

History of Kajima

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

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

Building for the Next 100 Years

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

Expansion
into Overseas
Business

Branching Out
into Real Estate
Development

Leadership in
skyscraper
technology

Leadership in
Building
Skyscrapers

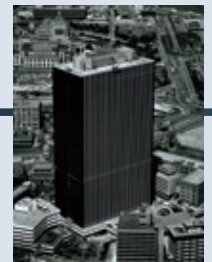
Began building dams
and hydroelectric
power plants

Leadership
in Civil
Engineering

Began railway
construction
subcontracting

Leadership in
Railways

Foundation
and Leadership
in Western-Style
Buildings



Kasumigaseki Building
(first skyscraper in Japan)



Kamishiba Dam
(first arch dam in Japan)



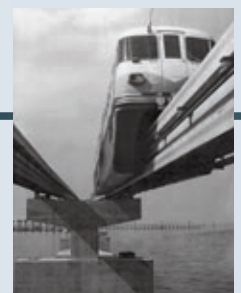
Meishin Expressway
(first expressway in Japan)



Agano River Bridge



Tanna Tunnel



Tokyo Monorail Haneda
Airport Line

1840

1860

1880

1900

1920

1940

1960

Businesses That Continue to Meet Contemporary Demands

Began as a local carpenter in Edo (former name of Tokyo), and subsequently became the official carpentry firm for the daimyo's residence. Thereafter expanded business to Yokohama, where it constructed the first trading houses for foreign firms in Japan, gaining a reputation as a pioneer in Western-style architecture.



Ei-ichiban Kan (English House No. 1)

Involved in the railway construction subcontracting business in Japan from the very start. Railways were a symbol of the modern age for the country. Subsequently began constructing dams to meet growing demand for electricity.

First in Japan's construction industry to open a technical research institute

Built the first skyscraper in Japan, where earthquakes are frequent, and established a reputation as a leader in skyscraper technology. Subsequently constructed buildings featuring seismic damping systems.



Redeveloped Little Tokyo
(Los Angeles, USA)



Les Domaines de Saint Endréol
(France)



Kaohsiung MRT Systems Red Line
Section C4 (Gaoxing)



Senayan Square (Indonesia)



The Woodleigh Residences mixed
commercial and residential
development (Singapore)



Shiki New Town



Atema Highland Resort Belnatio



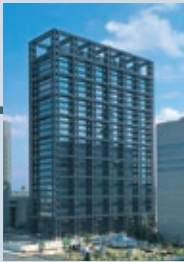
GranTokyo, Yaesu Exit, Tokyo Station



Haneda Innovation City



World Trade Center Building



Osaka Tokio Marine &
Nichido Building



Yebisu Garden Place



Tokyo Midtown Hibiya



Otemachi One



Honshu-Shikoku Bridge Project



Tokyo Bay Aqua-Line



D-Runway, Tokyo International Airport
(Haneda)



Koishiwara Dam



Tobu Isesaki Line
Kita-Senju Station Improvement



East Japan Railway Company
Ueno-Tokyo Line



Kyushu Railway Company
Kumamoto Station Building,
Addition of Floors

1980

2000

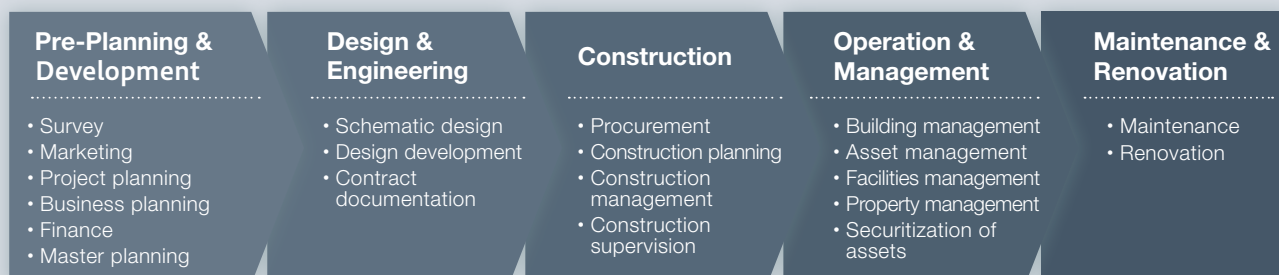
2020

Built large-scale mixed-use developments in various locations that leveraged the Company's technological skills and comprehensive capabilities as a general contractor-developer with both design and construction capabilities.

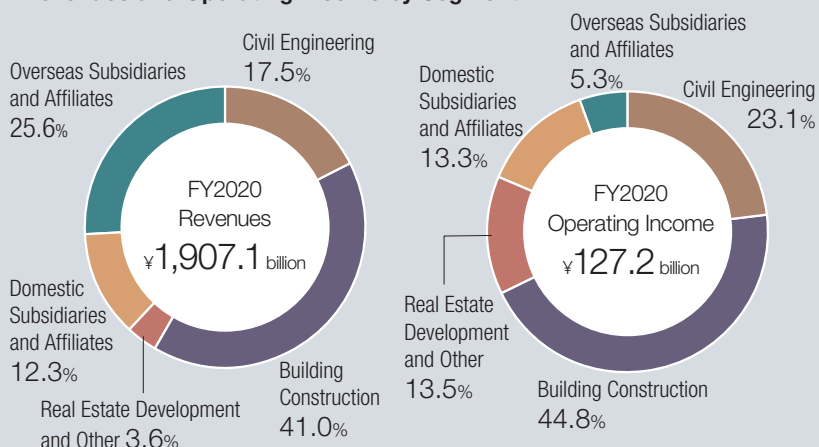
The first Japanese construction company to enter overseas markets, actively expanding its overseas construction and real estate development businesses in line with the progress of globalization.

The Kajima Group's Businesses

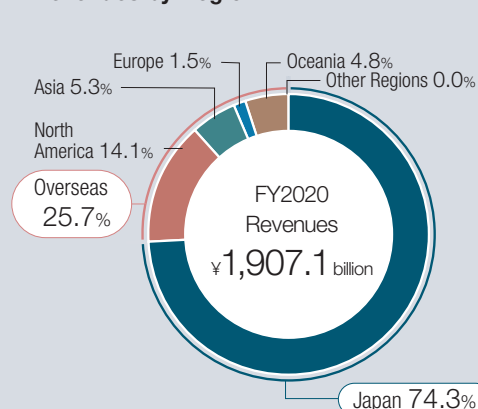
The Kajima Group has established regional headquarters in North America, Asia, Europe and Oceania in addition to Japan, and has contributed to the development of industry and the economy through its construction, engineering, real estate development and other businesses. Starting with the advanced construction technologies we have cultivated since our founding, our businesses deploy capabilities from pre-planning, development, design and engineering in the upstream part of the construction value chain to downstream maintenance and management. In doing so, we provide communities and customers around the world with urban spaces, buildings and infrastructure built to the highest standard.



Revenues and Operating Income by Segment



Revenues by Region



Kajima Corporation

Civil Engineering Business

► Pages 30-31

Design and construction of infrastructure such as dams, bridges, tunnels and highways. We are also involved in construction of renewable energy facilities for a carbon neutral society.

Building Construction Business

► Pages 32-33

Design and construction of buildings such as offices, production facilities, laboratories, hospitals and schools. We are stepping up our handling of renovation work in anticipation of market expansion.

Real Estate Development Business and Other

► Pages 34-35

Domestic real estate development, sales and leasing businesses. We conduct businesses that leverage our technological capabilities and network, mainly in the Tokyo metropolitan area and Japan's core regional cities.

Domestic Subsidiaries and Affiliates

► Page 39

We conduct a wide range of businesses in the upstream and downstream fields of construction, such as specialized construction including road paving, ground improvement, interior design and equipment, as well as survey and design, building leasing, BIM support and building management.

Overseas Subsidiaries and Affiliates

► Pages 36-37

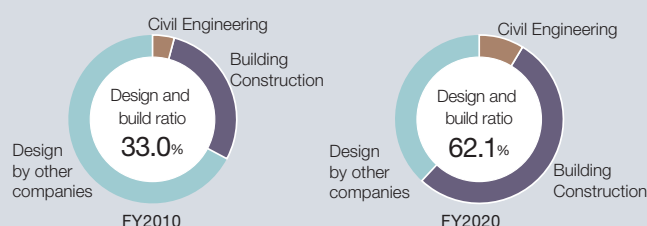
We conduct building construction, design, real estate development and other businesses, mainly in North America, Asia, Europe and Oceania. We are expanding our business domains and building a global network through alliances with overseas companies, M&A and other measures.

Construction Business

Our domestic operations are organized into 12 branches throughout Japan, with each branch acting as a single management unit comprising sales, construction and administrative departments. They form an organization of partner companies to conduct business activities rooted in the local community. The Kajima Group's construction capabilities are also enhanced by subsidiaries and affiliates with superior technologies in specialized fields.

We have earned the trust of our customers due to our R&D capabilities for creating cutting-edge technologies, engineering capabilities for building production, logistics and research facilities with high functionality and productivity, and our high-quality design capabilities in all areas of building construction and civil engineering, including buildings (design, structures, equipment, etc.) and infrastructure facilities (foundations, structures, underground spaces, etc.). As a result, the percentage of design and build projects in which we participate from the initial stages has increased in recent years. In addition, our subsidiaries and affiliates in charge of building management are involved in projects from the planning and design stages, and use their knowledge of building operations to provide optimal construction services that meet the true needs of society and customers.

