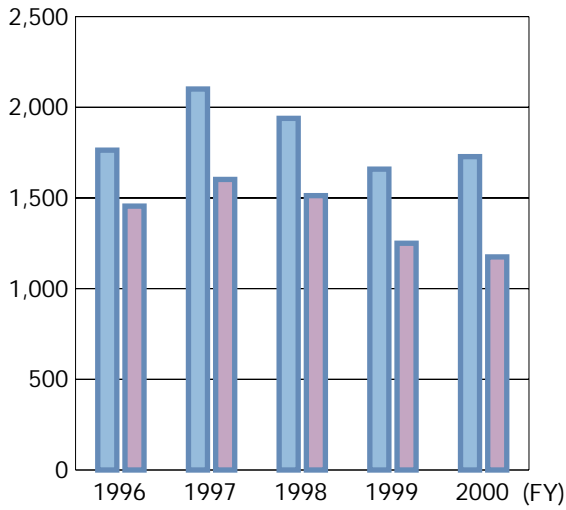
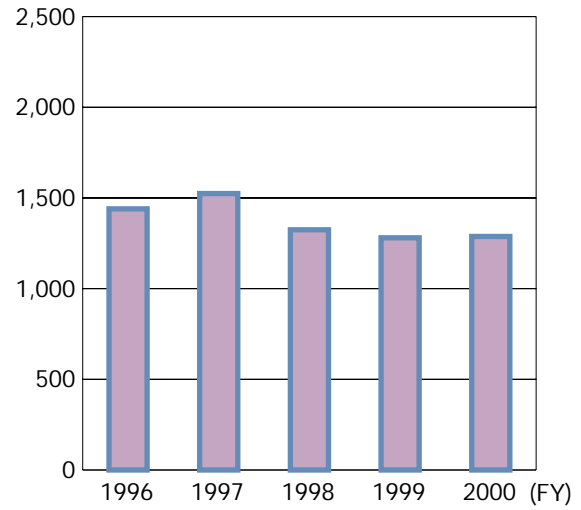


Management Discussion and Analysis of Operations

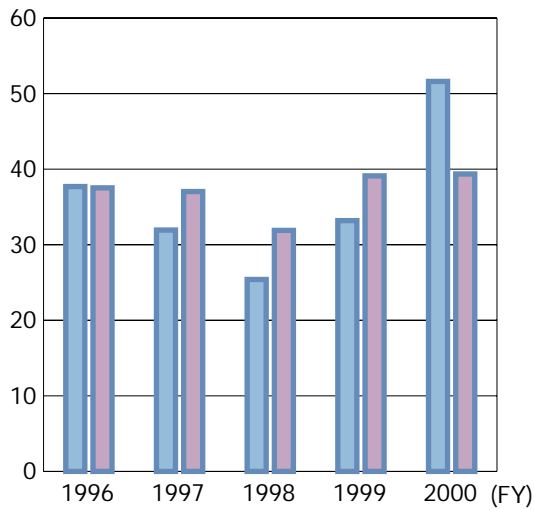
Revenues (billion ¥)
 Consolidated
 Non-Consolidated



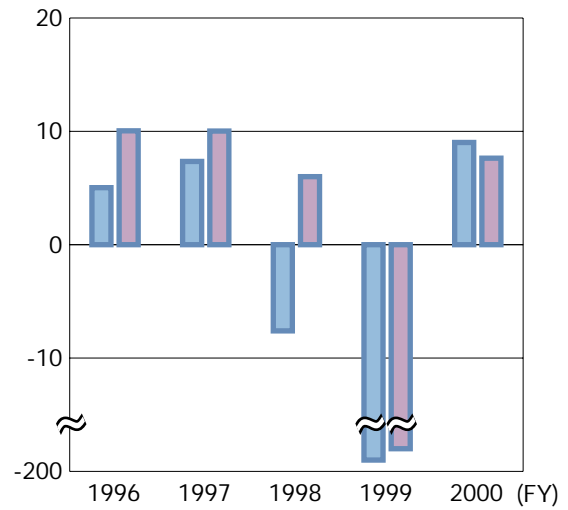
Contract Awards (billion ¥)
 Non-Consolidated



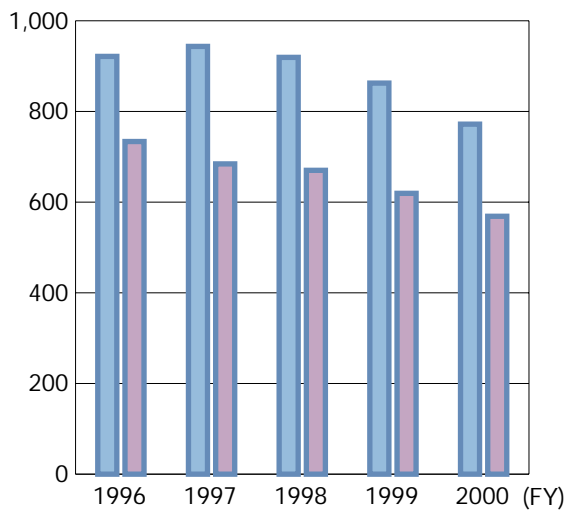
Operating Income (billion ¥)
 Consolidated
 Non-Consolidated



Net Income (billion ¥)
 Consolidated
 Non-Consolidated



Interest-Bearing Debt (billion ¥)
 Consolidated
 Non-Consolidated



Summary of Business Performance for Fiscal 2000

■ Overview

On the domestic front, Japanese government economic measures have been taking effect, paving the way for a gradual recovery. However, due to a lack of strength in private consumption as well as employment, this does not guarantee a full-fledged recovery. As for overseas, the U.S. economy is maintaining its growth, and the European Community is starting to grow again. Concerning Asian economies, the majority of Southeast Asian countries are on the rise after putting the region's currency crises behind them.

