CORPORATE REPORT

Financial Review 2018

Year ended March 31, 2018

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

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

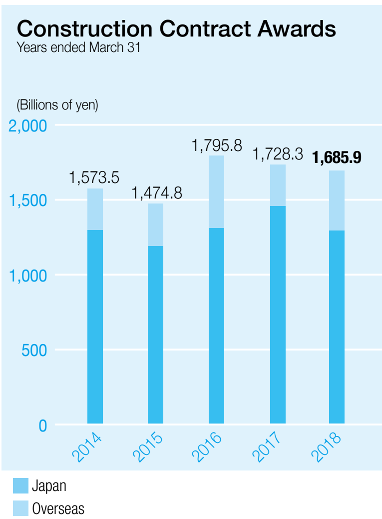
In the Japanese construction market, construction investment continued to be stable amid steady investment in redevelopment projects and construction of manufacturing facilities, while rising construction costs were held in check.

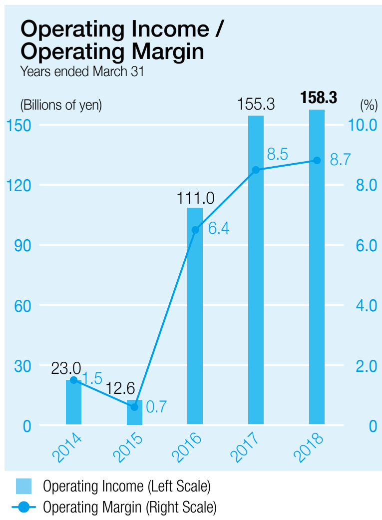
Under those circumstances, the Kajima Group took steps to bolster the competitiveness of its construction business in Japan based on the Kajima Group Medium-Term Business Plan (2015–2017), which reached its final year. At the same time, the Group strengthened and expanded businesses that leverage its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

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

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

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





Overview of Performance by Business Segment

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

Civil Engineering

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

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

(Billions of yen)

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

Building Construction

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

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

(Billions of yen)

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

Real Estate Development and Other Businesses

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

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

(Billions of yen)

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

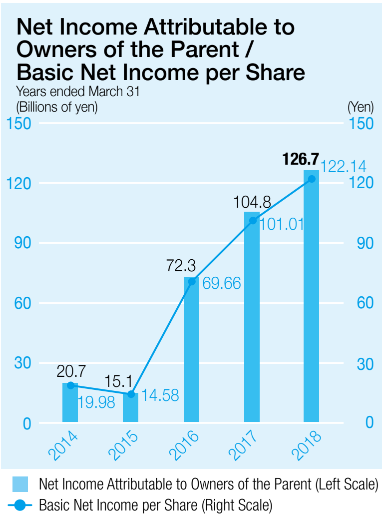
Domestic Subsidiaries and Affiliates

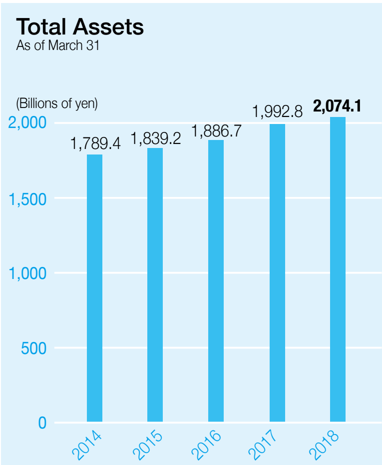
(Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by domestic subsidiaries and affiliates)

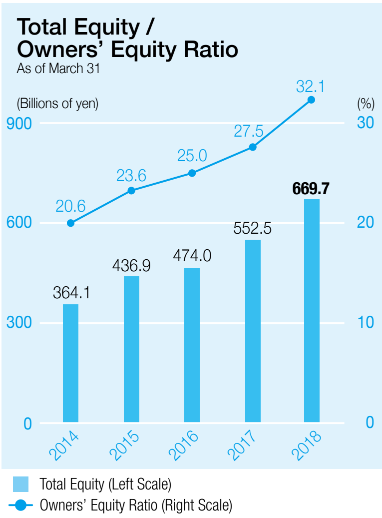
Revenues were roughly in line with the previous fiscal year at ¥363.9 billion, up 0.8% from ¥361.1 billion in the previous fiscal year. Operating income decreased 16.8% to ¥16.2 billion compared with ¥19.5 billion in the previous fiscal year, mainly due to lower gross profit margin in the segment's businesses.

