violations of the prohibition on corrupt practices including bribery.

## Whistleblower System

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

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

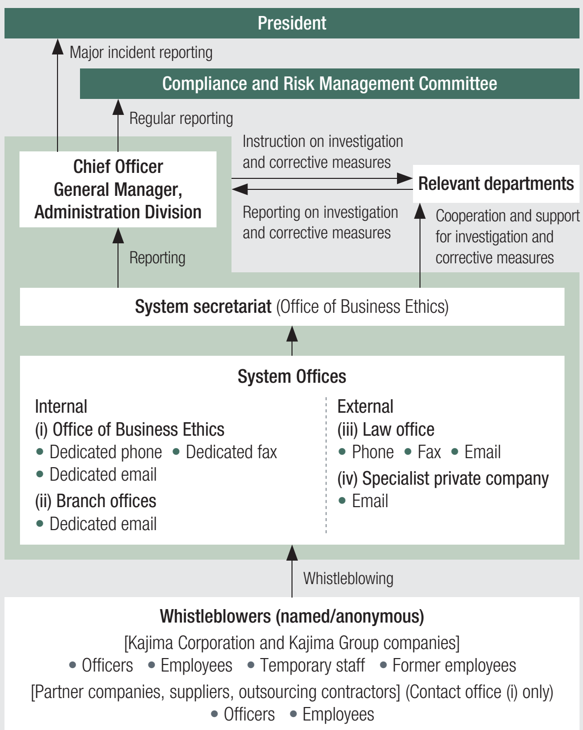
Through online courses and the distribution of information leaflets throughout the Group, Kajima is ensuring that all employees are thoroughly aware of relevant rules and use the system when needed. A separate contact office has also been established for general inquiries and consultations from external stakeholders.

The system was revised (including expanding the scope of eligible whistleblowers and the number of contact offices) in fiscal 2019.

**Whistleblowing Reports**

FY2019: 19 reports

### Corporate Ethics Whistleblower System Framework




Note: Each Group company also operates its own whistleblower system

# Directors and Auditors (As of June 25, 2020)

## Board of Directors

### Yoshikazu Oshimi
President, Representative Director

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

### Naoki Atsumi
Representative Director, Executive Vice President

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

### Hiroyoshi Koizumi
Representative Director, Executive Vice President, General Manager, Building Construction Management Division

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

### Masayasu Kayano
Representative Director, Executive Vice President, General Manager, Civil Engineering Management Division, Responsible for International Civil Engineering Operations

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

### Hiroshi Ishikawa
Director, Executive Vice President, General Manager, Sales and Marketing Division

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

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

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

### Nobuyuki Hiraizumi
Director

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

### Koji Furukawa
Director*

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

### Masahiro Sakane
Director*

1963 Joined Komatsu Ltd.
1989 Director, Komatsu Ltd.
1999 Executive Vice President, Representative Director, Komatsu Ltd.
2001 President, Representative Director, Komatsu Ltd.
2003 President and CEO, Representative Director, Komatsu Ltd.
2007 Chairman of the Board, Representative Director, Komatsu Ltd.
2010 Chairman of the Board, Director, Komatsu Ltd.
2013 Councilor, Komatsu Ltd.
2015 Director (to the present)
2019 Advisor, Komatsu Ltd. (to the present)

## Shoichi Kajima

Director, Senior Advisor

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

# Audit & Supervisory Board

## Kiyomi Saito

Director*

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

## Yukio Machida

Director*

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

## Koji Fukada

Audit & Supervisory Board Member

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

## Masahiro Nakagawa

Audit & Supervisory Board Member**

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

## Takashi Kumano

Audit & Supervisory Board Member

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

## Kazumine Terawaki

Audit & Supervisory Board Member**

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

## Yukiko Fujikawa

Audit & Supervisory Board Member**

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

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

# Dialogue with Stakeholders

Kajima maintains dialogue with its stakeholders to earn their appreciation and trust, as well as to contribute to the Company's sustainable growth and the medium-to-long-term improvement of corporate value.

## Customers

The duty of the construction business is to work together with customers to build structures that address their needs. Therefore, we strive to understand their true needs through dialogue.

We build relationships of trust through long-term communication with customers from planning, development, design, engineering and construction, to post-construction operation, management, maintenance and repair. We strive to offer the best construction services based on ongoing dialogue.

Furthermore, we recognize the importance of using our wide-ranging network to connect customers in order to help solve their issues.

## Suppliers

Based on relationships of trust built through fair transactions, we share our awareness of issues such as the decline in skilled workers, securing of human resources, and health and safety with partner companies working at our construction sites, and cooperate with them to solve these issues.

Centered on the Kajima Business Partners' Association, we have established forums in which top management and general managers of local branches in each region periodically exchange opinions with partner companies and discuss effective policies for solving shared issues.

## Employees

We consider reflecting the opinions of the Group's diverse employees in Japan and overseas in management and sharing the medium-to-long-term direction of the Company with employees to be crucial factors for achieving sustainable growth.

Accordingly, we hold panel discussions between management and employee associations twice a year. Also, the President visits construction sites in Japan and overseas to exchange opinions with employees. In these and other ways, we ensure thorough communication with Group employees.

## Local Communities

The construction and real estate development businesses are directly connected to local communities. Therefore, we work to establish roots in each country and region where we operate, and to contribute to the sustainable development of society and the economy.

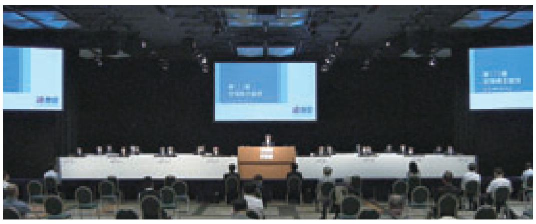
In addition to contributing through regular business, we believe that it is the mission of the construction industry to respond to disasters in such ways as providing support when they occur, based on advance arrangements with governmental agencies, and conducting emergency restoration through the Japan Federation of Construction Contractors.

Our initiatives also include educating the next generation, such as through annual construction site tours for local elementary and junior high school students.

## Stockholders and Investors

We have set forth our Policy on Constructive Dialogue with Stockholders, and actively disclose information. In addition, we work to promote constructive dialogue through the Ordinary Stockholders' Meeting, earnings briefings, construction site tours, one-on-one meetings and other means.

The opinions received from stockholders and investors through dialogue are reported to the Board of Directors and the Management Committee in a periodic, timely and appropriate manner, and are reflected in improvements to management and IR activities.



123rd Ordinary Stockholders' Meeting

### Main IR Activities in FY2019

| Activity | Times conducted | Description |
| --- | --- | --- |
| Briefings for analysts and institutional investors | 4 | Earnings briefings with the President were held at the end of the second quarter and the fiscal year. IR teleconference briefings were held at the end of the first and third quarters. |
| Events such as construction site tours for analysts and institutional investors | 1 | Tour of construction site for a highway bridge project |
| One-on-one dialogue with analysts and institutional investors | 173 | Led by the IR Department, created opportunities for one-on-one dialogue with analysts and institutional investors |
| Release of documents via IR website | Regularly | Released earnings briefing documents, Fact Book, quarterly earnings reports, and data on contract awards via the Investor Relations section of Kajima's corporate website: https://www.kajima.co.jp/english/ir/ |

# Social Contribution Activities

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

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

Education for the Next Generation

## Kajima Summer School

Over about one month starting at the end of July 2019, we held our third round of construction site tours at 19 locations across Japan. A total of 417 elementary and junior high school students participated, getting hands-on experience with operating heavy machinery, surveying and more at public works construction sites such as shield tunnels and railroads, as well as building construction sites such as skyscrapers, hospitals, schools and sports venues.

We will continue to educate the next generation as part of our social contribution activities. In addition, we will cultivate the interest and understanding of young people by allowing them to not only view but get a hands-on feel for construction site operations. We hope that this will help secure human resources in the future.


Experiencing a site foreman's job


Experiencing surveying at a civil engineering site (immersed tunnel)

Support for Academic, 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. We held the 16th Kajima Sculpture Competition, an event established in 1989 under the theme of Sculpture, Architecture & Space as part of the Company's 150th anniversary commemoration project and held every other year. We chose one Gold, Silver, Bronze, and Runner-up prize winner from among the more than 200 works that were submitted. You can access a video of the winning works via the QR code.

This competition aims to create a space where sculpture and architecture meet and to produce artists with new sensibilities.


Sculpture competition

QR code

### 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 2019, 86 projects were funded, with grants and assistance totaling ¥104.1 million. Research results of funded projects are presented each year.

**The Kajima Foundation for the Arts**

The Kajima Foundation for the Arts, established in 1982, provides grants for research in the arts, related publications, international exchange, and projects to foster art dissemination, aiming to foster the arts and enrich Japanese culture. In fiscal 2019, a total of 84 projects were funded, with a total value of ¥70.83 million. Every year, the Kajima Foundation for the Arts Awards are held to recognize those who have produced outstanding results from their research, and to give them an opportunity to present their achievements.

**Kajima Institute of International Peace**

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

**Atsumi International Scholarship Foundation**

The Atsumi International Scholarship Foundation has been providing scholarships to foreign exchange students and developing international exchange programs since 1994. To date, it has granted scholarships to 306 students from 51 countries and regions. To build long-lasting networks among scholarship recipients, approximately every two years the foundation hosts the Asia Future Conference in major cities across Asia (in the Philippines in fiscal 2019), and sponsors domestic and international forums, workshops, and study tours led by former scholarship recipients who now teach and pursue research at universities worldwide.

**Kajima Ikueikai Foundation**

Established in 1956, the Kajima Ikueikai Foundation provides scholarships and financial assistance to university students in Japan, including students from other countries. In fiscal 2019, the foundation provided scholarships to a total of 112 students, with a total value of ¥78.9 million.

# Principal Subsidiaries and Affiliates

## Japan

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

* Company name changed to Kajima Property Management Co., Ltd. on October 1, 2020.

## Overseas


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

| Kajima Asia Pacific Holdings Pte. Ltd. | |
|---|---|
| 5 Singapore | Kajima Asia Pacific Holdings Pte. Ltd. |
| | Kajima Overseas Asia Pte. Ltd. |
| | Kajima Design Asia Pte Ltd |
| | Kajima Overseas Asia (Singapore) Pte. Ltd. |
| | Kajima Development Pte. Ltd. |
| | International Facility Engineering Pte. Ltd. |
| 6 Indonesia | PT Kajima Indonesia |
| | PT Senayan Trikarya Sempana |
| | PT Jimbaran Greenhill |
| 7 Thailand | Thai Kajima Co., Ltd. |
| | Ramaland Development Co., Ltd. |
| | Bang Tao Beach Ltd. |
| 8 Malaysia | Kajima (Malaysia) Sdn. Bhd. |
| 9 Vietnam | Kajima Vietnam Co., Ltd. |
| | Indochina Kajima Development Ltd. |
| 10 The Philippines | Kajima Philippines Inc. |
| 11 Hong Kong | Allied Kajima Ltd. |
| 12 India | Kajima India Pvt. Ltd. |
| 13 Myanmar | Kajima Myanmar Co., Ltd. |
| | Kajima Myanmar Development and Management Co., Ltd. |

| Kajima Australia Pty Ltd | |
|---|---|
| 14 Australia<br>15 New Zealand | Kajima Australia Pty Ltd |
| | Kajima Icon Holdings Pty Ltd |
| | Icon Developments Australia Pty Ltd |
| 16 Shanghai | Cockram Projects (Shanghai) Construction & Engineering Co Ltd. |
| 17 Hong Kong | Scenario Cockram Limited |

| Kajima Corporation (China) Co., Ltd. | |
|---|---|
| 18 Shanghai | Kajima Corporation (China) Co., Ltd. |

| Chung-Lu Construction Co., Ltd. | |
|---|---|
| 19 Taiwan | Chung-Lu Construction Co., Ltd. |

| Kajima U.S.A. Inc. | |
|---|---|
| 20 Atlanta | Kajima U.S.A. Inc. |
| | Kajima International Inc. |
| | Kajima Building & Design Group, Inc. |
| | Kajima Associates, Inc. |
| | Batson-Cook Company |
| | Kajima Real Estate Development Inc. |
| | Core5 Industrial Partners LLC |
| | Batson-Cook Development Company |
| 21 Columbus | Flournoy Construction Company |
| | Flournoy Development Company |
| 22 Los Angeles | KCS West, Inc. |
| | Kajima Development Corporation |
| 23 Honolulu | Hawaiian Dredging Construction Company, Inc. |
| 24 New York | Development Ventures Group, Inc. |
| | Anglebrook Golf Club |
| 25 Cleveland<br>26 Mexico City | The Austin Company |

# Executive Officers (As of June 25, 2020)

## President

**Yoshikazu Oshimi**

## Executive Vice Presidents

**Naoki Atsumi**

**Hiroyoshi Koizumi**
General Manager, Building Construction Management Division

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

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

**Hiroshi Ishikawa**
General Manager, Sales and Marketing Division

**Hiromasa Amano**
General Manager, Tokyo Architectural Construction Branch

**Masaru Ozaki**
Responsible for Architectural Design Division

**Keisuke Koshijima**
General Manager, Overseas Operations Division

**Masao Oka**
Responsible for Mechanical and Electrical Facilities

## Senior Executive Officers

**Takao Nomura**
General Manager, Yokohama Branch

**Koichi Matsuzaki**
General Manager, Kansai Branch

**Jun Matsushima**
Deputy General Manager, Tokyo Architectural Construction Branch

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

**Shigeru Tomoda**
Deputy General Manager, Sales and Marketing Division

**Hideya Marugame**
General Manager, Engineering Division

**Takeshi Katsumi**
General Manager, Administration Division, Overseeing Safety and Environmental Affairs Department, Affiliated Business Department, and IT Solutions Department

