

# Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

## 1. BASIS OF PRESENTING 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 Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards (IFRSs). The difference between the accounting policies followed by the Companies and IFRSs is described in Note 3.

In preparing the 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 transactions 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 ¥100 to \$1, the approximate rate of exchange at March 31, 2008. Such transactions 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, 2008 include the accounts of the Company and its 76 (74 in 2007) significant subsidiaries. Under the control or influence concept, 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 57 (57 in 2007) subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 50 (66 in 2007) affiliates were accounted for using the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary and affiliate at the date of acquisition is being amortized over a period of 5 years. All significant inter-company balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from inter-company transactions is eliminated.

On March 29, 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Implementation Guidance No.15, "Implementation Guidance on Disclosures about Certain Special Purpose Entities", which was effective for financial years beginning on or after April 1, 2007 with early adoption permitted. This standard permits companies to avoid consolidation of certain special purpose entities which were established and are being operated for the purpose of liquidation of the real estate. The Company had 4 special purpose entities which are not consolidated under Guidance No.15 as of March 31, 2008. The total assets and liabilities of such special purpose entities as of March 31, 2008 were ¥63,910 million (\$639,100 thousand) and ¥63,891 million (\$638,910 thousand), respectively. The Company recognized lease payments of ¥5,565 million (\$55,650 thousand) based on lease agreements of the real estate for the year ended March 31, 2008. The investment in anonymous association was ¥7,262 million (\$72,620 thousand) and its related distributed profit was ¥1,413 million (\$14,130 thousand) as of and for the year ended March 31, 2008.

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

i) Breakdown as of March 31, 2008

①Number of consolidated subsidiaries:

76: Kajima Road Co., Ltd., Chemical Grouting Co., Ltd., Kajima Leasing Corporation, Kajima Mechatro Engineering Co., Ltd., Taiko Trading Co., Ltd., Kajima U.S.A. Inc. (KUSA) and its 21 subsidiaries, Kajima Europe B.V. (KE) and its 9 subsidiaries, Kajima Europe U.K. Holding Ltd. (KEUK) and its 14 subsidiaries, Kajima Overseas Asia Pte. Ltd. (KOA) and its 12 subsidiaries and 11 subsidiaries of the Company

②Number of unconsolidated subsidiaries accounted for using the equity method:

57: ARTES Corporation, Japan Sea Works Co., Ltd. and 55 other companies

③Number of affiliated companies

accounted for using the equity method:

50: Katabami Kogyo Co., Ltd., Yaesu Book Center Co., Ltd., and 48 other companies

ii) Changes for the year ended March 31, 2008

① Newly consolidated companies:	Platanus Special Purpose Company, 2 subsidiaries of KUSA and 4 subsidiaries of KOA due to new establishments and transference from affiliated companies
② Companies excluded from consolidation:	4 subsidiaries of Kajima Kona Holdings Inc. and 1 subsidiary of KUSA due to liquidations
③ Companies newly accounted for using the equity method:	1 subsidiary and 3 affiliated companies due to new establishments
④ Companies excluded from the equity method:	1 subsidiary and 19 affiliated companies due to liquidations, sales of shares, and transfer to consolidated companies

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

c. **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.

Prior to April 1, 2006, other inventories were primarily stated at cost determined on a specific project basis or by the moving-average method.

On July 5, 2006, ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for financial years beginning on or after April 1, 2008 with early adoption permitted. This standard requires 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.

The Company and its consolidated domestic subsidiaries adopted the new accounting standard for measurement of inventories in the year ended March 31, 2007.

As a result of the measurement, gross profit for the year ended March 31, 2008 and 2007 were decreased by ¥1,525 million (\$15,250 thousand) and ¥805 million, respectively.

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

d. **Capitalization of Interest** — Interest costs incurred for real estate development projects (including property and equipment) conducted by certain overseas subsidiaries have been capitalized as a part of the development cost of such projects. Interest expense capitalized was ¥3,269 million (\$32,690 thousand) and ¥2,224 million for the years ended March 31, 2008 and 2007, respectively.

e. **Marketable Securities and Investments in Securities** — Marketable securities and investments in securities are classified and accounted for, depending on management's intent, as follows:

- i) 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;
- ii) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost;
- iii) 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. However, securities held by certain overseas subsidiaries are stated at the lower of cost or market value. Non-marketable 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.

f. **Property and Equipment** — Property and equipment are principally stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization have been principally computed using the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998.

The estimated useful lives for buildings and structures range from 2 to 50 years and for machinery and equipment range from 2 to 20 years.

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

Accumulated depreciation and amortization totaled ¥240,671 million (\$2,406,710 thousand) and ¥250,225 million as of March 31, 2008 and 2007, respectively.