Ratio of Design and Build Projects in Total Contract Awards (Non-Consolidated)



In the overseas building construction business, which is conducted through local subsidiaries, we are acquiring human resources, customers and high-value-added technologies as well as expanding our construction system through alliances with local companies and M&A. In the overseas civil engineering business, which is under the direct control of Kajima Corporation, we are utilizing the technologies we have cultivated in Japan with the aim of making an ongoing contribution to the countries and regions in which we operate and continuing to earn trust.

Real Estate Development Business

Through active investment in real estate development in Japan and overseas, the real estate development business has established itself as a core business along with building construction.

Based on its strength in construction technologies, the Kajima Group's real estate development business has generated many high-quality projects in Japan and overseas. In Japan, we are diversifying our portfolio of regions and uses, with a focus on offices in the Tokyo metropolitan area. We are also utilizing REITs managed by a subsidiary to expand profit opportunities in property management and other service-oriented businesses. Overseas, our local subsidiaries maintain the human resources and networks to conduct a variety of businesses based on the market characteristics of each region, including short-term merchant development projects and long-term holding businesses.



Value Creation Process

The Kajima Group will use its strengths in areas such as social infrastructure, urban development and building construction as the base to reinforce its core businesses and take on challenges to create new corporate value in response to the dramatic changes taking place around the world. By doing so, we aim to help resolve social issues and achieve sustainable growth.

Social Issues
and Global
Trends

INPUTS

Financial Capital

- Owners' equity: ¥874.8 billion
- Interest-bearing debt: ¥317.0 billion

Human Capital

- An unrelenting aggressive, enterprising spirit
- 18,905 Group employees
- Qualified personnel*:
873 professional engineers, 2,390 first-class architects, 1,882 first-class civil engineering works execution managing engineers and 2,578 first-class building operation and management engineers

Intellectual Capital

- A⁴CSEL automated construction system
- Kajima Smart Future Vision
- An open innovation network spanning Japan (Kajima Technical Research Institute), Singapore (KaTRIS) and Silicon Valley in the U.S. (technology investigation base)
- R&D investment of ¥49.0 billion (FY2018-2020 total)

Manufactured Capital

- The construction industry basically has no manufacturing facilities
- Partnerships with customers and the companies we work with
- Approximately 940 companies in Kajima Business Partners' Association, and 4,500 companies in Rokueikai
- Multi-dimensional global network rooted in local communities

Social and Relationship Capital

Natural Capital*

- Energy usage: 779 GWh
- Water: 1.02 million m³
- Main construction materials: 1,951,000 t

Kajima Group Strength

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

Design
capabilities

Construction
capabilities

Business
creativity

Proposal
capabilities

Customer
responsiveness

Core Businesses

Construction

Real Estate
Development

A business model centered on the construction and real estate development businesses that offers added value throughout the entire lifecycle of buildings and infrastructure

► Pages 14-15

Sources of value creation

Human resources and technology

Corporate culture
nurtured over our long history

Safety and health

Environment

Quality

SEQ Policy ► Page 79

Note: Figures are as of March 31, 2021
* Kajima Corporation only

Kajima's Corporate Philosophy

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Kajima Group Vision

► Pages 16-17

Material Issues

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Goals for 2030

Medium-Term Business Plan (FY2021-2023)

► Pages 22-25

OUTPUTS

The Kajima Group's Businesses

► Pages 10-11

Civil Engineering

Building Construction

Real Estate
Development

Overseas Operations

Domestic Subsidiaries
and Affiliates

Strategies by Business Segment

► Pages 30-39

OUTCOMES

Financial Capital

- Net income attributable to owners of the parent: ¥98.5 billion
- Return on equity: 11.8%
- Dividend payout ratio: 28.0%

Human Capital

- Promotion of flexible work styles
- Diverse workforce
- Number of female employees in managerial positions: 164*
- Percentage of employees working at overseas subsidiaries and affiliates: 30.6% (consolidated)

Intellectual Capital

- Promotion of open innovation
- Number of patents registered: 231*
- Number of patents published: 256*

Manufactured Capital

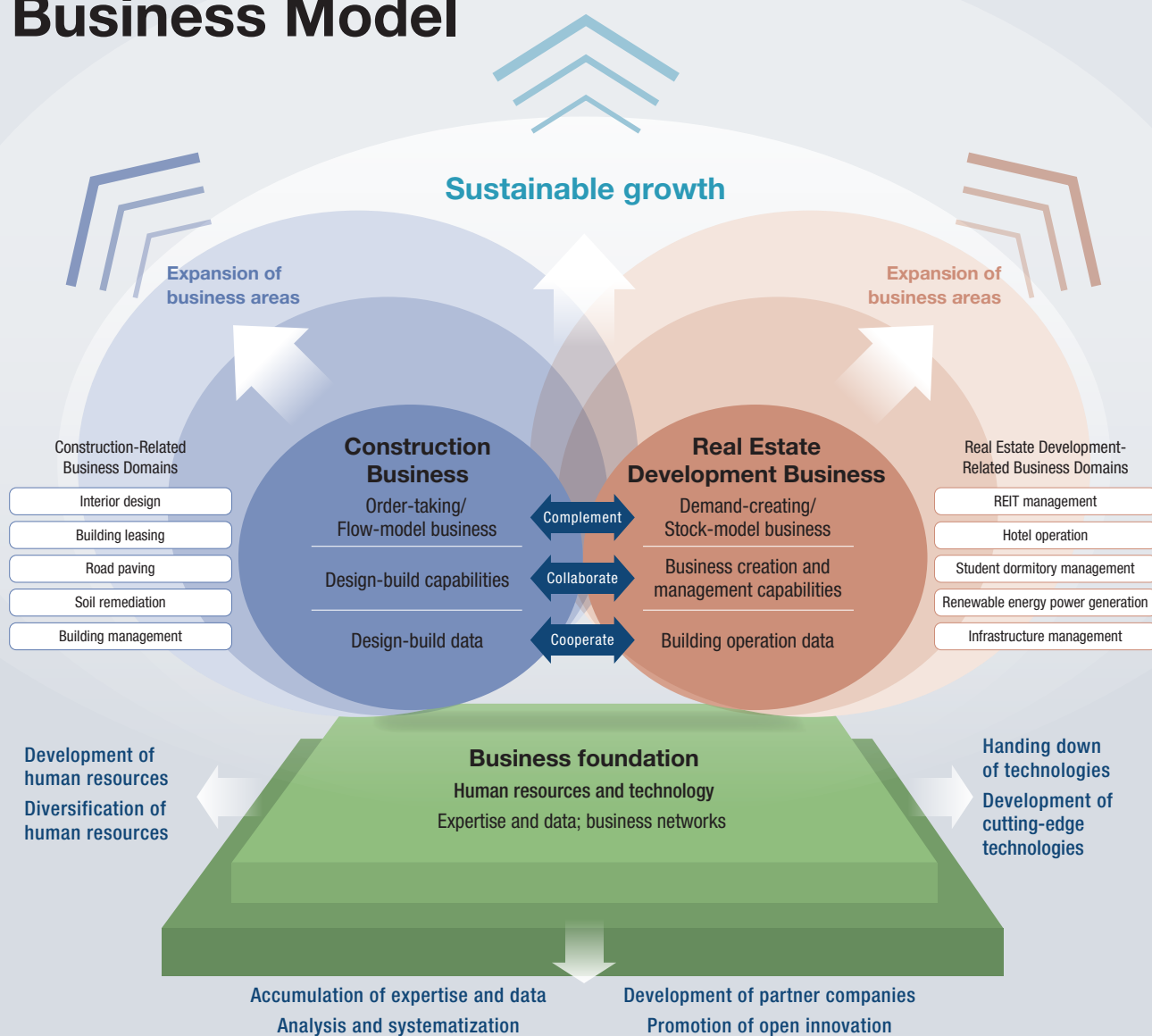
- Safety of construction sites
- Securing workers in the construction industry over the medium to long term
- Reform of multilayer subcontracting structure
- Revitalization of local communities
- Promotion of smart society initiatives
- Overseas revenues/Total revenues ratio: 25.7%

Social and Relationship Capital

Natural Capital*

- Reduction in CO₂ emissions per unit of sales attributable to construction at domestic construction sites: 37.3% (compared with FY2013)
- Final disposal rate for construction waste: 2.5%

Business Model



The Kajima Group is pursuing sustainable growth centered on the core businesses of construction, on which it was founded, and real estate development, which it has cultivated since the 1980s.

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

The real estate development business is a capital-intensive investment business, a different business model from the labor-intensive construction business. In addition, the real estate development business grows by deploying cash generated by the construction business, and contributes to business performance as a stable source of income. This business recoups investments and earns high profits by selling assets when market conditions and performance trends are optimal.

In this way, the differing characteristics of the construction business and real estate development business complement each other and provide stability to the Kajima Group's operations.

The design-build capabilities of the construction business ensure quality and construction schedules in the real estate development business. Likewise, business creation and management capabilities of the real estate development business, such as expertise in acquiring permits and licenses, help to strengthen proposal capabilities and expand order opportunities in the construction business. In addition, we believe that maximizing the synergy between the construction and real estate development businesses, such as by creating new business opportunities through the coordination of design-build data and building operation data, leads to sustainable growth.

The Kajima Group will expand to related business domains and develop business globally by positioning the construction and real estate development businesses as growth drivers. This will enable us to acquire diverse human resources, cutting-edge technologies, and high value-added expertise and data, as well as to build a solid business foundation by expanding our networks with customers, partner companies and co-creation partners. Supported by that business foundation, the Kajima Group will continue to evolve and grow through a virtuous cycle aimed at further business expansion.

