

# KAJIMA CORPORATE REPORT 2017



Kajima Corporation  
Public Relations Office  
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## KAJIMA'S CORPORATE PHILOSOPHY

As a group of individuals working together as one,  
we pursue creative progress and development founded on both rational,  
scientific principles and a humanitarian outlook,  
through which we strive to continually advance our business  
operations and contribute to society.

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### Editorial Policy

The Kajima Group has published the *Kajima Corporate Report* annually since 2015 to provide a comprehensive account of the Group's financial and non-financial activities, including initiatives related to the environment, society, and governance (ESG). The report is prepared to help stakeholders understand how the Group is working to create value and build a more sustainable world. It also summarizes the performance of the Kajima Group and its business segments and describes the Group's management structure.

In assembling this report, the editorial team used the following documents as references: *The International Integrated Reporting Framework (Version 1)*, and *G4 Sustainability Reporting Guidelines* of the Global Reporting Initiative.

### Forward-Looking Statements

This Corporate Report includes forward-looking statements that are based on various assumptions. Actual performance figures and the achievement of strategies could differ materially.

### Scope of Report

#### • Period

This report covers fiscal 2016, the fiscal year ended March 31, 2017, except where otherwise stated.

#### • Organization

Kajima Group

Note: Quantitative data regarding occupational safety and health and the environment only covers Kajima Corporation in Japan.

#### Publication

September 2017 (previous issue: December 2016; next issue: scheduled for September 2018)

#### Websites

Top Page:

<https://www.kajima.co.jp/english/welcome.html>



## 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)

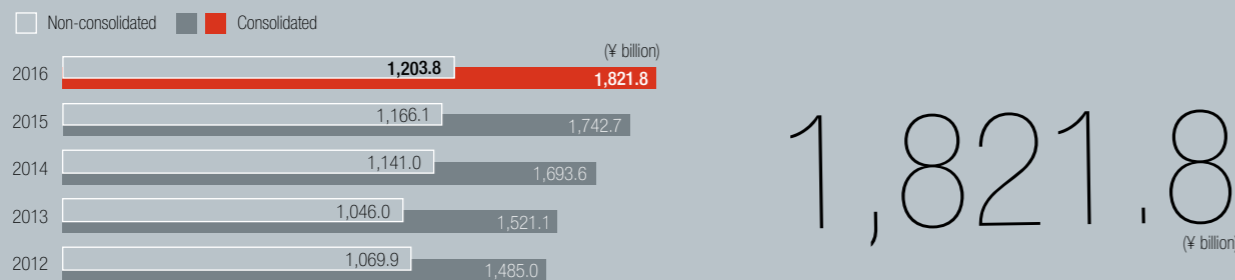
Hiromasa Amano, Masayasu Kayano, Kazuo Kojima, Naoki Atsumi, Hiroyoshi Koizumi, Takashi Hinago, Tamiharu Tashiro, Teruaki Yamaguchi, Hiroshi Ishikawa

## THE KAJIMA GROUP, BY THE NUMBERS

A review of Kajima's data for fiscal 2016 (ended March 31, 2017)

### Revenues

In fiscal 2016, revenue was ¥1,821.8 billion, driven by increases in both construction and real estate development.



1,821.8  
(¥ billion)

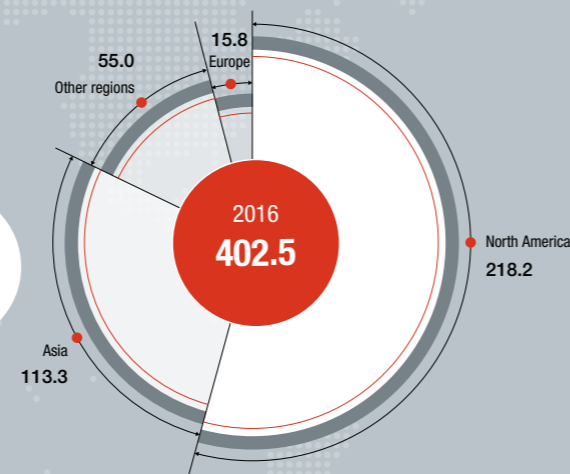
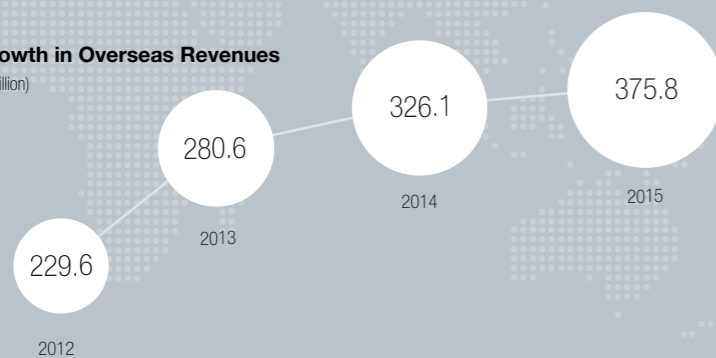
### Overseas Revenues / Total Revenues Ratio

Overseas revenue has been steadily increasing in recent years, now accounting for 22.1% of consolidated revenue.

22.1%

### Growth in Overseas Revenues

(¥ billion)



### Construction Contract Awards

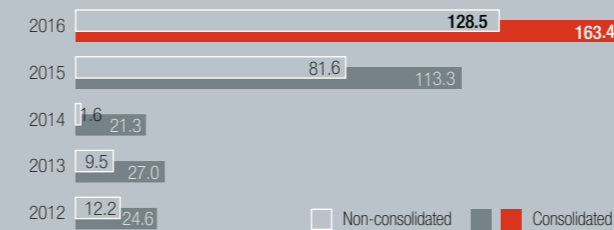
In fiscal 2016, consolidated construction contract awards stood at ¥1,728.3 billion, roughly the same level as the previous fiscal year.

1,728.3  
(¥ billion)

### Ordinary Income

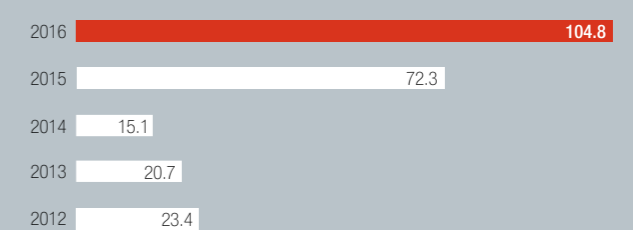
Consolidated ordinary income and net income attributable to owners of the parent both reached record highs in fiscal 2016 due to improved profit margins in construction and a favorable real estate development market.

163.4  
(¥ billion)



### Net Income Attributable to Owners of the Parent

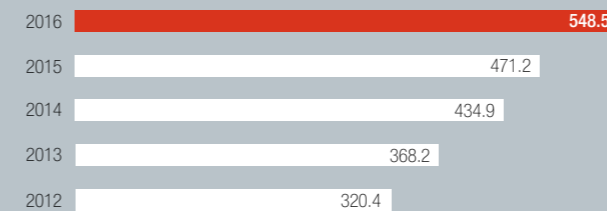
104.8  
(¥ billion)



### Shareholders' Equity

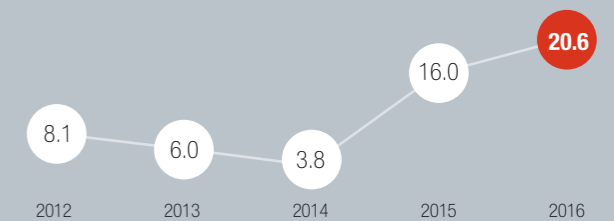
As corporate performance improves, shareholders' equity is steadily increasing.

548.5  
(¥ billion)



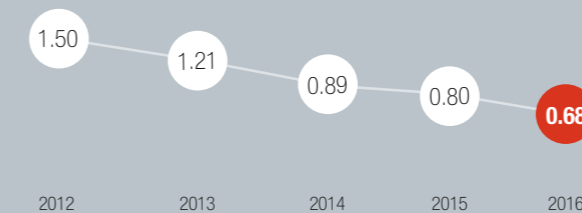
### Return on Equity (ROE)

ROE has far surpassed the 8.0% target for fiscal 2017 set out in the Medium-Term Business Plan.



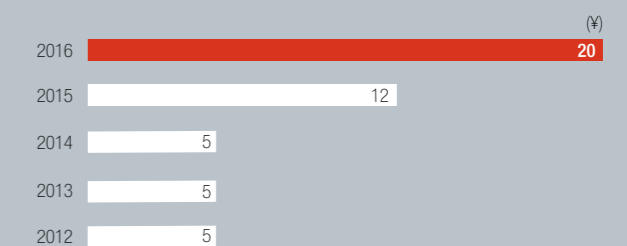
### Debt Equity Ratio

Kajima has been working hard to strengthen its financial position. As a result, the debt equity ratio has continued to improve, falling to 0.68 in fiscal 2016. (The Company has ¥372.9 billion in interest-bearing debt.)



### Cash Dividends per Share

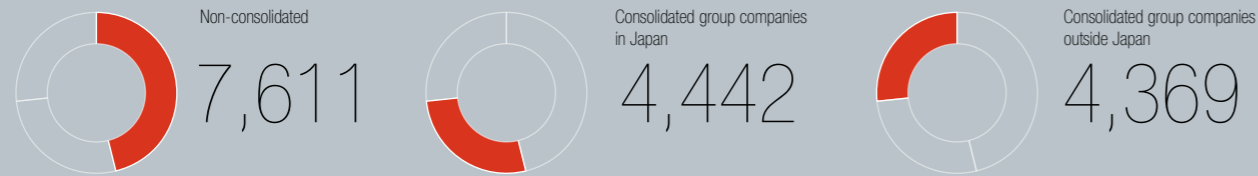
Kajima's basic policy on profit allocation is to distribute profits to stockholders in line with business performance as well as to provide stable dividends, while securing internal reserves to maintain a sound business platform. After taking into account factors such as business performance and the future business environment, the Company paid a dividend of ¥20 per share for fiscal 2016.



### Number of Employees

# 16,422

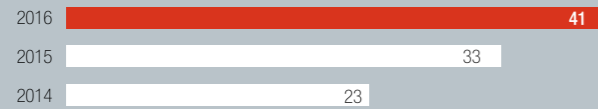
The Kajima Group had 16,422 employees as of the end of fiscal 2016. The number of employees at consolidated group companies in and outside of Japan continues to rise. The Group strives to cultivate the talents of all employees, regardless of nationality or gender.



### Number of Male Employees Taking Shortened Work Hours

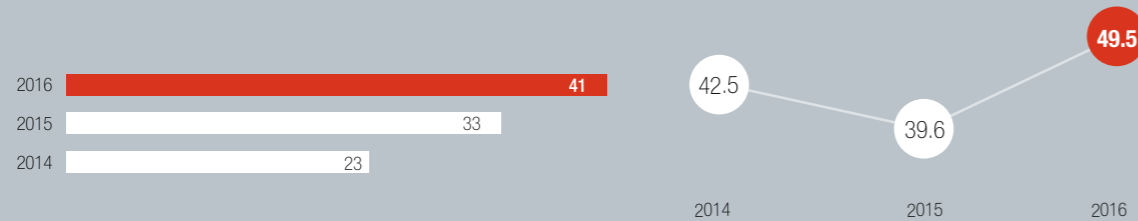
# 41

At Kajima Corporation, an increasing number of men are using the flex-time system to reduce work hours for child-rearing purposes. This number rose to 41 in fiscal 2016.



### Employees Taking Paid Leave

# 49.5%



### On-Site Safety

Accident frequency rate: **0.66**  
 Accident severity rate: **0.18**

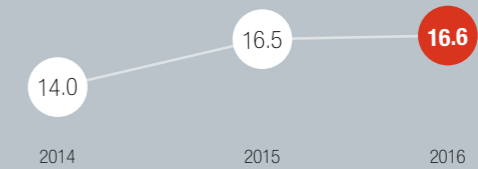
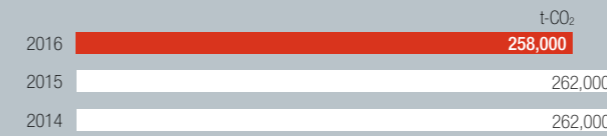
(Fiscal Year)	2014	2015	2016
<b>Accident frequency rate</b>			
(at least 4 days off work)	0.93	0.80	<b>0.66</b>
(at least 1 day off work)	1.99	1.37	<b>1.14</b>
<b>Accident severity rate</b>	0.16	0.28	<b>0.18</b>
<b>No. of accidents</b>	102	83	<b>64</b>
<b>No. of fatalities</b>	2	3	<b>2</b>
<b>Cumulative working hours (millions of hours)</b>	109.32	104.25	<b>97.15</b>

Frequency rate: The number of fatalities and injuries at worksites per one million cumulative working hours  
 Severity rate: The severity of illnesses and injuries represented by the number of workdays lost over one thousand cumulative working hours

### CO<sub>2</sub> Emissions and Rate of Reduction Attributable to Construction

# 258,000 t-CO<sub>2</sub>

# 16.6%

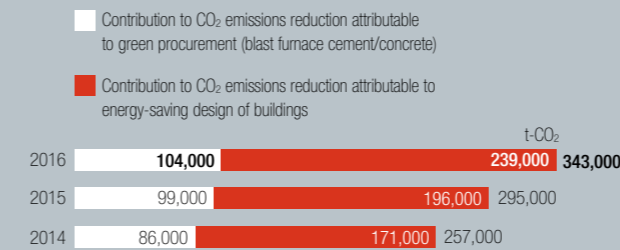


Kajima applied market-based methods for calculating Scope 2 emissions in fiscal 2016. Figures for past years have been recalculated to reflect this shift in accounting methods.