- g. **Long-lived Assets** — The Company and its consolidated domestic subsidiaries 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 would be 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.
- h. **Allowance for Doubtful Accounts** — Allowance for doubtful accounts provided by the Company and its consolidated domestic 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 consolidated overseas subsidiaries provide for such possible losses using management's estimate.
- i. **Retirement Benefits** — Under the employees' retirement benefit plans, the Company, its consolidated domestic subsidiaries and certain overseas subsidiaries have funded and/or unfunded retirement benefit plans covering all of their employees. Certain overseas subsidiaries have defined contribution plans. The liability for employees' retirement benefits are based on projected benefit obligations and plan assets at the balance sheet date in conformity with the accounting standard for employees' retirement benefits.

Prior to the financial year ended March 31, 2006, retirement benefits to directors, corporate auditors and executive officers were recorded to state the liability at the amount which would be required if all directors, corporate auditors and executive officers retired at the balance sheet date as stipulated in the retirement regulations. On June 29, 2006, the stockholders of the Company approved to abolish the aforementioned retirement benefits, for which the amount corresponding to the date of abolishment be paid at the time of their retirement from the position. Certain consolidated domestic subsidiaries also abolished the retirement benefits during financial year ended March 31, 2008. The balance of such unpaid benefits is reclassified as other long term-liabilities.

- j. **Allowance for Loss on Development Projects** — The Companies provide for foreseeable losses arising from certain real estate projects.
- k. **Presentation of Equity** — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as assets, liabilities and minority interests are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for financial years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statements of changes in equity.
- l. **Recognition of Revenues and Related Costs** — In the Company and its consolidated domestic subsidiaries, individual construction projects, whose contract amounts are not less than ¥100 million and whose contract periods are beyond one year, are recorded using the percentage-of-completion method, while individual construction projects, except the aforementioned, are recorded using the completed-contract method.

In the consolidated overseas 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, 2008 and 2007 were ¥1,068,542 million (\$10,685,420 thousand) and ¥1,022,130 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 ¥20,785 million (\$207,850 thousand) and ¥8,613 million as of March 31, 2008 and 2007, respectively.

- m. **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, 2008 and 2007 totaled ¥9,641 million (\$96,410 thousand) and ¥9,123 million, respectively.
- n. **Leases** — All leases are accounted for as operating leases. Under the Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.
- o. **Bonuses to Directors and Corporate Auditors** — Prior to the financial year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the financial year following approval at the general stockholders

meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors", which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for financial years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

- p. **Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 tax laws 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.

- q. **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 statements of income to the extent that they are not hedged by forward exchange contracts or currency swaps.
- r. **Foreign Currency Financial Statements** — The balance sheet accounts and revenue and expense accounts of the consolidated overseas 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 in "Equity" as foreign currency translation adjustments in the accompanying consolidated balance sheets.

- s. **Derivatives and Hedging Activities** — The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange, interest rates and the value of listed equity securities. Foreign exchange forward contracts, currency swaps, interest rate swaps and contracts for future delivery of the equity securities 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 and foreign currency transactions are classified and accounted for as follows:

- i) 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 statements of income, and
- ii) for derivatives used for hedging purposes, if 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, however, the contracts for future delivery engaged in to hedge fluctuations in listed equity securities are measured at fair value and the unrealized gains and losses are charged to income.

The derivative instruments applied for forecasted or committed transactions are also measured at the 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.

The 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 are charged to income.

- t. **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, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because the Companies have nothing which might dilute the per share information for the years ended March 31, 2008 and 2007.

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

#### u. New Accounting Pronouncements

##### i) Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for financial years beginning on or after April 1, 2008 with early adoption permitted for financial years beginning on or after April 1, 2007.

##### — Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

##### — Lessor

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

##### ii) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new task force prescribes: 1) 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, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items 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) Actuarial gains and losses of defined benefit plans recognized outside profit or loss

(3) Capitalization of intangible assets arising from development phases

(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets

(5) Retrospective application when accounting policies are changed

(6) Accounting for net income attributable to a minority interest

The new task force is effective for financial years beginning on or after April 1, 2008 with early adoption permitted.

##### iii) Construction Contracts

Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be 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 can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for financial years beginning on or after April 1, 2009 with early adoption permitted for financial years beginning on or before March 31, 2009 but after December 27, 2007.

### 3. DIFFERENCE BETWEEN JAPANESE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in Japan. The main difference between such accounting principles and IFRSs is as follows:

**Recognition of Revenues and Related Costs** — IAS 11 requires revenues and related costs to be recognized by reference to the stage of completion of contract activity where the outcome of a construction contract can be estimated reliably.

The Companies' reporting policy in relation to the recognition of revenues and related costs, which is in accordance with accounting principles generally accepted in Japan, is set out in Note 2.1.

