

## Overseas Construction and Real Estate Development

# Tapping into Kajima's Essence in Search of New Growth Trajectories



## Keisuke Koshijima

Senior Executive Officer,  
General Manager, Overseas  
Operations Division

Kajima's overseas subsidiaries have steadily been growing their construction and real estate development businesses in the United States, Asia (Southeast Asia, Taiwan, China), and Europe. In March 2015, we entered the Australian market and established Kajima Australia Pty Ltd. In each of these regions, the Company operates a construction and real estate development platform designed specifically for the local market. Through expanding our overseas presence we aim to create new and diversified sources of revenue growth.

The first step in this process is to build a business platform, placing emphasis on two aspects: "people & organization" and "a revenue generating mechanism (business model)." We are continually working to strengthen our business base on both fronts. We also aim to further leverage our professional expertise in different regions and fields. Construction and real estate development require very deep local knowledge and we place great importance on establishing an organization which can continuously support our personnel and subsidiaries and help them grow.

When entering new markets Kajima adopts a variety of approaches. Besides sending Japanese employees to a new overseas location and starting operations from scratch, we also consider acquiring and building a skilled and dependable workforce through M&A and other means. The latter approach has been successful for us in the United States, where Kajima has invested in reliable companies, with whom we share the same values.

In addition to working with Kajima Group subsidiaries, another viable approach is to ally with reliable partners, which have special strengths and with whom we

can jointly realize increased synergies. By building a more effective business model and creating value through multiple approaches we can establish a flexible business base, which can quickly and efficiently take advantage of new revenue opportunities.

### Regional Roots

#### ■ Asia

At Kajima, our employees are directly involved in both construction and real estate development, and spend a long time sharpening their skills for executing large projects. In the construction business especially, our highly trained local staff contribute significantly to our competitiveness. In addition to fostering the technical expertise of the local workforce, Kajima places a strong importance on strengthening its own managerial capabilities in order to foster closer and more effective teamwork.

Kajima's strength in Asia lies in our unique service offering, which takes advantage of our design engineering expertise that allows us to propose new ideas. To remain one step ahead of the competition, we constantly review and update our technology. For example, the Kajima Technical Research Institute established an office in Singapore in 2013. This office is now collaborating with local universities and related organizations on joint research and other undertakings. Government agencies there have strongly praised the office's expertise.

Going forward, we intend to deepen our knowledge of Asian markets and to develop breakthrough technologies tailored for the local market. In addition, Kajima entered the engineering field in 2014. Asia's medical and pharmaceutical markets are growing, and business opportunities in the field of engineering are increasing. Rather than serving merely as an auxiliary to the construction business, we want to see Kajima's engineering prowess itself become a mainstay of our business.

#### ■ The United States

In the US, construction and real estate development companies under the holding company, Kajima U.S.A. Inc. (KUSA), have built up a proven track record by operating multiple platforms. In the future, whilst closely watching market conditions, they will pursue ways to diversify revenue sources in both fields. In particular, a special effort has been made in recent years to develop unique services and products through collaboration between different operating subsidiaries within the Group. A good example is the high-rise apartment developments that are part of the SkyHouse series of urban communities, which bring together the Group's real estate development and construction functions in a single business model. The Group is also investing in new revenue-generating assets to replace Industrial Developments International Inc., a developer of logistics warehouses sold in 2013.

#### ■ Europe

In Europe, Kajima offers construction services in Central Europe, whilst a dedicated in-house team engages in real estate development and investment. The Company continues to seek new projects and fee-generating businesses, building upon its base of stable revenues derived from big projects under private finance initiatives (PFIs) in the United Kingdom. In addition, Kajima engages in quick-turnaround property investment, adding value through asset management.

#### ■ Australia

Kajima set up Kajima Australia Pty Ltd and acquired a majority stake in ICON Co Pty Ltd., a mid-tier player in construction and real estate development. Building on this base, Kajima will develop a unique platform for both the construction and real estate development sectors in the Australian property market, which is expected to grow.