Rate of reduction compared with FY1990 for CO<sub>2</sub> emissions per unit of sales attributable to construction (CO<sub>2</sub> emissions per ¥1 million in construction)

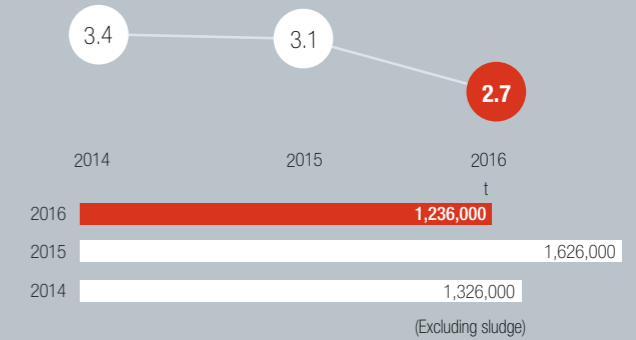
### Indirect Contributions to CO<sub>2</sub> Reduction

# 343,000 t-CO<sub>2</sub>



### Amount of Construction Waste Generated and Final Disposal Rate

# 2.7%



### Total Energy Consumption

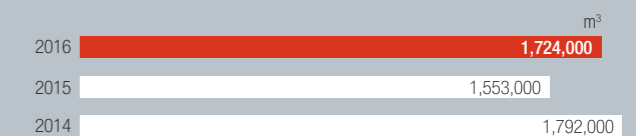
# 1,201 GWh



Total energy consumption is the sum of electricity, fossil fuel, heat/steam, and refrigeration usage converted into primary energy equivalents.

### Water Consumption

# 1,724,000 m<sup>3</sup>





# 10 YEAR HIGHLIGHTS

## CONSOLIDATED

	(¥ billion)									
(FY)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Financial Results</b>										
Construction Contract Awards	1,677.2	1,585.4	1,138.3	1,188.4	1,296.0	1,333.2	1,573.5	1,474.8	1,795.8	1,728.3
Revenues	1,894.0	1,948.5	1,637.3	1,325.6	1,457.7	1,485.0	1,521.1	1,693.6	1,742.7	1,821.8
Operating Income (Loss)	18.0	19.6	(6.7)	17.2	29.4	18.4	23.0	12.6	111.0	155.3
Ordinary Income	29.4	15.9	9.0	17.5	41.3	24.6	27.0	21.3	113.3	163.4
Net Income (Loss) Attributable to Owners of the Parent	40.7	(6.2)	13.2	25.8	3.8	23.4	20.7	15.1	72.3	104.8
Operating Margin (%)	1.0	1.0	(0.4)	1.3	2.0	1.2	1.5	0.7	6.4	8.5
R&D Costs	9.6	9.9	10.0	9.7	9.1	8.4	7.8	7.7	7.8	8.2
Capital Investment	34.5	23.1	23.8	22.9	35.9	20.5	19.8	25.4	32.9	29.4
<b>Financial Positions</b>										
Total Assets	1,918.3	1,885.4	1,796.8	1,644.9	1,686.2	1,686.0	1,789.4	1,839.2	1,886.7	1,992.8
Owners' Equity	297.2	231.1	261.8	252.8	256.7	320.4	368.2	434.9	471.2	548.5
Total Equity	305.4	239.0	262.1	253.2	256.7	318.1	364.1	436.9	474.0	552.5
Interest-bearing Debt	473.8	540.5	620.0	558.9	525.7	480.1	444.7	385.0	378.5	372.9
<b>Cash Flows</b>										
Cash Flows from Operating Activities	(52.5)	16.1	(76.9)	64.0	81.7	58.4	32.9	59.2	36.3	187.5
Cash Flows from Investing Activities	3.0	(30.5)	(5.7)	2.9	(38.7)	36.7	17.3	8.3	(27.8)	(31.9)
Cash Flows from Financing Activities	(7.6)	74.6	71.9	(50.5)	(37.7)	(58.6)	(17.1)	(70.7)	(13.1)	(20.5)
<b>Stock Information</b>										
Basic Net Income (Loss) per Share (¥)	39.13	(6.20)	13.03	24.87	3.69	22.55	19.98	14.58	69.66	101.01
Owners' Equity per Share (¥)	292.63	227.56	251.97	243.35	247.12	308.49	354.62	418.86	453.93	528.46
Cash Dividends per Share (¥)	7.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0	12.0	20.0
<b>Management Benchmarks</b>										
Ratio of Net Income to Owners' Equity (ROE, %)	12.8	(2.4)	5.4	10.0	1.5	8.1	6.0	3.8	16.0	20.6
Owners' Equity Ratio (%)	15.5	12.3	14.6	15.4	15.2	19.0	20.6	23.6	25.0	27.5
Debt Equity Ratio	1.59	2.34	2.37	2.21	2.05	1.50	1.21	0.89	0.80	0.68
<b>Non-Financial Information</b>										
Number of Employees (Consolidated)	14,934	15,608	15,189	15,083	15,149	15,468	15,391	15,383	15,810	16,422
Kajima Corporation	8,817	8,705	8,452	8,164	7,925	7,737	7,657	7,546	7,527	7,611
Consolidated group companies in Japan	3,411	3,722	3,711	3,760	3,785	3,920	3,945	4,068	4,144	4,442
Consolidated group companies outside Japan	2,706	3,181	3,026	3,159	3,439	3,811	3,789	3,769	4,139	4,369
CO <sub>2</sub> Emissions Attributable to Construction (t-CO <sub>2</sub> )	283,000	288,000	251,000	205,000	213,000	229,000	228,000	262,000	262,000	258,000
CO <sub>2</sub> Emissions Per Unit of Sales Attributable to Construction (t-CO <sub>2</sub> /¥ million)	2,330	2,200	2,200	2,150	2,130	2,200	2,200	2,220	2,150	2,150
Final Disposal Rate for Construction Waste (Excl. Sludge, %)	3.3	5.2	2.2	2.3	3.1	2.8	3.1	3.4	3.1	2.7



## THE KAJIMA GROUP IN PHOTOS

Since 1840, Kajima has sought through its construction business to provide essential social infrastructure and create places for people to live and work, driven by its ultimate mission to help build safe, secure, comfortable societies.

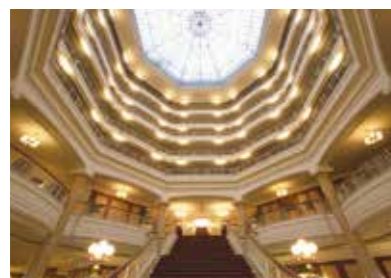
- > 1840 Iwakichi Kajima begins local carpentry business in Edo (present day Tokyo)
- > 1860 Kajima builds first Western-style buildings in Yokohama, including Ei-Ichiban kan
- > 1870 Materials supplied for Japan's first railway construction
- > 1880 Kajima Gumi established, advances into railway construction
- > 1893 Work begins to open railway between Yokokawa and Karuizawa; Karuizawa resort area development starts
- > 1899 Kajima participates in railway construction projects in Korea and Taiwan
- > 1909 Order received for construction of power plant for Ujigawa Power Electric Company (present day Kansai Electric Power Co., Inc.); work starts on dams and hydroelectric power facilities
- > 1918 Construction of Tanna Tunnel on the Tokaido main railway line begins (completed in 1934)
- > 1921 Construction of Ohmine Dam (Japan's first concrete dam) begins (completed in 1924)
- > 1923 Kajima offices destroyed by fire in the Great Kanto Earthquake; recovery and reconstruction work begins
- > 1945 Kajima participates in postwar reconstruction and construction for US military stationed in Japan
- > 1947 Name changed to Kajima Corporation
- > 1949 Kajima Technical Research Institute established (first research facility in Japan's construction industry)
- > 1950 Japan's first JV system in construction introduced by Kajima in Okinawa
- > 1952 Construction of Kamishiiba Dam (Japan's first arch dam) begins (completed in 1955)
- > 1954 Construction of Baruchan No. 2 Hydroelectric Power Plant in Myanmar (first of the postwar reparation construction projects) begins (completed in 1960)
- > 1957 Japan Atomic Energy Research Institute No. 1 Nuclear Reactor (Japan's first nuclear reactor) completed
- > 1959 Construction of Shin-Tanna Tunnel for the Tokaido Shinkansen begins (completed in 1964)
- > 1961 Stock listed on Tokyo and Osaka stock exchanges
- > 1963 Ranked highest in world for construction (total contract value, ¥136.8 billion)
- > 1964 Kajima International Inc. (KII) established in US; work begins on Little Tokyo redevelopment project in LA; real estate development business enters North America
- > 1968 Kasumigaseki Building (Japan's first ultra-high-rise skyscraper) completed
- > 1969 Kajima Design Division wins design competition for new Supreme Court building (completed in 1974)
- > 1974 Series of ultra-high-rise skyscrapers, including Shinjuku Sumitomo Building, KDD Building, and Shinjuku Mitsui Building, completed
- > 1981 First in Japan's construction industry to achieve contract value of ¥1 trillion
- > 1982 Awarded Deming Prize for total quality control
- > 1984 New Ryogoku Kokugikan Sumo Arena in Tokyo completed
- > 1988 Kajima Overseas Asia (KOA) established, which, together with Kajima USA (established in 1986) and Kajima Europe Ltd. (established in 1987), creates four regional headquarters in Japan, US, Europe and Asia; Honshu-Shikoku Bridge (on the Kojima-Sakaide route) and Seikan Tunnel completed
- > 1989 World's first building with seismic response control completed; Kajima Sculpture Competition launched; real estate development business in Indonesia begins (Senayan Square Project)
- > 1992 Development of Hualalai resort begins in Hawaii (opened in 1996)
- > 1995 Kajima participates in recovery work after Great Hanshin-Awaji Earthquake
- > 1997 Tokyo Bay Aqua-Line completed
- > 1998 Akashi Kaikyo Bridge (world's longest suspension bridge) completed
- > 2003 Series of ultra-high-rise skyscrapers in Shiodome area of Tokyo, including Shiodome Tower, Nippon Express Head Office building and Shiodome Media Tower, completed
- > 2010 D-runway and International Passenger Terminal at Haneda International Airport in Tokyo completed
- > 2011 Kajima participates in recovery and reconstruction work following Great East Japan Earthquake
- > 2012 Preservation and restoration work completed on the Marunouchi Station Building of Tokyo Station
- > 2015 Kajima Australia Pty Ltd established; restoration work for preservation of Himeji Castle Main Keep and development phase of Senayan Square Project completed
- > 2016 Tokyo Garden Terrace Kioicho completed