### 4. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities and investments in securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
<b>Current:</b>			
Government and corporate bonds .....	¥ 159	¥ 240	\$ 1,590
Fund trusts and other .....	99	59	990
<b>Total</b> .....	<b>¥ 258</b>	<b>¥ 299</b>	<b>\$ 2,580</b>
<b>Non-Current:</b>			
Equity securities .....	¥213,693	¥316,483	\$2,136,930
Government and corporate bonds .....	429	721	4,290
Fund trusts and other .....	33,823	25,422	338,230
<b>Total</b> .....	<b>¥247,945</b>	<b>¥342,626</b>	<b>\$2,479,450</b>

Information regarding the category of the securities classified as available-for-sale as of March 31, 2008 and 2007 was as follows:

As of March 31, 2008	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
<b>Available-for-sale:</b>				
Equity securities .....	¥118,057	¥ 89,263	¥ (5,139)	¥202,182
Government and corporate bonds .....	577	12	0	588
Fund trusts and other .....	2,082	70	(442)	1,710
<b>Total</b> .....	<b>¥120,716</b>	<b>¥ 89,345</b>	<b>¥ (5,581)</b>	<b>¥204,480</b>

As of March 31, 2007	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
<b>Available-for-sale:</b>				
Equity securities .....	¥115,679	¥188,158	¥ (1,072)	¥302,765
Government and corporate bonds .....	961	2	(1)	962
Fund trusts and other .....	1,951	262	(205)	2,008
<b>Total</b> .....	<b>¥118,591</b>	<b>¥188,422</b>	<b>¥ (1,278)</b>	<b>¥305,735</b>

As of March 31, 2008	Thousands of U.S. Dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
<b>Available-for-sale:</b>				
Equity securities .....	\$1,180,580	\$ 892,630	\$ (51,380)	\$2,021,820
Government and corporate bonds .....	5,760	120	0	5,880
Fund trusts and other .....	20,820	700	(4,420)	17,100
<b>Total</b> .....	<b>\$1,207,160</b>	<b>\$ 893,450</b>	<b>\$ (55,810)</b>	<b>\$2,044,800</b>

The above figure includes marketable equity securities temporarily lent to financial institutions based on a securities lending agreement in the amount of ¥167 million (\$1,670 thousand) and ¥13,210 million as of March 31, 2008 and 2007, respectively.

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		
	2008	2007	2008
Available-for-sale:			
Equity securities.....	¥11,511	¥13,718	\$115,110
Fund trusts and other .....	32,212	23,472	322,120
<b>Total.....</b>	<b>¥43,723</b>	<b>¥37,190</b>	<b>\$437,230</b>

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥1,012 million (\$10,120 thousand) and ¥1,271 million, respectively. Realized gains and losses on these sales, computed on the moving average cost method, were ¥312 million (\$3,120 thousand) and ¥8 million (\$80 thousand) for the year ended March 31, 2008 and ¥410 million and ¥12 million for the year ended March 31, 2007, respectively.

The carrying values of bonds, fund trusts and other securities by contractual maturities for securities classified as available-for-sale as of March 31, 2008 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Due within one year.....	¥258
Due after one year through five years .....	453	4,530
Due after five years through ten years.....	83	830
<b>Total.....</b>	<b>¥794</b>	<b>\$7,940</b>

## 5. REVALUATION OF LAND

Under the "Law of Land Revaluation", the Company and a domestic 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 and minority interests, as a component of equity. There is no effect on the consolidated statements of income. 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, related deferred tax liabilities and minority interests.

As of March 31, 2008, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥7,764 million (\$77,640 thousand).

## 6. LONG-LIVED ASSETS

For the year ended March 31, 2008, the Company and consolidated domestic subsidiaries recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of assets
Assets used for business .....	Land, Buildings and structures, Machinery and equipment	Tokushima Prefecture and others	9
Asset used for rent .....	Land, Buildings and structures	Aichi Prefecture and others	2
Idle properties .....	Land, Buildings and structures	Kanagawa Prefecture and others	2

For purposes of evaluating and measuring impairment, assets used for business are considered to constitute a group by each branch. Asset used for rent and idle properties are individually evaluated.

Carrying amounts of certain assets used for business, asset used for rent and idle properties were devalued to their recoverable amounts, due to substantial declines in the fair market value and the profitability.

As a result, the Company and consolidated domestic subsidiaries recognized an impairment loss of ¥2,970 million (\$29,700 thousand), which consisted of assets used for business ¥840 million (\$8,400 thousand), asset used for rent ¥2,046 million (\$20,460 thousand) and idle properties ¥84 million (\$840 thousand) for the year ended March 31, 2008.

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

**7. LONG-TERM LOANS RECEIVABLE**

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

**8. PLEDGED ASSETS**

As of March 31, 2008, the following assets of the Companies were pledged to secure the repayment of short-term borrowings of ¥105 million (\$1,050 thousand), current portion of long-term debt of ¥1,260 million (\$12,600 thousand), other current liabilities of ¥49 million (\$490 thousand), long-term debt of ¥11,342 million (\$113,420 thousand) and other long-term liabilities of ¥1,271 million (\$12,710 thousand) and to assure the performance by the Companies under certain agreements.

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable—trade .....	¥ 279	\$ 2,790
Inventories:		
Development projects in progress, real estate and other .....	16,873	168,730
Other current assets .....	33	330
Land .....	35	350
Buildings and structures .....	1,218	12,180
Investments in unconsolidated subsidiaries and affiliates .....	554	5,540
Long-term loans to unconsolidated subsidiaries and affiliates .....	1,574	15,740
Investments and other assets – Other .....	155	1,550
<b>Total</b> .....	<b>¥20,721</b>	<b>\$207,210</b>

**9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT**

Short-term borrowings were generally represented by 365-day notes in 2008 and 2007 issued by the Companies and bore interest principally at the short-term primary interest rate of 1.875% in effect as of March 31, 2008 and 2007.

