

Overseas Operations

Overseas Construction & Real Estate Development Business



Sentosa Resort, Singapore

Building Construction and Real Estate Development

(by overseas subsidiaries)

■ Market Conditions and Performance

In the fiscal year ended March 31, 2010, economic growth in the United States and Europe remained fragile although their recessions moderated in the second half. With capital expenditure and real estate investment still weak, the challenging operating environment in these

regions persisted. In contrast, Asia experienced a steady economic upturn from the mid-year, driven partly by a major economic stimulus package in China. With the gradual improvement in the global financial sector and the subsequent growth of up-front investments, the business environment for construction and real estate development appeared poised to take a turn for the better.

In this operating environment, new construction contract awards at overseas subsidiaries for the fiscal year ended March 31, 2010 totaled ¥132.0 billion, down 18.7 percent from the previous fiscal year. Revenues also

declined 19.1 percent to ¥192.8 billion. Net income, however, soared from ¥3.3 billion for the previous fiscal year to ¥12.0 billion, attributable mainly to the sale of a large-scale office development project in Singapore.

In the United States, revenues and profits at Kajima U.S.A. Inc. declined, in large part due to the substantial downturn in the real estate market in general, and particularly in the distribution warehouse development business, which has traditionally been a key part of our US operations. However, we are anticipating an improvement in earnings this year with a recovery in the construction market.

In Europe, revenues and profits dropped from the previous fiscal year, as both the construction and real estate development businesses were affected by the recession. For the current fiscal year, both new construction contracts and revenues are expected to increase with an anticipated pickup in the Central European construction market. Our main objective is to improve profitability, especially the gross profit margin level for construction projects.

In Asia, Kajima Overseas Asia Pte Ltd (KOA), headquartered in Singapore, posted record profits on the back of smooth progress in large-scale construction projects at the Sentosa Resort and Marina Bay Financial Centre, and due to the sale of the large-scale office development project. For the current fiscal year, although earnings will inevitably decrease following a significant gain on the sale of the large-scale office development project in the previous fiscal year, we expect KOA to continue to achieve solid performance.

In Taiwan, our local subsidiary, Chung-Lu Construction Co., Ltd., won several large-scale construction contracts from local blue-chip customers and significantly increased its new orders during the fiscal year ended March 31, 2010. However, revenues and profits declined as a result of the smaller volume of new orders booked at the end of the previous fiscal year. New contract awards are anticipated to double this year, which will provide a foundation for future earnings.

In China, the scale of our business is not as big as other regions across the globe, but we are exploring business opportunities both in construction and other markets.

■ Strategies and Initiatives

71 Robinson Road Project, Singapore

In the year ahead, our management policy is to establish a business base capable of demonstrating resilience in an adverse operating environment in order to achieve earnings targets. In the construction business, we will set the bar higher for new projects and pursue attractive business opportunities in light of profitability and creditworthiness of customers. We will take steps to sharpen construction execution capabilities and process management to meet our earnings targets. In real estate development projects, we will formulate profitability improvement plans for projects under development to maximize the value of our portfolio. Furthermore, we will strive to expand our business in new market segments with an eye on creating a business base over the medium to long-term. At the same time, we will continue to review our entire portfolio and, if necessary, reduce interest-bearing debt.



City Square, Singapore



Kajima Corporation Annual Report 2010

Civil Engineering

Market Conditions and Performance

In many countries and regions across the world, the global financial and economic crisis has triggered the contraction of local construction markets. Although Asia, for example, has sustained more or less solid construction investment growth, the overseas civil engineering business remained highly competitive as a whole, making the business environment increasingly challenging. In this difficult business environment, we took a more rigorous approach toward marketing for new projects and project management for construction projects in progress, implementing measures to strengthen management in every phase from contract award to construction and post-construction maintenance.

Despite these initiatives, in the fiscal year ended March 31, 2010, we made a significant downward revision of our profitability projections for the Dubai Rapid Link, the United Arab Emirates, and the East-West Motorway, Algeria.

Strategies and Initiatives

Although our volume of overseas civil engineering works declined considerably in the fiscal year ended March 31, 2010, we are strengthening risk management in line with our top priorities: steady progress on projects that are under way and recovery of profitability. In particular, we are redoubling our efforts to raise profitability on the East-West Motorway, Algeria, and the Dubai Rapid Link by making full use of our comprehensive capabilities, including the provision of technological and personnel support.

For new contract awards, our key target markets are Southeast Asia and Taiwan, where we have a local presence, experience, and an extensive track record. In these territories, we are focusing on

roads, bridges, and subways, in which we have a competitive advantage. Our main emphasis is on ensuring that we thoroughly examine project and contract details at the pre-contract stage to identify and analyze potential risks and select projects based on how much we can diversify our risk exposure.

As a means of upgrading consistent and standardized pre-tender processes, we set up an in-house committee in the head office consisting of members across departments. The committee, serving as a consultative body for the International Division, proactively reviews project and contract details from various perspectives before tendering and gives advice and recommendations to the tendering team. We expect that this practice will help lessen the risk of technical, cost, or legal problems we might face during the construction stage.



East-West Motorway, Algeria

Dubai Rapid Link, UAE