### Part 1

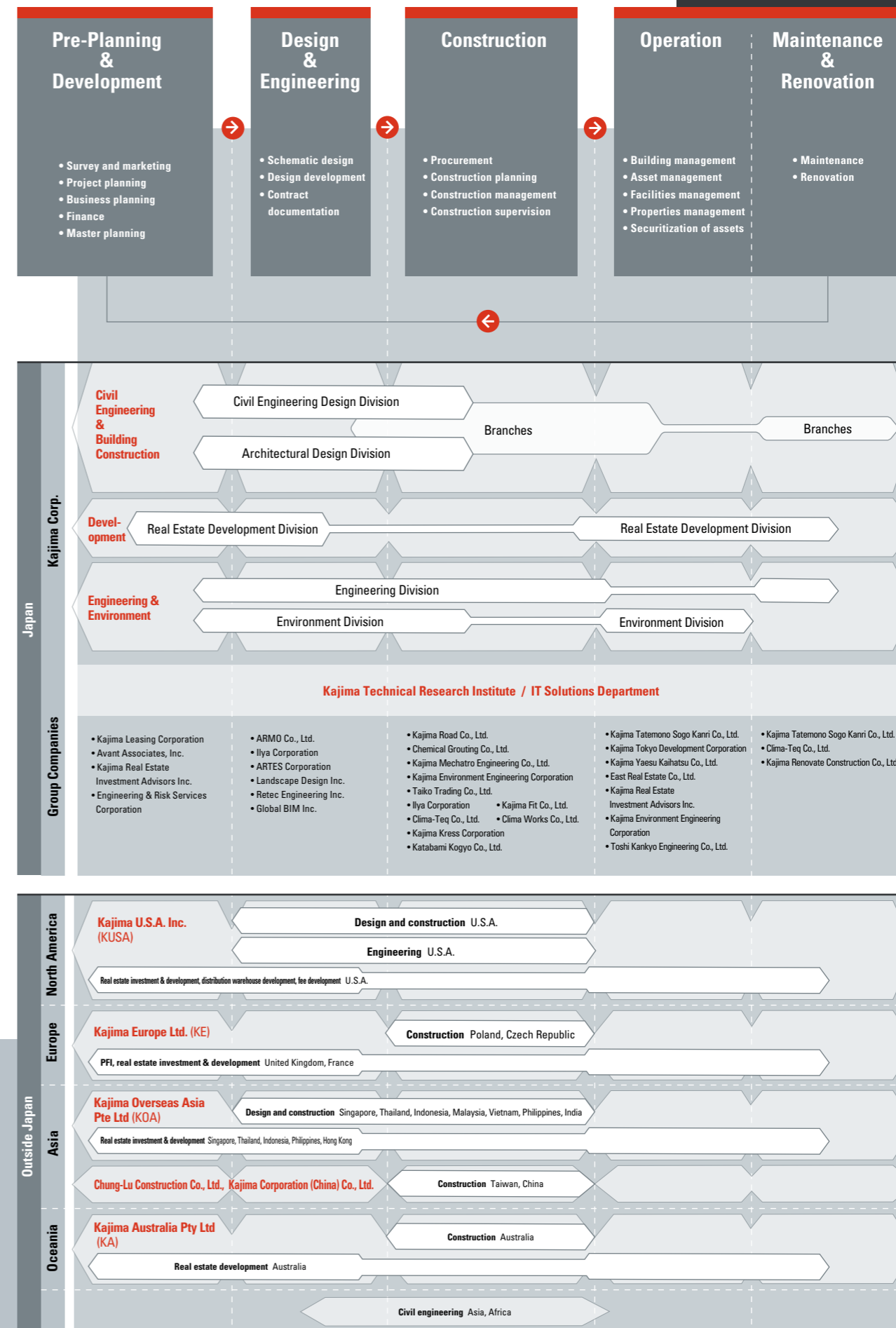


THE KAJIMA GROUP IN PHOTOS

Part 2



The Kajima Group Business Domains





# Value Flow, Over Time



**K**ajima's two core business segments are construction and real estate development. In the latter, Kajima serves as both project developer and contractor. In both segments, the Kajima Group is strengthening and geographically expanding its businesses over the medium to long-term in fields where it can leverage the overall construction value chain. Kajima is pursuing sustainable growth as a creative corporate group. In an original value creation process, the Group seeks to provide more advanced, more diverse services while enhancing the international competitiveness of its core businesses.

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## Kajima Group Value Creation

Kajima first gained a strong reputation for its railway and civil engineering projects. Later, entering new fields, Kajima became known for skyscrapers and nuclear power plants. Kajima aims to keep making history by expanding the complexity of its projects and diversifying its core businesses. Since technology and human resources are important sources of value creation, Kajima is actively developing these two assets. The goal is to further advance the Group by providing comprehensive solutions in business fields related to buildings.

## Developing Technologies with an Enterprising Spirit

Kajima has a long history of involvement in pioneering projects, realized through research and technology development and driven by a constant enterprising spirit. The Company is adapting to the times and meeting the needs of society by evolving into new business areas. It is pursuing technology development based on the social issues it has targeted and on its strategic initiatives for the future.

## Making the Most of Human Assets

Kajima views its employees as essential assets and key stakeholders. The Kajima Group strives to help each employee to reach his or her full potential, and respects diversity across gender, nationality, religion and disability, as well as recognizing variety in work styles based on parenting and caregiving obligations. Kajima has group companies across the globe including in the Americas, Asia, Oceania, and Europe, where employees of diverse nationalities conduct businesses with deep roots in the local community.



# Pursuing Sustainable Growth for Kajima

With its Medium-Term Business Plan, Kajima has plotted a course through fiscal 2020. The plan outlines how the Company intends to respond to changes in the Japanese construction market, such as a shrinking population, limited public spending, and a shift from new construction demand to maintenance, repair, and renovation. In order to ensure sustainable growth even after fiscal 2020, Kajima is working hard to further reinforce its business platform. The Company will work to develop a balanced business that can quickly respond to changes in the market and society, by strengthening the competitiveness of its core business segment, construction.

### Automated Autonomous Advanced Accelerated Construction System for Safety, Efficiency, and Liability (A<sup>4</sup>CSEL<sup>®</sup>)

Unlike conventional remote control operation of construction machinery, these systems enable a single person with a tablet device to issue operating instructions to multiple pieces of machinery, which are then carried out autonomously.



### Strengthening Construction Business Competitiveness

There are serious concerns facing the construction industry in Japan, including the aging of skilled workers and an impending shortage of workers due to the mass retirement of the baby boom generation. Consequently, the industry is working to secure the workforce of the future by hiring more young people and ensuring skill transfers. Departing from the conventional image of a labor intensive industry, construction companies must develop technologies and employ construction systems that require fewer skilled workers, while still securing enough workers.

Kajima is making a range of efforts to make its construction business even more competitive. These include improving work efficiency through mechanization and automated construction, reducing onsite work by using precast materials and employing the unitization method, and promoting more construction innovation using IoT and AI technologies.

### Successful Automation of Basic Road Bed Construction

- Dirt Transport, Unloading, Laying/Leveling, and Compacting



General-purpose dump truck equipped with a control computer and GNSS device



Networked bulldozer employing automation technology



General-purpose vibrating roller equipped with a control computer and automatic steering

## Automated Construction Initiatives

Kajima's civil engineering department thinks outside the box when developing technologies, aiming to improve productivity, streamline construction, and ensure safety. One technology it created this way is the next-generation construction system, A<sup>4</sup>CSEL<sup>®</sup> (pronounced "quad axel"). By equipping general-purpose construction machinery with control computers and positioning devices, the new system allows one person to operate multiple pieces of heavy machinery at the same time.

Kajima is reforming the way work is done at construction sites by standardizing and improving the efficiency of on-site management utilizing common ICT tools. One such initiative involves a construction method that employs portable general-purpose welding robots to weld steel columns and beams. After a successful pilot, the new technology was implemented at two sites, and the subsequent inspection confirmed that the work done was equivalent to that of a skilled welder.



Welders need to be highly skilled, and a shortage is expected in the future due to stringent qualification standards. In order to train operators for these portable welding robots, a welding business division was established at a group company, Kajima Kress Corporation. By training operators for the near future, Kajima is preparing for the anticipated shortage of skilled welders, while standardizing operation skills and improving quality.



## Developing Multi-Skilled Workers

Typically, interior work and facility construction are carried out by a combination of differently skilled workers assigned to different tasks. If a single-skilled worker could be trained to handle multiple tasks, however, it would reduce time between operations and improve efficiency. With this goal in mind, Kajima established Kajima Fit Co., Ltd., and Clima Works Co., Ltd. to do interior work and facility construction, respectively, by developing multi-skilled workers. The goal is to get work done at construction sites with fewer workers and less standby time between tasks. Going forward, Kajima plans to pursue other innovations, including new construction methods and technology development, and put them to use at construction sites in Tokyo.



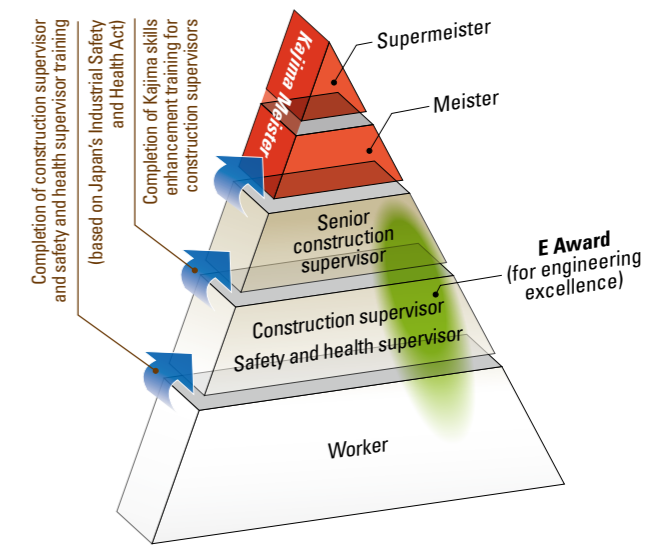
## Securing a Future Workforce

Securing next-generation workers to ensure adequate human resources for construction sites is an urgent issue, for both Kajima and its subcontractors. Promoting labor saving and efficiency in construction, while fundamentally reviewing the construction site operation model and actively recruiting new workers, will lead to improvement of construction competitiveness at each company. Since fiscal 2014, Kajima has been strengthening its efforts to recruit, develop, and support human resources, in collaboration with the Kajima Business Partners' Association, an organization of partner companies.

The association has obtained a government permit to provide free employment placement services, and it supports recruitment of engineers and skilled workers at each member company. As part of this effort, the association is working to deepen public understanding of the construction industry, for instance by maintaining a recruitment information website for young people and producing recruitment pamphlets and DVDs for each job category.

The Kajima Meister System was launched in fiscal 2015 in an effort to secure outstanding technicians and supervisors who, though employed by key subcontractors, work

at Kajima construction sites. Once registered as meisters, these highly skilled workers are paid a direct financial incentive based on the number of days they work at Kajima sites. Kajima has been expanding the program by increasing the financial incentives in 2016 and 2017 and taking other measures, aiming to ensure that key supervisors stay on at the Company's sites for the long term.



## Reinforcing the Business Platform

The Kajima Group recognizes that the key to sustainable growth is reinforcing its business platform. This is why the Group will look to further strengthen the environmental, social responsibility, and governance (ESG) performance of its priority business areas as it formulates its next medium-term business plan. One of the biggest challenges, however, is work-style reform. The Group has already taken steps to improve work-life balance for employees and create supportive workplace environments. Now the expanded focus is to improve the environment for all those working at Kajima construction sites. The Group will also reinforce its business platform by developing human resources ready to lead the way in future business development, while creating new technologies under unprecedented development themes.

## Promoting Kajima Work-Style Reform

In April 2017, the Group began considering what it could do to make the work site and work environment more attractive for employees of both Kajima and its partner companies. Not only securing days off at Kajima work sites for employees, a similar working environment has also been established for subcontractor workers. With the aim of maintaining incomes at the same or higher levels, many issues such as Japan's stratified subcontracting structure and wage systems must be addressed industry-wide. Resolving these issues means improving both the construction process and the production system model. If the construction industry can transform itself so that its work environments are truly attractive, it will become a career choice for the next generation of young workers. Work-style reform and securing enough workers are inseparable issues.

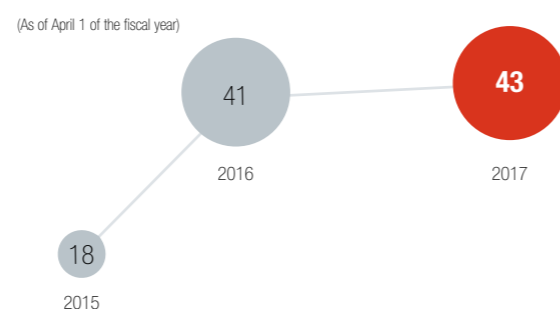
As a result of various effective initiatives to promote diversity management and enhance work-life balance, in March 2017 Kajima was included in the Diversity Management Selection 100 list. This recognition is given by Japan's Ministry of Economy, Trade and Industry to companies that have improved their corporate value by practicing diversity management. Kajima will continue to create supportive workplaces for all of its employees in order to foster environments where everyone can realize their potential and succeed.

## FEATURE

## Diversity Initiatives

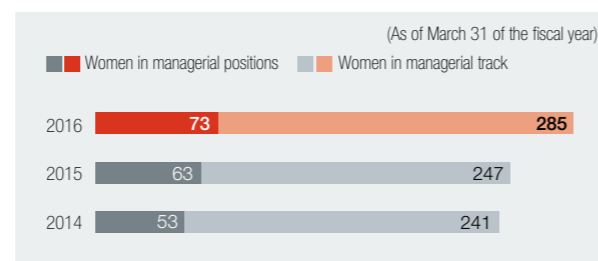
Kajima aims to double the numbers of its female engineers and managers by 2019, and then triple the numbers by 2024, both compared to 2014. Through the Kajima Corporation First Action Plan Based on Japan's Act to Promote Women in the Workplace, the goal is to hire at least 20% women in managerial track recruitment, and to double the number of women in managerial positions.

### Numbers of Women among New Graduate Hires



On April 1, 2017, 43 out of 207 (20.8%) newly hired employees at Kajima Corporation were female.

