Foundations for Strength and Growth

Human Resources

Katsunori Ichihashi
Executive Officer,
General Manager, Executive Office,
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Department and Center for
Shared Administrative Services

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.

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.

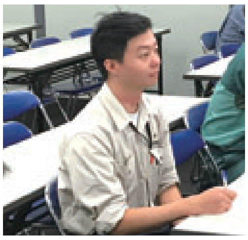
In recent years, a particular focus has been to ensure that employees can achieve a better balance between work, parenting and family caregiving. This has included systemic enhancements, such as improving the system of flex-time hours for parents, introducing a telecommuting program, and creating a new 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.

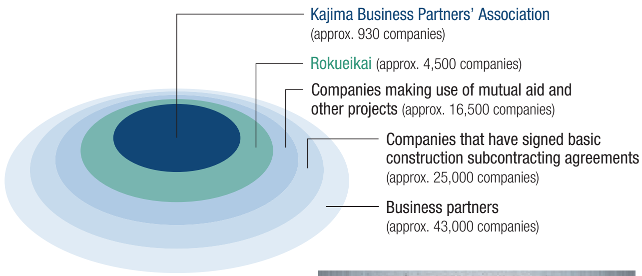
In the construction industry, supply chains involve not only equipment and materials but also human resources, primarily at partner companies, who work with the contractor on-site to bring construction projects to completion. To ensure that it works only with partner companies that possess appropriate 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.



パートナーシップ構築宣言

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 Kajima Meister System	
Supermeister Approx. 100 Supermeisters certified from among Meisters (Fiscal 2020: 106 people) Per-day incentive of ¥4,000	**Meister** Approx. 500 Meisters (Fiscal 2020: 393 people) Per-day incentive of ¥2,000

Incentive System for Outstanding Skilled Workers New E Award System
Approx. 400 each year (Fiscal 2019: 593 people) 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

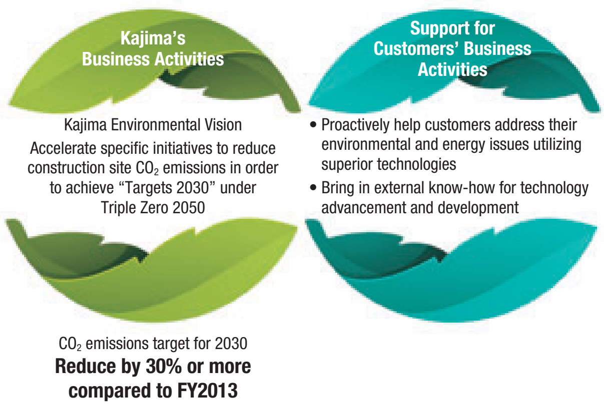
Environment

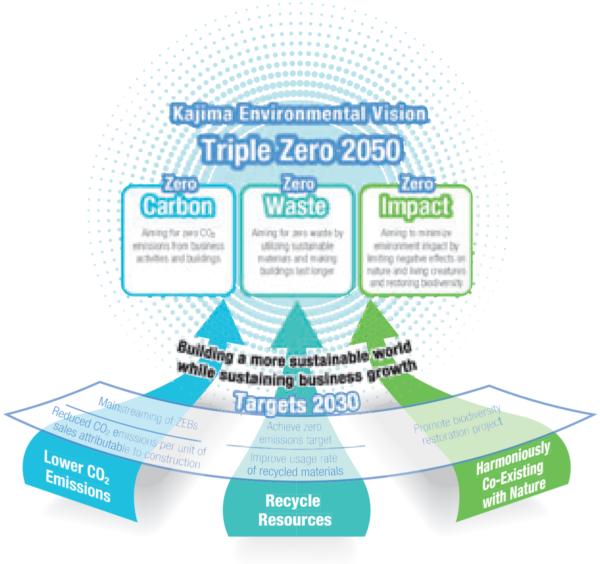
Environmental Vision and Medium-Term Business Plan