A Project Combining Construction, Real Estate Development and Digital Tech

Yokohama Gate Tower

Project Overview

The Yokohama Gate Tower Project involves the construction of a mixed-use development project centered on an office building with a total floor area of more than 80,000 square meters. Three companies—Kajima Corporation, Sumitomo Life Insurance Company, and Mitsui Sumitomo Insurance Company, Limited—are co-developing the project.

In addition to highly functional rental office space that can be used for head offices and R&D centers, it will have rental conference rooms, clinics and other facilities to provide a comfortable environment for office workers. It will also include a planetarium, a new landmark for Yokohama that is expected to be a major attraction. Moreover, the building features high-performance seismic damping that provides excellent disaster prevention functionality, thus contributing to a safe and secure community. The building also has disaster support functions such as a temporary shelter space for people who are stranded after an earthquake or other disaster.

Kajima is also cooperating with the City of Yokohama in various measures to contribute to achieving the SDGs. These include relocating the Yokohama SDGs Design Center to Yokohama Gate Tower. The center is an intermediary support organization that tackles issues related to the SDGs, and the publicity of SDGs Future City initiatives.



Location:	1-2-5 Takashima, Nishi-ku, Yokohama City
Access:	6-minute walk from Yokohama Station, 1-minute walk from Shin-Takashima Station on Minatomirai Line
Site area:	9,307.95 m ²
Total floor area:	Approx. 84,000 m ²
Uses:	Offices, crowd attraction facilities, stores, parking
Structure and scale:	Steel-frame structure (seismic damping structure) with one basement floor and 21 floors above ground
Design:	Kajima Corporation
Construction:	Joint venture of Kajima Corporation, Tekken Corporation and Omata KK. Corporation
Construction schedule:	Construction started in April 2019, with completion scheduled for October 2021, and grand opening planned for March 2022

Group Initiatives on Technologies for Realizing the Kajima Smart Future Vision

From the building planning and design stage, Kajima has taken advantage of its participation in this project as a project owner to implement an advanced construction process that deploys digital technology. We have employed on-site welding robots to increase productivity while achieving a level of quality on par with the work of a veteran welding technician. In addition, we have used BIM in design-build projects to increase productivity and create a new construction management process. BIM is utilized in the equipment and materials location management function of 3D K-Field,¹ the pour volume control of our concrete placement management system, and the sharing of renderings in GENAR,² in addition to adjustment of coordination drawings that centralize architectural, structural, and mechanical and electrical equipment design information, and interference checking to detect intersections of design elements.

Kajima also introduced a multi-monitor smart construction office, and adopted a variety of new digital construction technologies, including a personnel entry and exit management system, a system for managing entry and exit of vehicles at the construction site, an interior construction process management system, a vital sign sensor health management support system, and a remote product inspection system. These systems improve worker efficiency and occupational health and safety conditions at the construction site.

Furthermore, we tapped into our in-house real estate development projects in utilizing the construction site as a test bed for demonstrations of technologies including a fireproof coating spray robot, a floor concrete finishing robot, an AI

cleaning robot, an exterior mounting assist machine, and an indoor patrol drone. This has helped to advance technological development. In total, we introduced and tested 34 new technologies in cooperation with a wide range of co-creation partners both in and outside the Kajima Group, such as Kajima Kress Corporation and SoftBank Corporation. The Kajima Group is making concerted efforts to achieve the Kajima Smart Future Vision,³ which is aimed at innovating construction processes with digital technology.



1. A system for visualizing conditions of the construction site in real time. It uses BIM to display the location of equipment, materials and people in a 3D spatial model of the building.
2. A system that enables users to confirm that post-construction appearance is as envisioned by superimposing a computer-generated image from BIM design information onto an image of the actual conditions in front of them
3. A plan to achieve a 30% improvement in productivity by fiscal 2024 based on the core concepts of "half of the work with robots," "half of project management done remotely," and "digitalization of all processes"

Kajima Group Vision

The business environment surrounding the Kajima Group has changed rapidly due to a transformation in the industrial structure, people's lifestyles, behaviors and values, as well as global climate change, carbon neutrality and advancements in digitalization. In addition, the ongoing COVID-19 pandemic is having a dramatic impact on the entire world, accelerating the pace of social, economic and technological change.

To ensure the sustainable growth of the Kajima Group amid this business environment, Kajima recognizes that it must attract diverse human resources and co-create value in collaboration with external resources. This is the understanding behind the Kajima Group Vision, which is designed to ensure that internal and external stakeholders understand the course the Kajima Group has charted to the future.

The Kajima Group Vision consists of the Vision Statement, which articulates the Kajima Group's future direction, and the Values we will uphold in realizing the Vision Statement.

Vision Statement

**Willingness to take on new challenges
leveraging the power of ideas and technology
to make imagination and amazement a reality**

Values

Openness

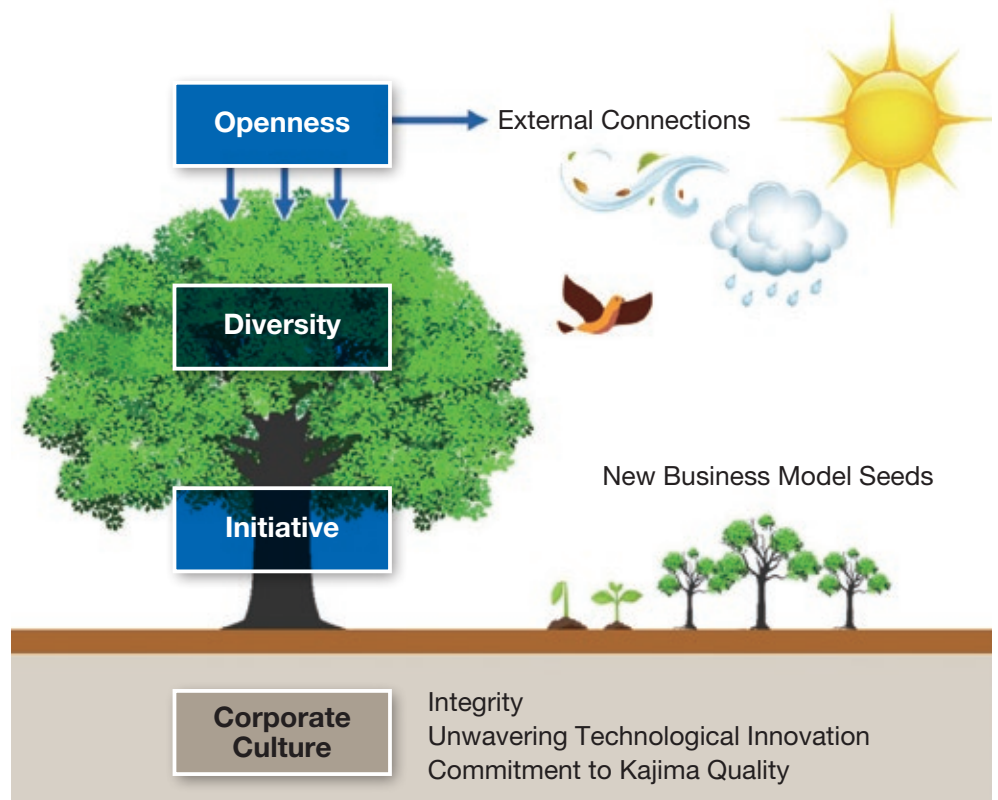
Having the ability to adapt to changes by seeking external resources and stimuli necessary for business creation and research and development

Diversity

Placing importance on diverse human resources and work styles, and having the receptiveness to recognize sharp ideas and different values

Initiative

Being able to take the initiative and having the creativity to put together mechanisms for new value areas



Positioning of the Corporate Philosophy, Vision, Material Issues and the Medium-Term Business Plan



The Vision Statement incorporates two values— respecting the past and embracing challenges for the future.

Respecting the Past

Passing on the passion, relationships and trust of employees, customers, society and craftsmen, and the traditional technology that Kajima has cultivated as a technology-driven company, to the next generation as a source of new value creation

Embracing Challenges for the Future

To ensure sustainable growth, constantly pursue self-improvement by leveraging the power of ideas, and remain committed to providing a sense of excitement and expectation by making imagination and amazement a reality

When communicating how practicing the values will lead to the achievement of the Vision, a helpful metaphor is that of trees, representing the Kajima Group, growing into larger trees.

The soil beneath the trees represents our corporate culture. It expresses the integrity, unwavering technological innovation and commitment to Kajima quality that define the Kajima Group's heritage, which respects people and appreciates the worth of technology.

The tree trunk represents the initiative to not limit ourselves to our existing construction contracting business, but to have the creativity to enter business areas from upstream to downstream sectors of the construction value chain, or new business domains.

The branches and leaves of the tree represent diversity. We place importance on diverse human resources and work styles, and have the receptiveness to accept cutting-edge ideas and different values.

The sun, rain, wind and bird represent our external connections, and the nourishment we receive from outside represents openness. Rather than falling into a "go-it-alone" mentality, we seek external resources and stimuli necessary for business creation and research and development, and have the ability to adapt to change. The various small trees starting to grow from the soil represent the buds of new business models.

These three elements—initiative, diversity, and openness—are essential for the Kajima Group going forward. To grow the "Kajima Group tree," we will place highest priority on developing human resources and organizations with these elements.