## Managing Executive Officers

**Hitoshi Ito**
Deputy General Manager, Building Construction Management Division

**Masaru Kazama**
General Manager, Tokyo Civil Engineering Branch

**Yutaka Katayama**
General Manager, Chubu 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

**Norio Kita**
General Manager, Architectural Design Division

**Yasuhiko Yamada**
Deputy General Manager, Tokyo Architectural Construction Branch

**Osamu Shimoyasu**
Senior Supervisory Engineer, Civil Engineering Management Division

**Koh Kimura**
Senior Supervisory Engineer, Civil Engineering Management Division

**Hidenobu Yoshida**
General Manager, Shikoku Branch

**Takao Shinkawa**
General Manager, Environmental Engineering Division

**Kiyomi Aikawa**
General Manager, Civil Engineering Design Division

**Masahito Tanaami**
Deputy General Manager, Architectural Design Division

**Koji Sugimoto**
President, Kajima Overseas Asia Pte. Ltd.

## Executive Officers

**Yoshihiko Riho**
Deputy General Manager, Civil Engineering Management Division

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

**Eiichi Tanaka**
General Manager, Nuclear Power Department

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

**Shuichi Oishi**
President, Kajima Development Pte. Ltd.

**Kazuyoshi Yonezawa**
Deputy General Manager, Tokyo Architectural Construction Branch

**Koji Ikkatai**
Deputy General Manager, Engineering Division

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

**Ryuzo Ikegami**
General Manager, Chugoku Branch

**Shinichiro Shiozawa**
Deputy General Manager, Sales and Marketing Division

**Munehisa Yoshimi**
Deputy General Manager, Sales and Marketing Division

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

**Nobuhiro Kobayashi**
Deputy General Manager, Tokyo Architectural Construction Branch

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

**Tadashi Fujimura**
Deputy General Manager, Architectural Design Division

**Hidemitsu Yoshihiro**
President, Kajima Road Co., Ltd.

**Miki Ito**
Deputy General Manager, Tokyo Architectural Construction Branch

**Tetsuya Ashida**
General Manager, Hokuriku Branch

**Takahiko Tsukaguchi**
General Manager, Real Estate Development Division

**Yoshinori Moriyama**
Senior Supervisory Engineer

**Masatoshi Bando**
Deputy General Manager, Civil Engineering Management Division

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

**Takeshi Kayano**
Deputy General Manager, Building Construction Management Division

**Kenichi Nakajima**
General Manager, International Division

**Hiroyuki Komori**
General Manager, Kyushu Branch

**Yasuo Murakami**
Deputy General Manager, Sales and Marketing Division

**Masami Moriguchi**
Deputy General Manager, Civil Engineering Management Division

**Yasushi Kurokawa**
Deputy General Manager, Architectural Design Division

**Toru Yamamoto**
General Manager, Hokkaido Branch

**Masaya Hiraoka**
Deputy General Manager, Architectural Design Division

**Hirotaka Takabayashi**
General Manager, Corporate Planning Department

# Company Information

## Corporate Profile

| | |
|---|---|
| **Company Name** | Kajima Corporation |
| **Head Office** | 3-1, Motoakasaka 1-chome, Minato-ku, Tokyo 107-8388, Japan |
| **Established** | 1840 |
| **Incorporated** | 1930 |
| **Paid-in Capital** | Over ¥81,400 million |
| **Number of Employees*** | 7,887 (non-consolidated), 20,504 (Group) |
| **Business Domains** | Construction, real estate development, architectural design, civil engineering design, engineering, and other |
| **Offices*** | Head Office; Real Estate Development Division, Engineering Division, and Overseas Operations Division; Kajima Technical Research Institute; Mechanical Technology Center; 12 branches; 27 offices in Japan; 44 offices outside Japan (in 18 countries and regions) |
| **Group Companies*** | 260 companies (including 95 in Japan and 165 outside Japan) |

* As of March 31, 2020

## Corporate Organization

- Stockholders' Meeting
  - Audit & Supervisory Board / Audit & Supervisory Board Members
    - Office of Audit & Supervisory Board Members
  - Board of Directors
    - President
      - Executive Office
      - Public Relations Office
      - Corporate Planning Department
      - Audit Department
      - Human Resources Department
      - Administration Division
      - Safety and Environmental Affairs Department
      - Treasury Division
      - Affiliated Business Department
      - IT Solutions Department
      - Center for Shared Administrative Services
      - Intellectual Property and License Department
      - Kajima Technical Research Institute
      - Civil Engineering Management Division
      - Civil Engineering Design Division
      - Building Construction Management Division
      - Architectural Design Division
      - Sales and Marketing Division
      - Nuclear Power Department
      - Real Estate Development Division
      - Engineering Division
      - Environmental Engineering Division
      - Machinery and Electrical Engineering Department
      - Overseas Operations Division
      - International Division
      - Hokkaido Branch
      - Tohoku Branch
      - Kanto Branch
      - Tokyo Civil Engineering Branch
      - Tokyo Architectural Construction Branch
      - Yokohama Branch
      - Hokuriku Branch
      - Chubu Branch
      - Kansai Branch
      - Shikoku Branch
      - Chugoku Branch
      - Kyushu Branch

# Stockholder Information (As of March 31, 2020)

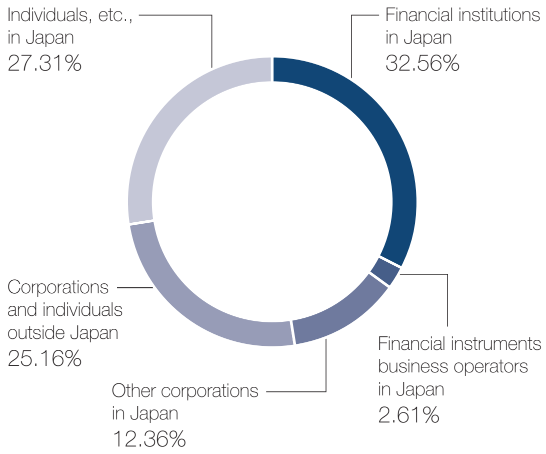
| | |
|---|---|
| **Number of Shares – Authorized** | 1,250,000,000 |
| **Number of Shares – Issued and Outstanding** | 528,656,011 (including treasury stock of 15,131,225 shares) |
| **Number of Stockholders** | 60,622 (up 4,026 from fiscal 2018 end) |

## Major Stockholders

| Stockholders | Number of shares (Thousand shares) | Shareholding (%) |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 45,347 | 8.83 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 32,834 | 6.39 |
| Shoichi Kajima | 15,792 | 3.08 |
| Japan Trustee Services Bank, Ltd. (Trust Account 7) | 10,807 | 2.10 |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 10,791 | 2.10 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 10,039 | 1.95 |
| Sumitomo Mitsui Banking Corporation | 9,171 | 1.79 |
| Kajima Employee Stock Ownership | 8,551 | 1.67 |
| JP Morgan Chase Bank 385151 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.) | 7,967 | 1.55 |
| The Kajima Foundation | 7,235 | 1.41 |

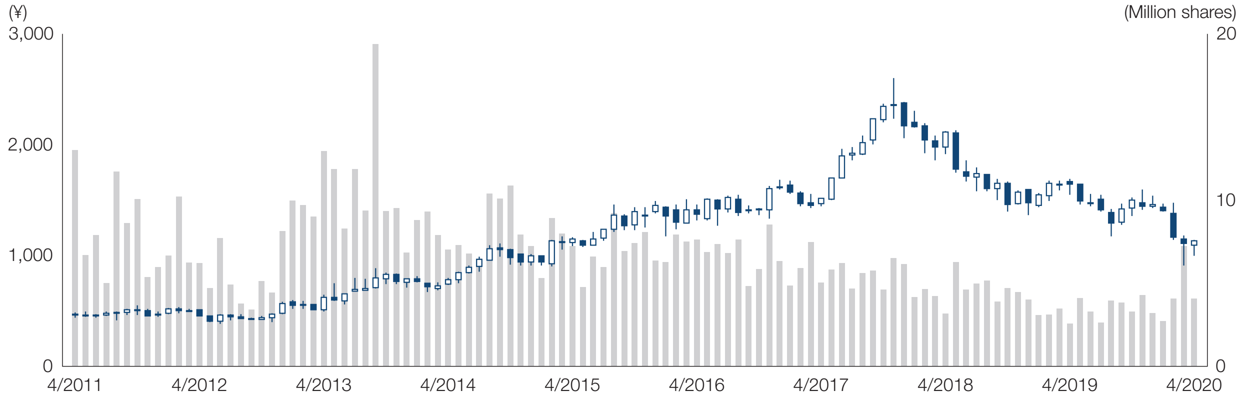
Notes 1. In addition to the above, Kajima Corporation has 15,131,225 shares of treasury stock.
2. Shareholding was computed excluding total treasury stock.

## Stock Ownership Breakdown




* The 151,312 units of treasury stock are included under "Individuals and other." The 25 units of stock held in the name of the Japan Securities Depository Center, Incorporated, are included under "Other corporations."

## Stock Price




* On October 1, 2018, a reverse split was made (two shares consolidated into one) and the stock unit was changed (from 1,000 shares to 100 shares). The above stock price has been calculated with April 1, 2011 as the supposed date of the reverse split.

## External Recognition

FTSE4Good

FTSE Blossom Japan

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

レジリエンス認証

2020 健康経営優良法人 Health and productivity

DX銘柄2020 Digital Transformation

2020 Sompo Sustainability Index

INTEGRATED REPORT

# Financial Review 2020

Year ended March 31, 2020

## Contents

# Summary and Forecast of Business Performance

Amounts less than ¥0.1 billion have been rounded down.

## Overview of Business Performance

During the fiscal year ended March 31, 2020, the global economy slowed due to prolonged trade problems and the impact of the novel coronavirus (COVID-19), which spread rapidly toward the end of the fiscal year.

The Japanese economy remained steady centered on domestic demand, but it was beset with uncertainties as a contraction in inbound tourism demand and restrictions on economic activities due to the spread of COVID-19 had an unavoidable impact on personal consumption and corporate earnings.

In the Japanese construction market, demand in both the public and private sectors remained robust. Restrictions on production activities due to COVID-19 during the fiscal year under review were limited and the environment remained stable in general.

Against this backdrop, the Kajima Group steadily advanced the measures and investments set forth in the Kajima Group Medium-Term Business Plan (Fiscal 2018-2020), accelerated the enhancement of production capacity and improvement of the competitiveness of its core domestic construction business, and strengthened the profitability of the entire Group.

As a result, the Kajima Group's consolidated financial results for the fiscal year ended March 31, 2020 were as follows.

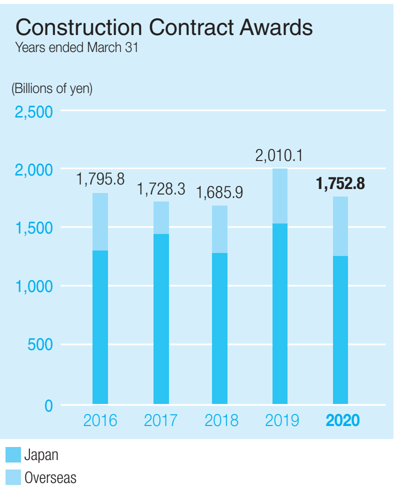
Construction contract awards totaled ¥1,752.8 billion, down 12.8% from ¥2,010.1 billion in the previous fiscal year, due to a decrease in building construction from the previous fiscal year, when building construction was at a high level. On a non-consolidated basis, contracts awarded to Kajima Corporation (hereinafter, the "Company"), including those for real estate development and other projects, totaled ¥1,182.0 billion, down 18.2% from ¥1,444.4 billion in the previous fiscal year.

Consolidated revenues totaled ¥2,010.7 billion, up 1.8% from ¥1,974.2 billion in the previous fiscal year, mainly due to increases in building construction and in overseas subsidiaries and affiliates.

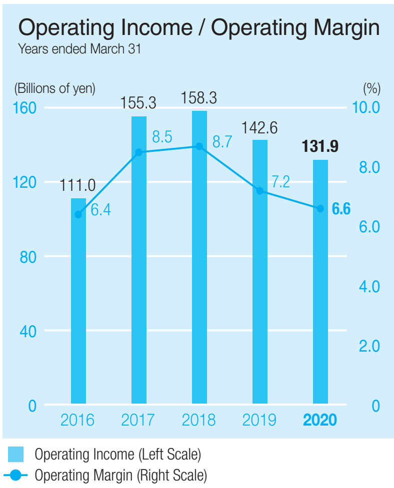
On the profit front, operating income totaled ¥131.9 billion, down 7.5% from ¥142.6 billion in the previous fiscal year, mainly due to a decline in the gross profit margin for civil engineering and an increase in selling, general and administrative expenses. Net income attributable to owners of the parent came in at ¥103.2 billion, a decrease of 6.0% from ¥109.8 billion in the previous fiscal year.

Gross profit in the construction business exceeded the financial forecast due to additional orders and cost reductions in building construction. Gross profit in real estate development and other businesses also improved due to such factors as the effects of investments.