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** Balancing greenhouse gas emissions from human activities with the Earth's capacity for CO_2 absorption	**Zero Carbon** Aiming for a zero carbon footprint by reducing the Group's greenhouse gas emissions (Scope 1, 2 and 3 emissions) by at least 80% compared to fiscal 2013	**Group-wide** Reduce Group-wide greenhouse gas emissions (Scope 1 and 2 emissions) per unit of sales to 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 **Construction Operations** Reduce construction site greenhouse gas emissions per unit of sales to 30% of fiscal 2013 level or lower **Architectural Design** 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 Pursuing zero emissions by employing state-of-the-art infrastructure maintained and operated using sustainable resources	**Zero Waste** Aiming to eliminate waste from construction operations by ensuring zero landfill disposal of waste during construction, utilizing sustainable materials, and making buildings last longer	Completely eliminate final landfill waste from construction operations Achieve a usage rate of recycled materials of at least 60% for principal construction materials (steel, cement, ready-mixed concrete, crushed stone and asphalt)
	Harmoniously Co-Existing with Nature Valuing the continuous benefits of ecosystem services by minimizing the impact of human activities on the environment and living creatures	**Zero Impact** Aiming to minimize the overall environmental impact of construction operations by limiting their effect on nature and living creatures while promoting the restoration of biodiversity and new ways to make use of its benefits	Promote biodiversity restoration projects Build 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 • Conduct research and technology development • 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

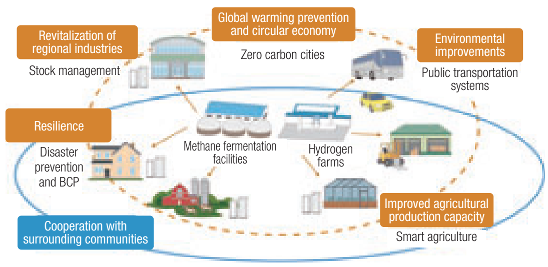
Kajima provides technologies and services to support the business activities of its customers and help them address their environmental and energy issues in the areas of lower CO_2 emissions, recycling resources, and harmoniously co-existing with nature. In particular, we are reinforcing measures that 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.

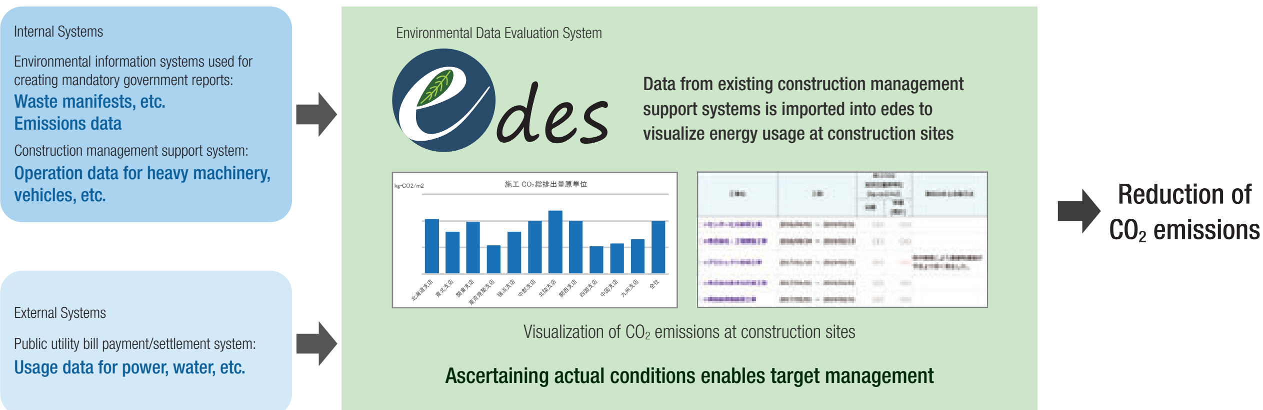
Full-Scale Operation of Environmental Data Evaluation System (edes) to Reduce Energy Use at Construction Sites

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 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 More than six examples of deploying research or technology results to onsite operations over the three-year period	Environmental contribution R&D projects: 6 Environmental contribution technology project deployment: 2	Designated environmental topics: 17 Results deployed: 8 instances
	Environment Engineering	Promote environmental management in concert with Group companies 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 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