HIGHLIGHT

Formation of Cross-Divisional Task Force to Create the Vision

A task force consisting of 20 mid-level and junior employees recommended by each division was put in charge of defining the Vision.

The task force members considered the Company's goals and the ideal society it wants to create through its businesses, and set about designing a vision to achieve them. From the beginning, members paid attention to points such as how to foster pride in employees, how to gain empathy from those outside the Company, whether values (likes and dislikes) were clear, and whether Kajima's identity was expressed. The task force worked for over two months, from November through December 2020.

The members discussed both a purpose-oriented vision (how we will shape society and the world) and an identity-oriented vision (what we will continue doing), and held in-depth discussions on ideas that resonated with members and on what and how we should proceed to implement them.

This Vision will serve as a foundation and compass for all Kajima Group employees so that they will be on the same page and pursue creative development.

Having been designed solely by employees, the Vision might seem unrefined and unsophisticated. However, because it is not a polished, sophisticated expression that a professional would come up with, it will resonate with internal and external stakeholders, including employees and students who wish to join the Company in the future. By spreading the Vision among its stakeholders, Kajima aims to better attract diverse talent.

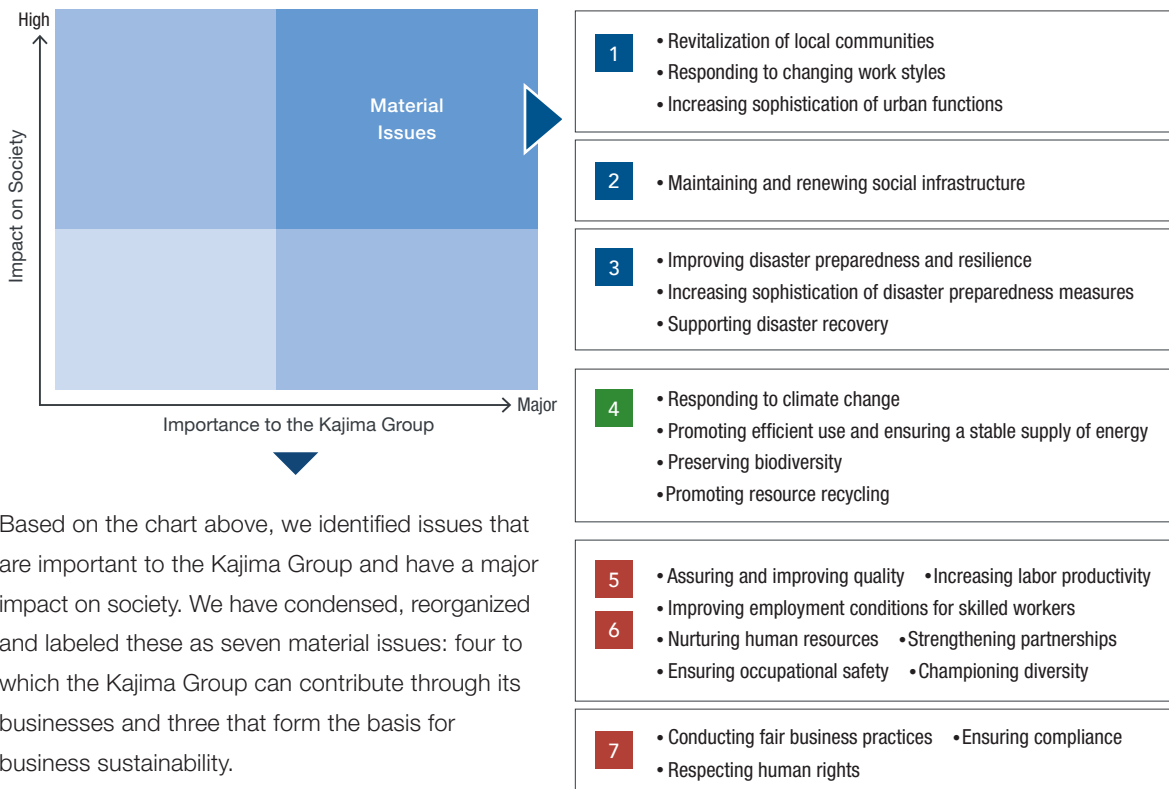


Material Issues

In July 2019, we looked at the relationship between the Kajima Group's business activities, the measures in Medium-Term Business Plan (FY2018-2020) and social issues, starting with the SDGs. We then grouped the results into seven categories to identify our material issues for both solving social issues and achieving sustainable growth for the Kajima Group. In March 2021, in conjunction with the formulation of the Kajima Group Vision and Medium-Term Business Plan (FY2021-2023), we revised these material issues to take into consideration significant changes in the social environment, including the COVID-19 pandemic and accelerating shift toward carbon neutrality.

Determination of Material Issues

Issue Mapping



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






























Process for Revising Material Issues

- 1 Organize recent changes in the social environment and their impacts on the Kajima Group
- 2 Exchange opinions with external experts
- 3 Consider issues together with the Kajima Group Vision and the new Medium-Term Business Plan to identify points that should be revised, and create a revision proposal
- 4 Obtain feedback from each department on the proposed revisions
- 5 Reflect changes in the new Medium-Term Business Plan and obtain approval from the Board of Directors



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

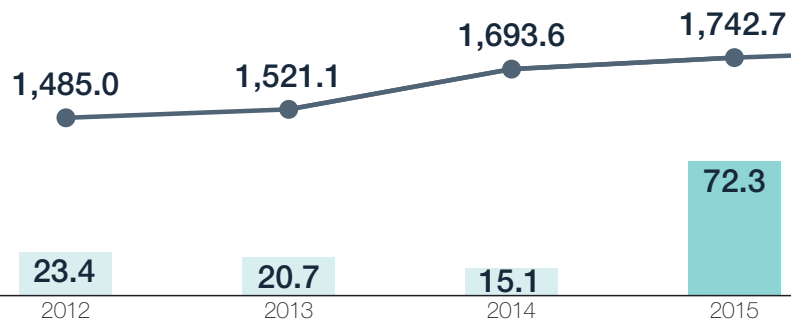
Our Material Issues and Related SDGs

		Direction of Initiatives for Material Issues	Specific Initiatives		Related SDGs
			Contribution through Customers' Businesses	Contribution through Our Businesses	
Society	1	 Creating functional urban, regional and industrial infrastructure capable of meeting new needs Kajima proposes sophisticated value in the fields of building construction, infrastructure construction, urban development and industrial infrastructure to meet diversifying needs resulting from changes in values and behavioral patterns. Combining experience and new technologies, Kajima creates functionality that facilitates life, work and wellness.	<ul style="list-style-type: none">• Creating comfortable and attractive spaces• Improving productivity and product quality through engineering technologies• Improving workplace productivity and wellness <div>• Constructing smart cities and a smart society</div>	<ul style="list-style-type: none">• Conducting large-scale, mixed-use redevelopment projects	  
	2	 Developing sustainable and long-lasting social infrastructure Kajima promotes technological development for repair, maintenance, renovation and extending the lifespan of buildings and infrastructure, and develops outstanding social infrastructure that can be used safely long into the future.	<ul style="list-style-type: none">• Technologies for extending building lifespan• Technologies for maintaining and renewing infrastructure• Increasing sophistication of facility and building management	<ul style="list-style-type: none">• Acquiring quality assets in the real estate development business• Participating in infrastructure operation and public-private partnerships	  
	3	 Providing technologies and services for disaster preparedness that support safety and security Kajima provides disaster-resilient building and infrastructure construction, technology development, and services for rapid recovery and reconstruction in the event of a disaster. In light of the impact of climate change, we will increase the sophistication of disaster prevention technologies with a commitment to a safe society where people can live with peace of mind.	<ul style="list-style-type: none">• Increasing sophistication of seismic damping and isolation technologies• Responding to climate change with resilient buildings and structures• Proposing BCP solutions	<ul style="list-style-type: none">• Structuring supply chains that take BCP into account• Strengthening disaster response capabilities	 
Environment	4	 Contributing to society's transition to a carbon-free footprint Kajima contributes to society's transition to a carbon-free footprint by reducing CO ₂ emissions during construction and by developing energy-efficient technologies and eco-friendly materials, as well as by building, developing and operating power generation facilities that use renewable energy, developing green buildings, and managing energy efficiently. We are also committed to recycling resources and harmoniously co-existing with nature based on Kajima Environmental Vision: Triple Zero 2050.	<ul style="list-style-type: none">• Delivering zero-emission and other energy-efficient buildings• Structuring optimal energy systems• Constructing power generation facilities that use renewable energy• Promoting green infrastructure <div>• Achieve Triple Zero 2050</div>	<ul style="list-style-type: none">• Reducing CO₂ emissions during construction• Developing green buildings• Renewable energy projects• Developing and using eco-friendly materials	    
		Direction of Initiatives for Material Issues	Platform for Business Sustainability		Related SDGs
Platform for Business Sustainability	5	 Focusing on unwavering technological innovation and Kajima quality Kajima strives to build sustainable next-generation construction systems and create new value by developing technologies and carrying out digital transformation to improve productivity and safety. In addition, in order to deliver buildings and infrastructure to customers with confidence, we continuously improve the quality of inspection and assurance systems with a commitment to ensuring building, infrastructure and environment quality, safety and security.	<ul style="list-style-type: none">• Promoting technology development and digital transformation to improve productivity and safety and to create new value• Ensuring safe, high-quality buildings through rigorous quality assurance systems <div>• Mechanizing, automating and employing ICT in construction • Kajima Smart Future Vision</div>		 
	6	 Construction that emphasizes people and partnerships Kajima promotes work-style reform at construction sites, secures construction personnel, hires and nurtures human resources, and creates an attractive working environment in which every employee can excel. We create value in cooperation with our business partners and promote innovation through collaboration with external parties.	<ul style="list-style-type: none">• Ensuring occupational health and safety• Promoting work-style reform and securing construction personnel• Reforming the multilayer subcontracting structure• Training and developing people with an emphasis on diversity• Using open innovation		     
	7	 Practicing corporate ethics Kajima promotes fair and honest corporate activities by practicing thorough compliance and risk management. Each employee and director of the Group acts ethically and earns the trust of customers and society through initiatives in all parts of the supply chain.	<ul style="list-style-type: none">• Ensuring rigorous compliance• Enhancing risk management systems and process management• Conducting fair supply chain management• Respecting human rights		