Furthermore, although the results of overseas subsidiaries and affiliates were affected by temporary factors such as losses on certain construction projects, the results of domestic subsidiaries and affiliates were favorable, particularly in the construction business. As a result, consolidated profits at all levels exceeded the forecast.







## Overview of Performance by Business Segment

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

### Civil Engineering

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

Revenues totaled ¥288.0 billion, down 4.3% from ¥301.0 billion in the previous fiscal year, remaining roughly in line with the previous fiscal year's figure.

Segment profit totaled ¥17.1 billion, a decrease of 51.2% from ¥35.2 billion in the previous fiscal year, mainly due to a decline in the gross profit margin.

(Billions of yen)

| (Years ended March 31) | 2020 | 2019 | 2020/2019 (%) |
|---|---|---|---|
| Revenues | 288.0 | 301.0 | (4.3) |
| Segment profit | 17.1 | 35.2 | (51.2) |

### Building Construction

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

Revenues totaled ¥957.5 billion, up 3.2% from ¥928.0 billion in the previous fiscal year, due to steady progress in the completion of large-scale construction projects.

Segment profit was also up, at ¥85.3 billion, an increase of 7.2% from the ¥79.6 billion recorded in the previous fiscal year, due to an increase in revenues and an improvement in the gross profit margin.

(Billions of yen)

| (Years ended March 31) | 2020 | 2019 | 2020/2019 (%) |
|---|---|---|---|
| Revenues | 957.5 | 928.0 | 3.2 |
| Segment profit | 85.3 | 79.6 | 7.2 |

### Real Estate Development and Other Businesses

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

Revenues totaled ¥59.4 billion, up 16.0% from ¥51.2 billion in the previous fiscal year, mainly due to an increase in real estate sales revenue.

Segment profit increased to ¥8.5 billion, up 57.1% from the ¥5.4 billion recorded in the previous fiscal year, mainly due to an increase in gross profit in the real estate sales business and the rental business.

(Billions of yen)

| (Years ended March 31) | 2020 | 2019 | 2020/2019 (%) |
|---|---|---|---|
| Revenues | 59.4 | 51.2 | 16.0 |
| Segment profit | 8.5 | 5.4 | 57.1 |

### 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)**

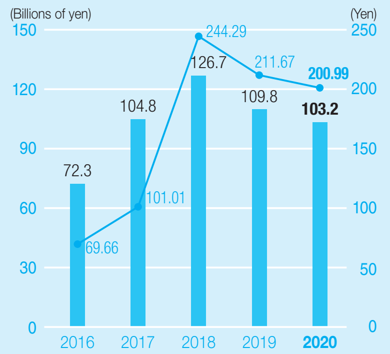
Revenues were roughly in line with the previous fiscal year's figure at ¥393.1 billion, up 0.9% from ¥389.6 billion.

Segment profit increased to ¥17.7 billion, up 7.4% from ¥16.5 billion in the previous fiscal year, mainly due to an increase in gross profit in the construction business.

(Billions of yen)

| (Years ended March 31) | 2020 | 2019 | 2020/2019 (%) |
|---|---|---|---|
| Revenues | 393.1 | 389.6 | 0.9 |
| Segment profit | 17.7 | 16.5 | 7.4 |

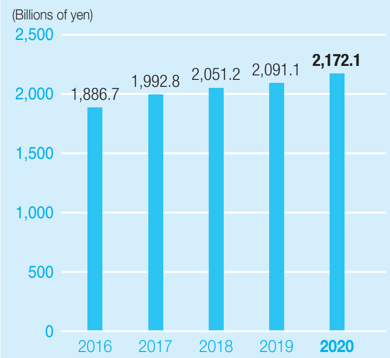
**Net Income Attributable to Owners of the Parent / Basic Net Income per Share**
Years ended March 31




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

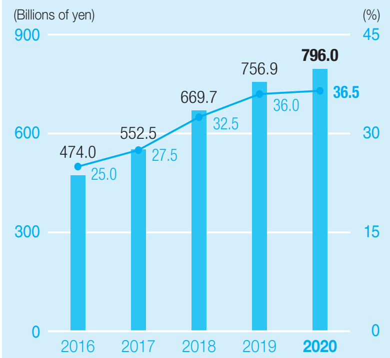
Note: The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, basic net income per share for the fiscal years ended March 31, 2018 and 2019 is calculated as if the consolidation of shares had been conducted at the beginning of the fiscal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

**Total Assets**
As of March 31




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

**Total Equity / Owners' Equity Ratio**
As of March 31




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

### Overseas Subsidiaries and Affiliates

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

Revenues totaled ¥469.0 billion, up 2.9% from ¥455.9 billion in the previous fiscal year, mainly due to an increase in the North American region.

Segment profit fell to ¥4.5 billion, a decrease of 27.8% from ¥6.2 billion in the previous fiscal year, primarily due to a decrease in gross profit in the construction business.

(Billions of yen)

| (Years ended March 31) | 2020 | 2019 | 2020/2019 (%) |
|---|---|---|---|
| Revenues | 469.0 | 455.9 | 2.9 |
| Segment profit | 4.5 | 6.2 | (27.8) |

## Analysis of Financial Position

### Assets, Liabilities and Equity

As of March 31, 2020, total assets were ¥2,172.1 billion, an increase of ¥80.9 billion compared with ¥2,091.1 billion at the end of the previous fiscal year. Main factors underlying the difference included an increase in property and equipment, an increase in notes and accounts receivable–trade and an increase in inventories, despite a decrease in cash and deposits.

Total liabilities were ¥1,376.0 billion, an increase of ¥41.8 billion compared with ¥1,334.2 billion at the end of the previous fiscal year. This was mainly due to an increase in interest-bearing debt and an increase in advances received on construction projects in progress.

Total equity was ¥796.0 billion, an increase of ¥39.0 billion compared with ¥756.9 billion at the end of the previous fiscal year.

As a result, the owners' equity ratio improved to 36.5%, up 0.5 points compared with 36.0% at the end of the previous fiscal year.

### Cash Flows

Cash flows from operating activities resulted in a net cash inflow of ¥53.0 billion, compared with ¥30.3 billion in the previous fiscal year. The cash inflow resulted mainly from income before income taxes with adjustment for depreciation and amortization, which exceeded the main cash outflows of the payment of income taxes, a net increase in receivables and a net increase in inventories.

Investing activities resulted in a net cash outflow of ¥101.8 billion, compared with ¥25.3 billion in the previous fiscal year. The main contributing factors were outflows of payment for purchases of property and equipment, disbursements for loans and payment for investments in unconsolidated subsidiaries and affiliates.

Financing activities resulted in a net cash outflow of ¥10.8 billion, compared with ¥75.0 billion in the previous fiscal year. Primary cash outflows were cash dividends paid and payment for purchases of treasury stock, which exceeded the main cash inflow from the net of financing and repayment of short-term borrowings, long-term debt, commercial paper and bonds.

As a result of the above, cash and cash equivalents totaled ¥255.6 billion, a decrease of ¥59.8 billion, compared with ¥315.4 billion at the end of the previous fiscal year.

### Statements of Cash Flows Highlights

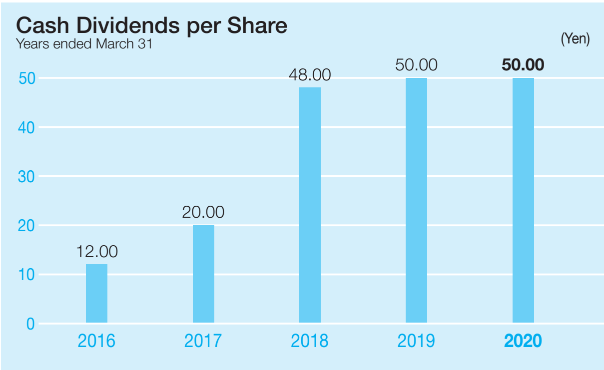
(Billions of yen)

| (Years ended March 31) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net cash provided by operating activities | 53.0 | 30.3 | 120.4 |
| Net cash used in investing activities | (101.8) | (25.3) | (47.3) |
| Net cash used in financing activities | (10.8) | (75.0) | (53.0) |
| Cash and cash equivalents, end of year | 255.6 | 315.4 | 389.3 |

## Basic Profit Allocation Policy and Payment of Dividends*

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

The Company paid an annual dividend of ¥50 per share for the fiscal year ended March 31, 2020, consisting of a year-end dividend of ¥25 per share and an interim (end of second quarter) dividend of ¥25 per share. The Company also plans to pay an annual dividend of ¥50 per share (including an interim dividend of ¥25 per share) for the fiscal year ending March 31, 2021.




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

* The forecasts contained herein are based on information available as of the date of the announcement, May 14, 2020. Actual results may differ materially from the forecasts due to various factors.

## Forecast for the Fiscal Year Ending March 31, 2021*

COVID-19 has spread on a global level, leading to the declaration of a state of emergency nationwide in Japan. The Kajima Group has taken measures to prevent the spread of COVID-19 and to ensure the safety of its customers, partner companies and employees of the Group by temporarily closing its offices and construction sites in Japan and overseas. Although the situation is expected to remain uncertain, with concerns about a further spread and prolonged infection, the Group as a whole will work to maintain its production capacity and ensure the steady implementation of its business plans by carefully assessing the situation, making accurate judgments and promptly implementing countermeasures.

In terms of the business environment going forward, we expect investments to remain robust in the Japanese construction market in response to the need for a sustainable society, including a plan for national resilience, the transition to a low-carbon society and technological innovations. We believe that there will be further needs for the development of technologies that accurately meet the needs of society, the establishment of construction systems that take into account a decrease in the number of skilled workers, and improvements in productivity. While overseas, the distribution warehouse market is expanding in line with the growth in e-commerce.

Under such a business environment, the Kajima Group will respond accurately to the changing conditions and market trends and continue to actively implement the measures set forth in the Kajima Group Medium-Term Business Plan (Fiscal 2018-2020). The Group will also work to achieve its management targets and increase its corporate value by addressing material issues.

In terms of the consolidated financial forecast for the fiscal year ending March 31, 2021, the Company expects a decline in revenues and a corresponding decrease in profits to some degree due to the impact of COVID-19, in addition to the fact that we are in a period of low volumes of large-scale construction work. Domestic subsidiaries and affiliates are also expected to be impacted by COVID-19 to some extent, depending on their business activities. Overseas subsidiaries and affiliates are also experiencing the effects of COVID-19. The construction business is expected to see construction site closures for a period of time and a resulting increase in expenses. The real estate development business is expected to see a decline in the occupancy rate for managed facilities.

Taking into account the impact of COVID-19 on each of our business regions and segments, the consolidated financial forecast for the fiscal year ending March 31, 2021 is as follows. Consolidated revenues are forecast to decrease by 7.0% to ¥1,870.0 billion, compared with ¥2,010.7 billion in the fiscal year under review. Operating income is forecast at ¥111.0 billion, down 15.9% from ¥131.9 billion. Net income attributable to owners of the parent is forecast at ¥80.0 billion, down 22.5% from ¥103.2 billion.

* The forecasts contained herein are based on information available as of the date of the announcement, May 14, 2020. Actual results may differ materially from the forecasts due to various factors.

# Consolidated Balance Sheet

KAJIMA Corporation and Consolidated Subsidiaries

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

| | As of March 31 | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | Millions of Yen | | |
| | 2020 | 2019 | 2020 |
| **ASSETS** | | | |
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents (Note 17) | ¥ 255,646 | ¥ 315,451 | $ 2,345,376 |
| Marketable securities (Notes 3 and 17) | 111 | 422 | 1,018 |
| Operational investments in securities (Notes 3 and 17) | 12,356 | 12,384 | 113,358 |
| Notes and accounts receivable—trade (Notes 8, 15, 17 and 21.a) | 734,159 | 701,965 | 6,735,404 |
| Allowance for doubtful accounts (Note 17) | (855) | (841) | (7,844) |
| Inventories: | | | |
| Construction projects in progress | 63,541 | 52,050 | 582,945 |
| Development projects in progress, real estate for sale and other (Note 8) | 155,689 | 136,600 | 1,428,339 |
| Other current assets (Notes 8 and 17) | 128,618 | 104,367 | 1,179,982 |
| Total current assets | 1,349,265 | 1,322,398 | 12,378,578 |
| **PROPERTY AND EQUIPMENT:** | | | |
| Land (Notes 4, 6 and 8) | 223,652 | 178,077 | 2,051,853 |
| Buildings and structures (Notes 6 and 8) | 117,412 | 122,350 | 1,077,175 |
| Machinery, equipment and other (Note 8) | 23,819 | 19,520 | 218,523 |
| Construction in progress (Note 6) | 26,166 | 11,753 | 240,055 |
| Total property and equipment | 391,049 | 331,700 | 3,587,606 |
| **INVESTMENTS AND OTHER ASSETS:** | | | |
| Investments in securities (Notes 3, 8 and 17) | 244,697 | 280,321 | 2,244,927 |
| Investments in unconsolidated subsidiaries and affiliates (Notes 8 and 17) | 66,256 | 46,654 | 607,853 |
| Long-term loans receivable (Notes 7, 8 and 17) | 6,585 | 3,583 | 60,413 |
| Long-term loans to unconsolidated subsidiaries and affiliates (Notes 8 and 17) | 44,348 | 46,319 | 406,862 |
| Allowance for doubtful accounts (Note 17) | (3,504) | (3,706) | (32,147) |
| Deferred tax assets (Note 14) | 18,636 | 4,022 | 170,972 |
| Other (Note 12) | 54,777 | 59,885 | 502,542 |
| Total investments and other assets | 431,795 | 437,078 | 3,961,422 |
| **TOTAL** | ¥ 2,172,109 | ¥ 2,091,176 | $ 19,927,606 |

