

# Message from the Management



**In a challenging business environment, the Kajima Group aims to generate steady earnings by further enhancing cooperation among sales, design and construction units and optimally allocating company resources to strengthen competitiveness and profitability.**

**Mitsuyoshi Nakamura**  
President, Representative Director

## **Results for the Fiscal Year Ended March 31, 2010**

During the fiscal year ended March 31, 2010, construction spending decreased substantially in the Japanese construction market, particularly in the private sector. Consequently, the business environment remained challenging, with more severe conditions for contract awards.

To establish a foundation for stable earnings that can weather the volatile business environment, in April 2009 the Kajima Group launched a new Medium-Term Business Plan for the three years ending March 2012 and made a concerted effort to further strengthen the competitiveness and profitability of its core businesses. However, in the severe environment, consolidated construction contract awards decreased 28.2 percent to ¥1,138.4 billion due to factors including a large

decline in orders for building construction at Kajima Corporation as the private sector cut back on construction spending. Consolidated revenues decreased 16.0 percent to ¥1,637.4 billion, mainly due to lower order volume as construction spending fell.

Despite recovery in the gross profit margin for the construction business in Japan, we recorded an operating loss of ¥6.8 billion mainly due to substantial deterioration of profitability for large-scale overseas construction projects and an aggravated real estate development environment both inside and outside Japan. Consolidated net income, however, amounted to ¥13.2 billion, compared with net loss of ¥6.3 billion for the previous fiscal year, due largely to the disposal of a portion of our ownership in UDX SPC.

## **Policies for the Fiscal Year Ending March 31, 2011**

Our outlook for the current fiscal year includes an ineluctable decrease in public-sector spending and uncertain private-sector demand in Japan. We therefore expect competition for orders to intensify, while prices for certain construction materials appear likely to rise. Consequently, the business environment in Japan is likely to worsen.

The Kajima Group aims to lay robust foundations for becoming a truly profitable enterprise by continuing to execute its Medium-Term Business Plan for the three years ending March 2012. We will work to further enhance cooperation across departments and to optimally allocate company resources in order to maximize the profitability of our core businesses: civil engineering, building construction and real estate development. We will ensure appropriate profit by improving technology-related proposal capabilities, enhancing estimate and procurement functions, and exercising even greater prudence in obtaining new orders.

Concurrently, measures to promote improved profitability will include rationalizing production, enhancing operational and production-related units including subcontractors and vendors, improving the efficiency of administrative and overhead-related units, beefing up production-support functions and strategically promoting technological development.

Moreover, we will concentrate on making steady progress in construction and improving the profitability of large-scale overseas projects, which were the primary factor in the operating loss for the fiscal year ended March 31, 2010. We will also work to improve risk management for overseas construction as a whole.

With these initiatives, we will stably build up profits and thereby steadily increase equity and reduce interest-bearing debt. We will thus gain higher tolerance for risks associated with real estate development and the overseas construction business.

## **Raising Corporate Value**

Our basic shareholder return policy is to stably provide year-end dividends in line with our earnings while securing internal reserves to maintain a sound business foundation.

Taking into account the Group's financial performance and business foundation, we maintained annual dividends for the fiscal year ended March 31, 2010 at ¥6.00 per share, unchanged from the previous fiscal year.

The Kajima Group is working to raise its corporate value by reliably generating earnings, based on customer-oriented management.

We are counting on the continued understanding and support of our stockholders and other stakeholders.

July 2010



Mitsuyoshi Nakamura  
President, Representative Director