Review of Previous Medium-Term Business Plans

Consolidated Revenues and Net Income Attributable to Owners of the Parent

● Consolidated revenues
■ Net income attributable to owners of the parent



Medium-Term Business Plan (FY2015-2017)

Key Objectives

- 1 Increase the profit margin of non-consolidated construction operations
- 2 Provide valuable leading-edge construction and services
- 3 Establish a Group-wide business platform for growth

Financial Targets (Consolidated)

Revenues	Approx. ¥1,750 billion
Ordinary income	¥65 billion or more
Interest-bearing debt	¥370 billion or less
ROE	8.0% or higher

(Final fiscal year of the plan)

Results

Business and Financial Performance

- Raised performance standards by revitalizing and strengthening non-consolidated construction operations

FY2017	
Revenues	¥1,830.6 billion
Ordinary income	¥179.7 billion
Interest-bearing debt	¥344.8 billion
ROE	20.9%

- Improved non-consolidated gross profit margin on completed construction projects

(FY2014)	FY2015	FY2016	FY2017
0.8%	11.9%	14.7%	16.4%

Measures Taken

- 1 Systematically strengthened and expanded business domains that leverage the Group's strengths

Domestic real estate development business

- Acquired strategic assets

Business outside Japan

- Entered new markets and expanded business areas in existing markets

Engineering business

- Strengthened overseas projects
- Developed operation and maintenance (O&M) business

Construction-related business

- Established companies with complementary functions
- Established a new BIM company and acquired a specialized company

- 2 Invested management resources in future profit-earning fields based on an ESG perspective

Medium-Term Business Plan (FY2018-2020)

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

Net income	¥80 billion or more
ROE	10% or higher

(Final fiscal year of the plan)

Results

- Raised the performance standards of the Group
 - Recovered profitability of the domestic construction business through rigorous front loading and productivity improvement
 - Growth of real estate development and overseas businesses in response to enhancement of revenue sources
- Improved financial structure and established viable growth investment framework
- Achieved management targets during the plan (three consecutive years)

	FY2018	FY2019	FY2020
Net income (¥ billion)	109.8	103.2	98.5
ROE	15.5%	13.4%	11.8%

- 1 Create next-generation construction systems

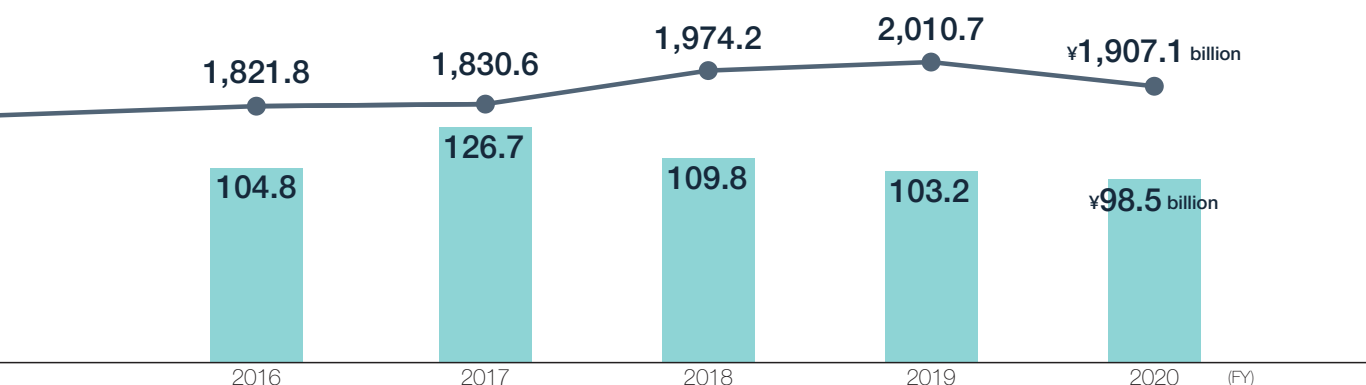
- Conducted focused research and development to improve productivity
- Applied and deployed new technology in projects
- Direct hiring for some occupations, supported human resource development for partner companies

- 2 Provide construction and services of high value to society and customers

- Achieved investment target for domestic/overseas real estate development businesses
- Began operation of private REIT
- Profit growth in the industrial warehouse development business in the United States and Europe

- 3 Establish a Group-wide business platform for growth

- Promoted initiatives for ESG/SDGs, identified material issues
- Promoted technical collaboration and cooperation with major industry peers
- Established compliance and risk management system



Investment Plan and Results (¥ billion)

	Plan	Results
Domestic real estate development business	160	200
(Recoup of investment)	60	60
Overseas real estate development business	240	200
(Recoup of investment)	115	100
R&D investment	50	49
Other	50	69
Total	500	518
(Net investment)	325	358

Ongoing Issues

Strengthen core businesses

- Further raise productivity and secure future workforce
- Investments focused on efficiency and results

Expansion of business areas

- Initiatives in upstream/downstream construction fields
- Development of new business models

Business platform

- Continue rigorous compliance
- Strengthen carbon neutrality initiatives

Business Environment

Changes in the business environment

Society & Economy

- Transformation of lifestyles and consumer behavior, and diversification of values and work styles
- Medium and long-term decrease in Japan's working-age population

Environment & Energy

- Climate change, and more severe natural disasters
- Carbon neutrality and renewable energy movements

Technology

- Acceleration of digitalization, and expansion of AI, IoT, and 5G technology adoption

Impacts of the COVID-19 pandemic

Economic trend

- Global economic recovery is expected, but it will take time due to the impact of various economic measures and the spread of vaccines

Domestic business

- We expect to maintain the production systems at our construction sites by limiting the reduction in work efficiency caused by rigorous COVID-19 countermeasures
- The disappearance of inbound tourism demand and a cautious approach to corporate investment will have a certain impact on order-taking, so the intensely competitive environment could continue

Business outside Japan

- In North America, Europe, and Oceania, the impact is expected to be minor, and stagnant construction and real estate development projects in Southeast Asia are expected to gradually improve

Construction demand outlook

Domestic

- Public-sector investment is expected to remain strong
- Private capital investment will improve with economic recovery, but time is needed before the impacts of COVID-19 are eliminated completely, so highly uncertain conditions will continue for the time being
- Investments related to carbon neutrality and digitalization are expected to increase in the medium to long term

Overseas

- Steady construction demand such as for manufacturing and logistics facilities is expected in North America and Europe, and for housing in Oceania
- It will take some time before demand in Southeast Asia returns to pre-COVID-19 levels

Medium-Term Business Plan (FY2021-2023) – Forward-Looking Investment

The Kajima Group Medium-Term Business Plan (FY2021-2023) sets out the key measures and business goals the Group will focus on, taking into consideration the Kajima Group Vision and material issues, and keeping in mind the Goals for 2030, which are its medium- to long-term objectives.

Despite the intensely competitive environment projected, the plan calls for investments to drive medium- to long-term growth while maintaining and improving business performance to lead to the Group's future development.

Three Pillars

- 1 Further strengthen core businesses
- 2 Strive to create new value
- 3 Establish a strong management foundation and promote ESG measures for growth and transformation

Financial Targets

Revenues	Net income attributable to owners of the parent	ROE
Approx. ¥2,250 billion (FY2023)	¥95 billion or more (FY2023)	Recover to a level above 10% as soon as possible

1 Further Strengthen Core Businesses

Key Measures to Implement by FY2023

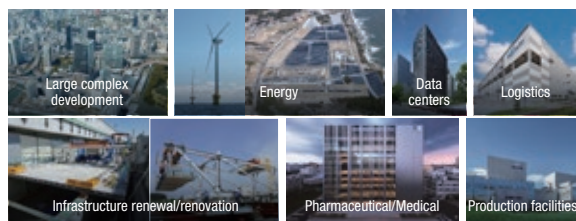
- 1 Strengthen proposal, design-build, and engineering capabilities with a focus on growth areas
- 2 Further promote the development of next-generation construction manufacturing systems
- 3 Maximize customer value by expanding the business domain
- 4 Increase profits by proactive investment in the real estate development business
- 5 Build and enhance global platforms

Goals for 2030

- Promote sustainable growth by utilizing intangible and tangible assets as well as digital and conventional technologies, while building a strong value chain
- Build efficient production systems by applying factory processes to construction sites and visualizing the entire supply chain

Initiatives in growth and priority areas

We will focus on growth areas and priority areas amid intensifying competition.



Further promote smart production, automated and optimized construction

We will work to improve productivity through smart production and automated construction, and achieve digital twins based on BIM and CIM.