### Number of Women in Managerial Positions



## Work-Life Balance

Kajima believes that helping employees to practice work-life balance raises motivation and improves overall productivity. Kajima aims to foster work-life balance that allows both women and men to work with peace of mind, while fulfilling personal responsibilities such as parenting or caregiving for a family member. The Company is working to enhance workplace environments and programs to enable employees with family responsibilities to succeed. To support work-life balance, Kajima is enhancing its initiatives in areas such as supporting volunteer work, expanding provisions for parenting and caregiving, encouraging employees to take vacations, and recommending no overtime work on designated days. Kajima also supports work choices by enabling parents to work shorter hours or take advantage of flexible scheduling and enabling caregivers to take leave for up to one year.

Parenting is the job of both spouses, and men are increasingly taking advantage of parenting provisions for shorter hours and flexible scheduling to get more involved

in raising their children. Starting in January 2017, extended parenting leave of up to 20 days can be taken with pay. Kajima is establishing supportive systems that help employees handle changes in their home environments, such as those relating to child rearing or home care for a family member. By doing so, the Company seeks to make its workplaces even more dynamic.



Training before and after childbirth leave

## Human Resources Data (Non-consolidated)

(As of March 31 of the fiscal year)

(Fiscal Year)	2014	2015	2016
(No. of Persons)			
<b>Employees</b>	7,546	7,527	7,611
Re-employed personnel	908	921	1,102
Employees with disabilities (%)	2.25	2.19	2.11
Turnover rate (%)	3.7	3.7	3.0
<b>Child birth/parenting</b>			
Employees taking extended parenting leave	28	34	39
Employees taking leave for spouse's childbirth	100	115	112
Employees taking leave for caregiving	96	86	93
Male employees taking shortened work hours	23	33	41
<b>Caregiving</b>			
Employees taking extended caregiving leave	1	0	0
Employees taking caregiving leave	24	22	22
Employees using leave system for volunteering	10	12	17
Employees taking paid leave (%)	42.5	39.6	49.5



# Helping to Build a Sustainable Society

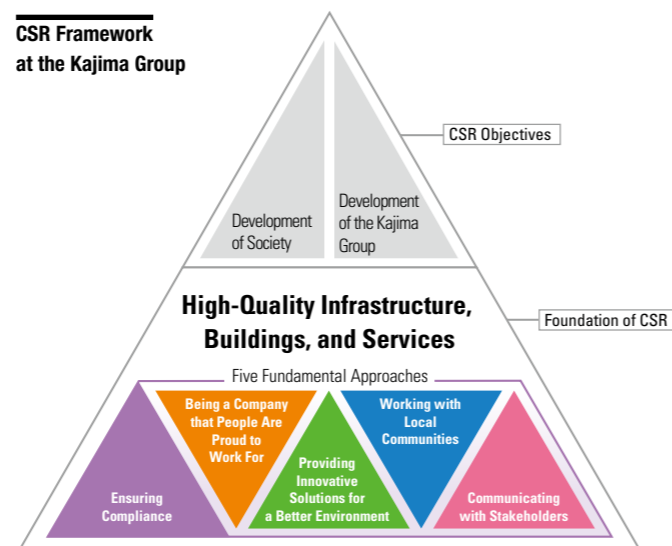
The buildings that Kajima constructs need to be used by successive generations. This is why the Kajima Group has a responsibility to fully consider not only the processes up until completion, but also the subsequent needs for medium- and long-term building maintenance and management. The Group's mission is to provide added value for society as a whole. Meeting the needs of society and its customers, while helping to build a sustainable society, also supports the sustainable growth of the Kajima Group.

## Corporate Social Responsibility (CSR)

Kajima's management philosophy is to contribute to society by advancing its business operations. This means pursuing business activities that create value by continuing to provide high-quality infrastructure, buildings and services, thereby increasing added value for society as a result. Based on its CSR Framework, the Kajima Group is fulfilling its social responsibility to help build a society that is ever more safe, secure and comfortable.

Kajima Group activities at both offices and construction sites significantly impact local communities. As a member of the communities in which it operates, Kajima participates in local activities as an important way to communicate with other members of the community. In recent years, many natural disasters such as earthquakes and floods have occurred in Japan, causing upheaval in people's lives. As a technology-driven company, it is also a great responsibility for Kajima to engage in disaster prevention and mitigation. While fulfilling social responsibilities through its business, Kajima works to address social problems by engaging in disaster recovery, community support, environmental conservation, and education for the next generation. All this is done while making full use of Kajima's strengths and knowledge, including its technologies, human resources, business sites, and networks.

### CSR Framework at the Kajima Group



## Building a Sustainable Society where Economic Growth and Environmental Stewardship Are Compatible

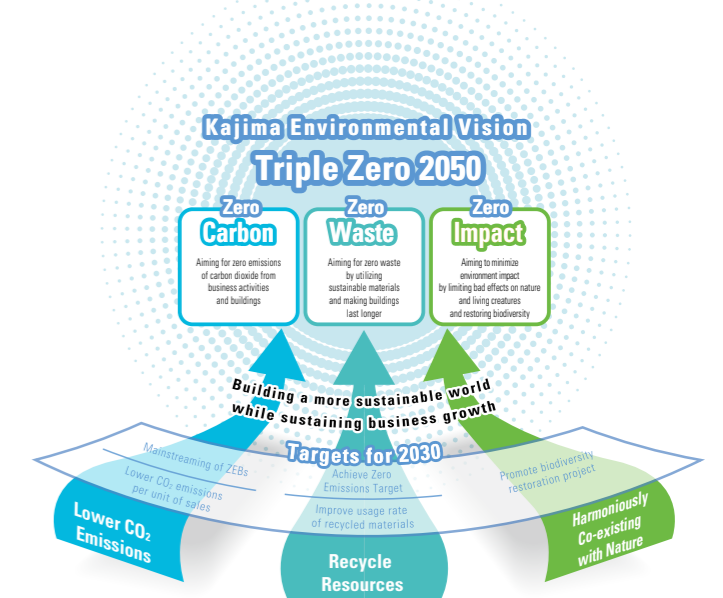
The construction industry has a substantial impact on the future by creating social infrastructure. As the company "Building for the Next 100 Years," Kajima strives to lead the way in the effort to build a more sustainable society. It is reducing the environmental impact of its own business activities, while working to make the social infrastructure it provides more environmentally friendly.

### Kajima Environmental Vision "Triple Zero 2050"

Environmental conservation and environmental creativity are essential at every stage of a construction project, from planning to the actual work.

With this recognition, the Kajima Environmental Vision, "Triple Zero 2050," was implemented in 2013, aiming to help create a sustainable society. The vision aims for both environmental and business sustainability, focusing on three essential activities: reducing carbon emissions, recycling resources, and co-existing harmoniously with

nature. It calls for achieving zero carbon emissions, zero waste, and zero environmental impact from operations by 2050. Kajima is striving to achieve Triple Zero 2050 in two main ways: by reducing the environmental impact of its own business activities, and by proposing new environmental technologies to clients and society. Kajima has also identified the core activities needed and set interim quantitative targets for 2030.



### Triple Zero 2050

	Social goals	Triple Zero 2050	Targets for 2030	Common Foundation Initiative Areas
Building a More Sustainable Society	<b>Lower CO<sub>2</sub> Emissions</b> Balancing greenhouse gas emissions from human activities with the Earth's capacity for CO <sub>2</sub> absorption	<b>Zero Carbon</b> Aiming for zero emissions of CO <sub>2</sub> and other greenhouse gases, not only from the Company's business activities, but also from the buildings it constructs	<b>Design Operations</b> Realize zero-energy buildings (ZEBs) by 2020, standardize ZEB techniques by 2025, and promote their mainstreaming by 2030. <b>Construction Operations</b> Lower CO <sub>2</sub> emissions per unit of sales to 35% <sup>1</sup> of 1990 level	<ul style="list-style-type: none"> <li>• Management of hazardous substances: Ensure preventative measures (especially for soil contamination and asbestos) and proper management of chemical substances</li> <li>• Perform research and technology development</li> <li>• Actively distribute information in and outside the Company</li> </ul>
	<b>Recycle Resources</b> Pursuing zero emissions by employing state-of-the-art infrastructure maintained and operated using sustainable resources	<b>Zero Waste</b> Aiming to eliminate waste from construction operations by ensuring zero landfill disposal of waste during construction, utilizing sustainable materials, and making buildings last longer	<ul style="list-style-type: none"> <li>• Completely eliminate final landfill waste disposed from construction operations</li> <li>• Achieve a usage rate of recycled materials of at least 60% for principal construction materials.<sup>2</sup></li> </ul>	
	<b>Harmoniously Co-exist with Nature</b> Valuing the continuous benefits of ecosystem services by minimizing the impact of human activities on the environment and living creatures	<b>Zero Impact</b> Aiming to minimize the overall environmental impact of construction operations by limiting their effect on nature and living creatures while promoting the restoration of biodiversity and new ways to make use of its benefits	<ul style="list-style-type: none"> <li>• Promote biodiversity restoration projects</li> <li>• Build up effective projects and make them hubs for biodiversity-related networking</li> </ul>	

1. Equivalent to a 65% reduction of total emissions.

2. Principal construction materials are steel, cement, concrete, crushed stone, and asphalt.



## Aiming for Buildings with Good Environmental Performance

Kajima's real estate development involves the planning, design, and construction of buildings based on various themes, including its own corporate buildings. Akasaka K-Tower, a skyscraper office building completed in 2012, was designed to reduce CO2 emissions by 40% during the use phase. In addition to an out-frame structure that helps shade the windows, it features state-of-the-art energy conservation and CO2 reduction technologies, including environmental air conditioning, heating, and lighting control. Moreover, energy-saving briefings are held to encourage building tenants to further reduce CO2 emissions. The aim is to leverage both hardware and human initiatives to minimize the environmental impact of the building while keeping the office space comfortable. The building was certified as a "top-level workplace" under the fiscal 2016 Cap-and-Trade Program of the Tokyo Metropolitan Government.

Akasaka  
K-Tower +



## FEATURE



Sheep keep the weeds down in a blueberry patch

## Taking on Challenges via Community and Industry Networks

Currently Kajima is participating in a hydrogen supply chain demonstration project in Hokkaido with Air Water Inc. and other companies. The Shikaoi Hydrogen Farm is a hydrogen production and supply facility that makes hydrogen from livestock biomass. By employing a previously unutilized local renewable energy source, the project, supported by Japan's Ministry of the Environment, aims to show the feasibility of building a complete hydrogen energy supply chain, from production to storage, transport, supply and consumption. Biogas is first produced from livestock manure using anaerobic digester tanks. The Shikaoi Hydrogen Farm receives this biogas and uses it to produce hydrogen onsite. The hydrogen is then used as the energy source for pure hydrogen fuel cells, or delivered to farmers and nearby facilities in racks of cylindrical tanks, where it is used to produce hot water or electricity.

Kajima will build on its experience with this project to study more ways it can help build a society where locally produced hydrogen can meet local energy needs.

In cooperation with Komae City in Tokyo, Kajima engaged in community-supported agricultural initiatives in the city in 2015 and 2016. The initiatives were supported by Japan's Ministry of Land, Infrastructure, Transport and Tourism, and enjoyed the involvement of local elementary schools, restaurants, and administrative offices. In addition to using sheep to control weeds, earthworm composting, and *hiratake* mushroom cultivation using waste coffee grounds, citizens grow "green curtains" of hops that shade windows in summer. The hops are later harvested and used to brew local beer. These and other initiatives are promoting community-based agriculture and developing a recycling-oriented city.

By helping to build a sustainable society and enhancing collaboration with local communities, Kajima aims to develop signature initiatives that reflect the perspectives of both the construction industry and urban planners.



Completed in 2016, the KT Building includes new energy-saving control technologies. Cost rationalization measures were incorporated from the design phase, along with various labor-saving methods in the construction phase. As a result, Kajima achieved the 54% energy conservation level under the new standards of the Building-Housing Energy-efficiency Labeling System (BELS). The KT Building is also the first office building in Japan to be designated as ZEB Ready—a high-tech building that shows the way to a zero energy building (ZEB). Kajima aims to complete its first ZEB in 2020. Using its own real estate, the Company will prepare a selection of environmental initiatives for each phase—planning, design, construction and use of buildings—as it steadily moves to realize a world of ZEBs.

In addition to thorough energy conservation in individual buildings, Kajima is also focusing on environmental initiatives that encompass multiple buildings and the planning of entire communities. The Company is pursuing higher sustainability via new technology development and alliances with companies in different industries.

