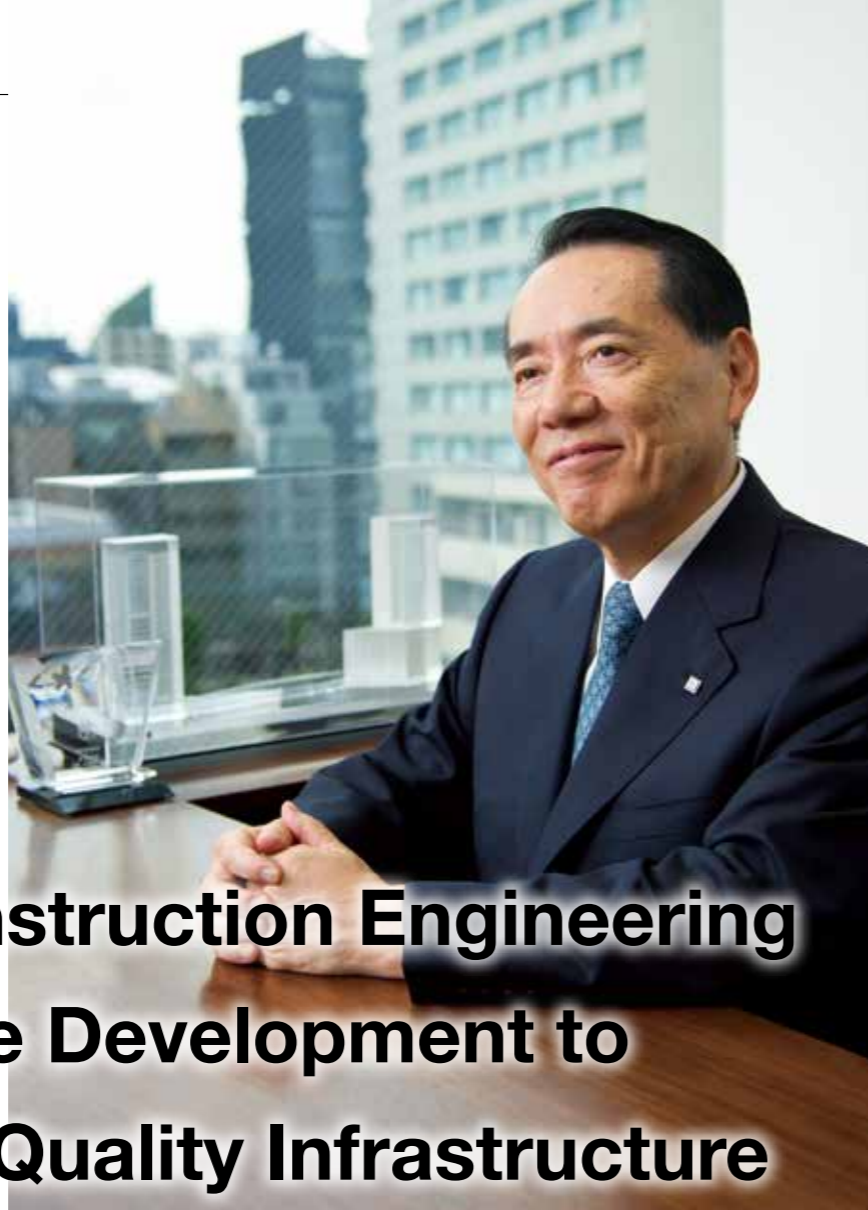


Real Estate Development Business



Levering Construction Engineering in Real Estate Development to Create High-Quality Infrastructure

Teruaki Yamaguchi

Executive Vice President,
General Manager, Real Estate
Development Division

Kajima has been in the real estate development business since 1976, almost 40 years, and it has become one of the Company's core businesses. Today, Kajima is a well-established developer known for its strengths in construction engineering. As we deliver on the goals of Kajima's medium-term business plan, we will continue to develop our real estate development business as a core business that sustains the Company for decades to come.