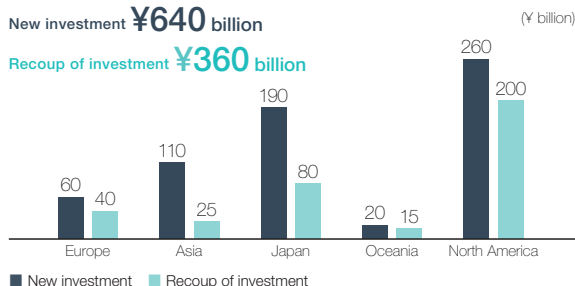
Enhance efforts to provide value through the value chain

We aim to broaden the range of services the Kajima Group provides from upstream to downstream in the construction value chain.

Expansion of investment cycle of real estate development business and diversification of portfolio



Domestic/overseas real estate development business



Further development of global five-region system

- Further localization in terms of human resources
- Expand business platforms worldwide by forming business and capital alliances
- Enhance upstream and downstream fields such as design, engineering and operation and maintenance
- Maximize synergies in the construction and real estate development businesses



2 Strive to Create New Value

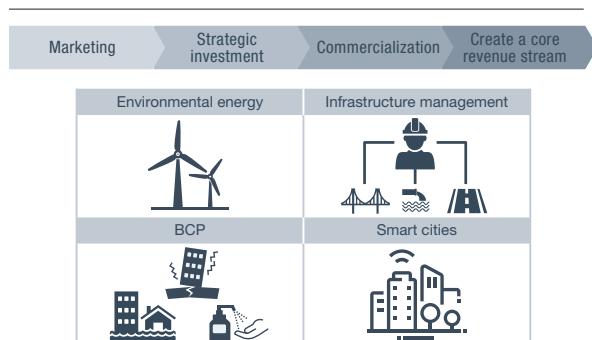
Key Measures to Implement by FY2023

- 1 Proactively promote businesses in solving social challenges
- 2 Explore and create new businesses by promoting open innovation
- 3 Enhance functions for envisioning future society

Goals for 2030

- Acquire new revenue sources in promising fields to solve social challenges
- Establish an open innovation promotion system, and create various new businesses

Promote business in new areas



Promote alliances with different industries or venture companies by expansion of open innovation network

Utilizing the newly established Strategic Investment Budget of ¥60 billion, we will leverage our global network in Singapore, Silicon Valley and elsewhere to make investments and form alliances with different industries and startup ventures.

Form a future society concept team for frontier area exploration

To explore frontier areas that the Kajima Group is heading toward based on envisioning future society, we will organize a team composed mainly of employee volunteers.

3 Establish a Strong Management Foundation and Promote ESG Measures for Growth and Transformation

Key Measures to Implement by FY2023

- 1 Accelerate Triple Zero 2050 activities
- 2 Secure next-generation workforce while maintaining and strengthening the supply chain
- 3 Develop people and systems to promote growth and transformation
- 4 Strategically promote research and development and DX

(DX: Digital transformation)

Goals for 2030

- Achieve Target 2030 as a step toward fulfilling the Kajima Environmental Vision: Triple Zero 2050
- Achieve safe, secure and comfortable worksites that all construction engineers will find attractive
- Build free and open organizations with diverse human resources
- Pursue research and development based on the world's most advanced knowledge to direct the business

Striving to become carbon neutral by 2050

The Kajima Group has revised the Kajima Environmental Vision: Triple Zero 2050 and set new CO₂ emission reduction targets. Together with CO₂ emission reductions, we will make planned investments for carbon offsets, and will develop and promote the use of eco-friendly materials such as CO₂-SUICOM. Our target for fiscal 2023 is a 26% reduction in emissions. We also seek to acquire Science Based Targets (SBT)* recognition during the Medium-Term Business Plan.

Reduction Rate of CO₂ Emissions per Unit of Output Compared to FY2013

Target to be reduced	FY2023 target	Triple Zero 2050	
		FY2030 target (Target 2030)	FY2050 target
Kajima's CO ₂ emissions	26% decrease	50% decrease	100% decrease

➡ Seek to acquire SBT recognition in FY2023

*Science Based Targets (SBT): An international system for validating greenhouse gas reduction targets

Restructure multilayered subcontracting and maintain and strengthen the supply chain

We will strongly promote measures for securing workers, starting with reform of the multilayer subcontracting structure. In addition, we will enforce compliance and safety measures throughout the supply chain, including at partner companies.

Human resource development and governance

Taking people's changing values into consideration, we will establish systems to recruit diverse human resources, support various work styles, and encourage employees to take on challenges. We will also work to strengthen governance in ways such as improving our Group management system.

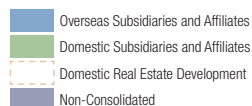
Strategically promote research and development and DX

We will promote global open innovation with an emphasis on communication capabilities and marketing. We will spread digital transformation and digitalization throughout the Group, which will lead to business process innovation and the establishment of new business models.

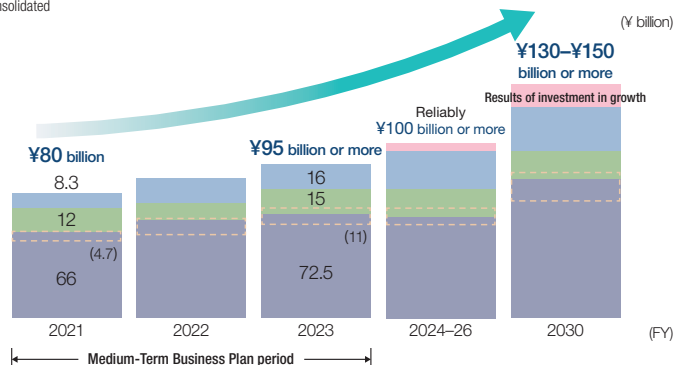
Target Profit Levels by Segment

Our fiscal 2023 target for consolidated net income is ¥95 billion or more. We will further strengthen our core businesses and our investments in growth will be aimed at expanding our business areas and creating new value. In the next medium-term business plan (FY2024–2026), we will seek to stably achieve consolidated net income of ¥100 billion or more, and will build on that by incorporating the results of our investments to achieve our aim of ¥130 to ¥150 billion or more by around fiscal 2030.

Consolidated Net Income



Notes:
1. Consolidated net income is net income attributable to owners of the parent.
2. The breakdown of the bar graph shows net income of non-consolidated subsidiaries and affiliates before the consolidation adjustment, so it does not match total consolidated net income.
3. The figures in parentheses are business management figures that show Kajima's real estate development business + domestic subsidiaries and affiliates' real estate development businesses (these figures are included in "Non-Consolidated" or "Domestic Subsidiaries and Affiliates" shown in the graph).



Investment Plan

During the plan period, the Kajima Group has positioned “forward-looking investment” as a priority item and plans to invest a total of ¥800 billion. We will invest in the domestic and overseas real estate development businesses where we are strong, raise productivity, and secure a future workforce. In addition, having newly established a Strategic

Investment Budget, we will implement various initiatives, such as promoting global open innovation, and creating new businesses, including those that can help solve social challenges, with the aim of preparing for rapid progress.

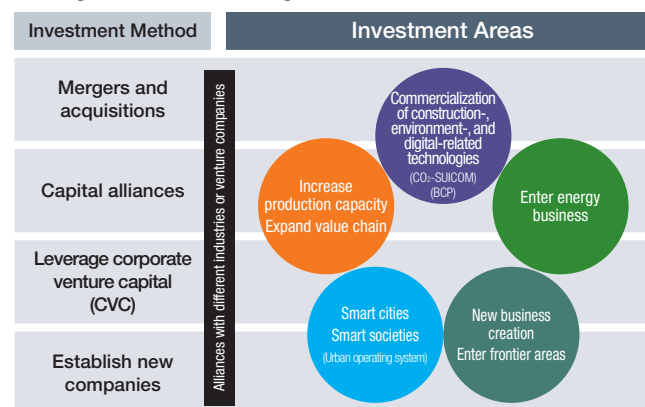
Even if investment exceeds the planned amount of ¥800 billion, we plan to flexibly respond to investment opportunities.

Investment Plan by Segment

(¥ billion)

	Medium-Term Business Plan (FY2021–2023)
Domestic/overseas real estate development businesses	640
(Recoup of Investment)	360
(Net Investment)	280
R&D and digital investment	55
Strategic investment budget	60
Other	45
Total	800
(Net Investment)	440

Strategic Investment Budget



Financial Measures and Stockholder Returns

Focusing on investments for medium- to long-term growth and striving to increase stockholder returns

Financial Measures

Optimize business portfolio and asset structure

- Make focused investments in asset-efficient and growth businesses
- Properly review businesses and assets under management, taking into account efficiency and risk
- Monitor based on return on invested capital (ROIC)

Further reduce cross-shareholdings by selling shares worth ¥30 billion or more during the plan period and utilize interest-bearing debt to fund new investment for growth

Maintain financial soundness with risk tolerance

Stockholder Returns

Our basic policy is to strive for a dividend payout ratio of 30%, as well as to flexibly contribute to stockholder returns by repurchasing our own shares and other means, with consideration of the Group's business performance, financial condition and business environment.