(Billions of yen)

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







Overseas Subsidiaries and Affiliates

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

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

(Billions of yen)

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

Analysis of Financial Position

Assets, Liabilities and Equity

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

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

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

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

Cash Flows

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

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

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

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

Statements of Cash Flows Highlights

(Billions of yen)

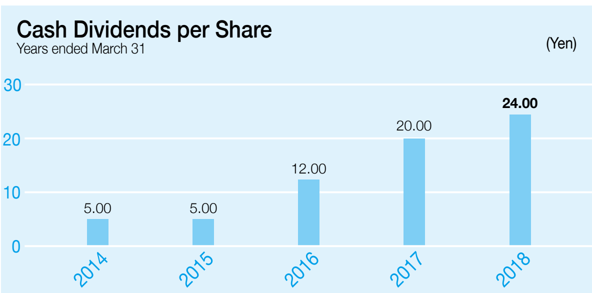
(Years ended March 31)	2018	2017	2016
Net cash provided by operating activities	120.4	187.5	36.3
Net cash used in investing activities	(47.3)	(31.9)	(27.8)
Net cash used in financing activities	(53.0)	(20.5)	(13.1)
Cash and cash equivalents, end of year	389.3	367.4	234.8

Basic Profit Allocation Policy and Payment of Dividends*

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

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

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



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

Forecast for the Fiscal Year Ending March 31, 2019*

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

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

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

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

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

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

Business-Related Risks

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

1. Changes in the Business Environment

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

2. Changes in Construction Costs

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

3. Fluctuations in Interest and Foreign Exchange Rates

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

4. Fluctuations in Asset Value and Profitability

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

5. Country Risk

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

6. Changes in the Environment Surrounding Private Finance Initiatives

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

7. Defective Construction or Other Services

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

8. Counterparty Credit Risk

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

9. Changes in Regulations Concerning Deferred Income Tax Assets

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

10. Changes to Laws and Regulations

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

Consolidated Balance Sheet

KAJIMA Corporation and Consolidated Subsidiaries

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

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

Consolidated Statement of Income

KAJIMA Corporation and Consolidated Subsidiaries

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

Consolidated Statement of Comprehensive Income

KAJIMA Corporation and Consolidated Subsidiaries

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

Consolidated Statement of Changes in Equity

KAJIMA Corporation and Consolidated Subsidiaries

Years Ended March 31, 2018 and 2017

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

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

Year Ended March 31, 2018

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

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

Consolidated Statement of Cash Flows

KAJIMA Corporation and Consolidated Subsidiaries

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

Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries

Year Ended March 31, 2018

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

(1) Breakdown as of March 31, 2018

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

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

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

3) Companies newly accounted for using the equity method : 3 subsidiaries and 12 affiliates due to new establishment, acquisition and applying the influence concept

4) Companies excluded from the equity method : 6 subsidiaries and 1 affiliate due to liquidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All other leases are accounted for as operating leases.

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

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

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

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

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

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

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

Derivative financial instruments are classified and accounted for as follows:

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

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

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

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

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

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

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

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

w. New Accounting Pronouncements

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

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

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

(2) Accounting Standard for Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. REVALUATION OF LAND

