

Message from the Management

Kajima is dedicated to establishing a rock-solid earnings base. To this end, we are raising our earnings power through a policy of winning new contracts that leverage our technological advantages and emphasize profitability, coupled with greater onsite productivity.

Furthermore, we are striving to deliver improved business performance across the entire Kajima Group through aggressive initiatives overseas.

Results for the Fiscal Year Ended March 31, 2012

In the fiscal year ended March 31, 2012, the global economy saw a muted recovery overall, as financial uncertainty fueled largely by the debt crisis in Europe undercut growth in developed and emerging Asian markets alike. In Japan, certain sectors saw a modest turnaround, as reconstruction efforts following the Great East Japan Earthquake moved forward. The momentum driving economic recovery, however, continued to lack strength, reflecting a historically high yen and persistent deflationary pressures.

In the Japanese construction market, the competition for new contracts grew more intense, as construction investment remained lackluster overall. This situation persisted despite a halt in the decline in investment in public works, reflecting budgetary allotments for restoration and revitalization efforts, as well as solid demand from the private sector.

In this climate, the Kajima Group sought to establish a foundation for stable earnings capable of weathering the volatile business environment. To this end, the Group took steps to further strengthen the marketing competitiveness and profitability of its core businesses: civil engineering, building construction, and real estate development. The Kajima Group's business performance for the fiscal year ended March 31, 2012 is detailed below.

Consolidated construction contract awards rose 9.1% year on year to ¥1,296.0 billion. This growth was mainly the result of winning a large-scale restoration project following the March 2011 disaster. Consolidated revenues increased 10.0% year on year to ¥1,457.8 billion, largely driven by progress in construction at the parent company.

In terms of profit, consolidated operating income was ¥29.5 billion, up 70.8% from the previous fiscal year. Consolidated net income, however, declined 85.2% year on year to ¥3.8 billion. A major factor was the posting of extraordinary losses, including a valuation loss on marketable and investment securities related to a real estate development project in which Kajima is invested, as well as accident-related expenses from seafloor shield construction in Okayama, Japan, carried out by Kajima. Net income was also impacted by an increase in deferred income taxes due to a reversal of deferred tax assets stemming from corporate tax rate changes.

Pressing Issues

Against the backdrop of a modest global economic recovery and ongoing restoration and revitalization efforts following the earthquake and tsunami, the Japanese economy is widely expected to make a turnaround atop firm improvement in corporate earnings. Nevertheless, the outlook for the Japanese economy in the near term is that more time is needed before it can fully grow on its own.

Similarly, the domestic construction market, while supported on the one hand by restoration and revitalization demand, harbors little prospect for full-scale expansion in capital investment in the private sector. This means that the severe operating environment surrounding the construction industry will likely continue.

In this climate, the Kajima Group will promote the measures detailed below from a medium-term perspective to enable its steady corporate development.

In the domestic construction business, we will extensively follow our policy of winning new contracts that leverage our technological advantages and emphasize profitability, together with striving for greater onsite productivity, which will raise our earnings power. In the overseas construction business, along with continuing our focus on improving the profitability of construction projects underway, we intend to move aggressively to enhance our business base, including human resource development, in promising markets, with particular emphasis on Asia. In the real estate development, engineering and environmental businesses, we plan to take on projects worldwide that showcase the comprehensive capabilities of the Kajima Group, maximizing consolidated profits by strengthening our earnings power in these business segments.

Through initiatives of this kind, we hope to generate stable profits, while striving in tandem to improve asset efficiency. Success in these areas will, in turn, make it possible to focus on improving and reinforcing the financial structure that will support future growth by enhancing equity and paring down interest-bearing debt.

With respect to restoration and revitalization in the aftermath of the Great East Japan Earthquake, the Kajima Group will remain actively involved in these efforts, pooling its collective strengths to propose and develop optimal and environmental technologies for the task.

After deeply reflecting on accidents that occurred during the fiscal year under review, the Kajima Group has committed itself again to safety and quality assurance, the critical starting points for the construction industry, and is united in a determination to prevent such accidents from occurring again.

Distribution of Profits

Our basic stockholder return policy is to stably provide dividends in line with our earnings, while securing internal reserves to maintain a sound business base by strengthening our financial position and improving capital efficiency. After taking into account factors such as business performance and the future business environment, we paid an annual dividend of ¥5 per share for the fiscal year under review. We anticipate paying the same annual dividend for the fiscal year ending March 31, 2013.

As our stockholders and investors, your continued understanding and support will be critical to our success going forward.

July 2012

Mitsuyoshi Nakamura.

Mitsuyoshi Nakamura
President, Representative Director