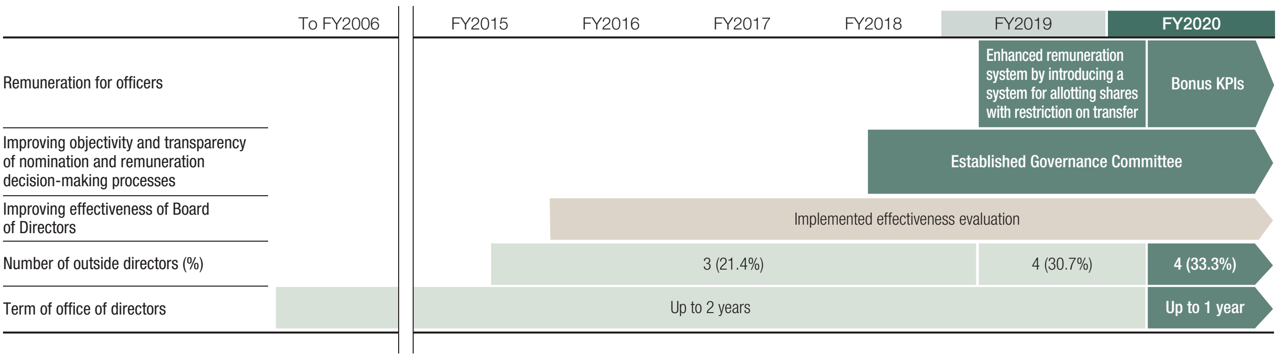
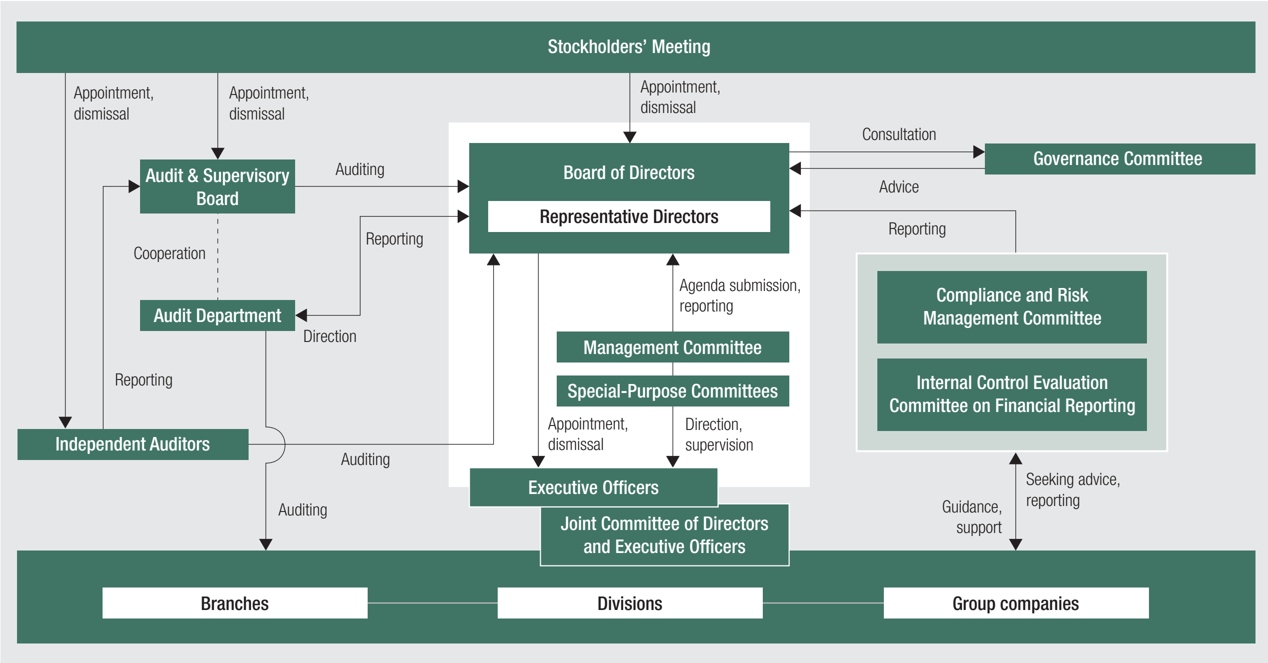


Diagram of Corporate Governance Structure



Governance Committee


Governance Committee meeting attended by the President in August 2020

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

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

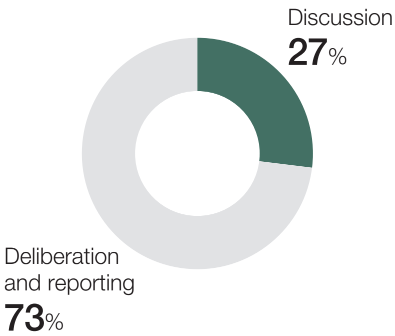
In response to the recommendation that we enhance discussions regarding management approaches and medium- and long-term issues, greater opportunities were provided for discussion.