Long-term debt as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
0.9% to 7.5674% loans from banks, due 2008 – 2016 .....	¥187,489	¥186,867	\$1,874,890
0.747% to 3.09% loans from insurance companies and other financial institutions, due 2008 – 2021 .....	12,060	17,685	120,600
3.46% to 6.19375% Medium Term Notes, due 2008 - 2009 .....	15,891	19,534	158,910
0.58% to 2.9% bonds, due 2009 - 2013 .....	70,200	85,000	702,000
<b>Total</b> .....	<b>285,640</b>	<b>309,086</b>	<b>2,856,400</b>
Current portion included in current liabilities .....	(51,360)	(78,729)	(513,600)
<b>Total</b> .....	<b>¥234,280</b>	<b>¥230,357</b>	<b>\$2,342,800</b>

Substantially all of the short-term and long-term loans from banks 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 consolidated domestic subsidiaries have never received such a request.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2008 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009 .....	¥ 51,360	\$ 513,600
2010 .....	59,844	598,440
2011 .....	55,812	558,120
2012 .....	29,777	297,770
2013 .....	63,111	631,110
2014 and thereafter .....	25,736	257,360
<b>Total</b> .....	<b>¥285,640</b>	<b>\$2,856,400</b>

In addition to the above balance, the Company entered into a committed loan facility agreement aggregating ¥100,000 million (\$1,000,000 thousand) with several Japanese banks as of March 31, 2008.

## 10. COMMERCIAL PAPER

Commercial paper was represented by 60 to 63-day paper issued by the Company with interest at 0.73% to 0.745% and 62 to 63-day paper at 0.62% to 0.638% as of March 31, 2008 and 2007, 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, consolidated domestic subsidiaries and certain overseas subsidiaries have retirement benefit plans for employees. As described in Note 2.i., however the Company and consolidated domestic subsidiaries abolished retirement benefit plans for directors, corporate auditors and executive officers.

The Company's retirement benefit plan consists of a defined contribution pension plan, a point-based benefit plan and closed qualified pension plan. Under the point-based benefit system, benefits are calculated based on accumulated points allocated each month according to an employee's job classification and performance.

Certain overseas subsidiaries have defined contribution plans.

Liability for retirement benefits as of March 31, 2007 includes retirement benefits for directors, corporate auditors and executive officers of ¥1,241 million, but due to the aforementioned abolishment, liability for retirement benefits as of March 31, 2008 no longer include retirement benefits for directors, corporate auditors and executive officers.

The information for employees' retirement benefits was as follows:

### a. The Liability for Employees' Retirement Benefits as of March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation .....	¥102,046	¥107,618	\$1,020,460
Fair value of plan assets .....	(15,726)	(19,427)	(157,260)
Unrecognized prior service cost .....	(19,298)	(22,560)	(192,980)
Unrecognized actuarial loss .....	(3,001)	(376)	(30,010)
<b>Total</b> .....	<b>64,021</b>	<b>65,255</b>	<b>640,210</b>
Plan assets excess of the liability	—	93	—
<b>Net liability</b> .....	<b>¥ 64,021</b>	<b>¥ 65,348</b>	<b>\$ 640,210</b>

## b. The Components of Net Periodic Benefit Costs for the Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost .....	¥ 5,072	¥ 4,319	\$ 50,720
Interest cost .....	2,031	2,063	20,310
Expected return on plan assets .....	(303)	(279)	(3,030)
Amortization of prior service cost .....	3,261	3,261	32,610
Amortization of actuarial loss .....	514	376	5,140
Other .....	2,794	2,810	27,940
<b>Net periodic benefit costs .....</b>	<b>¥13,369</b>	<b>¥12,550</b>	<b>\$133,690</b>

"Other" in the above table consists of the cost of defined contribution plans.

## c. Assumptions Used for the Years Ended March 31, 2008 and 2007

	2008	2007
Discount rate .....	2.0%	2.0%
Expected rate of return on plan assets .....	1.0% to 2.5%	1.0% to 2.5%
Amortization period of prior service cost .....	10 years	10 years
Recognition period of actuarial gain/loss .....	10 years	10 years

## 13. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Japanese Commercial Code (the "Code"). The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

## a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the financial year in addition to the year-end dividend upon resolution at the stockholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation.