+ KT Building

*Under the 2014 Comprehensive Assessment System for Built Environment Efficiency (CASBEE) for new construction, Kajima attained a score of 8.1. This was the highest score for built environment efficiency (BEE) in Japan, among class S (excellent) buildings that maintain their certification.*





Dialogue

# ENVISIONING KAJIMA'S FUTURE

**Yoshikazu Oshimi**

President and  
Representative Director

**Masahiro Sakane**

Outside Director

Two years have passed since Kajima appointed three outside directors in June 2015. Outside Director Masahiro Sakane sat down with President Yoshikazu Oshimi to talk about the current situation and issues faced by Kajima and the future vision for the Company.

## Looking Back over the Last Two Years

**Oshimi:** You have been with us as an outside director for more than two years now. What are your frank thoughts?

**Sakane:** As you know, I have been with Komatsu Ltd. for many years. Komatsu appointed its first outside directors about 20 years ago, and today I am serving as an outside director for five different companies. The last two years have given me the opportunity to provide candid input as one of Kajima's first outside directors. From my experience at Komatsu, outside directors can provide valuable input, by noticing things from an outside perspective and sometimes broaching topics that are difficult to discuss.



**Oshimi:** In addition to attending the Board of Directors meetings, we ask our outside directors to give talks for senior management. This has given senior management cause to re-examine things and, personally, it has given me a lot to think about.

**Sakane:** The business results for Kajima and the rest of the construction industry have improved considerably, compared with how things were when I was first appointed. It is surprising how rapidly the situation has changed, and I think we must understand the factors that triggered such rapid changes. Without examining the underlying factors, Kajima's business results could decline or it could miss out on major opportunities.

**Oshimi:** The period directly before I was appointed president was very tough for Kajima. When I was General Manager of the Building Construction Management Division and GM of the Kansai Branch, we had a very clear picture of what the issues were at the time. To prevent the issues from arising again, we changed how we produce estimates, realizing that we needed to reexamine our cost estimating system.

**Sakane:** Markets are rooted in supply and demand issues. Labor costs are up today due to a shortage of skilled workers. The risk of higher labor costs could negatively affect Kajima's business results. I believe you did a good job of controlling this risk, as reflected in the Company's earnings. On the other hand, I do think that Kajima is overly customer-oriented. As a publicly-traded corporation, Kajima needs to be more sensitive to its shareholders and stock prices.

**Oshimi:** What kind of changes have you noticed over the last two years?

**Sakane:** When I was first appointed, I felt that there was an over-emphasis on Kajima Corporation as opposed to the Kajima Group. The emphasis has gradually shifted toward the Kajima Group, which

I presume has been driven by the growth of the real estate development business outside of Japan. This is a good sign, as I have been urging the Company to think of itself more as a corporate group.

**Oshimi:** Do you have any thoughts on how we conduct our board meetings?

**Sakane:** I always request two things from the companies for which I serve as an outside director. First, I ask that the president give a status report at the start of the board meetings, particularly including any bad news. Secondly, I ask that the board meetings be focused on discussion. The decision-making process at a company involves reporting followed by discussion and decision-making. As a result, the board meetings tend to be too focused on operational decisions.

Kajima has a solid branch management structure in place, but the top-down decision-making needs to be separated from the operational decision-making. Board meetings should of course include strategic discussions, such as where to concentrate management resources and overseas investment. Meanwhile, the Kajima Board needs to enhance focus on pressing issues such as work-style reform and the Company's relationship with its subcontractors. It is important for the Board to discuss these matters at the planning stages.

**Oshimi:** You have given us your input on the multi-layered structure of the partnering subcontractors that characterizes the construction industry. The Board has been discussing ways of promoting work-style reform at Kajima, but I think true change will only occur if we



## By achieving work-style reform at Kajima, we can make our construction sites more appealing.

**OSHIMI**

can foster similar work-style reform at our subcontractors, so that everyone involved shares Kajima's vision for its construction sites.

**Sakane:** That is a crucial point. The Board needs to keep discussing this point, which represents a chance to differentiate Kajima from other general contractors. Outsourcing to subcontractors also happens in the automotive industry and other industries, although it is most embraced by the construction industry. While the stratified subcontracting structure may have worked for the construction industry until

now, I don't think it will continue to work much longer. Kajima gained experience and expertise from directly tackling every phase of construction in the old days, which gave it the tools to manage subcontracting. However, times have changed and subcontracting practices are increasingly a limiting factor. Now is the time for Kajima to show leadership by examining its vision for itself as a general contractor, which includes the issue of work-style reform.

**Oshimi:** Right. The conditions that the customer imposes on the

contractor can be completely different depending on the construction site. Furthermore, skilled workers can be employed under various conditions. If we close a work site to give the workers a break, oftentimes the workers will instead go work at a different work site rather than getting any rest. We asked ourselves what Kajima could do to address the situation. Firstly, we asked our project managers to study and identify the issues, and then to engage our subcontractors in frank discussions to find suitable solutions for each work site. We need to explore issues such as balancing rest and maintaining income as well as eliminate idle time between projects and have procuring departments follow up to secure ongoing work. We have to formulate a vision for all active construction sites. By achieving work-style reform at Kajima, we can make our construction sites more appealing so that we can secure the next generation of workers.

**Sakane:** It will take more than just Kajima acting alone to move away from the current subcontracting structure. Kajima's relationships with subcontractors will play a crucial role. Komatsu also places a great deal of emphasis on its ties with subcontractors. Raising the level of mutual trust between Kajima and its partner companies will also give the Company a competitive edge in the industry.

**Oshimi:** We are pursuing a number of initiatives with the Kajima Business Partners' Association to further solidify our competitive edge, such as establishing the E Award system and Meister System. Issues such as social insurance and human resources development are all connected, and we will focus on these in the next medium-term business plan. We must seize the opportunity now and pool our mutual knowledge to tackle these new initiatives. Kajima can also cause a ripple effect through its horizontal ties.

## Setting the Stage for Future Growth

**Oshimi:** You have consistently talked about *dantotsu* (unique and unrivaled) management and the importance of collaborating with good partners, in striving to be far and away the best.

**Sakane:** There are three common practices and issues facing Japanese society: attempting to please everyone, aiming for the average, and trying to do everything in-house. Major corporations in particular have a tendency to try to do everything in-house, and there is a tendency to try to please everyone with technology. Striving to be far and away the best runs counter to the style of companies that have always done everything possible in-house. This is where it is vital for senior management to have a vision that the company can aspire to. In the process, they must clearly identify the areas where the company excels, and externally procure in areas where they are not as strong. Technology innovations such as the Internet of Things are constantly evolving, and the platform for building a unique and unrivaled business will become evident.

**Oshimi:** Companies are finding that the level of their construction technologies is equal in some areas. While Kajima is strong in structural and anti-seismic engineering, we can seize the future if we can take the next step forward. How can Kajima position itself to find breakthroughs that further enhance our capabilities? This will not be easy to accomplish, but will you give us some suggestions?

**Sakane:** Kajima has the next-generation Automated Autonomous Advanced Accelerated Construction System for Safety, Efficiency, and Liability (A<sup>4</sup>CSEL<sup>®</sup>) system, which it is now using for a dam construction project. Komatsu also launched its Smart Construction system about two years ago, which, I think,

will change things dramatically. Currently, the Smart Construction system stores three-dimensional data from around 3,000 construction sites across Japan in the cloud. As new projects arise, the collected data is being used to derive optimal solutions for construction planning, using artificial intelligence. The people who run the Smart Construction system are production technology experts who know how to achieve plant efficiency. They are very concerned about the setup wait times that occur in civil engineering projects, which means that there is a lot of room for improvement and application. Smart Construction uses images and 3D data for visualization of the construction site, realizing autonomous operation of construction machinery by using deep learning to leverage big data.

**Oshimi:** I believe that automated operations and automated construction technologies will rapidly expand in the future, after seeing how the systems are being used in civil engineering projects. Once they have been successfully used the first time, they will generate more ideas and push the technology forward. We can get our employees to generate more ideas about the direction we are heading. There are also areas, however, where we will look outside Kajima for collaboration.

**Sakane:** In the process, Kajima needs to look internationally as well as in Japan, to find solutions that are far and away the

best. Komatsu has declared that it wants to become far and away the best in environmental, safety, and information and communication technologies (ICT). I think Kajima and Komatsu share some common ground in that respect.

**Oshimi:** If we look at the environment, for example, when Kajima receives a project, we usually don't have an accurate grasp of how much energy will be used at the construction site. This means that we won't even be able to tell how much energy we have been able to conserve in the construction process. That is an area where we plan to make significant improvements, this fiscal year.

**Sakane:** In that case, one solution would be to advance initiatives to comprehensively visualize the environment at construction sites. Visualizing helps people to generate ideas about what to do. For example, Komatsu set a target of reducing electricity consumption by 50% at its plants in Japan. Through comprehensive data visualization, Komatsu was able to reduce its electricity consumption by 90% at a new assembly plant at the Komatsu Awazu Plant in Ishikawa Prefecture. This included realizing a 20% improvement in productivity.

**Oshimi:** Kajima is visualizing energy data in our construction business, as a way to identify areas where we need to conserve energy. This will affect everything from the way that we collect data to re-examining how we should be working.

**Kajima has to identify the areas where it is most accomplished in-house and the areas where it can leverage external resources, to secure further differentiation.**

**SAKANE**

## Next Medium-Term Management Plan

**Oshimi:** Fiscal 2017 is the last year of the current medium-term management plan. In developing the next medium-term management plan, it will be a major challenge to extend the plan's vision to cover a slightly longer time frame. In addition to improving productivity and pursuing work-style reform, we will also endeavor to enhance our environmental, social and governance (ESG) initiatives and work to change our education and training systems.

**Sakane:** The crucial thing is to decide what kind of differentiation strategy to take. As I mentioned, a business model that is driven by subcontracting practices has its limitations, considering the labor market in Japan. This represents a major risk. Kajima has to identify the areas where it is most accomplished in-house and the areas where it can leverage external resources, to secure further differentiation. For example, Kajima can secure differentiation by creating value with the customer. Since the customer can only judge the value of a building after using it for a long time, it is hard for the customer to evaluate the construction company right after completion. That is where Kajima can secure differentiation by identifying something that the customer can appreciate right away when the building is first used. Of course, Kajima also needs to consider overseas investments, in addition to investments in Japan.

**Oshimi:** We will keep expanding our overseas operations and re-examine the things that we need to review. For the civil engineering business in particular, we need to create value in order to expand the business internationally, which requires taking a strategic approach.

**Sakane:** It's a difficult task, but Kajima must leverage its diverse international experience to nurture budding opportunities while

engaging in risk management. Corporate management is about leveraging limited management resources (human, financial, and tangible resources) to increase value for customers and generate greater returns. These returns are redistributed to employees, partner companies, shareholders, and society, as part of a continuous cycle of value recycling. By earning solid profits and distributing them,

Kajima can meet the expectations of more stakeholders, to increase its corporate value. There is still plenty of room for Kajima to grow as a corporate group, and I look forward to its future.

**Oshimi:** I appreciate your experience and look forward to your continued input. Thank you for this conversation today.





# Our Performance



**Ken Uchida**  
Director, Managing Executive Officer,  
General Manager, Treasury Division

**T**he Kajima Group is now more than halfway through the three-year Medium-Term Business Plan launched in fiscal 2015. Group-wide, we are working hard to achieve the goals we set for fiscal 2017. We have already begun to see improved earnings driven by our efforts to revitalize the Company's core construction business. In retrospect, the situation today—both in and outside Japan—is quite different from what we had forecasted for the building construction and real estate development businesses when we created the Medium-Term Business Plan. It is indeed difficult to predict the future, even over just three years.

We have seen major trends move in ways that we could not have predicted when we originally developed the business plan. Already taking shape are redevelopment plans after the Tokyo 2020 Olympic and Paralympic Games, including renovation of urban buildings built in previous periods of rapid economic growth from the 1950s to the 1970s. We are seeing the diversification of production and logistics centers. The need for disaster prevention and mitigation measures continues to increase due to the growing frequency of natural disasters triggered by weather abnormalities. Work-style reform is offering people many new ways to work. An absolute shortage of skilled construction workers is projected, and there are promising efforts to leverage advancements in IoT, AI and other cutting-edge technologies.

The Medium-Term Business Plan is a statement of Kajima's direction, embraced by all of our employees as well as presented to public. To outline a business strategy like this, we must do our best to ascertain socioeconomic developments and corporate resources, to predict future trends as accurately as possible. We need to consider many different factors. For example, the impact of work-style reform may affect building functions and specifications, and may also affect the industry and the Company's efforts to secure skilled construction workers and transfer skills. Other key factors we cannot miss include evolving policies on national land use, infrastructure developments, disaster prevention and mitigation planning, and transportation network developments, which are all aimed at ensuring that people can safely, comfortably and efficiently live and work.