Principal Matters Discussed

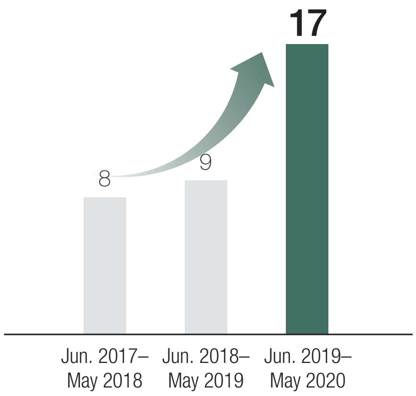
A total of 17 matters were discussed, including:

- 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 15 of 15 Audit & Supervisory Board meetings	4 of 4 Governance Committee meetings
1			○		○		10 of 11 Board of Directors meetings 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 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.

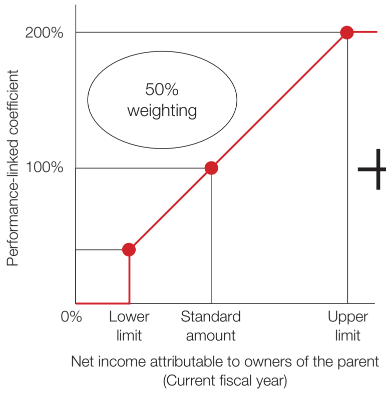
For fiscal 2019, the Board of Directors deliberated and decided, after discussions at the Governance Committee and based on the committee's advice and recommendations, to pay bonuses based on an evaluation coefficient of 190%.

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%



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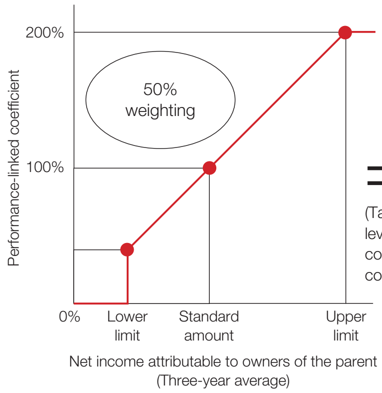


± 20%

(Target achievement levels: Including consideration of ESG components)

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	General Manager, Civil Engineering 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
Overseas Building Construction Project Review Committee	General Manager, Building Construction Management Division	
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 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	General Manager, Civil Engineering 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
PFI Building Committee	General Manager, Building Construction Management Division	
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

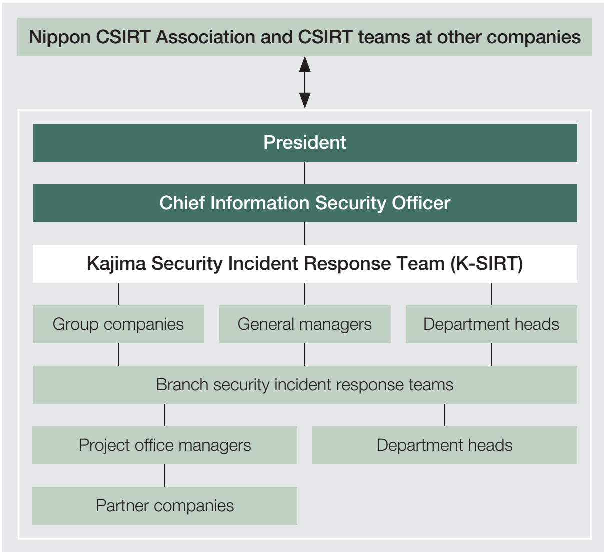
The Kajima Group handles a wide range of information, including that relating to buildings, customers, management, technology, intellectual property and personal information, in the course of providing various services, including design and construction. The Group adheres to an information security policy 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. • 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. • 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. • When investing in individual projects, Head Office special-purpose committees (Development Steering Committee and Overseas Development Project Steering Committee) and others ascertain risks and deliberate on countermeasures. The Board of Directors and the Management Committee then deliberate on these investments in accordance with defined standards. • Each fiscal year, the Board of Directors deliberates on listed stocks held for strategic purposes, based on an assessment of the rationality of continuing to hold them and asset efficiency from a medium-to-long-term perspective, and sells off, in principle, stocks that no longer satisfy the relevant criteria.
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. • 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. • 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. • 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. • 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. • 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. • 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. • 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. • Whenever the Group enters into a new transaction with a partner company, in principle, it examines the financial position and other characteristics of the partner company before entering into a basic construction subcontracting agreement. In addition, the Group conducts regular visits to major partner companies to confirm management conditions including their financial position.
Hazard risks (natural disasters, pandemics, etc.)	• In the event of a large-scale natural disaster such as a major earthquake or wind or flood damage, there could be an impact on the Group's business performance due to damage to construction in progress, delays in construction, or damage to Company-owned buildings. • In the event of a pandemic, there could be an impact on the Group's business performance, including a decline in construction contract awards due to an economic downturn or a decrease in revenues due to the suspension of construction work.	• The Group is working to further improve its disaster preparedness and business continuity capabilities through means such as the formulation of a BCP in case of a disaster and conducting practical BCP drills assuming an earthquake directly under the Tokyo metropolitan area, torrential rains and other scenarios. • In response to the COVID-19 pandemic, the Group positioned preventing 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.