See notes to consolidated financial statements.

| | As of March 31 | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
| | **2020** | 2019 | **2020** |
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES:** | | | |
| Short-term borrowings (Notes 9 and 17) | **¥ 99,799** | ¥ 85,193 | **$ 915,587** |
| Commercial paper (Notes 10 and 17) | **45,000** | 35,000 | **412,844** |
| Current portion of long-term debt (Notes 8, 9 and 17) | **53,408** | 20,747 | **489,982** |
| Notes and accounts payable—trade (Note 17) | **520,653** | 530,421 | **4,776,633** |
| Advances received: | | | |
| Construction projects in progress (Note 11) | **162,088** | 146,076 | **1,487,046** |
| Development projects in progress, real estate for sale and other | **13,554** | 13,833 | **124,349** |
| Income taxes payable (Note 17) | **30,598** | 17,666 | **280,716** |
| Accrued expenses | **40,907** | 38,014 | **375,294** |
| Other current liabilities | **159,404** | 175,374 | **1,462,421** |
| Total current liabilities | **1,125,411** | 1,062,324 | **10,324,872** |
| **LONG-TERM LIABILITIES:** | | | |
| Long-term debt (Notes 8, 9 and 17) | **133,598** | 160,308 | **1,225,670** |
| Deferred tax liabilities (Note 14) | **605** | 1,963 | **5,550** |
| Deferred tax liabilities on revaluation surplus of land (Note 4) | **19,859** | 20,695 | **182,193** |
| Liability for retirement benefits (Note 12) | **62,100** | 60,191 | **569,725** |
| Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates | **1,205** | 1,205 | **11,055** |
| Other long-term liabilities (Note 8) | **33,311** | 27,566 | **305,605** |
| Total long-term liabilities | **250,678** | 271,928 | **2,299,798** |
| **COMMITMENTS AND CONTINGENT LIABILITIES** (Notes 16, 18 and 19) | | | |
| **EQUITY** (Notes 13 and 23): | | | |
| Common stock, authorized, 1,250,000,000 shares; issued, 528,656,011 shares | **81,447** | 81,447 | **747,220** |
| Capital surplus | **43,368** | 43,268 | **397,872** |
| Retained earnings | **583,303** | 507,094 | **5,351,404** |
| Treasury stock—at cost, 16,077,858 shares in 2020 and 9,748,800 shares in 2019 | **(16,421)** | (6,642) | **(150,651)** |
| Accumulated other comprehensive income: | | | |
| Unrealized gain on available-for-sale securities (Note 3) | **84,212** | 111,417 | **772,587** |
| Deferred loss on derivatives under hedge accounting (Note 18) | **(240)** | (371) | **(2,202)** |
| Revaluation surplus of land (Note 4) | **19,436** | 18,618 | **178,312** |
| Foreign currency translation adjustments | **(1,400)** | 250 | **(12,844)** |
| Defined retirement benefit plans (Note 12) | **(1,919)** | (1,803) | **(17,606)** |
| Total | **791,786** | 753,278 | **7,264,092** |
| Noncontrolling Interests | **4,234** | 3,646 | **38,844** |
| Total equity | **796,020** | 756,924 | **7,302,936** |
| **TOTAL** | **¥ 2,172,109** | ¥ 2,091,176 | **$ 19,927,606** |

See notes to consolidated financial statements.

# Consolidated Statement of Income

KAJIMA Corporation and Consolidated Subsidiaries

| | Years Ended March 31 | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
| | **2020** | 2019 | **2020** |
| **REVENUES:** | | | |
| Construction projects (Note 15) | ¥ **1,791,118** | ¥ 1,776,346 | $ **16,432,275** |
| Real estate and other (Notes 6 and 15) | **219,634** | 197,923 | **2,014,991** |
| Total revenues | **2,010,752** | 1,974,269 | **18,447,266** |
| **COST OF REVENUES:** | | | |
| Construction projects | **1,584,538** | 1,559,913 | **14,537,046** |
| Real estate and other (Note 6) | **178,092** | 163,185 | **1,633,871** |
| Total cost of revenues | **1,762,630** | 1,723,098 | **16,170,917** |
| Gross profit | **248,122** | 251,171 | **2,276,349** |
| **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES** | **116,135** | 108,548 | **1,065,459** |
| Operating income | **131,987** | 142,623 | **1,210,890** |
| **OTHER INCOME (EXPENSES):** | | | |
| Interest and dividends | **11,435** | 9,956 | **104,908** |
| Interest expense | **(3,523)** | (3,432) | **(32,321)** |
| Foreign currency exchange gain | **864** | 91 | **7,927** |
| Equity in earnings of unconsolidated subsidiaries and affiliates | **1,490** | 3,180 | **13,670** |
| Equity in earnings of partnership | **5,039** | 6,921 | **46,229** |
| Loss on investments in silent partnership | **(911)** | (767) | **(8,358)** |
| (Loss) gain on sales or disposals of property and equipment—net (Note 6) | **(436)** | 3,824 | **(4,000)** |
| Gain on sales of marketable and investment securities—net (Note 3) | **1** | 20 | **9** |
| Valuation loss on marketable and investment securities—net (Note 3) | **(1,353)** | (630) | **(12,413)** |
| Gain on sales of investments in unconsolidated subsidiaries and affiliates | **795** | 165 | **7,294** |
| Loss on impairment of long-lived assets (Notes 5 and 6) | **(14)** | (66) | **(128)** |
| Litigation settlement | **(29)** | (38) | **(266)** |
| Reversal of provision for loss on Anti-Monopoly Act | **2,901** | — | **26,615** |
| Reversal of foreign currency translation adjustments | **1,136** | — | **10,422** |
| Provision for loss on Anti-Monopoly Act | **—** | (8,702) | **—** |
| Other—net | **252** | 4,329 | **2,311** |
| Other income —net | **17,647** | 14,851 | **161,899** |
| **INCOME BEFORE INCOME TAXES** | **149,634** | 157,474 | **1,372,789** |
| **INCOME TAXES** (Note 14): | | | |
| Current | **49,669** | 39,413 | **455,679** |
| Deferred | **(3,821)** | 7,883 | **(35,055)** |
| Total income taxes | **45,848** | 47,296 | **420,624** |

See notes to consolidated financial statements.

| | Years Ended March 31 | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
| | **2020** | 2019 | **2020** |
| **NET INCOME** | **103,786** | 110,178 | **952,165** |
| **NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS** | **(544)** | (339) | **(4,990)** |
| **NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT** | **¥ 103,242** | ¥ 109,839 | **$ 947,175** |
| | Yen | | U.S. Dollars |
| **PER SHARE OF COMMON STOCK** (Note 22): | | | |
| Basic net income* | **¥ 200.99** | ¥ 211.67 | **$ 1.844** |
| Cash dividends applicable to the year* | **50.00** | 50.00 | **0.459** |

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

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

KAJIMA Corporation and Consolidated Subsidiaries

| | Years Ended March 31 | | | | | |
|---|---|---|---|---|---|---|
| | Millions of Yen | | | | Thousands of U.S. Dollars (Note 1) | |
| | 2020 | | 2019 | | 2020 | |
| **NET INCOME** | ¥ | 103,786 | ¥ | 110,178 | $ | 952,165 |
| **OTHER COMPREHENSIVE (LOSS) INCOME** (Note 20): | | | | | | |
| Unrealized (loss) gain on available-for-sale securities | | (26,766) | | 10,094 | | (245,560) |
| Deferred gain (loss) on derivatives under hedge accounting | | 124 | | (90) | | 1,137 |
| Revaluation surplus of land (Note 4) | | 829 | | — | | 7,606 |
| Foreign currency translation adjustments | | (1,484) | | (7,744) | | (13,615) |
| Defined retirement benefit plans (Note 12) | | (111) | | (316) | | (1,018) |
| Share of other comprehensive (loss) income in unconsolidated subsidiaries and affiliates | | (191) | | 618 | | (1,752) |
| Total other comprehensive (loss) income | | (27,599) | | 2,562 | | (253,202) |
| **COMPREHENSIVE INCOME** | ¥ | 76,187 | ¥ | 112,740 | $ | 698,963 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | | | | |
| Owners of the parent | ¥ | 75,672 | ¥ | 112,454 | $ | 694,238 |
| Noncontrolling interests | | 515 | | 286 | | 4,725 |

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

KAJIMA Corporation and Consolidated Subsidiaries

Years Ended March 31, 2020 and 2019

| | 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, MARCH 31, 2018 (as previously reported) | 518,959 | ¥ 81,447 | ¥ 45,304 | ¥ 424,195 | ¥ (6,567) | ¥ 97,469 | ¥ (223) |
| Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates | — | — | — | — | — | 3,859 | — |
| BALANCE, APRIL 1, 2018 (as restated) | 518,959 | 81,447 | 45,304 | 424,195 | (6,567) | 101,328 | (223) |
| Net income attributable to owners of the parent | — | — | — | 109,839 | — | — | — |
| Cash dividends paid: | | | | | | | |
| Final for prior year, ¥28.00 per share* | — | — | — | (14,531) | — | — | — |
| Interim for current year, ¥24.00 per share* | — | — | — | (12,454) | — | — | — |
| Change in ownership interest of the parent due to transactions with noncontrolling interests | — | — | (2,036) | — | — | — | — |
| Reversal of revaluation surplus of land | — | — | — | 45 | — | — | — |
| Purchase of treasury stock | (52) | — | — | — | (31) | — | — |
| Change in treasury stock arising from change in equity in entities accounted for using equity method | — | — | — | — | (44) | — | — |
| Net change in the year | — | — | — | — | — | 10,089 | (148) |
| BALANCE, MARCH 31, 2019 (as previously reported) | 518,907 | 81,447 | 43,268 | 507,094 | (6,642) | 111,417 | (371) |
| Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates | — | — | — | (739) | — | (439) | — |
| BALANCE, APRIL 1, 2019 (as restated) | 518,907 | 81,447 | 43,268 | 506,355 | (6,642) | 110,978 | (371) |
| Net income attributable to owners of the parent | — | — | — | **103,242** | — | — | — |
| Cash dividends paid: | | | | | | | |
| Final for prior year, ¥26.00 per share | — | — | — | **(13,491)** | — | — | — |
| Interim for current year, ¥25.00 per share | — | — | — | **(12,814)** | — | — | — |
| Reversal of revaluation surplus of land | — | — | — | **11** | — | — | — |
| Purchase of treasury stock | **(6,548)** | — | — | — | **(10,008)** | — | — |
| Disposition of treasury stock as restricted stock remuneration | **219** | — | **100** | — | **229** | — | — |
| Net change in the year | — | — | — | — | — | **(26,766)** | **131** |
| **BALANCE, MARCH 31, 2020** | **512,578** | **¥ 81,447** | **¥ 43,368** | **¥ 583,303** | **¥ (16,421)** | **¥ 84,212** | **¥ (240)** |

| | 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, MARCH 31, 2018 (as previously reported) | ¥ 18,663 | ¥ 7,225 | ¥ (1,491) | ¥ 666,022 | ¥ 3,774 | ¥ 669,796 |
| Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates | — | — | — | 3,859 | — | 3,859 |
| BALANCE, APRIL 1, 2018 (as restated) | 18,663 | 7,225 | (1,491) | 669,881 | 3,774 | 673,655 |
| Net income attributable to owners of the parent | — | — | — | 109,839 | — | 109,839 |
| Cash dividends paid: | | | | | | |
| Final for prior year, ¥28.00 per share* | — | — | — | (14,531) | — | (14,531) |
| Interim for current year, ¥24.00 per share* | — | — | — | (12,454) | — | (12,454) |
| Change in ownership interest of the parent due to transactions with noncontrolling interests | — | — | — | (2,036) | — | (2,036) |
| Reversal of revaluation surplus of land | (45) | — | — | — | — | — |
| Purchase of treasury stock | — | — | — | (31) | — | (31) |
| Change in treasury stock arising from change in equity in entities accounted for using equity method | — | — | — | (44) | — | (44) |
| Net change in the year | — | (6,975) | (312) | 2,654 | (128) | 2,526 |
| BALANCE, MARCH 31, 2019 (as previously reported) | 18,618 | 250 | (1,803) | 753,278 | 3,646 | 756,924 |
| Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates | — | — | — | (1,178) | (6) | (1,184) |
| BALANCE, APRIL 1, 2019 (as restated) | 18,618 | 250 | (1,803) | 752,100 | 3,640 | 755,740 |
| Net income attributable to owners of the parent | — | — | — | **103,242** | — | **103,242** |
| Cash dividends paid: | | | | | | |
| Final for prior year, ¥26.00 per share | — | — | — | **(13,491)** | — | **(13,491)** |
| Interim for current year, ¥25.00 per share | — | — | — | **(12,814)** | — | **(12,814)** |
| Reversal of revaluation surplus of land | **818** | — | — | **829** | — | **829** |
| Purchase of treasury stock | — | — | — | **(10,008)** | — | **(10,008)** |
| Disposition of treasury stock as restricted stock remuneration | — | — | — | **329** | — | **329** |
| Net change in the year | — | **(1,650)** | **(116)** | **(28,401)** | **594** | **(27,807)** |
| **BALANCE, MARCH 31, 2020** | **¥ 19,436** | **¥ (1,400)** | **¥ (1,919)** | **¥ 791,786** | **¥ 4,234** | **¥ 796,020** |

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

See notes to consolidated financial statements.