As a corporate group, we will first pool our knowledge to examine these issues seriously. Next, we will seek to develop concrete business strategies for each issue, execute those strategies, and finally ensure that what we do is reflected in our business results, financial position, investment plans, and resource allocation. In all of these areas, we aim to deliver optimal outcomes for all stakeholders. In addition to setting management benchmarks for the Medium-Term Business Plan, we are striving to broadly predict other factors including supplementary benchmarks and related benchmarks, and elucidate the assumptions and limitations behind the benchmarks—all while taking into account the impact of complex business conditions. We will design our next medium-term business plan, using the factors and benchmarks identified in the processes mentioned above, to tackle any further issues that come into view as we address the priorities of the current Medium-Term Business Plan—diversifying revenue streams, positioning the Company to secure revenues, stabilizing the financial base, and increasing capital efficiency.

The process of assembling Kajima's next Medium-Term Business Plan starts now.



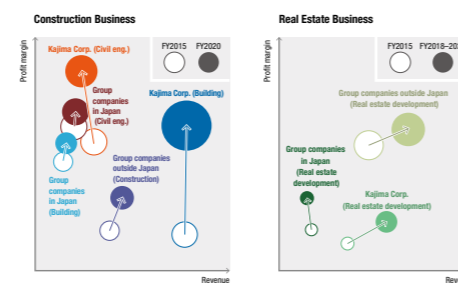
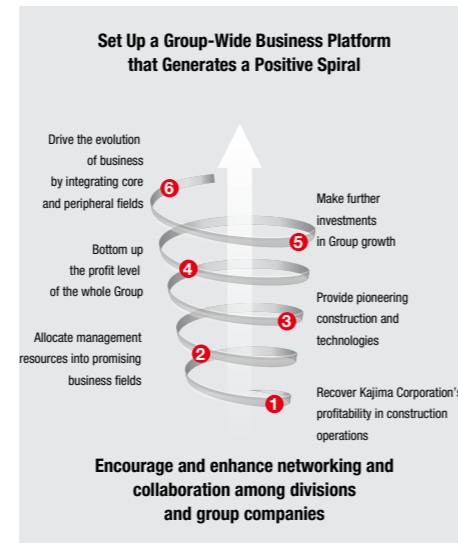
# Overview of the Medium-Term Business Plan and Summary of 2016

## Kajima Group Medium-Term Business Plan (2015–2017)

The Kajima Group Medium-Term Business Plan, adopted in May 2015, has two functions. The first is to set a medium term course for business operations through 2020, and the second is to serve as a business plan that lays out specific targets to be met during the first half of the plan, 2015 to 2017.

As for the medium-term course through fiscal 2020, we foresee a shrinking population and limited public spending, and new construction demand will be gradually replaced by demand for maintenance, repairs, and renovations. In preparation for this shift, Kajima has adopted the following three key objectives: (1) increase profit margin in Kajima Corporation's construction operations; (2) provide valuable leading-edge construction and engineering technologies and services; and (3) establish a group-wide business platform for growth.

Kajima is executing three strategies from 2015 to 2017 to achieve these key objectives. The first is to revitalize and reinforce Kajima Corporation's construction operations. The second is to leverage the Kajima Group's competitive advantages to systematically reinforce and expand its business portfolio. The third is to refine Kajima Group's business platform that properly addresses the changing business environment. By fiscal 2017, these strategies are expected to yield consolidated revenue of ¥1,750 billion, consolidated ordinary income of ¥65 billion, and ratio of net income to owners' equity (ROE) at least 8.0%.



\* This figure is not intended to compare different segments, but to give a general picture of the anticipated course of each segment.

## Medium-Term Business Plan (2015–2017)

		2015	2016	2017		
		Restructuring period		Higher profits		
Kajima Group		Non-consolidated		Non-consolidated		
		1. Revitalize and reinforce the Kajima Corporation's construction operations		2. Leverage the Kajima Group's competitive advantages to systematically reinforce and expand its business portfolio		
		3. Refine the Kajima Group's management				
		2015	2016	2017	2017	2020
		Actual	Actual	Initial Forecast	Target	Target
Ordinary income	Consolidated	113.3	163.4	120.0	At least 65.0	At least 85.0
	Non-consolidated	81.6	128.5	89.0	At least 35.0	
Revenues	Consolidated	1,742.7	1,821.8	1,830.0	1,750.0	
	Non-consolidated	1,166.1	1,203.8	1,140.0	1,080.0	
Interest-bearing debt	Consolidated	378.5	372.9	370.0	No more than 370.0	
	Non-consolidated	295.3	287.6	220.0		
ROE		16.0%	20.6%	—	At least 8.0%	

## Summary of 2016

Fiscal 2016 was the second year of the Medium-Term Business Plan. Ordinary income was ¥163.4 billion, up 44.2% year-on-year, driven by increased profit margins in the construction business and strong results from the real estate development business. Net income attributable to owners of the parent was ¥104.8 billion, up 45.0% year-on-year. Both ordinary income and net income attributable to owners of the parent were all-time highs.

The two years from fiscal 2015 to fiscal 2016 were positioned as a restructuring period, with Kajima Corporation focusing on improving profit margins in its core construction business. The entire Group worked hard to identify and deliver productivity improvements and cost reductions, both in planning and construction, and this also contributed to the improved business results. Additionally, group companies in and outside Japan recorded strong profits, further boosting the Group's business performance.

Moving forward, we expect construction demand to remain firm, although there are concerns that construction equipment, materials, and labor costs will rise as the construction volume increases. The Kajima Group will continue to implement the strategies outlined in the Medium-Term Business Plan to achieve sustainable growth amid these changing circumstances.

Revenues (¥ billion)

# 1,821.8

Net Income Attributable to Owners of the Parent (¥ billion)

# 104.8

## Revenues and Operating Income, by Segment

		2016		
		2015	Initial Forecast	Actual
		Actual		
Civil engineering	Revenues	307.9	315.0	296.8
	Operating income	28.8	16.9	35.9
Building construction	Revenues	824.0	890.0	835.1
	Operating income	57.4	34.1	78.6
Real estate and other	Revenues	34.0	65.0	71.8
	Operating income	0.6	8.8	9.8
Domestic subsidiaries and affiliates	Revenues	364.6	347.0	361.1
	Operating income	20.6	14.6	19.5
Overseas subsidiaries and affiliates	Revenues	367.9	446.5	400.9
	Operating income	7.5	9.4	11.6
Adjustment	Revenues	(156.0)	(163.6)	(144.2)
	Operating income	(4.0)	0.8	(0.3)
Total	Revenues	1,742.7	1,900.0	1,821.8
	Operating income	111.0	85.0	155.3

Kajima Group businesses

Civil engineering: Part of the construction business of Kajima Corporation

Building construction: Part of the construction business of Kajima Corporation

Real estate development: All design and engineering services plus general real estate development operations of Kajima Corporation

Domestic subsidiaries and affiliates: Construction equipment and materials sales, specialized construction services, general leasing, building leasing, and other operations of subsidiaries and affiliates in Japan

Overseas subsidiaries and affiliates: Construction, real estate development, and other operations of subsidiaries and affiliates outside of Japan





**Masayasu Kayano**

Director, Executive Vice President;  
General Manager, Civil Engineering Management  
Division, Responsible for International Civil  
Engineering Operations

## Staying Ahead of Changing Markets and Strengthening the Civil Engineering Business

**K**ajima's civil engineering division has a long history of developing construction technologies for big and heavy projects like dams, tunnels, and bridges, and of actually building such social infrastructure. However, with the aging of the infrastructure largely constructed during economic booms in the past, our society's major challenge has now come to be how to extend the service life of existing structures and how best to refurbish them. This challenge requires us to create innovative construction methods by incorporating new ideas and approaches that radically depart from existing ones. That is how we are re-prioritizing our technology development while also considering new alliances with companies in other industries.

Securing enough workers and improving productivity are our most urgent issues. In parallel with the "i-Construction" initiative of the Japanese Ministry of Land,

# Civil Engineering

*Oitagawa dam project*



Infrastructure, Transport and Tourism, Kajima is working actively to advance automated construction.

In fiscal 2015, Kajima developed the next-generation A<sup>4</sup>CSEL<sup>®</sup> construction system, which uses automated vibrating rollers and bulldozers. Further, in fiscal 2016, we experimentally used automated dump trucks in embankment construction at the Oitagawa dam project. With this, we have succeeded in automating the chain of fundamental operations in earthwork, i.e., transport, laying/leveling, and compacting.

Unlike ordinary remote control operation of construction machinery, A<sup>4</sup>CSEL<sup>®</sup> enables a single person with a tablet device to issue operating instructions to multiple units of machinery, each of which then carries out its task autonomously. This reduces the number of operators and workers needed at construction sites and significantly improves productivity. Other advantages of automated construction include improving safety by reducing the number of people in the construction area and ensuring quality through traceability.

Moving forward, we will work to expand automated construction to tunneling with or without TBMs. A wider use of precast concrete products is also absolutely necessary. Our ultimate goal is to enable a small workforce to maintain consistent quality and improve safety by turning construction sites into the equivalent of an automated factory.

The strength of a general contractor can be its ability to combine a broad range of technologies and to manage diverse personnel. This point was brought home to me when we took on debris disposal in the Ishinomaki district following the Great East Japan Earthquake—a task more complicated than anything we have experienced, requiring us to work with people from different industries. While continuing to build on its in-house technologies, it is important for Kajima to ally with the many excellent individuals and companies that can be found in the wider world. In order to stay ahead of today's rapidly and constantly evolving markets, what is needed is to integrate companies and people with the requisite skills in a timely manner, rather than to try to develop everything ourselves. This requires quick decision-making and bold yet precise investment.

While we reassess our business approach in this way, we are also considering ways to move to a more centralized human resources management where we aim to maximize work performance by assigning the right people to the right positions at the right time company-wide, regardless of the job categories initially attached to individuals when they joined Kajima.

In terms of our medium- and long-term growth, another challenge is to diversify revenue sources by leveraging Kajima's technology and experience. For example, while we completed many civil engineering projects outside of Japan, we have fallen short in establishing a presence in key local markets due perhaps to insufficient localization and long-term commitment. In contrast, Kajima's building construction and real estate businesses, through their overseas subsidiaries, have built relationships over the years with local communities, and their efforts are now paying off. The civil engineering division will likewise use its management resources, and tackle new challenges in areas where Kajima can wield a competitive advantage.

Our goals are to expand our networks in and outside Japan, develop new revenue sources in the civil engineering business, and build a platform that enables us to stay ahead of today's rapidly changing markets.



# Building

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# Construction

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TOKYO GARDEN TERRACE KIOICHO



**Hiro Yoshi Koizumi**

Representative Director; Executive Vice President;  
General Manager, Building Construction  
Management Division

## Becoming an Integrated Construction Company

**I**n the *Corporate Report 2015*, I stated that strengthening Kajima's core building construction business was an urgent priority. After restructuring the business over the last two years under the Medium-Term Business Plan, multiple initiatives have begun to pay off and produce steady results. Since being appointed General Manager of the Building Construction Management Division in 2013, I have outlined a fundamental

strategy to achieve a 30% reduction in labor needs, based on our examination of ways to change the multi-layered structure of the partnering subcontractors. In addition to implementing streamlining and labor-saving initiatives at construction sites, we are using IT to make our site operations management more sophisticated, enhance our organizational risk response, and visualize site management processes. These efforts culminated with the recent launch of the Kajima Total Management System (KTMS) 2017. Beyond KTMS 2017, we envision an industrial revolution in construction that will see the construction site and its systems significantly transformed in 2020 and beyond.

Work-style reform has become a social issue today. Rather than just focusing on giving employees enough rest, we also need to make true structural changes that fulfill the fundamental aim of securing enough workers. We have to work with our partners to improve conditions for the skilled workers who actually perform the work and provide as many rest days as other industries, to make our industry more appealing. In other words, we have to evolve into a 21st-century industry with improved productivity, utilizing every possible means including IT and robots.

One challenge we face is developing workers with multiple skills. In 2016, we established Kajima Fit Co., Ltd. to specialize in fireproof coating work and ALC installation work, and established a welding business division within Kajima Kress Corporation to offer welding services. In 2017, we decided to establish Clima Works Co., Ltd., which will directly employ skilled workers to perform mechanical and electrical work. Empowering workers who each had specialized skills in a specific area to work in multiple related construction areas will improve productivity and bring stability to the workplace environment, which will enhance conditions. In addition to addressing the urgent shortage of workers, the pursuit of production efficiency will lead to new work styles.

In terms of revenue and growth potential for the entire Kajima Group, we see great potential for our real estate development and overseas operations to leverage the strengths of our building construction business. We also see the potential to diversify revenue sources and strengthen peripheral businesses by group companies in Japan around our core building construction businesses. For instance, Kajima Tatemono Sogo Kanri Co., Ltd., which manages around 2,500 buildings, will combine Kajima Corporation's building life-cycle management with cutting edge technologies to expand into new areas.