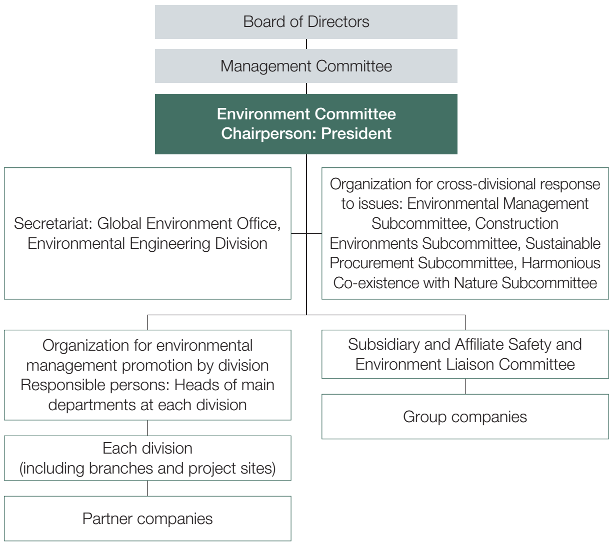
Disclosure of Climate Change-Related Information (Disclosure in line with the TCFD Recommendations)

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	Impact on FY2030 profits and losses: 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 • Construction market contraction due to higher taxes • Restrictions on business based on CO_2 emission allowances	(1) Promotion of activities to reduce CO_2 emissions during construction (2) Development and introduction of low-carbon construction materials (3) Securing of renewable electricity supplies
Developing technologies for new markets and climate change	• Change in the energy mix (reduction in fossil fuels) • Increase in demand for renewable energy • Expansion of the ZEB market • Effects of rising temperatures on working conditions	(1) Selection of focus fields based on the energy mix (2) Development of design and construction technologies for renewable energy facilities (3) Pursuit of business feasibility and comfort for ZEBs (4) Development of labor-saving construction technologies
Responding to intensification of extreme weather events	• Disaster prevention and mitigation, and national resilience • Relocation from disaster risk areas	(1) Promotion of technology development related to disaster prevention and mitigation, and BCP (2) Development and application of hazard maps that leverage proprietary knowledge (3) Construction work that contributes to national resilience and the resilience of buildings and structures

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.