Years Ended March 31, 2020 and 2019

| | Thousands of U.S. Dollars (Note 1) | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Accumulated Other Comprehensive Income | |
| | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Unrealized Gain on Available-for-Sale Securities | Deferred Loss on Derivatives under Hedge Accounting |
| BALANCE, MARCH 31, 2019 (as previously reported) | $ 747,220 | $ 396,955 | $ 4,652,239 | $ (60,936) | $ 1,022,174 | $ (3,404) |
| Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates | — | — | (6,780) | — | (4,027) | — |
| BALANCE, APRIL 1, 2019 (as restated) | 747,220 | 396,955 | 4,645,459 | (60,936) | 1,018,147 | (3,404) |
| Net income attributable to owners of the parent | — | — | **947,175** | — | — | — |
| Cash dividends paid: | | | | | | |
| Final for prior year, $0.24 per share | — | — | **(123,771)** | — | — | — |
| Interim for current year, $0.23 per share | — | — | **(117,560)** | — | — | — |
| Reversal of revaluation surplus of land | — | — | **101** | — | — | — |
| Purchase of treasury stock | — | — | — | **(91,816)** | — | — |
| Disposition of treasury stock as restricted stock remuneration | — | **917** | — | **2,101** | — | — |
| Net change in the year | — | — | — | — | **(245,560)** | **1,202** |
| **BALANCE, MARCH 31, 2020** | **$ 747,220** | **$ 397,872** | **$ 5,351,404** | **$ (150,651)** | **$ 772,587** | **$ (2,202)** |

| | 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, 2019 (as previously reported) | $ 170,807 | $ 2,294 | $ (16,542) | $ 6,910,807 | $ 33,449 | $ 6,944,256 |
| Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates | — | — | — | (10,807) | (55) | (10,862) |
| BALANCE, APRIL 1, 2019 (as restated) | 170,807 | 2,294 | (16,542) | 6,900,000 | 33,394 | 6,933,394 |
| Net income attributable to owners of the parent | — | — | — | **947,175** | — | **947,175** |
| Cash dividends paid: | | | | | | |
| Final for prior year, $0.24 per share | — | — | — | **(123,771)** | — | **(123,771)** |
| Interim for current year, $0.23 per share | — | — | — | **(117,560)** | — | **(117,560)** |
| Reversal of revaluation surplus of land | **7,505** | — | — | **7,606** | — | **7,606** |
| Purchase of treasury stock | — | — | — | **(91,816)** | — | **(91,816)** |
| Disposition of treasury stock as restricted stock remuneration | — | — | — | **3,018** | — | **3,018** |
| Net change in the year | — | **(15,138)** | **(1,064)** | **(260,560)** | **5,450** | **(255,110)** |
| **BALANCE, MARCH 31, 2020** | **$ 178,312** | **$ (12,844)** | **$ (17,606)** | **$ 7,264,092** | **$ 38,844** | **$ 7,302,936** |

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

KAJIMA Corporation and Consolidated Subsidiaries

| | Years Ended March 31 | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
| | 2020 | 2019 | 2020 |
| **OPERATING ACTIVITIES:** | | | |
| Income before income taxes | ¥ 149,634 | ¥ 157,474 | $ 1,372,789 |
| Adjustments for: | | | |
| Income taxes—paid | (36,688) | (50,878) | (336,587) |
| Depreciation and amortization | 19,962 | 19,166 | 183,138 |
| Increase (decrease) in provision for doubtful accounts | 112 | (2,956) | 1,028 |
| Foreign currency exchange (gain) loss | (267) | 237 | (2,450) |
| Equity in earnings of unconsolidated subsidiaries and affiliates | (1,490) | (3,180) | (13,670) |
| (Decrease) increase in provision for loss on Anti-Monopoly Act | (2,901) | 8,702 | (26,615) |
| Payments related to Anti-Monopoly Act | (5,802) | — | (53,229) |
| Reversal of foreign currency translation adjustments | (1,136) | — | (10,422) |
| Valuation loss on marketable and investment securities—net | 1,353 | 630 | 12,413 |
| Loss (gain) on sales or disposals of property and equipment—net | 436 | (3,824) | 4,000 |
| Gain on sales of marketable and investment securities—net | (1) | (20) | (9) |
| Gain on sales of investments in unconsolidated subsidiaries and affiliates | (795) | (165) | (7,294) |
| Loss on impairment of long-lived assets | 14 | 66 | 128 |
| Changes in operating assets and liabilities: | | | |
| Increase in receivables | (33,298) | (79,361) | (305,486) |
| Increase in inventories | (31,045) | (13,495) | (284,817) |
| (Decrease) increase in payables | (8,691) | 25,374 | (79,734) |
| Increase (decrease) in advances received | 15,264 | (39,992) | 140,037 |
| Increase (decrease) in accrued expenses | 2,921 | (256) | 26,798 |
| Increase in liability for retirement benefits | 1,770 | 2,025 | 16,239 |
| Increase in other assets | (13,299) | (14,124) | (122,009) |
| (Decrease) increase in other liabilities | (7,292) | 22,146 | (66,899) |
| Other—net | 4,300 | 2,821 | 39,449 |
| Net cash provided by operating activities | 53,061 | 30,390 | 486,798 |
| **INVESTING ACTIVITIES:** | | | |
| Payment for purchases of marketable and investment securities | (2,764) | (8,121) | (25,358) |
| Payment for investments in unconsolidated subsidiaries and affiliates | (11,831) | (7,502) | (108,541) |
| Proceeds from sales and redemption of marketable and investment securities | 133 | 291 | 1,220 |
| Proceeds from sales and redemption of investments in unconsolidated subsidiaries and affiliates | 798 | 192 | 7,321 |
| Payment for purchases of property and equipment | (81,160) | (23,407) | (744,587) |
| Proceeds from sales of property and equipment | 5,523 | 22,545 | 50,670 |
| Payment for purchases of intangible assets | (2,699) | (2,771) | (24,761) |
| Purchases of shares of subsidiaries resulting in change in scope of consolidation (Note 21.b) | (377) | (2,434) | (3,459) |
| Disbursements for loans | (16,618) | (12,003) | (152,459) |
| Proceeds from collection of loans | 4,126 | 13,248 | 37,853 |
| Other—net | 3,056 | (5,384) | 28,037 |
| Net cash used in investing activities | (101,813) | (25,346) | (934,064) |
| **FINANCING ACTIVITIES:** | | | |
| Increase in short-term borrowings—net | 14,950 | 18,699 | 137,156 |
| Issuance (repayment) of commercial paper—net | 10,000 | (26,000) | 91,743 |
| Proceeds from issuance of long-term debt | 24,760 | 15,363 | 227,156 |
| Repayment of long-term debt | (30,833) | (52,719) | (282,872) |
| Proceeds from issuance of bonds | 10,000 | — | 91,743 |
| Repayment of lease obligations | (3,369) | (972) | (30,908) |
| Payment for purchases of treasury stock | (10,008) | (31) | (91,816) |
| Cash dividends paid | (26,305) | (26,985) | (241,331) |
| Other—net | (62) | (2,363) | (569) |
| Net cash used in financing activities | (10,867) | (75,008) | (99,698) |
| **FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS** | (186) | (3,934) | (1,706) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (59,805) | (73,898) | (548,670) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 315,451 | 389,349 | 2,894,046 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | ¥ 255,646 | ¥ 315,451 | $ 2,345,376 |

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries
Year Ended March 31, 2020

## 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2019, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2020.

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 ¥109 to $1, the approximate rate of exchange at March 31, 2020. 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, 2020, include the accounts of the Company and its 144 (137 in 2019) significant subsidiaries.

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

Another 34 (33 in 2019) subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 82 (72 in 2019) 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, 2020, the Company had 2 special purpose entities (2 in 2019) which were established and are being operated for the purpose of liquidation of real estate, and as such are not consolidated in accordance with Japanese GAAP. The total assets and liabilities of such special purpose entities were ¥42,640 million ($391,193 thousand) and ¥42,631 million ($391,110 thousand), respectively, as of March 31, 2020, and ¥42,782 million and ¥42,773 million, respectively, as of March 31, 2019. The Company recognized lease payments of ¥3,492 million ($32,037 thousand) and ¥3,327 million based on lease agreements of real estate for the years ended March 31, 2020 and 2019, respectively. Certain domestic subsidiaries recognized revenues of ¥198 million ($1,817 thousand) and ¥252 million from repair works for the years ended March 31, 2020 and 2019, respectively. The investment in silent partnership was ¥6,109 million ($56,046 thousand) and ¥5,933 million as of March 31, 2020 and 2019, respectively, and its related distributed profit was ¥1,639 million ($15,037 thousand) and ¥1,527 million for the years ended March 31, 2020 and 2019, 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, 2020

| | |
|---|---|
| 1) Number of consolidated subsidiaries | : 144<br>Taiko Trading Co., Ltd.; Kajima Road Co., Ltd.; Kajima Leasing Corporation; Chemical Grouting Co., Ltd.; Kajima Tatemono Sogo Kanri Co., Ltd.; Kajima U.S.A. Inc. (KUSA) and its 31 subsidiaries; Kajima Asia Pacific Holdings Pte. Ltd.* (KAP) and its 45 subsidiaries; Kajima Europe Ltd. (KE) and its 25 subsidiaries; Kajima Australia Pty. Ltd. (KA) and its 26 subsidiaries; Chung-Lu Construction Co., Ltd. and 7 subsidiaries of the Company |
| 2) Number of unconsolidated subsidiaries accounted for using the equity method | : 34<br>ARTES Corporation, Japan Sea Works Co., Ltd. and 32 other companies |
| 3) Number of affiliates accounted for using the equity method | : 82<br>Katabami Kogyo Co., Ltd. and 81 other companies |

*Kajima Overseas Asia Pte. Ltd. changed its name to Kajima Asia Pacific Holdings Pte. Ltd. on July 19, 2019.

(2) Changes for the year ended March 31, 2020

| | | |
|---|---|---|
| 1) Newly consolidated companies | : | 1 subsidiary of the Company, 6 subsidiaries of KE, 1 subsidiary of KAP and 2 subsidiaries of KA due to establishment and acquisition |
| 2) Companies excluded from consolidation | : | Kajima Europe B.V., 1 subsidiary of KE and 1 subsidiary of KA due to liquidation and transfer to affiliates resulting from sales of interests |
| 3) Companies newly accounted for using the equity method | : | 1 subsidiary and 12 affiliates due to establishment, acquisition and transfer from consolidated companies resulting from sales of interests |
| 4) Companies excluded from the equity method | : | 2 affiliates due to sales of shares and interests |

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Japanese accounting standards prescribe that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRSs or accounting principles generally accepted in the United States of America ("U.S. GAAP") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized costs of research and development; (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Affiliates for the Equity Method — Japanese accounting standards require adjustments to be made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign affiliates in accordance with either IFRSs or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized costs of research and development; (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign affiliate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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

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

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

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

As a result, gross profit for the years ended March 31, 2020 and 2019, decreased by ¥240 million ($2,202 thousand) and ¥595 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 ¥608 million ($5,578 thousand) and ¥352 million for the years ended March 31, 2020 and 2019, respectively.

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

(1) Trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings;

(2) Held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and

(3) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

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

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

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

Accumulated depreciation totaled ¥322,274 million ($2,956,642 thousand) and ¥314,362 million as of March 31, 2020 and 2019, respectively.

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

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

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

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

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

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

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

The revenues posted by way of the percentage-of-completion method for the years ended March 31, 2020 and 2019, were ¥1,660,126 million ($15,230,514 thousand) and ¥1,638,837 million, respectively.

The Companies provided for foreseeable losses on a contract backlog, which was recorded in other current liabilities. The accrual for foreseeable losses on the contract backlog was ¥12,515 million ($114,817 thousand) and ¥12,852 million as of March 31, 2020 and 2019, 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, 2020 and 2019, totaled ¥16,443 million ($150,853 thousand) and ¥13,969 million, respectively.

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

All other leases are mainly accounted for as operating leases.

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

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

The Company files a tax return under the Consolidated Corporate-Tax System, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

The current Consolidated Corporate-Tax System provided by Corporate Tax Act of Japan will be replaced by Group Tax Sharing System established by virtue of "Act on Partial Revision of the Income Tax Act" (Act No. 8 of 2020) from the financial year beginning on or after April 1, 2022. Concerning the transition to the new Group Tax Sharing System and related revisions made to Non-consolidated Corporate-Tax System, the Company and certain domestic subsidiaries did not adopt Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (Guidance No. 28 issued by the Accounting Standards Board of Japan ("ASBJ") on February 16, 2018) pursuant to Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Corporate-Tax System to the Group Tax Sharing System" (Practical Issues Task Force No. 39 issued by ASBJ on March 31, 2020). Accordingly, deferred tax assets and deferred tax liabilities on the consolidated balance sheet as of March 31, 2020, were computed based on the previous Corporate Tax Act.

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, 2020 and 2019.