Relationship between the Kajima Group's Material Issues and the Key Measures of the Medium-Term Business Plan

		Material Issues						
		1 Creating functional urban, regional and industrial infrastructure capable of meeting new needs	2 Developing sustainable and long-lasting social infrastructure	3 Providing technologies and services for disaster preparedness that support safety and security	4 Contributing actively to society's transition to a carbon-free footprint	5 Focusing on unwavering technological innovation and Kajima quality	6 Construction that emphasizes people and partnerships	7 Practicing corporate ethics
Key Measures	Further strengthen core businesses	1 Strengthen proposal, design-build, and engineering capabilities with a focus on growth areas	●		●	●		
		2 Further promote the development of next-generation construction manufacturing systems	●		●	●	●	
		3 Maximize customer value by expanding the business domain	●	●	●			
		4 Increase profits by proactive investment in the real estate development business	●					
		5 Build and enhance global platforms	●	●	●	●	●	●
	Strive to create new value	1 Proactively promote businesses in solving social challenges	●	●	●			
		2 Explore and create new businesses by promoting open innovation				●	●	
		3 Enhance functions for envisioning future society	●		●	●	●	
	Management foundation and ESG	1 Accelerate Triple Zero 2050 activities			●			
		2 Secure next-generation workforce while maintaining and strengthening the supply chain				●	●	●
		3 Develop people and systems to promote growth and transformation					●	●
		4 Strategically promote research and development and DX	●	●	●	●	●	

Main KPIs and Targets

Theme	KPIs	Targets (FY2023)	Related Material Issues
Productivity improvement	Civil Engineering: Construction site PH (Cost of sales/Total working hours)	15% improvement vs. FY2016	1 4 5 6
	Building Construction: 1) Model construction site productivity (Total working hours/Total construction floor area) 2) Number of construction sites where smart construction is introduced	1) 20% improvement vs. FY2017 2) 50% or more	
Renovation, renewal, operation and maintenance	Civil Engineering: Infrastructure upgrade domain sales	¥20 billion per year	1 2 3 4
	Building Construction: 1) Renovation sales 2) Number of buildings installed with Kajima Smart BM	1) ¥200 billion per year 2) 20 buildings per year	
Renewable energy construction	Civil Engineering: Renewable energy domain sales	¥30 billion per year	1 4 5
CO ₂ emission reduction	CO ₂ emissions per unit of sales (t-CO ₂ /¥100 million) Scope 1 and 2	26% reduction vs. FY2013 50% reduction by FY2030, 100% reduction by FY2050 (Carbon neutral)	4
Safety and securing workforce	Construction systems that limit the scope of contracts to secondary subcontractors, in principle (Achievement rate)	Realization of construction system (100% achievement rate)	5 6 7
	New E Award recipients (incentive system for outstanding skilled workers)	800 people per year	

Message from the General Manager of the Treasury Division



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

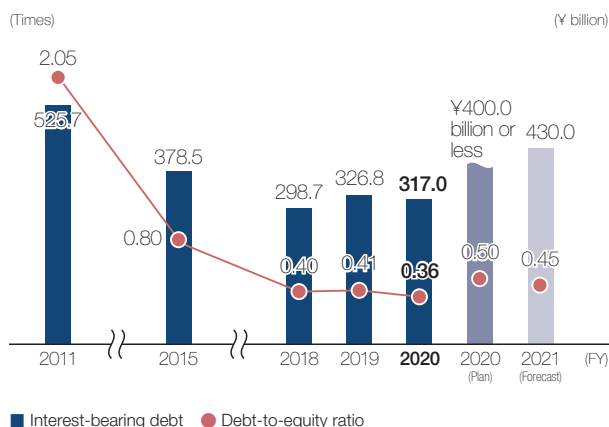
Ken Uchida

Director, Senior Executive Officer,
General Manager, Treasury Division

Business and Financial Management Aligned with the Previous Medium-Term Business Plan

Kajima has completed Medium-Term Business Plan (FY2018–2020) (the “previous medium-term business plan”), so I will begin by looking back on it. We certainly did not expect the COVID-19 pandemic when we were formulating this plan, and it negatively affected performance in some industrial sectors and at individual companies. However, the impact of COVID-19 on the progress of projects in our construction business was generally limited as our supply chain did not encounter disruption even though short-term shutdowns of construction sites occurred. Nor did the real estate development business experience significant delays or changes in plans for ongoing development under contract or urban redevelopment projects. As a result, we conclude that the pandemic did not materially affect progress toward achieving our targets, and that business operations had proceeded according to the plan.

Interest-Bearing Debt / Debt-to-Equity Ratio



In terms of performance, we achieved our target net income for the three consecutive years. Financially, thanks to robust financing from the domestic construction business, which was in the turning period that net cash flow bounced positive, we could move forward with the various strategic investments under the previous medium-term business plan. As a result, consolidated interest-bearing debt remained steady at ¥317 billion, which was less than planned. Moreover, we made progress on a series of other financial matters during the previous medium-term business plan, such as issuing ¥10 billion of our first Green Bonds and formulating a policy on reduction of cross-shareholdings.

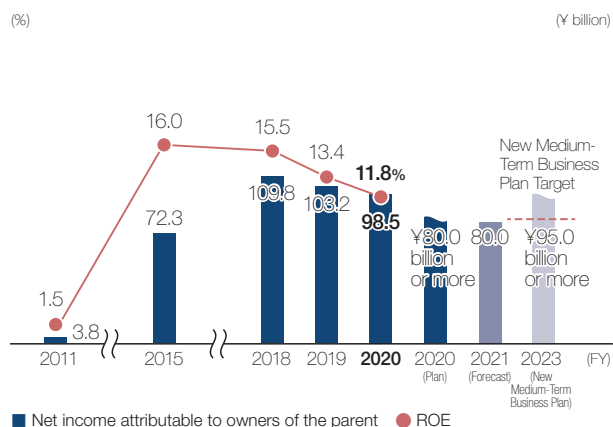
The Outlook for Each Group Business under the New Medium-Term Business Plan

Under Medium-Term Business Plan (FY2021–2023) (the “new Medium-Term Business Plan”), we will address new management issues expected to emerge during the ongoing/post COVID-19 pandemic period, together with continuing issues from the previous medium-term business plan.

In the new Medium-Term Business Plan, we will take on the challenge of aggressive and multifaceted investment under the theme of “Forward-Looking Investment.” We plan to make a net investment of ¥440 billion (total investment of ¥800 billion). Together with utilization of interest-bearing debt, funding for the new investment plan will come out of the aggregated target net income for three years (expected to be ¥260 to ¥270 billion), which also includes the constant growth in the construction business, and increased profits partly contributed through achievement of the previous medium-term business plan in the real estate development business and upstream and downstream business fields.

Considering the construction and real estate businesses, both should work to gain customer satisfaction by providing optimal skills and resources. We therefore need to have the necessary expertise and specialized technologies at all levels from business planning and design to construction and maintenance to meet customer demands. The production of companies can be positioned at various domains between general-purpose, commoditized output and sophisticated, high-value-added output. However, as for the Kajima Group, we should be positioned

Net Income Attributable to Owners of the Parent / ROE



anywhere necessary to cover any domain of production. To do so, we must effectively prepare a wide array of resources—project planning capabilities, urban planning capabilities, design capabilities, construction capabilities that include the ability to reduce costs, research and development, the use of IoT and robots to improve productivity, measures to reduce CO₂ emissions, measures to deal with the shortage of workers, wellness proposals, building management, business asset management, and so on. A central thesis of the new Medium-Term Business Plan is whether we can fully enhance these resources by investing a total of ¥160 billion, consisting of R&D and digital investment of ¥55 billion, strategic investment of ¥60 billion and other capital investment of ¥45 billion.

■ Construction Business

Regarding the volume of the domestic construction market, there is a view that the construction industry has already peaked out and will move toward a shrinking equilibrium. However, construction demand is actually evolving in step with the times and social change, as evidenced by rapidly growing demand for distribution warehouses and data centers, ongoing redevelopment plans in urban areas, changes in building and equipment specifications to counter climate change, and measures to counter COVID-19. While exploring new trends in the construction market, we are confident that our goal of ¥2 trillion in annual construction contract awards and revenues in the Kajima Group's core construction business remains viable. Given intensifying competition for contract awards, we need to maintain the profitability of the construction business through a wide array of actions that include using data to enhance operational efficiency; improving productivity by supporting workers with digitalization and robots; and strengthening and streamlining subcontractors and supply chains to secure workers. We must not accept a decline in profits in the construction business. Even though we are generating earnings growth from real estate development and from subsidiaries and affiliates, and even if we add earnings from new businesses, we must maintain earnings in the construction business that are at least more than the current level.

The need for research and development has increased, and the proportion of R&D-related expenses in non-consolidated selling, general and administrative expenses has increased to 25%. We

need to identify effective R&D themes and quantify and evaluate the outcomes. We must therefore maintain or increase gross profit in the construction business to cover increasing R&D expenses.

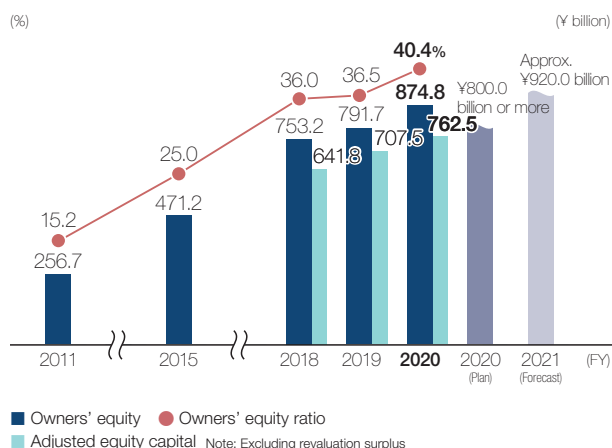
At the same time, there is an issue related to developing human resources—training Kajima employees as the next generation of construction personnel. In construction work, we make judgments about contract awards when estimates are made, and those estimates have uncertainties. Moreover, each construction site formulates and revises construction plans according to the situation as the building takes shape. We need people with skills to manage specification changes, costs and risks if projects do not proceed according to estimates. Although market supply and demand have a significant impact on the construction business, whether one possesses such skills also has an impact on the gross margin. We are constantly introducing new technologies and systems, but it is essential that we fully leverage capabilities that require human judgment, and that our employees pass on such skills to others. This is deeply connected to “leveraging the power of ideas and technology” in our Vision, announced together with the new Medium-Term Business Plan.