Looking to the Future with a Spirit of Challenge

Over the past decade, the creative projects of our real estate development business have brought significant new value and potential to many urban areas. Now, with our sights set on 2020 and beyond, we are leveraging Kajima's years of expertise to devise projects that make the most of our leading-edge technologies. As we pursue large-scale comprehensive urban redevelopment projects, we will give priority to projects in Tokyo bayside areas and access routes to Tokyo International Airport in Haneda, looking to capitalize on growing demand in the tourism and transport industries.

■ Balancing Our Business in Japan

At the present time, it is vital that we find the right balance between our business in short-term turnover properties and our medium- to long-term property management business. In the former, Kajima secures capital gains by selling property it has developed from conceptualization and planning phases to design and construction. In the latter, the Company acquires steady earnings by continuing to manage and maintain properties after their construction. Here in particular, we can draw on the

expertise of Kajima Group companies in the downstream operations of maintenance and management. The Group is strongest when we work together to create value driven by a comprehensive portfolio of services. Meanwhile, by applying the knowledge we gain in this process to the upstream work of conceptualization and design, we can develop projects that better meet the needs of property users and clients. In addition, we strive to create new projects that make the most of our own underutilized properties and to build on Kajima's expertise in property utilization, so as to propose strategic corporate real estate to our clients.

■ Flexibly Capitalizing on Financial Markets

Japan's securitized real estate market is projected to keep growing. Having considered how conditions in this market are changing, we are looking into using investment vehicles that help keep interest-bearing liabilities under control, drawing on the experience we have gained in managing the Kajima Fund, a real estate investment fund launched in 2005.

Leveraging Our Competitive Edge

The competitive advantages of Kajima's real estate development business are its development engineering capabilities and its ability to bring plans to the finish line. These strengths are derived from a broad range of capabilities: achieving consensus among business partners we have worked with on redevelopment projects; cooperating with government organizations, which involves utilizing specially designated districts, acquiring approval and authorization, and so on; planning buildings, such as offices with high environmental performance; and organizing projects that utilize diverse techniques and approaches.

Combining all of these strengths, we will integrate our design and construction engineering expertise, strong credit capacity, community-based networking, and our ties with other companies in the various industries where the Kajima Group does business with. In this way, we establish projects as an "engineering developer" based on the Kajima brand reputation, which competitors simply cannot match.

■ Balancing Our Portfolio Internationally

Just as we work to balance short-term turnover properties with assets we want to hold and manage, we also strive to maintain a healthy balance in our portfolio of businesses in and outside Japan. In Japan, we are pursuing short-term investments intended to turn a profit while also investing in and managing properties for lease. Meanwhile, we are building on our real estate development expertise and business experience to bolster the headquarters organizations tasked with supporting our businesses in other countries. Our overseas operations are working with Kajima subsidiaries around the world to proactively pursue investment projects tailored to local needs, such as the development of a building complex in Senayan, Indonesia; Stockley Park in London,

England; and SkyHouse urban condominiums for lease in cities throughout the United States.

■ Developing Talent with Extensive Experience

Supporting all of these activities are about 200 people who our division has directly employed over the past 28 years. New employees gain basic experience working in three different departments within the division during their first 10 years. We also develop personnel with engineering skills to thrive both in Japan and worldwide, using a job transfer system and training at overseas subsidiaries. I hope to see these top performers acquire management skills by working outside of Japan, and then bring their international experience and overseas networks back to Japan to pioneer new business fields. We also transfer employees to Kajima Group companies in Japan, where they learn labor management, good governance, and other best practices in management, and then later apply their experience after returning to Kajima.

While working to create projects well suited for Kajima, we will help our employees grow by giving them abundant opportunities to gain extensive knowledge, broaden their experiences, and refine their decision-making skills. In this way, we will strive to ensure that the real estate development business is a reliable mainstay for Kajima over the next two years of restructuring.



Akasaka K-Tower.

FY 2014 Performance

Taking advantage of a recovery in Japan's real estate market, Kajima sold a number of properties during the fiscal year ended March 31, 2015. Owing to these results and other factors, total revenues in the real estate development business, including design and engineering, jumped 46.5% year on year to ¥83.7 billion. Meanwhile, operating income came in at ¥20.9 billion, more than 12 times higher than the previous fiscal year.