### Succeeding in the Global Market

In any market, investments must be made and risks must be borne. Kajima firmly believes that the methods used for allocating corporate resources and evaluating risks must be thoroughly considered on a regular basis to ensure the best possible results. The Company has engaged in business outside Japan for many years. Along the way we experienced many setbacks before achieving our current profitability and settling upon our latest strategy. Our ongoing approach may not necessarily yield immediate or ready results but we believe strongly in investing in our organization for the future and working together as one team.

Whilst it is very satisfying when we are able to export Japanese methods and tools to our overseas businesses, working in Japan can lead to a Japan-centric view of the global market, when every location in the world is a center in its own right. Our task is to constantly maintain our ability to maximize the opportunities in growth centers around the world.

**FY 2014 Performance**

Kajima engages in construction and real estate development in 17 different jurisdictions around the globe. Through its overseas subsidiaries, the Group has laid down deep roots in each region, and pays strong attention to its corporate social responsibilities in each location. In the United States, Southeast Asia, Europe, and Australia, operating companies conduct their business under a regional headquarters. In addition, Kajima has one operating company in Taiwan and two in China.

In 2013, Kajima Overseas Asia Pte Ltd celebrated its 25th anniversary in Singapore, whilst Chung-Lu Construction Co., Ltd. marked its 30th anniversary in Taiwan, and in 2014 Kajima U.S.A. Inc. completed 50 years in business in the United States and Mexico. Kajima Europe Ltd. has now been doing business in Europe for 20 years. These long track records reflect the Group's commitment to setting down deep local roots around the world.

Kajima's overseas subsidiaries performed well in fiscal 2014 in terms of both revenues and profits (the construction business posted contract awards of ¥281.2 billion, revenues of ¥340.2 billion, recurring profit of ¥18.9 billion, and net income of ¥13.2 billion). These figures reflect a large volume of ongoing construction projects and strong sales, in addition to stable revenues from real estate development projects in progress.

Kajima's construction business has been increasingly successful in winning big contracts such as the large condominium projects awarded to the Hawaiian Dredging Construction Company, Inc. and increasing its construction

volume. Overall revenues are robust, especially due to a large order book in the United States. These favorable conditions are expected to continue into the coming fiscal year.

The Group's real estate development business is building a growing portfolio of income generating property. In the US, the SkyHouse series of apartment developments continue to grow. In Southeast Asia, the Senayan Square project in Indonesia continues to perform strongly. In the United Kingdom, a total of 18 PFI projects are generating robust revenues, and the Company has made some well-timed sales of assets from inventory.

Fiscal 2015 marks the start of the Kajima Group Medium-Term Business Plan (2015 to 2017), in which Kajima commits to "build up its overseas businesses (construction, real estate development) by further expanding existing operations and entering new markets and new fields." In 2015, Kajima purchased an office building in the City, London's financial district, and also signed a contract to design and build seven schools under the new PF2 scheme. Meanwhile, Kajima has entered the Australian construction and real estate development markets with the establishment of Kajima Australia. In these and other ways, the Group is working to further grow existing business and develop new markets and new fields.

Moving forward, Kajima will continue to reinforce its business base to support its businesses outside Japan and meet the objectives set out in the Medium-Term Business Plan.

**TOPICS**

**Message from Hawaiian Dredging Construction Company**

**Bill Wilson, Chairman of the Board**

KUSA acquired the Hawaiian Dredging Construction Company (HDCC) on November 1, 2002. After starting out in 1902 as a provider of harbor dredging services in Hawaii, HDCC branched out into the construction of buildings, bridges, power plants, and factories. Today it is the oldest, largest, and most diversified contractor in Hawaii.

Kajima first started working with HDCC decades ago when the two companies collaborated on the development of a large office building in Honolulu. At that time, Kajima provided design support as project owner while retaining HDCC as the contractor. Moving forward to the 1990s, Kajima again hired HDCC as the contractor to build an office building on Oahu and the Four Seasons Resort at Hualalai on

the island of Hawaii. These successful collaborations cemented a strong relationship and in 2000 the two parties entered into a joint venture that carried out three more projects.

Since becoming a subsidiary of KUSA in 2002, HDCC has continued to achieve notable success, and we are now handling more projects throughout Hawaii than ever before.