Developing human resources will also be crucial to securing the growth of the quality businesses that belong to group companies, thereby enhancing the performance of the entire Kajima Group. Accordingly, we will implement personnel exchanges among group companies, focusing on mid-career employees in forties to foster mutual understanding of the different jobs and abilities people have. Group companies have already started international exchanges of human resources, and we will expand on these programs to strengthen our business platform.

We expect fiscal 2018 – 2019 to be a busy period for the building construction business, which will make it an ideal environment for developing new construction systems. We aim to be a corporate group that offers comprehensive building construction solutions. Building on the foundation of our core businesses, we will keep developing our building construction business to deliver sustainable growth in 2020 and beyond.



# Real Estate Development



**Teruaki Yamaguchi**

Executive Vice President;  
General Manager, Real Estate Development Division

## Diversifying and Expanding Revenue Streams for the Entire Group

**D**uring the restructuring period over the last two years, the real estate development business focused on leveraging Kajima's unique strengths across projects and outlined future targets for the business. In fiscal 2016, we completed the Kachidoki 5-Chome Redevelopment Project (KACHIDOKI THE TOWER), which has won acclaim for Kajima's technology-driven comprehensive strengths. The project demonstrates Kajima's unique business model, which integrates, from the ground up, our real estate development expertise with our engineering strengths in architecture and building construction.



KACHIDOKI THE TOWER

In the real estate development business, we place importance on the balance between flow-model projects for short-term revenue and stock-model projects for medium- to long-term revenues. For both types, the key is to offer upstream solutions that open the door to project involvement. With the Japanese government's push to increase inbound tourism, we will prioritize projects along the access routes to Tokyo International Airport in Haneda and in Tokyo Bay areas as we seek to develop superior properties. We will also acquire promising properties in Japan and increase their asset value to generate stable revenues, while building locally rooted business networks and creating integrated projects that encompass surrounding areas.

To date, we have sought to increase added value in real estate development by focusing on the property value chain from upstream through downstream operations. We also sought to build up our experience and track record while making the most of what our group companies could offer. Moving forward, however, we will take this one step further and capture the budding business opportunities that emerge in the course of services provided by our group companies. We will bridge these with Kajima's knowledge to grow the businesses of our group companies and diversify revenue streams for the entire group.

For example, the subsidiary Avant Associates, Inc. provides upstream consulting services for urban planning. To expand upon these existing operations, Kajima is seconding human resources, including younger employees, to the firm, aiming to roll out area management services that increase value for the entire community.

Kajima Tatemono Sogo Kanri Co., Ltd. offers downstream services by managing around 2,500 properties that were built by many different contractors. The subsidiary saw an opportunity to provide further added value by expanding its services to include asset management and property management services, developed through the real estate development business, to customers of its building maintenance services. The subsidiary created a new department dedicated to these operations in April 2017, and initiated the necessary personnel exchanges with Kajima Corporation.

Furthermore, May 2017, the Real Estate Development Division reorganised the PPP Management Department to study ways to participate in projects in the growing segment of public private partnerships (PPP), as a way to leverage the strengths of the entire Kajima Group. This field offers great potential for expanding revenue opportunities.

We are also optimizing our international allocation of management resources while maintaining the balance between flow- and stock-model projects in Japan. We are fostering the growth of our personnel by giving them international experience, preparing them to lead the way on future real estate development projects in our five operational regions of Japan, the Americas, Asia, Europe, and Oceania. We also face the challenge of rebuilding the platform for our non-asset business. We will utilize business schemes that make use of third-party funding from in and outside Japan to develop a real estate development business that is more resilient to economic swings.

We are determined to leverage the value chain of the entire Kajima Group to diversify revenue streams and secure further growth in each segment. To achieve that, we must ambitiously continue to tackle the challenge of developing new businesses. We will build on our 40-year track-record and continue working to make Kajima's real estate development business into an even greater driver for success.



# Overseas



Senayan Square

## Aiming to Become a Truly Global Company by Developing a Strong Network

### Keisuke Koshijima

Senior Executive Officer;  
General Manager, Overseas Operations Division



**K**ajima currently organizes its overseas operations into the four regions of the Americas, Asia, Europe, and Oceania. We have established local operating companies in each region and strengthened the platforms for our building construction and real estate development businesses, tailoring them to conditions in regional markets. Our approach requires both that business models are suited to markets and that human resources and organizations are suited to the business models. We are strengthening both parts of this equation and increasing the depth and size of our existing businesses, while using mergers and acquisitions to drive new growth with local roots.

In March 2017, Kajima Australia Pty Ltd acquired Cockram Construction, a mid-tier contractor based in Australia. Having acquired Icon Co Pty Ltd and Icon Co

Developments Pty Ltd in 2015, we continued to steadily develop our building construction and real estate development businesses in the country in fiscal 2016, by combining Icon's strengths in the housing sector with Kajima's technologies and proven experience. The acquisition of Cockram Construction will enhance our competitiveness in the Australian non-housing sector, thereby positioning us to service all segments of the national market.

In addition, we expect that Cockram's international business operations and their unique business models will generate synergies for Kajima's regional operating companies. Building on our existing platforms, we will link our regional silos into a strong network. This will enable us to deliver services that offer greater added value to our customers with global operations.

Both building construction and real estate development are regional industries that always have roots in a particular place. This makes it essential to strengthen the business platforms that leverage local employees and local networks. Our operating company Kajima U.S.A. Inc. (KUSA) has expanded its business platform in businesses that Kajima has fostered for many years, and also made gains through mergers and acquisitions. In recent years, its building construction and real estate development teams have been working together on projects more and more.

In Asia, Kajima Overseas Asia Pte Ltd (KOA) has made many local employees into strategic assets, but it faced the need to further localize and develop local markets. Following its January 2017 reorganization into a holding company, aiming for future growth, KOA now has larger responsibilities for strategy development and stronger management of both the building construction and real estate development businesses. These businesses were each spun off into separate companies and placed under KOA's control in order to further clarify the business responsibilities. This reinforced business platform has created a more localized organization that is better positioned to make effective new investments.

Kajima's overseas operations have long developed local roots and fostered competitive advantages in each region. The real estate development business is almost on equal footing with local companies in markets outside Japan. Having our own platform is a major competitive advantage, and it increases the opportunities available to us through future new partners and networks as we strive to become a truly global company.



# QSE Initiatives in Construction

Kajima regards quality, safety and health, and the environment (QSE) as three priority issues in its construction businesses. Under the Quality Assurance, Safety and Health, and Environmental Policies, organizations in both the civil engineering and building construction businesses have been deploying integrated management systems since April 2003. Since quality, safety, and the environment are all interconnected, improving one area yields synergies in the others. Kajima incorporates these three perspectives into construction plans and daily operations at each site.

## Management Systems

At Kajima, quality management is carried out under the ISO 9001 certification obtained by both its civil engineering and building construction businesses. The certification covers quality management at relevant Head Office departments, the Kajima Technical Research Institute, the Architectural Design Division, and branch offices. Group companies outside Japan have also obtained certification where appropriate. In 2017, Kajima adopted the revised ISO 14001 environmental management system standards, which were updated in September 2015. The Company also performs safety and health management in accordance with the Construction Occupational Health and Safety Management System (COHSMS).

## FY2016 Environmental Summary

In the second year of Kajima's medium-term environmental plan (fiscal 2015 to 2017), the Company continued to focus on three essential activities under the Kajima Environmental Vision, "Triple Zero 2050" (see page 29). Results have been positive, but there was one environmental incident involving a petroleum spill. In order to prevent any such future environmental accidents, Kajima prepared an onsite environmental management checklist to ensure compliance with laws and regulations and in-house rules. The list is in use at all construction sites. The Company's administrative departments and work sites are united in their commitment to the environment. This includes intensive education for environmental personnel at branch offices and efforts to strengthen support systems onsite.

## Policies

### Quality Assurance, Safety and Health, and Environmental Policies

#### Basic Policy

Quality assurance, safety and health, and environmental management are fundamental to production and corporate survival. By establishing and continuously improving management systems to comply with relevant laws, ordinances, and other societal requirements, Kajima works to produce efficiently while earning the trust of clients and society.

#### Quality Assurance Policy

Kajima provides products and services that satisfy clients, from marketing to follow-up services, allowing them to place orders with a sense of reassurance and trust.

- 1 We ensure product quality by heeding and addressing client requirements and responding while thoroughly implementing the plan-do-check-act cycle.
- 2 We enhance research and development and plan ways to improve quality and increase operational efficiency.

#### Safety and Health Policy

Safety is the barometer of a company's capabilities and ethics. We therefore collaborate with subcontractors with strong management to eliminate construction-related accidents and injuries so we can maintain public trust in the construction industry while pursuing sustainable corporate progress.

- 1 We work to prevent accidents and incidents stemming from human error by focusing on the workplace, equipment, and site conditions and by using point-call-and-response practices as routine workplace procedures.
- 2 We strive to create safe and comfortable working environments by facilitating close communication between Kajima and partner companies and by ensuring close coordination between people, machinery, and equipment.

#### Environmental Policy

Kajima, as the company "Building for the Next 100 Years," pursues a unique long-term environmental vision, doing its part in the broader social efforts to preserve the environment and ensure economic sustainability.

- 1 We work to reduce the environmental impact of our business and take into consideration the entire lifecycle of the structures we construct. We thereby seek to help build societies which use materials responsibly, have a low carbon footprint, and harmonize with nature.
- 2 As a standard for achieving these goals, Kajima:
  - Creates innovative technologies that help safeguard the environment and use resources sustainably.
  - Engages in construction management processes to prevent environmental damage caused by hazardous materials used in construction projects.
  - Cooperates with the public, including by proactively disclosing information.

## Medium-Term Environmental Targets and FY2016 Results

Evaluation: ○ Target met △ Target nearly achieved × Target not met

	Medium-Term Target (FY2015–2017)	FY2016 Targets	Results	Evaluation
Lower CO <sub>2</sub> Emissions	<b>Design:</b> Enhance and improve efforts to respond to enforcement of the revised Act on Rational Use of Energy in fiscal 2015	<b>Design*</b> •Reduce primary energy consumption in building use: BEI ≤ 0.8 (Equivalent to 20% reduction in operation-stage CO <sub>2</sub> emissions) •Obtain Five Star certification under the Building-Housing Energy-Efficiency Labeling System (BELS)	•Achieved BEI ≤ 0.8 for over half of design and construction projects (Operation-stage CO <sub>2</sub> emissions reduction was 29.2%) •Obtained Five Star certification for a design and construction project, and achieved the first ZEB Ready designation for an office building in Japan	○
	<b>Construction:</b> Reduce CO <sub>2</sub> emissions per unit of sales during construction by 17% compared to the fiscal 1990 level	<b>Construction:</b> •Reduce CO <sub>2</sub> emissions per unit of sales during construction by 16% compared to the fiscal 1990 level	16.6%	○
Recycle Resources	Achieve final disposal rate of less than 3%	•Achieve final disposal rate of less than 3% •Reduce construction sludge and promote its effective use	2.7%	○
	Promote green procurement at the design phase: Out of 17 standard construction materials/supplies, propose at least 4 to clients in each design Promote longer service life for buildings	•Promote green procurement at the design phase: Out of 17 standard construction materials/supplies, propose at least 4 to clients in each design •Promote longer service life for buildings: Attain a score of at least 3.6 for evaluations based on in-house check sheet	•Green procurement rate: 92%; Average number of items proposed: 5.3 •Average score: 3.70	○
Harmoniously Co-exist with Nature	Implement 6 or more outstanding biodiversity projects per year	•Implement 6 or more outstanding biodiversity projects	5 projects	△
Common Foundation Initiative Areas	Manage hazardous substances Implement preventative measures (especially for soil contamination and asbestos)	•Manage hazardous substances Implement preventative measures (especially for soil contamination and asbestos)	•1 environmental accident (petroleum spill)	×
	Manage chemical substances	•Carry out environmental risk management to prevent environmental accidents •Conduct risk assessments for 640 chemical substances	•Confirmed compliance in all engineering projects •Implemented education	○

\* The wording of target specification has been updated for CO<sub>2</sub> emissions reduction in building use in response to the full enforcement of standards under Japan's on Rational Use of Energy, revised in fiscal 2015.

## Material Flow

	INPUT	OUTPUT		
Project sites	Diesel oil	66,310 kℓ	CO <sub>2</sub> emissions (construction)	258,000 t
	Kerosene	4,205 kℓ	Construction surplus soil	860,000 m <sup>3</sup>
	Electricity	138,340,000 kWh	Hazardous materials	
	Construction materials	1,832,000 t	Materials containing asbestos	13,250.5 t
	Water	1,597,000 m <sup>3</sup>	CFCs and halon received	0.1 t
Office	Electricity	25,870,000 kWh	Fluorescent tubes	34.9 t
	Heavy Oil	11.8 kℓ	Construction waste	2,298,000 t
	Kerosene	12.4 kℓ	Final disposal volume	133,000 t
	Gas	187,000 m <sup>3</sup>	CO <sub>2</sub> emissions	15,000 t
	Water	127,000 m <sup>3</sup>	Volume of waste	1,414.9 t

Note: Third party verification performed by the Japan Quality Assurance Organization (JQA) for greenhouse gas emissions (Scope 1, 2, and 3), energy consumption, water usage, and waste discharge.