Aiming to secure steady earnings during the restructuring of the next two years, the real estate development business is carrying out a number of ongoing projects, including a condominium project in Tokyo's Harumi area and a redevelopment project in the city's Kachidoki district. In addition, Kajima is participating in an urban renewal project in Tokyo's Takeshiba district, which will continue beyond 2020. It has been authorized by the prime minister as a special project in a "National Strategic Economic Growth Area."

Meanwhile, the real estate development business is working to raise the value of its properties for lease, including offices in the Toranomom Towers building in Tokyo, by investing in renovations when needed and paying close attention to tenants' increasingly diverse needs for safety, security, environmental friendliness, and more.

For private finance initiatives (PFI) projects, the Company carefully selects those that allow it to leverage the Kajima Group's leading position. With this approach, Kajima won five bids for these projects in fiscal 2014. Among the 110 PFI projects that Kajima has tendered bids for since 1999, it was successful in 49 cases, or 44.5% of the total, establishing the Company as the top general contractor in Japanese PFI.

Besides pursuing real estate development projects, the business is also applying its expertise in project organization to offer consulting services and propose ways for clients to make better use of their land. When providing these services, Kajima aims to creatively develop cities while considering important trends and key developments, including "National Strategic Economic Growth Areas" in Japan, the upcoming 2020 Tokyo Olympic and Paralympic Games, medical cluster promotion, the rapidly aging demographic in major cities, and the internationalization of education.



The redeveloped Yaesu side of Tokyo Station.



Artist's rendering of a culture center in the city of Higashine, Yamagata Prefecture, to be built in a PFI project.

Major Projects

Project name	Location	Site area (m ²)	Overview of the project
Projects Being Constructed			
Harumi 2-Chome Condominium Project (The Parkhouse Harumi Towers Tiaro Residence)	Tokyo	Approx. 14,900	<ul style="list-style-type: none"> Conducting sales of condominium units (861 units on 49 floors) jointly with other companies. Started construction in July 2012, commenced sales of units in August 2013, and planning to hand over the building in August 2016.
Kachidoki 5-Chome Redevelopment Project (Kachidoki The Tower)	Tokyo	Approx. 10,900	<ul style="list-style-type: none"> Conducting sales of condominium units (1,318 of a total of 1,420 units on 53 floors) jointly with other companies as a member of the redevelopment project planning organization. Established the planning organization in October 2011, acquired approval of the plan to transfer property rights in December 2012, started construction of the building in September 2013, commenced sales of units in May 2014, and planning to hand over the building in March 2017.
Takeshiba District Urban Renewal Step-Up Project	Tokyo	Approx. 15,500	<ul style="list-style-type: none"> Overseeing the leasing of an office building (39 floors) and residential building (21 floors) jointly with other companies on Tokyo government-owned land to be leased for 70 years.
Totsuka Real Estate Development Project	Yokohama	Approx. 28,400	<ul style="list-style-type: none"> Conducting sales of condominium units (number not yet determined) jointly with other companies. Planning to start construction in fiscal 2016, and planning to complete construction and hand over the building in fiscal 2018.
Projects Under Management			
Toranomom Towers Office Project	Tokyo	Approx. 6,600	<ul style="list-style-type: none"> Managing leased offices, a parking area, and some stores in a 23-story building. Completed construction in August 2006 and developed the multi-purpose complex with a condominium building as the sole project manager. Designated as a top-level office building according to the Tokyo government's environmental preservation regulations in fiscal 2010.
Tokyo Station Yaesu Entrance Development Project	Tokyo	Approx. 19,800 (total site area)	<ul style="list-style-type: none"> Developed a large-scale complex with East Japan Railway Company, Mitsui Fudosan, and other partners. The Kajima Group participated in a project to develop the south wing building (42 floors), and sold off a portion of its holdings in February 2013. The completion of the public plaza in front of the station in September 2014 brought the entire project to a conclusion.
Akasaka K-Tower Project	Tokyo	Approx. 5,000	<ul style="list-style-type: none"> Constructed the building using an integrated design system on the site of Kajima's former head office, creating a high-rise building complex (30 floors) containing offices and residences; completed construction in January 2012. Acquired an "S" rating for new buildings according to the Comprehensive Assessment System for Building Environment Efficiency (CASBEE).