Despite signs of improvement in housing starts and an increase in the number of urban renewal projects, private construction demand in Japan has yet to show robustness. At the same time, the volume of public works declined as local governments were forced to cut back their spending.

Japanese construction companies continue to find it difficult to expand their business in North America and the European Community, where the levels of construction activities remain stable. This is largely due to a fall-off in investments by Japanese firms in these markets. In Asia, the growth of private consumption has not yet led to a marked growth in construction demand.

Total revenues declined both for the Company on a non-consolidated basis and for the Company's overseas subsidiaries. This was primarily due to declining contract awards and the resultant decreases in construction-related revenue. However, on a consolidated basis the Company posted ¥1,727.9 billion in revenues, a 4.2% gain from the previous year's figure. This was due to a recent change in financial accounting standards, whereby seven of the Company's affiliates, including Kajima Road Co., Ltd.—which the equity method applied to until last year—have now been consolidated into the Group.

The Company's consolidated operating income rose 55.5%, to ¥51.6 billion. A major contributor to this was the higher profit from asset dispositions through overseas subsidiaries. In terms of net income, the Company on a non-consolidated basis posted ¥7.6 billion, compared with a loss of ¥196.7 billion in the previous fiscal year. Net income jumped to ¥9.0 billion on a consolidated basis, which is a major

improvement from a ¥198.6 billion loss in the previous term. Thus, the ratio of net income on a consolidated basis to a non-consolidated basis was approximately 1.2.

■ Segment Performance Construction

Domestic Markets

On a consolidated basis, the Company recorded ¥1,414.7 billion in contract awards. Civil engineering contracts on a non-consolidated basis posted ¥338.7 billion, a 6.0% decrease from the previous term, and architectural construction awards totaled ¥848.0 billion, a gain of 5.2% over the previous year. Total revenues of the consolidated Group as defined by the former financial accounting standards fell because the level of contract awards have been low during the previous fiscal years. However, calculated under the new consolidation rules, total domestic revenues rose to ¥1,336.1 billion. Notable inclusions under the new rules are the revenues of Kajima Road Co., Ltd., Chemical Grouting Co., Ltd., and Kajima Renovate Construction Co., Ltd.

Overseas Markets

Total overseas contract awards of ¥76.2 billion, which represent decreases from fiscal 1999, consisted of ¥52.3 billion through the Company's overseas subsidiaries and ¥23.9 billion directly executed by the Company. These numbers reflect the weak demand in such major markets as Asia and the subsidiaries' decision to selectively seek projects with good profit margins.

While revenue from overseas projects directly executed by the Company increased 3.9%, to ¥23.6 billion, overseas subsidiaries suffered a 35.1% decline in revenues, to ¥71.5 billion. The net result was a 28.4% decline in overseas revenues, to ¥95.2 billion.

■ Gross Profit and Operating Income

Gross profit from the construction segment increased ¥15.0 billion, to ¥121.8 billion. Improvements in construction profit margins overall and the inclusion of some profitable subsidiaries under the new accounting rules helped. Compared to fiscal 1999, gross profit margins on a consolidated basis improved from 7.7% to 8.5%. Gross profit margin on a non-consolidated basis was 9.9%, compared with 9.2% the previous term.

Lastly, operating income on a consolidated basis increased 88.9%, to ¥29.9 billion.

■ Real Estate

Revenues from the real estate segment on a consolidated basis increased 2.6%, to ¥129.1 billion. Domestic revenues declined to ¥61.9 billion while overseas revenues increased to ¥67.1 billion. Asset dispositions in the United States and the European Community, coupled with improving property performance in the Asian markets, contributed to this result.

Operating income from real estate operations increased 10.8%, to ¥19.5 billion. This was largely due to profitable asset dispositions in the United States and the European Community.

■ Others

The Company's other segment, consisting chiefly of design/engineering services and real estate management, generated revenue of ¥167.3 billion on a consolidated basis, an increase of 12.9% over the last period. Operating income from other businesses also increased 62.5%, to ¥2.6 billion.

■ Forecasting Business Performance for Fiscal 2001

It is expected that considerable time will pass before a strong, self-sustaining, private-sector-led economic recovery takes root in Japan.

As for public works projects, fiscal constraints on local and national governments will likely have an impact on the number of public works that are to be awarded. On the private market side, we have yet to experience a surge of demand across major industries, and the prospect for such a rebound is still quite mixed. Exceptions may be seen in rising plant and equipment investments, major urban renewal projects that have commenced, or the medical/healthcare/environment-related businesses that are likely to expand in the coming years.

Asia holds the most promise for the Company as its primary focus overseas because despite the region's unpredictable future, Asian economies are expected to continue to recover. While we are going to devote our marketing forces to this area, extra caution will be exercised to maintain our profitability.

Our goal for fiscal 2001 is to achieve annual construction contract awards of ¥1,500 billion (¥1,400 billion from domestic awards and ¥100 billion from overseas). On a non-consolidated basis, the Company forecasts new contract awards of ¥1,220 billion (¥1,160 billion from construction awards and ¥60 billion from real estate and other operations).