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

Based on the resolution at the Ordinary Stockholders' Meeting held on June 26, 2018, the Company consolidated its shares at a rate of one share for every two shares, and changed the number of its shares constituting one unit from 1,000 shares to 100 shares, effective October 1, 2018. Accordingly, all share and per share figures are calculated as if the consolidation of shares had been conducted at the beginning of the year ended March 31, 2019 to provide data on a basis comparable to the year ended March 31, 2020. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share, and cash dividends per share.

w. New Accounting Pronouncements

(1) On March 31, 2020, the ASBJ issued ASBJ Statement No. 29, "Revised Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Revised 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 Company and its domestic subsidiaries will apply the accounting standard and guidance for financial years beginning on or after April 1, 2021, and are in the process of measuring the effects of applying the accounting standard and guidance in future applicable years.

(2) The ASBJ issued following statements:
ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," July 4, 2019
ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," July 4, 2019
ASBJ Statement No. 9, "Revised Accounting Standard for Measurement of Inventories," July 4, 2019
ASBJ Statement No. 10, "Revised Accounting Standard for Financial Instruments," July 4, 2019
ASBJ Guidance No. 19, "Revised Implementation Guidance on Disclosures about Fair Value of Financial Instruments," March 31, 2020

The standards and guidances above were developed to improve the comparability of financial statements in Japan and abroad, and are applied to fair value of following items:

Financial Instruments in "Accounting Standard for Financial Instruments"
Inventories for trading purposes in "Accounting Standard for Measurement of Inventories"

The Company and its domestic subsidiaries will apply the accounting standards and guidances for financial years beginning on or after April 1, 2021, and are in the process of measuring the effects of applying the accounting standards and guidance in future applicable years.

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

Marketable securities, operational investments in securities and investments in securities as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Current: | | | |
| Government and corporate bonds | ¥ 111 | ¥ 422 | $ 1,018 |
| Preferred equity investment | 10,156 | 10,156 | 93,174 |
| Other | 2,200 | 2,228 | 20,184 |
| **Total** | ¥ 12,467 | ¥ 12,806 | $ 114,376 |
| Non-Current: | | | |
| Equity securities | ¥ 233,469 | ¥ 270,670 | $ 2,141,917 |
| Government and corporate bonds | 905 | 905 | 8,303 |
| Other | 10,323 | 8,746 | 94,707 |
| **Total** | ¥ 244,697 | ¥ 280,321 | $ 2,244,927 |

The costs and aggregate fair values related to the category of the securities classified as available-for-sale as of March 31, 2020 and 2019, were as follows:

**As of March 31, 2020**

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Cost | Unrealized Gain | Unrealized Loss | Fair Value (Carrying Amount) |
| Available-for-sale: | | | | |
| Equity securities | ¥ 107,528 | ¥ 130,798 | ¥ (10,846) | ¥ 227,480 |
| Government and corporate bonds | 995 | 21 | (0) | 1,016 |
| Other | 1,372 | 481 | (6) | 1,847 |
| **Total** | ¥ 109,895 | ¥ 131,300 | ¥ (10,852) | ¥ 230,343 |

As of March 31, 2019

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

**As of March 31, 2020**

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | Cost | Unrealized Gain | Unrealized Loss | Fair Value (Carrying Amount) |
| Available-for-sale: | | | | |
| Equity securities | $ 986,495 | $ 1,199,982 | $ (99,505) | $ 2,086,972 |
| Government and corporate bonds | 9,128 | 193 | (0) | 9,321 |
| Other | 12,588 | 4,413 | (55) | 16,946 |
| **Total** | $ 1,008,211 | $ 1,204,588 | $ (99,560) | $ 2,113,239 |

The above figures include marketable equity securities temporarily lent to financial institutions based on securities lending agreements in the amount of ¥214 million ($1,963 thousand) and ¥276 million as of March 31, 2020 and 2019, respectively.

The information for available-for-sale securities which were sold during the years ended March 31, 2020 and 2019, was as follows:

| **Year Ended March 31, 2020** | Millions of Yen | | |
|---|---|---|---|
| | Proceeds | Realized Gain | Realized Loss |
| Available-for-sale: | | | |
| Equity securities | **¥ 477** | **¥ 59** | **¥ (58)** |
| Government and corporate bonds | **34** | **1** | **(0)** |
| Other | **27** | **—** | **(1)** |
| **Total** | **¥ 538** | **¥ 60** | **¥ (59)** |

| Year Ended March 31, 2019 | Millions of Yen | | |
|---|---|---|---|
| | Proceeds | Realized Gain | Realized Loss |
| Available-for-sale: | | | |
| Equity securities | ¥ 47 | ¥ 22 | ¥ (2) |
| Government and corporate bonds | 2 | 0 | (0) |
| Other | 55 | 4 | (4) |
| Total | ¥ 104 | ¥ 26 | ¥ (6) |

| **Year Ended March 31, 2020** | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | Proceeds | Realized Gain | Realized Loss |
| Available-for-sale: | | | |
| Equity securities | **$ 4,376** | **$ 541** | **$ (532)** |
| Government and corporate bonds | **312** | **9** | **(0)** |
| Other | **248** | **—** | **(9)** |
| **Total** | **$ 4,936** | **$ 550** | **$ (541)** |

The impairment losses on available-for-sale securities were ¥1,674 million ($15,358 thousand) and ¥630 million for the years ended March 31, 2020 and 2019, 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 years ended March 31, 2020 and 2019, information about impairment losses of assets is not disclosed since the effects were immaterial.

## 6. INVESTMENT PROPERTY

The Companies own certain rental properties such as office buildings and commercial facilities in Tokyo, other areas in Japan and overseas (Indonesia, United Kingdom and others). The net of rental income and operating expenses for those rental properties was ¥9,982 million ($91,578 thousand), gain on sales or disposals of property and equipment—net was ¥444 million ($4,073 thousand), and loss on impairment of long-lived assets was ¥14 million ($128 thousand) for the year ended March 31, 2020. The net of rental income and operating expenses for those rental properties was ¥8,455 million, and gain on sales or disposals of property and equipment—net was ¥4,027 million for the year ended March 31, 2019.

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, 2019** | **Increase/Decrease** | **As of March 31, 2020** | **As of March 31, 2020** |
| **¥ 148,339** | **¥ 50,174** | **¥ 198,513** | **¥ 381,310** |

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

| Thousands of U.S. Dollars | | | |
|---|---|---|---|
| Carrying amount | | | Fair value |
| **As of April 1, 2019** | **Increase/Decrease** | **As of March 31, 2020** | **As of March 31, 2020** |
| **$ 1,360,908** | **$ 460,312** | **$ 1,821,220** | **$ 3,498,257** |

Notes:

(1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation, if any.

(2) Increase during the financial year ended March 31, 2020, primarily consists of the purchase of real estate of ¥49,966 million ($458,404 thousand).

(3) Fair value of properties as of March 31, 2020 and 2019, 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, 2020, the following assets of the Companies were pledged to secure the repayment of current portion of long-term debt of ¥12,694 million ($116,459 thousand), long-term debt of ¥14,350 million ($131,651 thousand) and other long-term liabilities of ¥4 million ($37 thousand) and to assure the performance by the Companies under certain agreements.

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Notes and accounts receivable—trade | **¥ 736** | **$ 6,752** |
| Inventories: | | |
| Development projects in progress, real estate for sale and other | **44,542** | **408,642** |
| Other current assets | **115** | **1,055** |
| Land | **70** | **642** |
| Buildings and structures | **687** | **6,303** |
| Machinery, equipment and other | **5** | **46** |
| Investments in securities and Investments in unconsolidated subsidiaries and affiliates | **6,402** | **58,734** |
| Long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates | **889** | **8,156** |
| **Total** | **¥ 53,446** | **$ 490,330** |

## 9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2020 and 2019, mainly consisted of bank overdrafts. The weighted-average interest rates of short-term borrowings as of March 31, 2020 and 2019, were 1.11% and 1.40%, respectively.

Long-term debt as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Long-term loans, due 2020 – 2077 | ¥ 132,087 | ¥ 138,509 | $ 1,211,808 |
| Corporate bonds, due 2021 – 2026 | 50,000 | 40,000 | 458,716 |
| Lease obligations | 4,919 | 2,546 | 45,128 |
| Total | 187,006 | 181,055 | 1,715,652 |
| Current portion included in current liabilities | (53,408) | (20,747) | (489,982) |
| **Total** | ¥ 133,598 | ¥ 160,308 | $ 1,225,670 |

Long-term loans as of March 31, 2020 and 2019, were primarily from banks and insurance companies. The weighted-average interest rates of long-term loans as of March 31, 2020 and 2019, were 1.62% and 1.61%, 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, 2020 and 2019, were 0.23% and 0.26%, 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, 2020, were as follows:

| Years Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2021 | ¥ 53,408 | $ 489,982 |
| 2022 | 16,614 | 152,422 |
| 2023 | 18,938 | 173,743 |
| 2024 | 6,250 | 57,339 |
| 2025 | 31,058 | 284,937 |
| 2026 and thereafter | 60,738 | 557,229 |
| **Total** | ¥ 187,006 | $ 1,715,652 |

A loan agreement includes financial covenant primarily on net assets and interest-bearing debt.

The outstanding balances of such loan as of March 31, 2020 and 2019, were included in the consolidated balance sheet as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Current portion of long-term debt | ¥ 15,000 | ¥ — | $ 137,615 |
| Long-term debt | — | 15,000 | — |
| **Total** | ¥ 15,000 | ¥ 15,000 | $ 137,615 |

In addition, the Company entered into committed loan facility agreements aggregating ¥150,000 million ($1,376,147 thousand) with several Japanese banks. There were no outstanding balances under the committed loan facility agreements as of March 31, 2020.

## 10. COMMERCIAL PAPER

Commercial paper was represented by 92- to 184- day paper issued by the Company with the weighted-average interest rate of 0.06% and 94- to 109- day paper with the weighted-average interest rate of (0.00)% as of March 31, 2020 and 2019, 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, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Balance at beginning of year | ¥ 67,530 | ¥ 65,161 | $ 619,541 |
| Current service cost | 4,789 | 4,547 | 43,936 |
| Interest cost | 290 | 328 | 2,661 |
| Actuarial (gains) losses | (300) | 294 | (2,752) |
| Benefits paid | (3,954) | (3,195) | (36,275) |
| Increase due to change in measurement of retirement benefit obligations from the simplified method to the standard method | 490 | 439 | 4,495 |
| Other | 44 | (44) | 403 |
| **Balance at end of year** | ¥ 68,889 | ¥ 67,530 | $ 632,009 |

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, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Balance at beginning of year | ¥ 9,577 | ¥ 10,096 | $ 87,862 |
| Expected return on plan assets | 60 | 64 | 550 |
| Actuarial losses | (650) | (479) | (5,963) |
| Contributions from the employer | 94 | 138 | 863 |
| Benefits paid | (310) | (242) | (2,844) |
| **Balance at end of year** | ¥ 8,771 | ¥ 9,577 | $ 80,468 |

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, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Balance at beginning of year | ¥ 1,571 | ¥ 1,690 | $ 14,413 |
| Benefit cost | 288 | 276 | 2,642 |
| Benefits paid | (138) | (129) | (1,266) |
| Contributions to the funds | (53) | (56) | (486) |
| Decrease due to change in measurement of retirement benefit obligations from the simplified method to the standard method | (337) | (209) | (3,092) |
| Other | 9 | (1) | 83 |
| **Balance at end of year** | ¥ 1,340 | ¥ 1,571 | $ 12,294 |

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, 2020 and 2019, was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Funded defined benefit obligation | ¥ 9,127 | ¥ 9,553 | $ 83,734 |
| Plan assets | (9,222) | (9,983) | (84,606) |
| Total | (95) | (430) | (872) |
| Unfunded defined benefit obligation | 61,553 | 59,954 | 564,707 |
| **Net liability for defined benefit obligation** | ¥ 61,458 | ¥ 59,524 | $ 563,835 |

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Liability for retirement benefits | ¥ 62,100 | ¥ 60,191 | $ 569,725 |
| Asset for retirement benefits | (642) | (667) | (5,890) |
| **Net liability for defined benefit obligation** | ¥ 61,458 | ¥ 59,524 | $ 563,835 |

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, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Service cost | ¥ 4,789 | ¥ 4,547 | $ 43,936 |
| Interest cost | 290 | 328 | 2,661 |
| Expected return on plan assets | (60) | (64) | (550) |
| Recognized actuarial losses | 206 | 243 | 1,890 |
| Benefit cost in simplified method | 288 | 276 | 2,642 |
| Amount expensed due to change in measurement of retirement benefit obligations from the simplified method to the standard method | 153 | 229 | 1,404 |
| Other | 7 | (1) | 63 |
| **Net periodic benefit costs** | ¥ 5,673 | ¥ 5,558 | $ 52,046 |

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, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Actuarial losses | **¥ (136)** | ¥ (525) | **$ (1,248)** |

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, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Unrecognized actuarial losses | **¥ (2,674)** | ¥ (2,537) | **$ (24,532)** |

h. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2020 and 2019, consisted of the following:

| | **2020** | 2019 |
|---|---|---|
| Equity investments | **48 %** | 55 % |
| Debt investments | **23** | 20 |
| Cash and cash equivalents | **13** | 10 |
| General accounts with life insurance companies | **10** | 9 |
| Other | **6** | 6 |
| **Total** | **100 %** | 100 % |

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

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

i. Assumptions

Assumptions used for the years ended March 31, 2020 and 2019, were set forth as follows:

| | **2020** | 2019 |
|---|---|---|
| Discount rate | **0.0% to 0.5%** | 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 ¥2,850 million ($26,147 thousand) and ¥2,774 million for the years ended March 31, 2020 and 2019, 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.