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

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

5. LONG-LIVED ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

6. INVESTMENT PROPERTY

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

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

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

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

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

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

7. LONG-TERM LOANS RECEIVABLE

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

8. PLEDGED ASSETS

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

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

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

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

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

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

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

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

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

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

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

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

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

10. COMMERCIAL PAPER

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

11. ADVANCES RECEIVED ON CONSTRUCTION PROJECTS IN PROGRESS

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

12. RETIREMENT BENEFITS

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

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

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

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

a. Changes in defined benefit obligation

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

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

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

b. Changes in plan assets

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

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

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

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

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

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

d. Reconciliation with the consolidated balance sheet

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

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

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

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

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

e. Periodic benefit costs

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

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

f. Other comprehensive income

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

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

g. Accumulated other comprehensive income

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

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

h. Plan assets

(1) Components of plan assets

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

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

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

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

i. Assumptions

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

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

j. Defined contribution pension plans

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

13. EQUITY

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

a. Dividends

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

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

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

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

c. Treasury stock and treasury stock acquisition rights

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

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

14. INCOME TAXES

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

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

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

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

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

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

15. BUSINESS COMBINATIONS

Year Ended March 31, 2018

Business Combination by Acquisition

a. Outline of the business combination

(1) Name of acquired company and its business outline

Name of the acquired company: Cockram Holdings Pty Ltd

Business outline: Construction business in Australia and other countries

(2) Major reason for the business combination

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

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

(3) Date of business combination

May 2, 2017

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of the company after the combination

Cockram Holdings Pty Ltd

(6) Ratio of voting rights acquired

70%

(7) Basis for determining the acquirer

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

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

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

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

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

d. Major acquisition-related costs

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

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

(1) Amount of goodwill incurred

¥1,971 million ($18,594 thousand)

(2) Reasons for the goodwill incurred

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

(3) Method and period of amortization

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

f. The assets acquired and the liabilities assumed

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

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

g. Pro forma information

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

16. LEASES

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

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

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

b. Operating leases as a lessor
The minimum rental receivables under noncancelable operating leases as of March 31, 2018 and 2017, were as follows:

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

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Policy for financial instruments

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

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

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

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

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

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

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

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

c. Fair values of financial instruments

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

(1) Fair value of financial instruments

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

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

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

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

ASSETS

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

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

Marketable securities and Investments in securities

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

Notes and accounts receivable—trade

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

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

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

LIABILITIES

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

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

Current portion of long-term debt

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

Long-term debt

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

DERIVATIVES

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

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

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

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

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

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

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

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

18. DERIVATIVES

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

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

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

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

a. Derivative transactions to which hedge accounting is not applied

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

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

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

b. Derivative transactions to which hedge accounting is applied

As of March 31, 2018	Hedged item	Contract Amount (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	¥ 54	¥ —	¥ (3)
Norwegian Krone forward	Accounts payable—trade	76	—	0
Euro forward	Accounts payable—trade	20	—	(0)
Selling:				
Euro forward	Accounts receivable–trade	3,892	—	83
Total		¥ 4,042	¥ —	¥ 80
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	¥ 32,994	¥ 31,833	¥ (465)
Total		¥ 32,994	¥ 31,833	¥ (465)

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

As of March 31, 2018	Hedged item	Contract Amount (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	$ 509	$ —	$ (28)
Norwegian Krone forward	Accounts payable—trade	717	—	0
Euro forward	Accounts payable—trade	189	—	(0)
Selling:				
Euro forward	Accounts receivable–trade	36,717	—	783
Total		$ 38,132	$ —	$ 755
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	$ 311,264	$ 300,311	$ (4,387)
Total		$ 311,264	$ 300,311	$ (4,387)

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

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

19. COMMITMENTS AND CONTINGENT LIABILITIES

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

20. OTHER COMPREHENSIVE INCOME (LOSS)

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

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

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

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

22. NET INCOME PER SHARE

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

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

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

23. ADDITIONAL INFORMATION

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

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

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

1) Reason for change

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

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

2) Content of change

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

3) Effective date of change

October 1, 2018

(2) Consolidation of Shares

1) Objective of consolidation of shares

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

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

2) Contents of consolidation

i) Type of shares to be consolidated

Common shares

ii) Method and ratio of consolidation

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

iii) Number of shares to be reduced by consolidation

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

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

3) Treatment of fractions less than one share

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

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

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

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

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

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

(4) The effects on net income per share

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

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

24. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

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

25. SEGMENT INFORMATION

a. Segment Information

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

(1) Description of reportable segments

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

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

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

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

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

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

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

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

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

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

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

b. Related Information

(1) Information about products and services

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

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

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

(2) Information about geographical areas

1) Revenues

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

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

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

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

2) Property and equipment

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

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

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

c. Information about impairment losses of assets

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

Notes:

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

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

d. Information about goodwill

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

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

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

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

Note: Goodwill is not allocated to operating segments.

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kajima Corporation:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 26, 2018

Member of
Deloitte Touche Tohmatsu Limited