The Board of Directors of such company 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 cannot do so because it does not meet all the above criteria. Semi-annual 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 Corporate Law 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 total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

## c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law 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 specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now 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 40.5% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
<b>Deferred Tax Assets:</b>			
Liability for retirement benefits .....	¥ 26,076	¥ 27,028	\$ 260,760
Inventories.....	25,041	34,074	250,410
Property and equipment .....	12,663	12,209	126,630
Other .....	70,240	64,481	702,400
Subtotal .....	134,020	137,792	1,340,200
Valuation allowance .....	(8,243)	(14,018)	(82,430)
<b>Total .....</b>	<b>125,777</b>	<b>123,774</b>	<b>1,257,770</b>
<b>Deferred Tax Liabilities:</b>			
Unrealized gain on available-for-sale securities.....	(36,028)	(76,299)	(360,280)
Other .....	(8,080)	(7,527)	(80,800)
<b>Total .....</b>	<b>(44,108)</b>	<b>(83,826)</b>	<b>(411,080)</b>
<b>Net Deferred Tax Assets .....</b>	<b>¥ 81,669</b>	<b>¥ 39,948</b>	<b>\$ 816,690</b>

Certain consolidated subsidiaries of the Company have tax loss carryforwards whose expiration dates range from 2009 to 2022. Due to the uncertainty of the realization of such tax loss carryforwards, the Companies have established a valuation allowance to offset most of the related deferred tax assets in the amount of ¥1,268 million (\$12,680 thousand) and ¥3,335 million as of March 31, 2008 and 2007, respectively.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Normal effective statutory tax rate .....	40.5%	40.5%
Expenses not deductible for income tax purposes .....	4.8	2.5
Non-taxable income.....	(5.7)	(0.4)
Inhabitant taxes .....	1.3	1.1
Valuation allowance .....	(9.7)	(0.6)
Difference of statutory tax rate between the Company and consolidated subsidiaries ...	(8.0)	(1.3)
Tax benefits not recognized on equity in earnings or losses of unconsolidated subsidiaries and affiliates.....	(5.4)	(2.0)
Other-net .....	(0.8)	2.8
<b>Actual effective tax rate .....</b>	<b>17.0%</b>	<b>42.6%</b>

## 15. RELATED PARTY TRANSACTIONS

Transactions with unconsolidated subsidiaries and affiliates for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Construction and other revenues .....	¥14,473	¥20,996	\$144,730
Purchases .....	35,528	42,588	355,280

In addition, during the financial year ended March 31, 2008, the Company entered into a construction contracts of ¥720 million (\$7,200 thousand) and a design contract of ¥16 million (\$160 thousand) with a corporation owned by the family of

a director of the Company. Development contracts of ¥117 million were also entered with the same party during the financial year ended March 31, 2007. Based on the contracts, revenue recognized for the year ended March 31, 2008 was ¥68 million (\$680 thousand) for construction projects and ¥133 million (\$1,330 thousand) for real estate and other, respectively. As of March 31, 2008, advances received on construction projects in progress in relation to the construction contract was ¥184 million (1,840 thousand)

The above contracts are on an arm's-length basis and in the normal course of business.

The Company provided financial support to a restructuring by the affiliate in the amount of ¥3,320 million, which was recorded as a loss on restructuring of affiliates in the consolidated statements of income for the year ended March 31, 2007.

## 16. LEASES

a. **Finance Leases as a Lessee** — The Companies have a number of lease agreements, primarily for office space and computer equipment, which are renewable upon expiration and mainly cancellable. Rental expenses on such leases were approximately ¥7,161 million (\$71,610 thousand) and ¥7,314 million, including total lease payments of ¥1,216 million (\$12,160 thousand) and ¥1,201 million for the years ended March 31, 2008 and 2007, respectively, in connection with finance leases as described in Note 2.n.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation equivalent and interest equivalent of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen					
	2008			2007		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost .....	¥ 5,526	¥ 1,175	¥ 6,701	¥ 4,920	¥ 1,078	¥ 5,998
Accumulated depreciation.....	(3,758)	(745)	(4,503)	(3,520)	(863)	(4,383)
Accumulated impairment loss.....	(145)	—	(145)	(1)	—	(1)
Net lease property .....	¥ 1,623	¥ 430	¥ 2,053	¥ 1,399	¥ 215	¥ 1,614

	Thousands of U.S. Dollars		
	2008		
	Machinery and Equipment	Other	Total
Acquisition cost .....	\$ 55,260	\$ 11,750	\$ 67,010
Accumulated depreciation.....	(37,580)	(7,450)	(45,030)
Accumulated impairment loss.....	(1,450)	—	(1,450)
Net lease property .....	\$ 16,230	\$ 4,300	\$ 20,530

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
	Due within one year .....	¥1,034	¥ 937
Due after one year.....	2,146	1,653	21,460
<b>Total</b> .....	<b>¥3,180</b>	<b>¥2,590</b>	<b>\$31,800</b>

The imputed interest equivalent portion computed using the interest method is excluded from the above obligations under finance leases.

Allowance for impairment loss on leased property of ¥145 million (\$1,450 thousand) and ¥1 million is deducted from the obligations under finance leases as of March 31, 2008 and 2007, respectively.