At the Board of Directors' Meeting held on May 15, 2019, the Company resolved matters related to acquisition of its own shares in accordance with Article 156 of the Companies Act, applicable pursuant to Article 165, Paragraph 3 of the said Act. The number of shares acquired for the year ended March 31, 2020, based on the resolution was 6,542 thousand shares.

At the Board of Directors' Meeting held on July 9, 2019, the Company resolved to dispose of its own shares as restricted stock remuneration. The number of shares disposed of for the year ended March 31, 2020, based on the resolution was 219 thousand shares.

## 14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2020 and 2019.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Deferred tax assets: | | | |
| Liability for retirement benefits | ¥ **19,527** | ¥ 19,010 | $ **179,147** |
| Valuation loss on property and equipment | **14,798** | 14,529 | **135,761** |
| Other | **54,420** | 51,048 | **499,267** |
| Subtotal | **88,745** | 84,587 | **814,175** |
| Valuation allowance | **(24,948)** | (27,564) | **(228,881)** |
| **Total** | **63,797** | 57,023 | **585,294** |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | **(38,565)** | (47,970) | **(353,807)** |
| Other | **(7,201)** | (6,994) | **(66,065)** |
| **Total** | **(45,766)** | (54,964) | **(419,872)** |
| **Net deferred tax assets** | ¥ **18,031** | ¥ 2,059 | $ **165,422** |

As of March 31, 2020, certain consolidated subsidiaries of the Company have tax loss carryforwards available to offset future taxable income, which will start expiring in 2020. As for the domestic consolidated subsidiaries, their tax loss carryforwards will gradually expire by 2030. 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 ¥1,565 million ($14,358 thousand) and ¥1,707 million as of March 31, 2020 and 2019 respectively.

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2020 and 2019 is not disclosed, because the differences were not more than 5% of the normal effective statutory tax rate.

## 15. RELATED PARTY TRANSACTIONS

a. Transactions of the Company with affiliates

Transactions for the years ended March 31, 2020 and 2019 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Construction and other revenues | ¥ 41,544 | ¥ — | $ 381,138 |
| Sales price of properties | — | 17,260 | — |
| Net profit from sales of properties | — | 2,704 | — |

For the year ended March 31, 2020, the Company recognized construction and other revenues under several contracts with an affiliate. The contracts are entered into an arm's-length basis and in the normal course of business. The outstanding balance of notes and accounts receivable—trade from the affiliate as of March 31, 2020 was ¥45,535 million ($417,752 thousand).

For the year ended March 31, 2019, the Company sold properties to an affiliate. The sales price was determined by negotiations based on the appraisal reports issued by the third party.

b. Transactions of the consolidated subsidiaries with affiliates

Transactions for the year ended March 31, 2019 was as follows:

| | Millions of Yen |
|---|---|
| | 2019 |
| Sales price of a property | ¥ 3,350 |
| Net profit from a sale of a property | 1,218 |

For the year ended March 31, 2019, a consolidated subsidiary sold a property to an affiliate. The sales price was determined by negotiations based on the appraisal reports issued by the third party.

## 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, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Due within one year | ¥ 7,181 | ¥ 8,016 | $ 65,881 |
| Due after one year | 43,006 | 46,520 | 394,550 |
| **Total** | ¥ 50,187 | ¥ 54,536 | $ 460,431 |

b. Operating leases as a lessor

The minimum rental receivables under noncancelable operating leases as of March 31, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Due within one year | ¥ 13,948 | ¥ 11,182 | $ 127,963 |
| Due after one year | 59,739 | 48,377 | 548,065 |
| **Total** | ¥ 73,687 | ¥ 59,559 | $ 676,028 |

## 17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Policy for financial instruments

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

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

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

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

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

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

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

In addition, the Company entered into committed loan facility agreements aggregating ¥150,000 million ($1,376,147 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, 2020 and 2019, were as follows. However, financial instruments whose fair value cannot be reliably determined are not included.

| | Millions of Yen | | |
|---|---|---|---|
| As of March 31, 2020 | Carrying Amount | Fair Value | Unrealized Gain (Loss) |
| ASSETS | | | |
| Cash and cash equivalents | ¥ 255,646 | ¥ 255,646 | ¥ — |
| Marketable securities and investments in securities | | | |
| Available-for-sale securities | 230,343 | 230,343 | — |
| Notes and accounts receivable—trade | 734,159 | | |
| Allowance for doubtful accounts | (497) | | |
| | 733,662 | 733,740 | 78 |
| Other current assets | | | |
| Time deposits due after three months of the date of acquisition | 7,317 | 7,317 | — |
| Long-term loans receivable | 6,585 | | |
| Long-term loans to unconsolidated subsidiaries and affiliates | 44,348 | | |
| Allowance for doubtful accounts | (1,833) | | |
| | 49,100 | 49,075 | (25) |
| Total | ¥ 1,276,068 | ¥ 1,276,121 | ¥ 53 |
| LIABILITIES | | | |
| Short-term borrowings | ¥ 99,799 | ¥ 99,799 | ¥ — |
| Commercial paper | 45,000 | 45,000 | — |
| Current portion of long-term debt | 53,408 | 53,408 | — |
| Notes and accounts payable—trade | 520,653 | 520,653 | — |
| Income taxes payable | 30,598 | 30,598 | — |
| Long-term debt | 133,598 | 133,394 | (204) |
| Total | ¥ 883,056 | ¥ 882,852 | ¥ (204) |

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

| **As of March 31, 2020** | Thousands of U.S. Dollars Carrying Amount | Fair Value | Unrealized Gain (Loss) |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalents | **$ 2,345,376** | **$ 2,345,376** | **$ —** |
| Marketable securities and investments in securities | | | |
| Available-for-sale securities | **2,113,239** | **2,113,239** | **—** |
| Notes and accounts receivable—trade | **6,735,404** | | |
| Allowance for doubtful accounts | **(4,560)** | | |
| | **6,730,844** | **6,731,560** | **716** |
| Other current assets | | | |
| Time deposits due after three months of the date of acquisition | **67,128** | **67,128** | **—** |
| Long-term loans receivable | **60,413** | | |
| Long-term loans to unconsolidated subsidiaries and affiliates | **406,862** | | |
| Allowance for doubtful accounts | **(16,816)** | | |
| | **450,459** | **450,229** | **(230)** |
| **Total** | **$ 11,707,046** | **$ 11,707,532** | **$ 486** |
| LIABILITIES | | | |
| Short-term borrowings | **$ 915,587** | **$ 915,587** | **$ —** |
| Commercial paper | **412,844** | **412,844** | **—** |
| Current portion of long-term debt | **489,982** | **489,982** | **—** |
| Notes and accounts payable—trade | **4,776,633** | **4,776,633** | **—** |
| Income taxes payable | **280,716** | **280,716** | **—** |
| Long-term debt | **1,225,670** | **1,223,798** | **(1,872)** |
| **Total** | **$ 8,101,432** | **$ 8,099,560** | **$ (1,872)** |

ASSETS

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

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

*Marketable securities and Investments in securities*

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

*Notes and accounts receivable—trade*

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

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

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

LIABILITIES

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

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

*Current portion of long-term debt*

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

*Long-term debt*

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

DERIVATIVES

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 |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Investments in securities | | | |
| Available-for-sale: | | | |
| Equity securities | ¥ **5,990** | ¥ 6,147 | $ **54,954** |
| Preferred equity investment | **10,156** | 10,156 | **93,174** |
| Other | **10,675** | 9,194 | **97,936** |
| Investments in unconsolidated subsidiaries and affiliates | **66,256** | 46,654 | **607,853** |
| **Total** | ¥ **93,077** | ¥ 72,151 | $ **853,917** |

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, 2020 | | 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 | ¥ | 255,646 | ¥ | — | ¥ | — | ¥ | — |
| Marketable securities and investments in securities | | | | | | | | |
| Available-for-sale securities with contractual maturities | | | | | | | | |
| Government and corporate bonds | | 111 | | 660 | | 225 | | 1 |
| Notes and accounts receivable—trade | | 710,383 | | 22,988 | | 76 | | 712 |
| Other current assets | | | | | | | | |
| Time deposits due after three months of the date of acquisition | | 7,317 | | — | | — | | — |
| Long-term loans receivable | | 1,959 | | 4,769 | | 842 | | 974 |
| Long-term loans to unconsolidated subsidiaries and affiliates | | 10,476 | | 31,852 | | 343 | | 12,153 |
| Total | ¥ | 985,892 | ¥ | 60,269 | ¥ | 1,486 | ¥ | 13,840 |

| As of March 31, 2020 | | Thousands of U.S. Dollars Due within one year | | Due after one year through five years | | Due after five years through ten years | | Due after ten years |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 2,345,376 | $ | — | $ | — | $ | — |
| Marketable securities and investments in securities | | | | | | | | |
| Available-for-sale securities with contractual maturities | | | | | | | | |
| Government and corporate bonds | | 1,018 | | 6,056 | | 2,064 | | 9 |
| Notes and accounts receivable—trade | | 6,517,276 | | 210,899 | | 697 | | 6,532 |
| Other current assets | | | | | | | | |
| Time deposits due after three months of the date of acquisition | | 67,128 | | — | | — | | — |
| Long-term loans receivable | | 17,972 | | 43,752 | | 7,725 | | 8,936 |
| Long-term loans to unconsolidated subsidiaries and affiliates | | 96,110 | | 292,220 | | 3,147 | | 111,495 |
| Total | $ | 9,044,880 | $ | 552,927 | $ | 13,633 | $ | 126,972 |

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| **As of March 31, 2020** | Contract Amount | Contract Amount due after One Year | Fair Value | Unrealized Gain (Loss) |
| Foreign exchange forward contracts | | | | |
| Selling: | | | | |
| Euro forward | **¥ 135** | **¥ —** | **¥ 2** | **¥ 2** |
| U.S. Dollar forward | **300** | **—** | **(11)** | **(11)** |
| Currency swaps | | | | |
| Buy—Japanese Yen / Sell—Australian Dollar | **1,449** | **1,449** | **106** | **106** |
| **Total** | **¥ 1,884** | **¥ 1,449** | **¥ 97** | **¥ 97** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| As of March 31, 2019 | Contract Amount | Contract Amount due after One Year | Fair Value | Unrealized Gain (Loss) |
| Foreign exchange forward contracts | | | | |
| Selling: | | | | |
| Euro forward | ¥ 1,053 | ¥ — | ¥ (12) | ¥ (12) |
| U.S. Dollar forward | 948 | 267 | (21) | (21) |
| Total | ¥ 2,001 | ¥ 267 | ¥ (33) | ¥ (33) |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| **As of March 31, 2020** | Contract Amount | Contract Amount due after One Year | Fair Value | Unrealized Gain (Loss) |
| Foreign exchange forward contracts | | | | |
| Selling: | | | | |
| Euro forward | **$ 1,238** | **$ —** | **$ 18** | **$ 18** |
| U.S. Dollar forward | **2,752** | **—** | **(101)** | **(101)** |
| Currency swaps | | | | |
| Buy—Japanese Yen / Sell—Australian Dollar | **13,294** | **13,294** | **973** | **973** |
| **Total** | **$ 17,284** | **$ 13,294** | **$ 890** | **$ 890** |

b. Derivative transactions to which hedge accounting is applied

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| **As of March 31, 2020** | Hedged item | | Contract Amount | | Contract Amount due after One Year | | Fair Value |
| Foreign exchange forward contracts | | | | | | | |
| Buying: | | | | | | | |
| U.S. Dollar forward | Accounts payable—trade | ¥ | **69** | ¥ | **—** | ¥ | **(1)** |
| Thai Baht forward | Accounts payable—trade | | **9** | | **—** | | **(1)** |
| Selling: | | | | | | | |
| Euro forward | Accounts receivable–trade | | **4,618** | | **88** | | **72** |
| **Total** | | ¥ | **4,696** | ¥ | **88** | ¥ | **70** |
| Interest rate swaps | | | | | | | |
| Pay—fix / Receive—float | Current portion of long-term debt | ¥ | **22,494** | ¥ | **324** | ¥ | **(153)** |
| **Total** | | ¥ | **22,494** | ¥ | **324** | ¥ | **(153)** |

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| As of March 31, 2019 | Hedged item | | Contract Amount | | Contract Amount due after One Year | | Fair Value |
| Foreign exchange forward contracts | | | | | | | |
| Buying: | | | | | | | |
| U.S. Dollar forward | Accounts payable—trade | ¥ | 243 | ¥ | — | ¥ | (2) |
| Norwegian Krone forward | Accounts payable—trade | | 36 | | — | | (1) |
| Euro forward | Accounts payable—trade | | 18 | | — | | (1) |
| Selling: | | | | | | | |
| Euro forward | Accounts receivable–trade | | 12,856 | | 766 | | (62) |
| Total | | ¥ | 13,153 | ¥ | 766 | ¥ | (66) |
| Interest rate swaps | | | | | | | |
| Pay—fix / Receive—float | Long-term debt | ¥ | 31,797 | ¥ | 22,532 | ¥ | (340) |
| Total | | ¥ | 31,797 | ¥ | 22,532 | ¥ | (340) |

| | Thousands of U.S. Dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| **As of March 31, 2020** | Hedged item | | Contract Amount | | Contract Amount due after One Year | | Fair Value |
| Foreign exchange forward contracts | | | | | | | |
| Buying: | | | | | | | |
| U.S. Dollar forward | Accounts payable—trade | $ | **633** | $ | **—** | $ | **(9)** |
| Thai Baht forward | Accounts payable—trade | | **83** | | **—** | | **(9)** |
| Selling: | | | | | | | |
| Euro forward | Accounts receivable–trade | | **42,367** | | **807** | | **660** |
| **Total** | | $ | **43,083** | $ | **807** | $ | **642** |
| Interest rate swaps | | | | | | | |
| Pay—fix / Receive—float | Current portion of long-term debt | $ | **206,367** | $ | **2,972** | $ | **(1,404)** |
| **Total** | | $ | **206,367** | $ | **2,972** | $ | **(1,404)** |

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, 2020, contingent liabilities for loans guaranteed, including related items of a similar nature, amounted to ¥11,791 million ($108,174 thousand).