HDCC and Kajima have worked for clients in both the public and private sectors, and together we have built a solid relationship that both parties are very proud of. Capitalizing on its dominant position in Hawaii, HDCC expects to chalk up even more impressive achievements in the future.

Bill Wilson (Chairman of the Board) is fourth from left.



**The United States**



The KUSA group beat its business targets in fiscal 2014, posting construction contract awards of ¥193.1 billion, revenues of ¥193.5 billion, recurring profit of ¥4.0 billion, and net income of ¥2.4 billion. These figures reflect record-high orders and sales driven by the solid economic recovery in the United States. Both the construction and real estate development businesses made positive contributions to profits.

The KUSA group's medium- to long-term vision is to "become a top player in selected lines of business or geographical regions." To achieve this, it will seek to fully capitalize on the special strengths of each group company.

Working in line with this clear management vision, KUSA is focused on generating strong group-wide earnings by

investing in superior business opportunities. One example is the SkyHouse series of high-rise apartment developments, in which Kajima is investing very actively. These unique projects are a source of pride and they leverage fully the synergies arising from collaboration between the KUSA's core construction and real estate development businesses.

Simultaneously, the KUSA group proactively seeks ways to further diversify revenue sources by acquiring promising companies with good track records or by establishing new organizations. In real estate development, the group is placing special attention to stable monetization of its investments over the investment cycle.

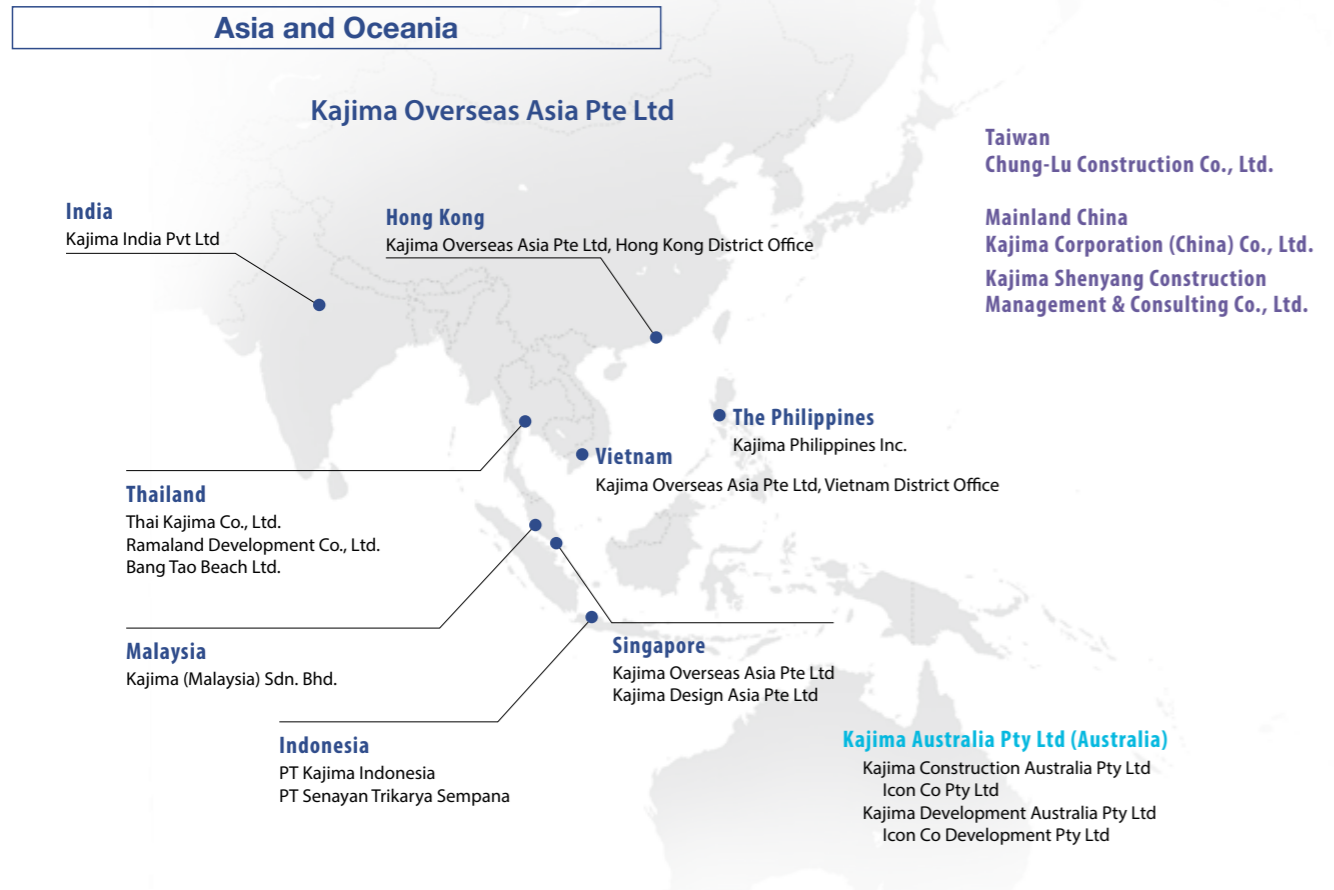
SkyHouse Houston. Completed in 2014, this is the fifth in the SkyHouse series of high-rise apartment developments.