Depreciation equivalent, interest equivalent and other information under finance leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation equivalent .....	¥1,077	¥1,098	\$10,770
Interest equivalent .....	159	158	1,590
Reversal of allowance for impairment loss on leased property .....	7	6	70
Impairment loss .....	151	—	1,510

Depreciation equivalent is computed by the declining-balance method for machinery and equipment and by the straight-line method for other leased assets using the effective life of the lease and nil residual value, respectively.

Depreciation equivalent and interest equivalent are not reflected in the accompanying consolidated statements of income.

b. **Finance Leases as a Lessor** — The Companies also have a number of lease agreements, primarily for computer equipment, which are renewable upon expiration and mainly cancelable. Lease income earned on such leases in connection with finance leases as described in Note 2.n. were approximately ¥2,062 million (\$20,620 thousand) and ¥2,267 million for the years ended March 31, 2008 and 2007, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, receivables under finance leases, depreciation and interest equivalent of finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2008 and 2007 was as follows:

	2008				2007			
	Buildings and Structures	Machinery and Equipment	Other	Total	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost .....	¥ 8,667	¥ 4,685	¥ 1,017	¥14,369	¥ 9,105	¥ 4,478	¥ 2,857	¥16,440
Accumulated depreciation .....	(2,722)	(2,220)	(209)	(5,151)	(2,277)	(2,025)	(1,953)	(6,255)
Net lease property .....	¥ 5,945	¥ 2,465	¥ 808	¥ 9,218	¥ 6,828	¥ 2,453	¥ 904	¥10,185

	Thousands of U.S. Dollars			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost .....	\$ 86,670	\$ 46,850	\$ 10,170	\$143,690
Accumulated depreciation .....	(27,220)	(22,200)	(2,090)	(51,510)
Net lease property .....	\$ 59,450	\$ 24,650	\$ 8,080	\$ 92,180

Receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year .....	¥ 979	¥ 939	\$ 9,790
Due after one year .....	9,079	9,856	90,790
<b>Total</b> .....	<b>¥10,058</b>	<b>¥10,795</b>	<b>\$100,580</b>

The imputed interest equivalent portion computed using the interest method is excluded from the above receivables under finance leases.

Depreciation and interest equivalent under finance leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation .....	¥1,225	¥1,450	\$12,250
Interest equivalent .....	1,058	1,057	10,580

c. Operating Leases as a Lessee — The minimum rental commitments under noncancellable operating leases as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year .....	¥15,624	¥13,813	\$156,240
Due after one year.....	75,759	74,809	757,590
<b>Total .....</b>	<b>¥91,383</b>	<b>¥88,622</b>	<b>\$913,830</b>

d. Operating Leases as a Lessor — The minimum rental receivables under noncancellable operating leases as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year .....	¥12,891	¥12,227	\$128,910
Due after one year.....	69,433	63,951	694,330
<b>Total .....</b>	<b>¥82,324</b>	<b>¥76,178</b>	<b>\$823,240</b>

## 17. DERIVATIVES

The Companies enter into derivative financial instruments ("derivatives"), including principally foreign exchange forward contracts, currency swaps, interest rate swap agreements and contracts for future delivery of equity securities.

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 regulation.

Derivative transactions entered into by the Companies, such as interest rate swaps that convert a U.S. dollar floating rate to a fixed Yen rate, are subject to market risk associated with U.S. dollar and Yen exchange rates. Interest swap transactions are also subject to market risk and are used to convert fixed interest rates to floating interest rates. Contracts for future delivery of equity securities are also subject to market risk.

The Companies do not anticipate any losses resulting from default by counter parties, as the counter parties are limited to major domestic or overseas financial institutions.

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

The Companies have the following derivatives contracts outstanding as of March 31, 2008 and 2007:

	Millions of Yen							
	2008				2007			
	Contract / Notional Principal Amount		Fair Value	Unrealized Gain (Loss)	Contract / Notional Principal Amount		Fair Value	Unrealized Gain (Loss)
Within One Year	After One Year	Within One Year			After One Year			
<b>Foreign Exchange Contracts</b>								
Buying :								
U.S. Dollar forward .....	¥5,759	¥ —	¥5,176	¥ (583)	¥2,085	¥5,703	¥7,868	¥ 80
Poland Zloty forward.....	—	—	—	—	143	—	143	0
STG Pound forward .....	1,846	—	1,847	1	—	—	—	—
Currency swaps								
Buy-Japanese Yen /								
Sell-U.S. Dollar .....	1,900	—	(194)	(194)	1,000	1,900	(417)	(417)
<b>Total .....</b>	<b>¥9,505</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ (776)</b>	<b>¥3,228</b>	<b>¥7,603</b>	<b>¥ —</b>	<b>¥ (337)</b>
<b>Interest Rate Swaps</b>								
Pay-fix / Receive-float .....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 700	¥ (18)	¥ (18)
Pay-float / Receive-float.....	—	—	—	—	—	948	(36)	(36)
<b>Total .....</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥1,648</b>	<b>¥ (54)</b>	<b>¥ (54)</b>

	Thousands of U.S. Dollars			
	2008			
	Contract / Notional Principal Amount		Fair Value	Unrealized Gain (Loss)
Within One Year	After One Year			
Foreign Exchange Contracts				
Buying :				
U.S. Dollar forward .....	\$57,590	\$ —	\$51,760	\$(5,830)
STG Pound forward .....	18,460	—	18,470	10
Currency swaps				
Buy-Japanese Yen /				
Sell-U.S. Dollar .....	19,000	—	(1,940)	(1,940)
<b>Total .....</b>	<b>\$95,050</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(7,760)</b>

Foreign currency forward contracts and currency swaps, which qualify for hedge accounting for the years ended March 31, 2008 and 2007 are excluded from the disclosure of market value information.