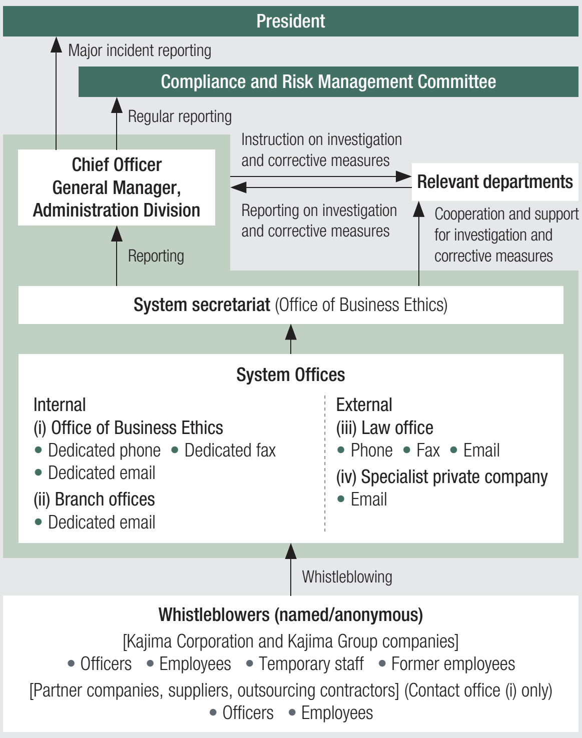
Through online courses and the distribution of information leaflets throughout the Group, Kajima is ensuring that all employees are thoroughly aware of relevant rules and use the system when needed. A separate contact office has also been established for general inquiries and consultations from external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

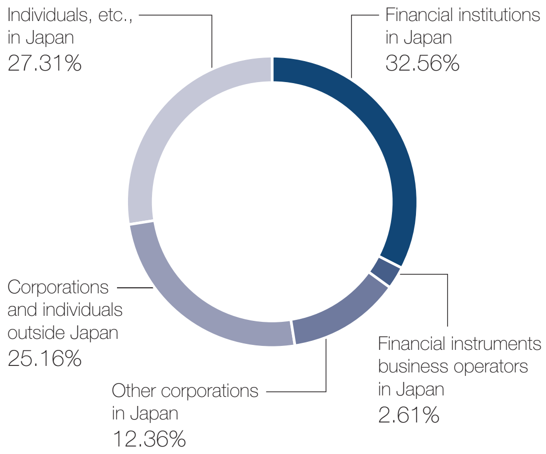
Number of Shares – Authorized	1,250,000,000
Number of Shares – Issued and Outstanding	528,656,011 (including treasury stock of 15,131,225 shares)
Number of Stockholders	60,622 (up 4,026 from fiscal 2018 end)

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

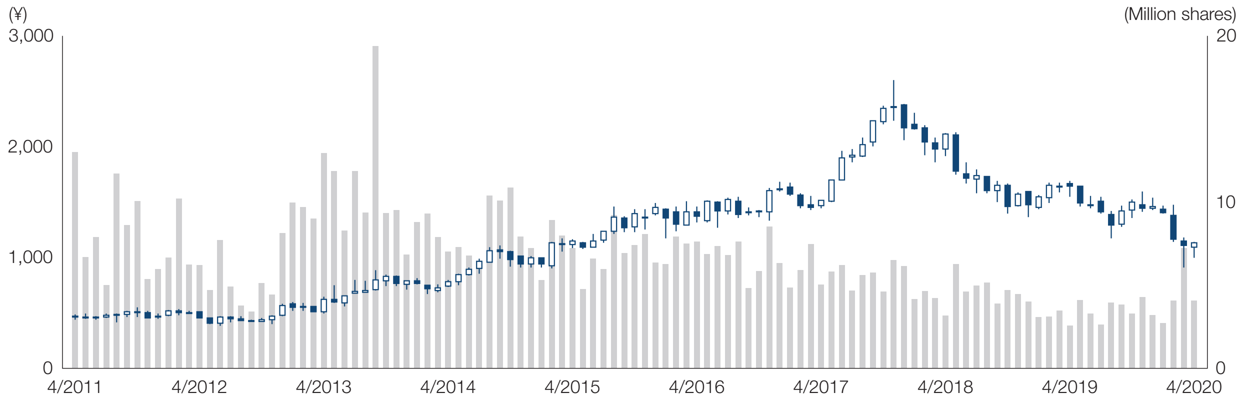
Notes 1. In addition to the above, Kajima Corporation has 15,131,225 shares of treasury stock.
2. Shareholding was computed excluding total treasury stock.

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.