Waihonua Condominium



Reception held in November 2014 to mark the 50th anniversary of KUSA.



In fiscal 2014, the Kajima Overseas Asia group (KOA group) delivered over ¥100 billion in revenues for the third year in a row despite fierce international competition in the Southeast Asia market, and also exceeded its profit target on the back of good performance in the real estate development business. The group posted construction contract awards of ¥62.6 billion, revenues of ¥110.1 billion, recurring profit of ¥9.9 billion, and net income of ¥7.6 billion.

The KOA group's business strategy is to "seek further expansion and increased stability by building a solid business platform, looking to capitalize on Asian economic expansion." In each of the eight countries where it operates it implements a tailor-made strategy for winning orders and runs a distinctive real estate development business. The group is also pursuing new markets and business opportunities.

In the construction business, the key to the KOA group's success is carefully selecting and focusing on fields where it has a competitive advantage, and making technical proposals that capitalize on its strengths. The KOA group intends to enhance its competitiveness in large markets such as Singapore where it continues to win major public facilities projects.

In its real estate development business, the KOA group is pursuing greater income stability by generating more revenues from its existing real estate holdings, such as Senayan Square project in Indonesia, which saw the opening of a new hotel in August 2015.

The KOA group is also exploring opportunities for business expansion by researching new markets that appear to hold good potential.

At the Kajima Europe group (KE group) both construction and real estate development contributed to a strong performance in fiscal 2014, posting construction contract awards of ¥14.2 billion, revenues of ¥22.5 billion, recurring profit of ¥3.8 billion, and net income of ¥2.3 billion. The group's construction business in Central Europe won an order for a major logistics warehouse project, and in the United Kingdom the real estate development business entered into contracts for new PFI projects whilst selling some properties from inventory.

The mission of the KE group is to take maximum advantage of its four-country business platform and provide solutions that meet the varied and exacting demands of Japanese and other multi-national corporations in Europe.

In the United Kingdom and France, whose mature economies are expected to see stable growth, the KE group has identified real estate investing, real estate development, and PFI/PF2 projects as core lines of its real estate business. In Poland and the Czech Republic, where there is still much scope for infrastructure development, and many new industrial new hubs are being established, it is targeting industrial, commercial, and educational facilities as the mainstays of its construction business.

The KE group continues to view the entire European region as a market opportunity, where it can leverage its years of knowledge and experience and provide high-quality, high-value services which contribute to the local community.



Singapore University of Technology and Design. (Singapore)



Shown here is the Ford plant at Sanand, where the KOA group is in charge of design and construction management during phase-one construction of this integrated auto manufacturing facility. (India)



Senayan Square is a major development project comprising a shopping center, three office buildings, four apartment buildings, and a hotel complex. (Indonesia)



Bicester Community Hospital, a PFI project that was completed and opened its doors in 2014. (United Kingdom)



55 Moorgate, an office building in London's financial district, acquired by the KE group in 2015. (United Kingdom)



Les Domaines de Saint Endreol Golf & Spa Resort. (France)