## 18. COMMITMENTS AND CONTINGENT LIABILITIES

The Company sold accounts receivable–trade to financial institutions. As of March 31, 2008, accounts receivable–trade amounting to ¥34,833 million (\$348,330 thousand) was excluded from the consolidated balance sheets.

As of March 31, 2008, contingent liabilities for loans guaranteed including related items of a similar nature amounted to ¥22,046 million (\$220,460 thousand).

## 19. NET INCOME PER SHARE

The basis of calculation of the basic net income per share (“EPS”) for the years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen	Thousand of Shares Weighted Average Shares	Yen	U.S. Dollars
			Yen	EPS
For the year ended March 31, 2008:				
Basic EPS				
Net income attributable to common stockholders .....	¥42,163	1,040,232	¥40.53	\$0.405
For the year ended March 31, 2007:				
Basic EPS				
Net income attributable to common stockholders .....	¥41,440	1,051,383	¥39.41	

## 20. SUBSEQUENT EVENT

On June 27, 2008, the stockholders of the Company approved the appropriation of retained earnings to pay a dividend of ¥3.50 (\$0.035) per share (final for the year ended March 31, 2008) for a total amount of ¥3,570 million (\$35,700 thousand).

The board of directors of the Company resolved at its meeting held on May 15, 2008 to dissolve Kajima Europe B.V. and to establish a new wholly-owned subsidiary, tentatively named as “Kajima Europe Limited” in order to reinforce its business foundation and to enhance efficiency by consolidating the group’s European operations. The Company expects no significant effects on its performance and operating activities by the dissolution of Kajima Europe B.V. and plans to acquire stock of Kajima Europe Limited at approximately £75 million during the financial year ending on March 31, 2009.

## 21. SEGMENT INFORMATION

### a. Business Segments

Business segments are principally composed of the following:

Construction..... Civil engineering and architectural construction

Real Estate..... Development and sale of land and buildings

Other..... Architecture, engineering, financing and any other relevant business

#### Year Ended March 31, 2008

	Millions of Yen					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers .....	¥1,599,627	¥ 192,432	¥ 102,128	¥1,894,187	¥ —	¥1,894,187
Inter-segments .....	2,589	1,698	16,776	21,063	(21,063)	—
Total .....	1,602,216	194,130	118,904	1,915,250	(21,063)	1,894,187
Operating expenses .....	1,607,257	173,189	117,685	1,898,131	(22,183)	1,875,948
Operating income .....	¥ (5,041)	¥ 20,941	¥ 1,219	¥ 17,119	¥ 1,120	¥ 18,239
Assets .....	¥1,511,160	¥ 521,087	¥ 81,291	¥2,113,538	¥ (195,028)	¥1,918,510
Depreciation .....	8,476	7,306	1,492	17,274	(96)	17,178
Impairment loss .....	446	2,046	478	2,970	—	2,970
Capital expenditures .....	16,434	12,754	5,107	34,295	231	34,526

#### Year Ended March 31, 2007

	Millions of Yen					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers .....	¥1,583,146	¥ 207,672	¥ 100,648	¥1,891,466	¥ —	¥1,891,466
Inter-segments .....	6,005	1,928	11,429	19,362	(19,362)	—
Total .....	1,589,151	209,600	112,077	1,910,828	(19,362)	1,891,466
Operating expenses .....	1,563,375	180,888	111,006	1,855,269	(19,318)	1,835,951
Operating income .....	¥ 25,776	¥ 28,712	¥ 1,071	¥ 55,559	¥ (44)	¥ 55,515
Assets .....	¥1,709,157	¥540,916	¥ 94,753	¥2,344,826	¥ (237,604)	¥2,107,222
Depreciation .....	7,363	7,194	1,486	16,043	(98)	15,945
Impairment loss .....	1,157	104	—	1,261	—	1,261
Capital expenditures .....	24,278	13,429	3,642	41,349	(1,548)	39,801

#### Year Ended March 31, 2008

	Thousands of U.S. Dollars					
	Construction	Real Estate	Other	Total	Elimination	Consolidated
Revenues:						
Customers .....	\$15,996,270	\$ 1,924,320	\$ 1,021,280	\$18,941,870	\$ —	\$18,941,870
Inter-segments .....	25,890	16,980	167,760	210,630	(210,630)	—
Total .....	16,022,160	1,941,300	1,189,040	19,152,500	(210,630)	18,941,870
Operating expenses .....	16,072,570	1,731,890	1,176,850	18,981,310	(221,830)	18,759,480
Operating income .....	\$ (50,410)	\$ 209,410	\$ 12,190	\$ 171,190	\$ 11,200	\$ 182,390
Assets .....	\$15,111,600	\$ 5,210,870	\$ 812,910	\$21,135,380	\$ (1,950,280)	\$19,185,100
Depreciation .....	84,760	73,060	14,920	172,740	(960)	171,780
Impairment loss .....	4,460	20,460	4,780	29,700	—	29,700
Capital expenditures .....	164,340	127,540	51,070	342,950	2,310	345,260

### b. Geographical Segments

Each area primarily refers to the following countries:

North America ..... U.S.A.