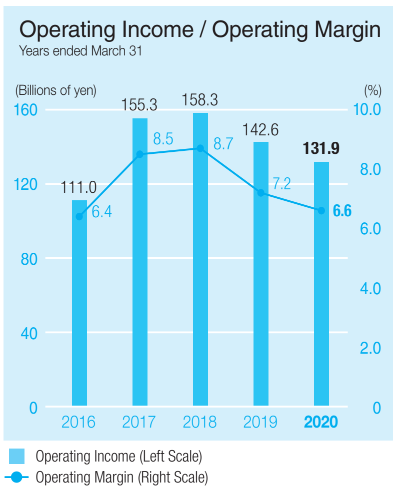
Construction contract awards totaled ¥1,752.8 billion, down 12.8% from ¥2,010.1 billion in the previous fiscal year, due to a decrease in building construction from the previous fiscal year, when building construction was at a high level. On a non-consolidated basis, contracts awarded to Kajima Corporation (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)

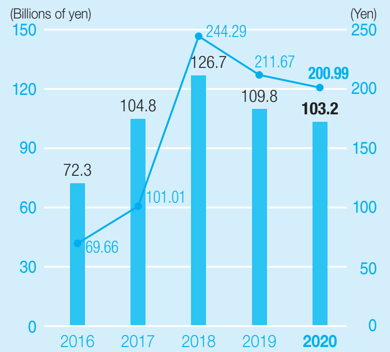
Revenues were roughly in line with the previous fiscal year's figure at ¥393.1 billion, up 0.9% from ¥389.6 billion.

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

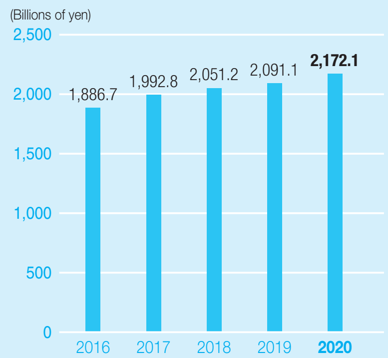
Net Income Attributable to Owners of the Parent / Basic Net Income per Share
Years ended March 31



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

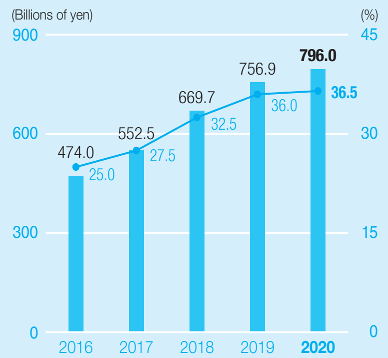
Note: The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, basic net income per share for the fiscal years ended March 31, 2018 and 2019 is calculated as if the consolidation of shares had been conducted at the beginning of the fiscal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

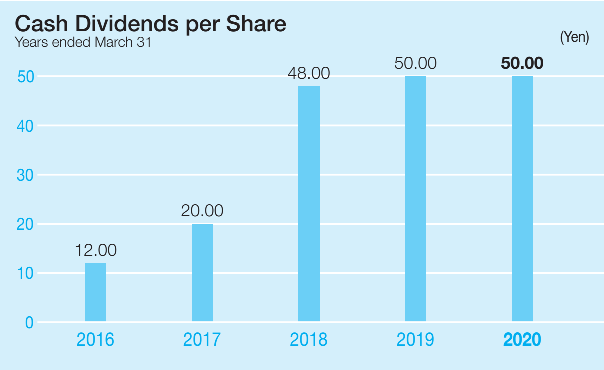
(Billions of yen)

(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					
	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
		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.

	Millions of Yen 2020		Millions of Yen 2019		Thousands of U.S. Dollars (Note 1) 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**

Years Ended March 31

*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 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 ARTES Corporation, Japan Sea Works Co., Ltd. and 32 other companies
3) Number of affiliates accounted for using the equity method	:	82 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 2020	Millions of Yen 2019	Thousands of U.S. Dollars 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

As of March 31, 2020	Hedged item	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
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)

As of March 31, 2019	Hedged item	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
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)

As of March 31, 2020	Hedged item	Contract Amount (Thousands of U.S. Dollars)	Contract Amount due after One Year (Thousands of U.S. Dollars)	Fair Value (Thousands of U.S. Dollars)
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	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	¥ 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	Thousands of U.S. Dollars							
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	**$ 2,643,110**	**$ 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	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	**¥ 1,791,118**	**¥ 87,389**	**¥ 132,245**	**¥ 2,010,752**

Year Ended March 31, 2019	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	¥ 1,776,346	¥ 68,244	¥ 129,679	¥ 1,974,269

Year Ended March 31, 2020	Thousands of U.S. Dollars			
	Construction	Real Estate	Other	Total
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