■ Real Estate Development Business

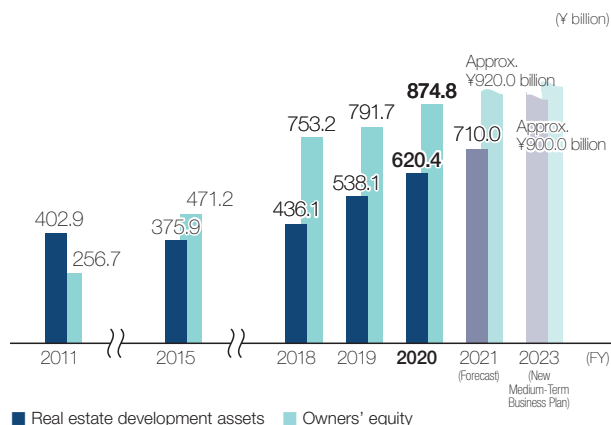
Our new Medium-Term Business Plan maintains our emphasis as a general contractor-developer on maximizing synergies between construction and real estate development in order to make proactive investments in real estate development in Japan and overseas.

Of all projects obtained during the previous medium-term business plan, more than 20 were in Japan, representing a total investment of ¥200 billion. Significant recovery of invested capital will begin around 2023, and contribution to earnings should increase thereafter. We structure projects in several ways, including selling projects upon completion, holding projects as a rental asset or carrying equity capital as an income-producing investment. Prior to formal decisions on each such project, our Development Steering Committee carefully considers potential investments through multifaceted discussion of the project go-no-go decision, necessary conditions, target profit and the like. In addition to profit and loss figures, the committee discusses projects

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



Real Estate Development Assets / Owners' Equity



Kajima's Envisioned Future

using an array of benchmarks, such as internal rate of return and CAP rate on disposal for projects for sale, NOI yield for leasing projects, ROIC on both an asset class and an overall basis, and changes in interest-bearing debt.

We invested approximately ¥200 billion outside Japan during the previous medium-term business plan, which was slightly below what we had planned. We are expanding our involvement in the distribution warehouse development business in the United States and Europe in terms of both number of projects and regions. While enhancing our operational skills to stabilize property operation as quickly as possible, we are ramping up short-term merchant development projects in which we sell properties once they have been leased up. We are also building a track record in the hotel chain operation business and resort development in Southeast Asia, and are preparing for future sales to potential investors. Returns from short-term merchant development and capital recovery have already begun to emerge from the previous medium-term business plan. However, partly because there were fewer long-term and property leasing projects in place prior to the previous medium-term business plan, such projects still require time before they contribute to earnings and capital recovery. As is the case with the real estate development business in Japan, we expect these projects to begin contributing materially in 2023 or beyond.

These real estate development business assets are exposed to the risk of a decline in value if market conditions deteriorate. However, we are able to minimize potential losses if that risk materializes because our portfolio spans multiple asset classes and we have an array of exit strategies in addition to disposal via sale. Financially, we are building a risk-resilient portfolio through the amplification of our consolidated equity capital.

■ Initiatives in New Businesses and Markets

We have been actively considering investments in new businesses and markets since the beginning of the previous medium-term business plan. The Business Investment Review Committee, which is our internal advisory body for business investments, has been meeting more frequently. Every week or every other week, it convenes to explore a

wide array of new projects including renewable energy, infrastructure management, partnerships with businesses in different fields, and investment in innovation. The committee evaluates feasibility and profitability from perspectives other than those of the construction and real estate development businesses, and conducts multifaceted studies that include the relevance of new companies to the Group and their affinity and synergies with existing Group companies. The new Medium-Term Business Plan is a call for forward-looking investment that will open up new possibilities for the Kajima Group's future.

The Treasury Division will ensure funding for investments with due consideration of issues such as the suitability of businesses and funding methods, timelines for capital recovery and projected cash generation, and impact on the consolidated financial position. We fund investments using current earnings, accelerate capital recovery from recent investments to redeploy for new investments, and effectively employ interest-bearing debt. We expect the debt-to-equity ratio to rise moderately in light of projected equity capital at the end of the final year of the new Medium-Term Business Plan. Because we will leverage interest-bearing debt to accelerate capital recovery and upfront investment, we forecast that consolidated interest-bearing debt will increase to about ¥500 billion.

Moreover, in case ROE decreases temporarily during the new Medium-Term Business Plan, our financial priority is to achieve early recovery of ROE to 10% or more while ensuring it is above the cost of capital (assumed to be 6-8% and WACC to be 3.5-5%).

■ Issues to Be Addressed for Further Increasing Corporate Value

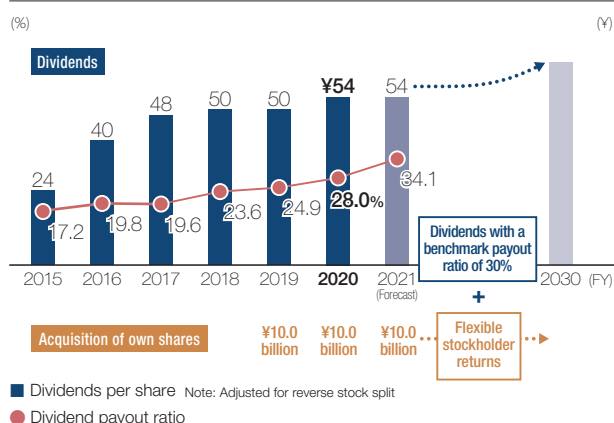
■ Response to Climate Change and Information Disclosure

Over the past several years, measures in response to climate change, particularly those related to CO₂ emissions, have rapidly become an urgent issue for corporations. Both our construction and real estate development businesses need to understand the impact of their CO₂ emissions and the extent to which they can be offset, and then implement relevant initiatives. We also need to clarify our specific environmental goals under Target 2030 and Triple Zero 2050. We will allocate a portion of our strategic investment and R&D investment during the new Medium-Term Business Plan to fund specific actions, and appropriately recognize related recurring expenses in profit and loss. In addition, the Treasury Division will address disclosure of financial and non-financial information related to climate change, for which rules are taking shape worldwide.

■ Holding of Listed Stocks Including Cross-Shareholdings

The issue of cross-shareholdings has been widely recognized in Japan since the revision of the Corporate Governance Code. We have been reviewing such holdings

Stockholder Returns



since the previous fiscal year with the intention of replacing assets having low returns, partly in response to demand among investors for higher asset efficiency. During the new Medium-Term Business Plan, we plan to sell shares worth ¥30 billion by the end of fiscal 2023. Adding this to the amount sold in the final year of the previous medium-term business plan, our plan will reduce cross-shareholdings by ¥40 billion in total. Holding such shares used to represent a token of long-term mutual trust with counterparties, and was mainly done at the request of the counterparties, and often did not take the form of mutual holdings. Accordingly, we will proceed to sell such shares in a prudent manner with the consent of the counterparties, and anticipate it will become widely accepted that the divestment of these shares does not affect our business operations. We will redeploy the funds we raise in strategic investment and conversion of our asset portfolio for higher returns. In addition, the funds will cover expenses for research and development, productivity improvement and securing construction personnel, which will ultimately benefit our customers.

■ Stockholder Returns

Regarding stockholder returns, we have raised the benchmark for the dividend payout ratio to 30%, and increased dividends per share. We achieved the previous medium-term business plan's target for consolidated equity capital of ¥800 billion. We believe that this level of capital is sufficient to make us resilient to the risk of a decline in the value of real estate development business assets, which has been consistently increasing since the previous medium-term business plan.

We share the outcomes resulting from investments in research and development and productivity improvement with our customers and subcontractors; provide compensation and work-style reforms for employees; and pay taxes on the taxable income we generate. We also decided we should further enhance stockholder returns through acquisition of our own shares and increasing dividends. Our stockholder returns policy will be to raise the likelihood of higher dividends by continuing to increase earnings per share as profitability grows. At the same time, we will also flexibly provide stockholder returns through acquisition of our own shares and other ways, with due consideration for our performance, financial position and business environment.

The new Medium-Term Business Plan sets out a variety of issues. It is the result of carefully identifying social demands for companies and ideas for the development of the Group. Yet it is not a precise and detailed summary of our envisioned future. We must continue to formulate and enhance measures to address issues including climate change, productivity improvement and securing construction personnel, as discussed earlier. The Treasury Division and the Group are committed to maintaining and improving business performance while openly collaborating with society to make progress on each of the issues we must address. The values defined by our Vision, ESG, material issues, the SDGs and other core tenets will guide us in doing so.

Real Estate Development Business (Japan and Overseas)

Investment and Capital Recovery Model

Real Estate Development Business Assets

(Capital recovery does not include depreciation and amortization)