Project

TOPICS

Functioning as a Total Coordinator

Real Estate Development Division
Kachidoki 5-Chome Redevelopment Project

Tokyo's bayside areas have enormous potential for development now that the city is preparing to build infrastructure in time for the 2020 Tokyo Olympic and Paralympic Games. Accordingly, the Real Estate Development Division sees these bayside areas as important targets, and is pursuing development projects designed to meet renewed demand for urban redevelopment.

At present, the division is involved in the redevelopment of the 5-Chome district in Kachidoki at Tokyo Bay. The large-scale project comprises three buildings, including a 53-story condominium with over 1,400 units, making it one of the largest development projects in Japan.

When project members were being selected by the redevelopment preparation association, Kajima's real estate development, design, and construction departments combined their expertise from past redevelopment projects to make the bid. The Company won high marks for its emphasis on designing the building from the perspective of future

occupants and its capacity to coordinate all aspects of architectural and structural design, construction planning, cost control measures, and other factors. As a result, Kajima was not only selected as the project coordinator for the entire redevelopment project, but also tasked with constructing certain buildings.

After winning the bid, Kajima held meetings with the redevelopment association to discuss building plans, designs and coordination with government officials. The final project plan was appealing from both the urban development and community-building perspectives. Kajima then formed and led a joint venture with four major development firms, and began selling the units in 2014. This project, to be completed in 2016, is adding to Kajima's credibility as an integrated construction company and real estate developer, thanks in particular to its outstanding building plans, earthquake-resistant structural technologies, and the unique Y-shaped building design.

Artist's rendering of the building.



Person

Flexibly Applying Strengths in Development and Engineering

Hirotu Takahashi
Tohoku Reconstruction and Development Office, Real Estate Development Division

I am in charge of examining usage of city land and supporting project management in an urban reconstruction and land planning project in the north Gamou district of the city of Sendai, which was damaged in the 2011 earthquake and tsunami disaster. When I first joined Kajima, I was assigned to a real estate development planning department at headquarters, but after the disaster I requested a transfer to the Tohoku region, where I grew up, so I could help with reconstruction. I am thankful that the Company granted my request.

To rebuild the damaged areas, Kajima is flexibly adapting to new contract schemes that employ private-sector support, including a new construction management method and early contractor involvement. While making the most of its development know-how, the real estate development business is cooperating closely with the civil engineering and building construction businesses from the conceptual stage when each project is approved. Everyone wants the area to be rebuilt quickly, which involves the construction of various kinds of infrastructure, land preparation work, and ensuring the final usage of the land. Management skills are the key to quickly coordinating requests from government authorities and personnel from both inside and outside the company. I hope to balance all of these demands while drawing on the support of Kajima's unique history and expert personnel in this unprecedented project.



Group company

Providing a Safe, Secure, and Comfortable Urban Space

Kajima Tokyo Development Corporation

This company was established to manage Tokyo East 21, a building complex located in the Toyo district of Tokyo's Koto City, and it has been in business for 23 years since the complex opened. It handles operation and management of all facilities, for instance leasing office and commercial space to tenants and operating the Hotel East 21 Tokyo.

Tokyo East 21 is an urban space used by many kinds of tenants and visitors. Aiming to see it serve as a business center on weekdays and a recreational space for local residents on weekends, the company strives to keep the area dynamic by organizing weekly events and bringing in appealing new commercial tenants.

Following the Great East Japan Earthquake, the company formulated a business continuity plan and renovated offices accordingly, promptly setting up a smart energy network and equipping the office building with emergency supplies.

The company also renovated guest rooms in the hotel so that guests could have an unobstructed view of the Tokyo Sky Tree tower. This has made the hotel even more popular with families and the recently growing number of Asian tourists.

With the 2020 Tokyo Olympic and Paralympic Games approaching, Kajima Tokyo Development Corporation is staying apace with changing trends and meeting the diverse needs of customers by equipping Tokyo East 21 with a full range of attractions and services.



The Tokyo East 21 complex.