## 20. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2020 and 2019, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Unrealized (loss) gain on available-for-sale securities: | | | |
| (Losses) gains arising during the year | ¥ (40,192) | ¥ 13,936 | $ (368,734) |
| Reclassification adjustments to profit or loss | 1,679 | 585 | 15,404 |
| Amount before income tax effect | (38,513) | 14,521 | (353,330) |
| Income tax effect | 11,747 | (4,427) | 107,770 |
| Total | ¥ (26,766) | ¥ 10,094 | $ (245,560) |
| Deferred gain (loss) on derivatives under hedge accounting: | | | |
| Gains (losses) arising during the year | ¥ 199 | ¥ (278) | $ 1,826 |
| Reclassification adjustments to profit or loss | (52) | 199 | (477) |
| Amount before income tax effect | 147 | (79) | 1,349 |
| Income tax effect | (23) | (11) | (212) |
| Total | ¥ 124 | ¥ (90) | $ 1,137 |
| Revaluation surplus of land: | | | |
| Adjustments arising during the year | ¥ — | ¥ — | $ — |
| Reclassification adjustments to profit or loss | — | — | — |
| Amount before income tax effect | — | — | — |
| Income tax effect | 829 | — | 7,606 |
| Total | ¥ 829 | ¥ — | $ 7,606 |
| Foreign currency translation adjustments: | | | |
| Adjustments arising during the year | ¥ (348) | ¥ (7,744) | $ (3,193) |
| Reclassification adjustments to profit or loss | (1,136) | — | (10,422) |
| Amount before income tax effect | (1,484) | (7,744) | (13,615) |
| Income tax effect | — | — | — |
| Total | ¥ (1,484) | ¥ (7,744) | $ (13,615) |
| Defined retirement benefit plans: | | | |
| Adjustments arising during the year | ¥ (342) | ¥ (768) | $ (3,138) |
| Reclassification adjustments to profit or loss | 206 | 243 | 1,890 |
| Amount before income tax effect | (136) | (525) | (1,248) |
| Income tax effect | 25 | 209 | 230 |
| Total | ¥ (111) | ¥ (316) | $ (1,018) |
| Share of other comprehensive (loss) income in unconsolidated subsidiaries and affiliates: | | | |
| (Losses) gains arising during the year | ¥ (249) | ¥ 662 | $ (2,284) |
| Reclassification adjustments to profit or loss | 51 | (44) | 468 |
| Adjustment for acquisition cost of assets | 7 | — | 64 |
| Total | ¥ (191) | ¥ 618 | $ (1,752) |
| **Total other comprehensive (loss) income** | ¥ (27,599) | ¥ 2,562 | $ (253,202) |

## 21. SUPPLEMENTAL INFORMATION

a. Consolidated Balance Sheet

The Company sold accounts receivable—trade to financial institutions. As of March 31, 2020, accounts receivable—trade amounting to ¥48,923 million ($448,835 thousand) were excluded from the consolidated balance sheet.

b. Consolidated Statement of Cash Flows

The components of assets acquired and liabilities assumed of consolidated subsidiaries which were acquired through the interests and share acquisitions during the years ended March 31, 2020 and 2019, as well as reconciliation between the acquisition cost and the payment for the acquisition were as follows:

| | Millions of Yen | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Current assets | ¥ **386** | ¥ 879 | $ **3,541** |
| Non-current assets | **324** | 2,069 | **2,972** |
| Goodwill | **118** | 619 | **1,083** |
| Current liabilities | **(120)** | (35) | **(1,101)** |
| Non-current liabilities | **—** | (502) | **—** |
| Noncontrolling interests | **(83)** | — | **(761)** |
| Acquisition cost | **625** | 3,030 | **5,734** |
| Accounts payable | **—** | (505) | **—** |
| Cash and cash equivalents of subsidiaries | **(248)** | (39) | **(2,275)** |
| **Net payment for acquisition** | ¥ **377** | ¥ 2,486 | $ **3,459** |

## 22. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2020 and 2019, 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, 2020:** | | | | |
| Basic EPS | | | | |
| Net income attributable to common stockholders | ¥ **103,242** | **513,668** | ¥ **200.99** | $ **1.844** |
| For the year ended March 31, 2019: | | | | |
| Basic EPS | | | | |
| Net income attributable to common stockholders | ¥ 109,839 | 518,925 | ¥ 211.67 | |

*Shares and per share figures are calculated as if the consolidation of shares had been conducted at the beginning of the financial year ended March 31, 2019.

## 23. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

On June 25, 2020, the stockholders of the Company approved the appropriation of retained earnings to pay a dividend of ¥25.00 ($0.229) per share (final for the year ended March 31, 2020) for a total amount of ¥12,838 million ($117,780 thousand).

## 24. SEGMENT INFORMATION

a. Segment Information

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

(1) Description of reportable segments

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

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

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

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

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

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

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

| **Year Ended March 31, 2020** | 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 | ¥ 288,099 | ¥ 955,280 | ¥ 55,713 | ¥ 243,206 | ¥ 468,454 | ¥ 2,010,752 | ¥ — | ¥ 2,010,752 |
| Intersegment sales or transfers | — | 2,277 | 3,689 | 149,965 | 625 | 156,556 | (156,556) | — |
| Total | ¥ 288,099 | ¥ 957,557 | ¥ 59,402 | ¥ 393,171 | ¥ 469,079 | ¥ 2,167,308 | ¥ (156,556) | ¥ 2,010,752 |
| Segment profit | ¥ 17,195 | ¥ 85,321 | ¥ 8,530 | ¥ 17,750 | ¥ 4,539 | ¥ 133,335 | ¥ (1,348) | ¥ 131,987 |
| Other: | | | | | | | | |
| Depreciation | ¥ 875 | ¥ 2,907 | ¥ 3,338 | ¥ 6,294 | ¥ 6,644 | ¥ 20,058 | ¥ (96) | ¥ 19,962 |
| Amortization of goodwill | — | — | — | — | 962 | 962 | — | 962 |

| Year Ended March 31, 2019 | Civil Engineering | Building Construction | Real Estate Development and Other | Domestic Subsidiaries and Affiliates | Overseas Subsidiaries and Affiliates | Total | Reconciliations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | | |
| Revenues: | | | | | | | | |
| Sales to external customers | ¥ 301,064 | ¥ 925,847 | ¥ 48,417 | ¥ 243,349 | ¥ 455,592 | ¥ 1,974,269 | ¥ — | ¥ 1,974,269 |
| Intersegment sales or transfers | — | 2,248 | 2,791 | 146,288 | 387 | 151,714 | (151,714) | — |
| Total | ¥ 301,064 | ¥ 928,095 | ¥ 51,208 | ¥ 389,637 | ¥ 455,979 | ¥ 2,125,983 | ¥ (151,714) | ¥ 1,974,269 |
| Segment profit | ¥ 35,236 | ¥ 79,626 | ¥ 5,430 | ¥ 16,523 | ¥ 6,283 | ¥ 143,098 | ¥ (475) | ¥ 142,623 |
| Other: | | | | | | | | |
| Depreciation | ¥ 864 | ¥ 2,665 | ¥ 3,505 | ¥ 5,970 | ¥ 6,272 | ¥ 19,276 | ¥ (110) | ¥ 19,166 |
| Amortization of goodwill | — | — | — | — | 975 | 975 | — | 975 |

| **Year Ended March 31, 2020** | Civil Engineering | Building Construction | Real Estate Development and Other | Domestic Subsidiaries and Affiliates | Overseas Subsidiaries and Affiliates | Total | Reconciliations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Thousands of U.S. Dollars | | | | | | | |
| Revenues: | | | | | | | | |
| Sales to external customers | **$ 2,643,110** | **$ 8,764,037** | **$ 511,129** | **$ 2,231,247** | **$ 4,297,743** | **$ 18,447,266** | **$ —** | **$ 18,447,266** |
| Intersegment sales or transfers | **—** | **20,890** | **33,844** | **1,375,826** | **5,734** | **1,436,294** | **(1,436,294)** | **—** |
| Total | **$ 2,643,110** | **$ 8,784,927** | **$ 544,973** | **$ 3,607,073** | **$ 4,303,477** | **$ 19,883,560** | **$ (1,436,294)** | **$ 18,447,266** |
| Segment profit | **$ 157,752** | **$ 782,761** | **$ 78,258** | **$ 162,844** | **$ 41,642** | **$ 1,223,257** | **$ (12,367)** | **$ 1,210,890** |
| Other: | | | | | | | | |
| Depreciation | **$ 8,028** | **$ 26,670** | **$ 30,623** | **$ 57,743** | **$ 60,954** | **$ 184,018** | **$ (880)** | **$ 183,138** |
| Amortization of goodwill | **—** | **—** | **—** | **—** | **8,826** | **8,826** | **—** | **8,826** |

Notes:
(1) The amount of reconciliations in segment profit, which was loss of ¥1,348 million ($12,367 thousand) and loss of ¥475 million for the years ended March 31, 2020 and 2019, 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, 2020** | Construction | Real Estate | Other | Total |
|---|---|---|---|---|
| | Millions of Yen | | | |
| Sales to external customers | **¥ 1,791,118** | **¥ 87,389** | **¥ 132,245** | **¥ 2,010,752** |

| Year Ended March 31, 2019 | Construction | Real Estate | Other | Total |
|---|---|---|---|---|
| | Millions of Yen | | | |
| Sales to external customers | ¥ 1,776,346 | ¥ 68,244 | ¥ 129,679 | ¥ 1,974,269 |

| **Year Ended March 31, 2020** | Construction | Real Estate | Other | Total |
|---|---|---|---|---|
| | Thousands of U.S. Dollars | | | |
| Sales to external customers | **$ 16,432,275** | **$ 801,734** | **$ 1,213,257** | **$ 18,447,266** |

(2) Information about geographical areas

1) Revenues

| Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|
| 2020 | | | | | | |
| Japan | North America | Europe | Asia | Oceania | Other Areas | Total |
| ¥ 1,540,022 | ¥ 234,295 | ¥ 29,554 | ¥ 107,976 | ¥ 98,770 | ¥ 135 | ¥ 2,010,752 |

| Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|
| 2019 | | | | | | |
| Japan | North America | Europe | Asia | Oceania | Other Areas | Total |
| ¥ 1,517,029 | ¥ 210,167 | ¥ 35,556 | ¥ 119,130 | ¥ 92,192 | ¥ 195 | ¥ 1,974,269 |

| Thousands of U.S. Dollars | | | | | | |
|---|---|---|---|---|---|---|
| 2020 | | | | | | |
| Japan | North America | Europe | Asia | Oceania | Other Areas | Total |
| $ 14,128,642 | $ 2,149,495 | $ 271,138 | $ 990,606 | $ 906,147 | $ 1,238 | $ 18,447,266 |

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

2) Property and equipment

| Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|
| 2020 | | | | | | |
| Japan | North America | Europe | Asia | Oceania | Other Areas | Total |
| ¥ 309,941 | ¥ 10,898 | ¥ 2,477 | ¥ 66,298 | ¥ 1,426 | ¥ 9 | ¥ 391,049 |

| Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|
| 2019 | | | | | | |
| Japan | North America | Europe | Asia | Oceania | Other Areas | Total |
| ¥ 253,867 | ¥ 10,630 | ¥ 10,257 | ¥ 56,357 | ¥ 580 | ¥ 9 | ¥ 331,700 |

| Thousands of U.S. Dollars | | | | | | |
|---|---|---|---|---|---|---|
| 2020 | | | | | | |
| Japan | North America | Europe | Asia | Oceania | Other Areas | Total |
| $ 2,843,495 | $ 99,982 | $ 22,725 | $ 608,239 | $ 13,083 | $ 82 | $ 3,587,606 |

c. Information about impairment losses of assets

For the years ended March 31, 2020 and 2019, information about impairment losses of assets is not disclosed since the effects were immaterial.

d. Information about goodwill

(1) Amortization of goodwill for the years ended March 31, 2020 and 2019

| Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|
| 2020 | 2019 | 2020 |
| ¥ 962 | ¥ 975 | $ 8,826 |

(2) Carrying amounts of goodwill as of March 31, 2020 and 2019

| Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|
| 2020 | 2019 | 2020 |
| ¥ 1,448 | ¥ 2,335 | $ 13,284 |

Note: Goodwill is not allocated to operating segments.

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kajima Corporation:

## Opinion

We have audited the consolidated financial statements of Kajima Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Convenience Translation

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

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 25, 2020

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