



Yoshikazu Oshimi

President and
Representative Director
Kajima Corporation

Two years have now passed since I became President and Representative Director of Kajima Corporation. I took the helm just as we kicked off our Medium-Term Business Plan (2015-2017). These two years have been a period of restructuring. We have sought to revitalize and strengthen our domestic construction business, and we have worked group-wide to systematically reinforce and expand our business portfolio and establish a sound business platform by leveraging the Kajima Group's competitive advantages.

With these efforts, our domestic real estate development and our overseas operations turned in a robust performance, and we also saw improved profit margins in the domestic construction business. These factors drove fiscal 2016 profit up over the previous year. We have made particular progress in the domestic construction business under our policy of "putting the construction site first." Structures are taking shape across the entire company to support construction sites, which are the drivers of our success. In the marketing phase prior to gaining a contract, we have sought to provide proposals that fulfill our customers' wishes and focused on boosting productivity and reducing costs. In the post-contract construction phase, we have worked to integrate and leverage our diverse knowledge and experience further. It is these new initiatives that have produced the good results we achieved.

The business environment is changing rapidly. We aim to meet new challenges as a corporate group by combining our technological expertise and long years of experience with the latest robotics and artificial

intelligence technologies. This approach, I am confident, will deliver sustainable growth and improve corporate value.

Achieving Sustainable Growth

Fiscal 2017 is the final year of our current Medium-Term Business Plan (2015-2017). This year, we will keep building on the achievements of the previous two years in our domestic construction business. To ensure that the Kajima Group stays on a sustainable growth trajectory, we will intensively and precisely allocate management resources to the areas of our business portfolio that require strengthening and expanding, and in so doing reinforce our earnings base.

Although the construction industry is prone to acute ups and downs, at Kajima we aim to diversify the drivers of our business in order to achieve a broad-based balance that will enable the group as a whole to weather any and all market vicissitudes.

The engagement of the Kajima Group goes far beyond the construction business, encompassing real estate development, engineering, and overseas construction and development businesses. We remain determined to reinforce our presence in these businesses, so that they too become key drivers of our success.

Looking to overseas operations in particular, in September 2016 we established Indochina Kajima Development Limited in Vietnam, a country where stable economic growth is projected to drive expansion in the real estate market. We have partnered with Indochina Capital, a company that has an



excellent track record in real estate development in Vietnam, to diligently develop our real estate development business. In March 2017, Kajima Australia Pty. Ltd. acquired Cockram Construction, a second-tier general contractor in Australia. We determined that combining Kajima Australia's expertise in residential construction and real estate development with Cockram's competitiveness in the non-residential sector would yield a business platform capable of leveraging changes in the market environment. Cockram is also involved in a broad range of business ventures in China and other countries, and we anticipate that linking their businesses with our existing platforms will lead to broader-based business development.

A long-running challenge is improving productivity in our main construction business. My own view about how to go about tackling this challenge was shaped by the time I spent at the construction site myself, where I recognized the need to enhance workers' skills in multiple areas. Accordingly, in June 2016 we established Kajima Fit Co., Ltd., a company that engages in interior finish work, and in April 2017 we established Clima Works, a specialist in facility construction. By

establishing these companies with specific skills within the Group, we are looking to make a first step toward securing an able and productive workforce, and also to ensure that technology development is more closely aligned with the needs of the construction site.

Mechanization and active utilization of the Internet of Things are indispensable for productivity improvement. In the building construction business, as a means of further disseminating and advancing our building information modeling (BIM) approach, in April 2017 we established Global BIM, Inc., a company dedicated to BIM operations. In the civil engineering business, we have established two new internal departments: the BIM for Infrastructure Development Division works to deploy and support the operation of BIM for infrastructure, and the Automated Construction Technical Solutions Division is tasked with implementing an integrated approach to automated construction, from technology development through deployment, and with the provision of training and support for construction management. We will continue to strive to integrate and generalize technologies and methods to create solutions that meet the needs of each type of construction site.

Reinforcing the Business Platform

To make sustainable growth a reality, it is essential to enhance our market advantage and reinforce our business platform. During the course of this fiscal year, we will be reassessing the areas where focus is needed to achieve these goals in light of environmental, social and governance (ESG) criteria. We recognize that we must focus in particular on developing key personnel. In this effort to date, we have concentrated on developing capable and skilled technicians who can make a difference for the construction site. To generate new ideas and invigorate management, we now see the additional necessity to work on developing professionals who possess advanced planning and management skills.

Another urgent challenge is to secure the next generation of workers who will support the production base of the Company. As one means of tackling this major task, we have launched Kajima work-style reform, aiming to build attractive workplace environments for both our

employees and our subcontractors. In this effort, the key question we ask is, "What needs to be done to make construction sites better places to work?" We are seeking out the opinions of the subcontractors who support our construction activities and asking the views of project managers at all of our branch offices about the specific steps we should take.

Fiscal 2017 is also the year in which we will draft our next Medium-Term Business Plan. In this process, we will be developing a long-term vision for the Kajima Group and will incorporate initiatives that will help us realize that vision.

Earning Trust as a Corporate Group

The trust of society is essential for any company to remain in business. We recognize that operating our businesses with sincerity is the key to gaining such trust. Despite this, I regret to report that, in fiscal 2016, a Group company was subject to a penalty by the Japan Fair Trade Commission. Reflecting deeply on this lapse, we are determined to



ensure complete compliance at all Group companies. We will also be further reinforcing risk management and will continue to rigorously implement accident prevention measures in quality control, industrial health and safety, and environmental areas.

The recent spate of flood-related damage caused by torrential rains in various regions of Japan reminds us of the ever-present threat of natural disaster. Last year, earthquakes struck Kumamoto in April and the central region of Tottori Prefecture in October, and many

natural disasters have assailed various regions, including Hokkaido and Tohoku. On occasions like these, we are reminded of the grave responsibility of the construction industry to build a safe, secure and comfortable society. It is incumbent on us to redouble our efforts to use the power of technology to protect people's lives from seismic forces and also to harness technology that ensures we can all live in harmony with the might of nature. To ensure rapid business continuity when disaster strikes, we are also implementing regular training to raise the awareness of our employees. By

making daily efforts to prepare for the unexpected, when disaster does strike, we will be ready to fulfill our social responsibility and mission as an upstanding member of the construction industry.

In Conclusion

For the Kajima Group to keep moving forward as a good corporate citizen, it is essential that we engage in seamless communication with our diverse stakeholders, who naturally include the owners and contractees who are our customers, and also our shareholders and investors,

subcontractors, local communities, and our own employees. As a corporate group we will naturally ensure that we engage in responsible business activities and also concentrate on fulfilling our social responsibility through social contribution activities with a unique Kajima touch.

In keeping with our corporate slogan, "Building for the Next 100 Years," we are committed to creating new value, and we hope to receive your continued guidance and support as we continue to grow.



President and Representative Director Yoshikazu Oshimi (center) and Executive Vice Presidents

(From left)

Hiromasa Amano, Masayasu Kayano, Kazuo Kojima, Naoki Atsumi, Hiroyoshi Koizumi, Takashi Hinago, Tamiharu Tashiro, Teruaki Yamaguchi, Hiroshi Ishikawa