Europe..... United Kingdom and France

Asia ..... Singapore and Taiwan

## Notes to Consolidated Financial Statements

### Year Ended March 31, 2008

Millions of Yen

	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers .....	¥1,649,624	¥ 163,812	¥ 25,640	¥ 55,111	¥1,894,187	¥ —	¥1,894,187
Inter-segments.....	1,543	—	8	4	1,555	(1,555)	—
Total.....	1,651,167	163,812	25,648	55,115	1,895,742	(1,555)	1,894,187
Operating expenses.....	1,639,190	158,137	27,925	52,259	1,877,511	(1,563)	1,875,948
Operating income (loss).....	¥ 11,977	¥ 5,675	¥ (2,277)	¥ 2,856	¥ 18,231	¥ 8	¥ 18,239
Assets .....	¥1,805,989	¥ 154,022	¥ 44,273	¥ 81,492	¥2,085,776	¥ (167,266)	¥1,918,510

### Year Ended March 31, 2007

Millions of Yen

	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers .....	¥1,662,582	¥ 159,710	¥ 27,155	¥ 42,019	¥1,891,466	¥ —	¥1,891,466
Inter-segments.....	610	—	21	115	746	(746)	—
Total.....	1,663,192	159,710	27,176	42,134	1,892,212	(746)	1,891,466
Operating expenses.....	1,608,845	153,759	34,882	39,317	1,836,803	(852)	1,835,951
Operating income (loss).....	¥ 54,347	¥ 5,951	¥ (7,706)	¥ 2,817	¥ 55,409	¥ 106	¥ 55,515
Assets .....	¥1,930,844	¥ 153,627	¥ 47,839	¥ 61,558	¥2,193,868	¥ (86,646)	¥2,107,222

### Year Ended March 31, 2008

Thousands of U.S. Dollars

	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Revenues:							
Customers .....	\$16,496,240	\$ 1,638,120	\$ 256,400	\$ 551,110	\$18,941,870	\$ —	\$18,941,870
Inter-segments.....	15,430	—	80	40	15,550	(15,550)	—
Total.....	16,511,670	1,638,120	256,480	551,150	18,957,420	(15,550)	18,941,870
Operating expenses.....	16,391,900	1,581,370	279,250	522,590	18,775,110	(15,630)	18,759,480
Operating income (loss).....	\$ 119,770	\$ 56,750	\$ (22,770)	\$ 28,560	\$ 182,310	\$ 80	\$ 182,390
Assets .....	\$18,059,890	\$ 1,540,220	\$ 442,730	\$ 814,920	\$20,857,760	\$ (1,672,660)	\$19,185,100

#### c. Overseas Revenues

Each area primarily refers to the following countries:

North America ..... U.S.A.

Europe..... The Czech Republic and Poland

Asia ..... Singapore and Taiwan

Other Area ..... Algeria and United Arab Emirates

### Year Ended March 31, 2008

Millions of Yen

	North America	Europe	Asia	Other Area	Total
Overseas Revenues.....	¥ 163,862	¥ 26,216	¥ 79,794	¥ 80,700	¥ 350,572
Consolidated Revenues .....	—	—	—	—	1,894,187
Overseas / Consolidated Ratio (%) .....	8.6	1.4	4.2	4.3	18.5

### Year Ended March 31, 2007

Millions of Yen

	North America	Europe	Asia	Other Area	Total
Overseas Revenues.....	¥ 159,790	¥ 27,733	¥ 73,932	¥ 26,943	¥ 288,398
Consolidated Revenues .....	—	—	—	—	1,891,466
Overseas / Consolidated Ratio (%) .....	8.4	1.5	3.9	1.4	15.2

### Year Ended March 31, 2008

Thousands of U.S. Dollars

	North America	Europe	Asia	Other Area	Total
Overseas Revenues.....	\$ 1,638,620	\$ 262,160	\$ 797,940	\$ 807,000	\$ 3,505,720
Consolidated Revenues .....	—	—	—	—	18,941,870



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Kajima Corporation:

We have audited the accompanying consolidated balance sheets of Kajima Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.c to the consolidated financial statements, the Company and its domestic subsidiaries adopted the new accounting standard for measurement of inventories in the year ended March 31, 2007.

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

*Deloitte Touche Tohmatsu*

June 27, 2008

Member of  
Deloitte Touche Tohmatsu