

Summary and Forecast of Business Performance

(Excerpted from Kessan Tanshin released on May 15, 2007)

Business Performance

Summary of Business Performance for the Financial Year April 1, 2006 to March 31, 2007

1. Overview

During the subject financial year the global economy was generally favorable, although uncertainty regarding the future of the U.S. economy emerged during the second half. The Japanese economy remained firm overall. While personal spending was not fully recovered, private-sector capital investment continued to rise and the improvement in employment conditions spread supported by strong corporate earnings.

The domestic construction market witnessed unprecedented, exceptionally harsh market conditions. Private-sector construction continued to increase, but with fierce price competition. Public-sector construction continued to decline due to the government's tight financial position, and contracts were frequently won by extremely low-priced bids.

Amid these conditions, the Kajima Group's consolidated results for the subject financial year were as follows.

Consolidated construction contract awards totaled ¥1,612.5 billion, up 10.2% year on year due to increases at the Company and its consolidated overseas subsidiaries. Non-consolidated construction contract awards rose 6.3% to ¥1,288.2 billion, with ¥376.2 billion from civil engineering works (up 24.9%) and ¥911.9 billion from building construction works (up 0.1%).

Consolidated revenues rose 6.5% to ¥1,891.4 billion, due mainly to the increase in revenues from the Company's real estate and other operations.

In terms of earnings, while operating income fell 0.4% to ¥55.5 billion because of a decline in gross profits on completed construction projects, recurring profit rose 6.1% to ¥58.7 billion primarily because of an increase in non-operating income.

Net income rose 84.1% to ¥41.4 billion. While the Group posted an extraordinary loss of ¥16.2 billion including a ¥7.5 billion inventory valuation loss accompanying the adoption of the "ASBJ No.9 Accounting Standard for Measurement of Inventories," extraordinary profit of ¥30.5 billion was realized including ¥26.7 billion from the transfer of businesses and fixed assets of affiliates under the consolidated subsidiary of Kajima Kona Holdings Incorporated.

2. Segment Performance

(a) Construction Operations

Consolidated revenues rose 4.7% to ¥1,583.1 billion, mostly due to an increase in the Company's completed building construction projects.

Consolidated gross profit on completed construction projects fell 10.8% to ¥102.6 billion as the Company's gross profit margin on completed construction projects declined from 9.1% to 7.1%.

Consolidated operating income fell 36.4% to ¥25.7 billion due to the decline in the gross profit on completed construction projects and other factors.

(b) Real Estate Operations

Consolidated revenues from real estate operations increased 37.7% to ¥207.6 billion as the Company completed large-scale development projects. Consolidated operating income rose 70.0% to ¥28.7 billion.

(c) Other Operations

Consolidated revenues from other operations — mainly the processing and sale of construction materials, the design and engineering business, and property management services — fell 9.9% to ¥100.6 billion. Consolidated operating income dropped 6.2% to ¥1.0 billion.

3. Business Performance Forecast for the Financial Year Ending March 31, 2008

Regarding the outlook for the Japanese economy, we expect the economic recovery supported by private domestic demand to continue for the foreseeable future, while the trends in the U.S. and other overseas economies and the prices of crude oil and other raw materials warrant careful monitoring.

In the domestic construction market, while private capital expenditures should remain firm, we expect the decline in public investment to continue.

Considering these business conditions, our forecasts for the consolidated results for the financial year ending March 31, 2008 are as follows.

Revenues are projected to decline 2.2% to ¥1,850 billion.

In earnings, we project that operating income will decline 22.5% to ¥43 billion with the worsening of the Company's gross profit margin on completed construction projects and the decline in gross profits from real estate operations. Accordingly, we forecast that recurring profit will also decline to ¥43 billion, down 26.8%, and that net income will drop 22.8% to ¥32 billion.

The above projections are based on information available as of May 15, 2007 and are subject to risks and uncertainties that may cause the actual results to vary.

4. Basic Policy on Profit Allocation and Declaration of Dividends

The Company's basic policy on the allocation of profits is to provide shareholders with stable dividends in accordance with business performance while securing internal reserves to

maintain a sound management foundation. The retained earnings are used to reinforce the Company's financial constitution.

In the allocation of retained earnings for the financial year ended March 31, 2007 considering the business performance the Company will increase the ordinary annual dividend by ¥1.0, as originally planned, to ¥7.0 per share (including an interim dividend of ¥3.0). For the financial year ending March 31, 2008 the Company plans to maintain this ordinary annual dividend of ¥7.0 per share (including an interim dividend of ¥3.5).

Risk Factors

Investors should consider the following risk factors before making any decision concerning the Group. Forward-looking statements contained herein are based on judgments made as of March 31, 2007. Our Group seeks to mitigate, as much as practically possible, the impact that these various risks and uncertainties may have on our business performance by removing, diversifying and/or hedging them.

(1) Changes in Market Conditions

Should market conditions change beyond what we currently assume (e.g., steep declines in construction demand, upsurges in construction material prices, major fluctuations of real estate markets), the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.

(2) Fluctuations of Interest Rates and Foreign Exchange Rates

Interest rate spikes and/or foreign exchange volatility may cause the Group's business performance and financial conditions to differ from our projections and forecasts.

(3) Asset Value Fluctuations

Should the prices of assets owned by the Group (e.g., real estate for sale and marketable securities) or profitability of operating properties drop substantially, the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.

(4) Changed Political/Economic Conditions of Foreign Countries

Our Group conducts business in foreign countries including the United States, Europe, Asia and other regions. Should political/economic conditions or the legal systems in these countries change beyond what we currently assume, the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.

(5) Changes Affecting PFI Projects

Should changes beyond what we currently assume occur that affect private finance initiative (PFI) projects during the course of their long-term operation, the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.

(6) Deferred Income Tax Assets

Although we expect deferred income tax assets outstanding as of March 31, 2007 to be fully utilized to offset the Group's future taxable income, changes in tax laws may partially prevent the Group from doing so.

(7) Legal Restrictions

Our Group operates in the construction industry where the companies are required to comply with various statutes including Construction Business Act, Building Standard Act, Real Estate Business Transaction Act, Land Use Planning Act, Urban Planning Act and Antitrust Law. Should there be changes to or abolitions of the above laws, the imposition of new legal constraints, or changes to the applicable standards, the Group's business performance and financial conditions may turn out to be materially different from our projections and forecasts.