# Corporate Governance



**T** rue to its corporate philosophy, the Kajima Group strives to continually advance its business operations and contribute to society. The Group's objective is to earn the trust and regard of all stakeholders, including stockholders, customers, business partners, local communities and employees.

## Fundamental Stance

Kajima's fundamental commitment on corporate governance is to ensure fair and transparent corporate activities using enhanced management supervision by the Board of Directors and Audit & Supervisory Board. This is combined with risk management and accountability achieved via internal controls and systematic steps to secure compliance.

Kajima will continue to strengthen its corporate governance based on the Corporate Governance Code outlined by the Tokyo Stock Exchange.

## Governance Structure

Board of Corporate Auditors

Directors	14 persons (including 3 outside directors) Term 2 years
Audit & Supervisory Board Members	5 persons (including 3 outside members)
Executive officer system	Yes
Independent directors	6 persons

Kajima has elected to use a Board of Corporate Auditors structure with a Board of Directors to make key business decisions and monitor business execution and to use an Audit & Supervisory Board to audit the execution of duties by directors.

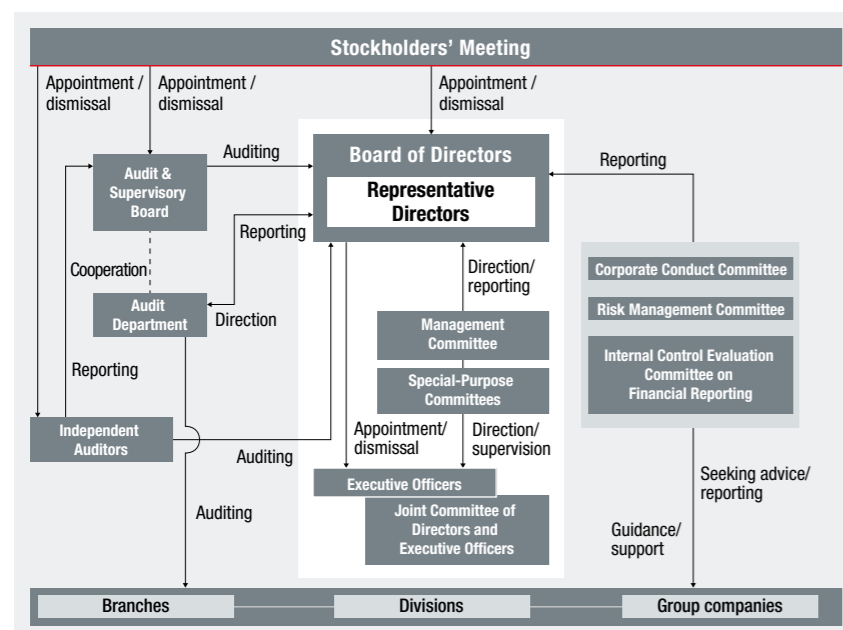


The Board of Directors meets once a month and additionally as needed. In addition to 11 internal directors with expert knowledge of the Company's businesses, the Board has had three outside directors, who add an independent perspective on key decisions and enhance management supervision. The total membership of the Board of Directors is 14 persons. Board meetings are attended by the five members of the Audit & Supervisory Board, including its three outside members.

The outside directors and outside members of the Audit & Supervisory Board apply their experience and provide insight regarding the appropriateness and validity of decisions made by the Board of Directors. They also provide input from a third-party perspective to enhance objectivity and neutrality.

In 2005, Kajima adopted an executive officer system to clarify the responsibilities and functions of directors who execute business. Also, a Management Committee headed by the President meets three times a month to discuss important management issues, endeavoring to increase the efficiency and speed of business execution.

The Audit & Supervisory Board comprises two inside and three outside members, including finance and accounting experts. They attend important meetings, including Board of Directors meetings, and audit the appropriateness and validity of business execution by directors, with the support of the Audit Department. They also work closely with independent auditors and the Audit Department, receiving information from the Risk Management Committee and Internal Control Evaluation Committee on Financial Reporting concerning the implementation of internal controls, and working to enhance the effectiveness and efficiency of auditing.



#### Audit & Supervisory Board and Its Members

Designates audit policies and audits the execution of duties by directors. Meets once a month to discuss reports from its members and prepare audit reports.

#### Audit Department

Works independently of all departments that execute business operations. Conducts internal audits on the appropriateness of the accounting and business activities of Kajima and its group companies, as well as the effectiveness of internal controls over financial reporting.

#### Independent Auditor

Kajima has elected to use Deloitte Touche Tohmatsu LLC as an independent auditor to conduct fair and impartial audits of Kajima's business practices.

#### Special-Purpose Committees

Special-purpose committees conduct risk assessments and discuss measures regarding important investments and loans. These include the Development Steering Committee, Overseas Business Steering Committee, Overseas Development Project Steering Committee, and PFI Civil Engineering and Building Committee.

#### Board of Directors

Chaired by the Chairman and meets once a month, and additionally as needed, to discuss and make decisions on basic management direction and other important matters and to supervise business execution.

#### Management Committee

Chaired by the President and meets three times a month to discuss and report on important management issues, consistent with guidelines designated by the Board of Directors.

#### Joint Committee of Directors and Executive Officers

Chaired by the President and meets once a month to inform all executive officers of decisions made at the Board of Directors and Management Committee, and reports on and evaluates business execution.

#### Current Outside Directors and Outside Members of Audit & Supervisory Board

Kajima appoints three outside directors and three outside members of the Audit & Supervisory Board, with an emphasis on securing a high degree of independence. Appointees must satisfy certain requirements for independent directors laid down by stock exchanges, and all are on file as independent directors with the Tokyo Stock Exchange and Nagoya Stock Exchange.

Major Internal Meetings in FY2016	
Board of Directors	14 meetings
Management Committee	37 meetings
Joint Committee of Directors and Executive Officers	11 meetings
Audit & Supervisory Board	15 meetings

#### Basis for Appointing Outside Directors

Name	Independent Director	Major Concurrent Positions	Reason for Appointment	Attendance in FY2016
Koji Furukawa	Yes	Advisor, Mitsubishi Corporation	Furukawa provides valuable insight from his extensive experience in senior management positions with leading organizations in different industries, including Mitsubishi Corporation, Mitsubishi Motors Corporation, Japan Post Bank Co., Ltd., and Japan Post Network Co., Ltd. His appointment was based on his past advice to Kajima management and his appropriate oversight of business execution.	14 of 14 Board of Directors meetings
Masahiro Sakane	Yes	Councilor, Komatsu Ltd.; Outside Director, Takeda Pharmaceutical Company Limited	Sakane provides valuable insight from his experience leading a global manufacturer. He served as President and later as Chairman of the Board of Komatsu Ltd. His appointment was based on his past advice to Kajima management and his appropriate oversight of business execution.	14 of 14 Board of Directors meetings
Kiyomi Saito	Yes	President, JBond Totan Securities Co., Ltd.; Outside Audit & Supervisory Board Member, Showa Denko K.K.	Saito provides valuable insight from her extensive experience gained as a business leader and entrepreneur. She served as Executive Director at Morgan Stanley and founding President of JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.). Her appointment was based on her past advice to Kajima management and her appropriate oversight of business execution.	14 of 14 Board of Directors meetings

#### Basis for Appointing Outside Members of Audit & Supervisory Board

Name	Independent Director	Major Concurrent Positions	Reason for Appointment	Attendance in FY2016
Kinro Nakamura	Yes	—	Nakamura provides valuable input from a neutral and objective perspective, based on his considerable knowledge of finance and accounting and his years of experience at financial institutions. He served as general manager and auditor at Sumitomo Bank Limited and Sumitomo Mitsui Banking Corporation. His appointment was based on these credentials.	14 of 14 Board of Directors meetings 15 of 15 Audit & Supervisory Board meetings
Shuichiro Sudo	Yes	—	Sudo provides valuable input from a neutral and objective perspective, based on insight gained from his extensive experience in senior management positions at insurance companies including The Dowa Fire and Marine Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. His appointment was based on these credentials.	14 of 14 Board of Directors meetings 15 of 15 Audit & Supervisory Board meetings
Yukio Machida	Yes	Lawyer; Outside Audit & Supervisory Board Member, Asahi Mutual Life Insurance Co.; Outside Director, Mizuho Bank, Ltd.	Machida brings specialized knowledge as a prosecutor and attorney, and provides valuable input from a neutral and objective perspective based on insight gained from his extensive legal experience. His appointment was based on these credentials.	14 of 14 Board of Directors meetings 15 of 15 Audit & Supervisory Board meetings

## Remuneration for Directors

In keeping with its policy on determining remuneration for directors, Kajima pays directors monthly wages as fixed payments and variable compensation in conjunction with a business performance bonus, decided according to their positions (including operating officer positions for directors concurrently serving in that role) and tenure,

within parameters determined by resolution at Stockholder's Meetings. Outside directors, however, are paid only monthly wages. Total remuneration for Audit & Supervisory Board members is decided at Audit & Supervisory Board meetings according to working conditions, within parameters determined by resolution at Stockholder's Meetings.

### FY2016 Remuneration for Board of Directors and Audit & Supervisory Board Members

(¥ million)

Position	Total remuneration	Monthly remuneration	Bonus	No. of persons
Directors (excluding outside directors)	723	516	207	11
Audit & Supervisory Board members (excluding outside members)	48	48	-	2
Outside directors and members of the Audit & Supervisory Board	100	100	-	6

## Evaluating the Effectiveness of the Board of Directors

The performance of the entire Kajima Board of Directors is evaluated once a year in order to raise its effectiveness. The evaluation begins with a report on the Board of Directors' management in the previous fiscal year and on progress made following resolutions on major projects. Next, all members of the Board of Directors discuss ways to enhance the Board's effectiveness while identifying issues and points for improvement.

The results of the recent Board of Directors evaluation indicate that the Board has been supplied in advance with appropriate information for its deliberations and has been carrying out appropriate management. It was also determined that opinions of the outside directors have been actively incorporated by the Board and that efforts to raise effectiveness continue.

## MESSAGE

### Message from the Chairman of the Board of Directors

Corporate governance is extremely important. It is the key to the Kajima Group's efforts to keep advancing its business operations and contributing to society, as stated in Kajima's Corporate Philosophy. Constant effort is needed to strengthen corporate governance.

The presence of outside directors with extensive management experience and knowledge since June 2015 has brought a new energy to the Kajima Board of Directors, along with a healthy level of tension. I feel this tension has penetrated both the Board and the Company as a whole. It has had a positive effect by forcing us to actively consider and discuss the perspectives of stakeholders. I am convinced that the soundness and transparency of our management has increased and that this has also contributed to the recovery and improvement of our business performance.

I am very grateful to the outside directors and outside members of the Audit & Supervisory Board. In addition to providing feedback to the management team on the results of discussions at their meetings, they also provide valuable advice on a daily basis, in settings other than Board of Directors meetings.

Over the last two years, I believe that our outside directors, who are not from the construction industry, have gained a rich understanding of our business, both through Board of Directors meetings, and via opportunities to visit our branch offices and

construction sites. Meanwhile, in fiscal 2016, our outside directors gave talks for senior management, offering advice and suggestions. As a result, discussions at the Board of Directors have grown deeper, and even better management decisions have been made.

Regarding the evaluation of Board of Directors effectiveness conducted in fiscal 2016, we obtained a range of opinions from the directors and Audit & Supervisory Board members, both internal and external. This was a very valuable opportunity for me to obtain a new awareness as Chairman of the Board of Directors. In my role, I have been facilitating active discussions by the Board of Directors. I believe the composition of the current board, including three outside directors, is appropriate in terms of scale, diversity and the balance of member knowledge, experience, and capabilities. I also believe it is functioning effectively as part of the governance structure. We hope to incorporate the results of the effectiveness evaluation into our management activities, and to adopt even more beneficial methods for future effectiveness evaluations.

I will continue to increase opportunities for communication with outside officers based on the expectations of society for corporate governance. We will strive to further strengthen corporate governance and improve corporate value over the medium to long term.

During the evaluation discussion, there was a suggestion that the Board should more extensively discuss the Company's direction, including agenda items such as management policy and targets, and a call for more opportunities for exchange of opinions between the outside directors themselves and between outside directors and the management team. Other initiatives are being promoted to enhance the effectiveness of the Board of Directors, such as improving the deliberation process and holding several meetings with outside directors and the management team.

## Outside Director Support System

The Executive Office is responsible for providing support to outside directors, and the Office of Audit & Supervisory Board Members is responsible for providing support to outside Audit & Supervisory Board members. In addition to providing orientations prior to Board of Directors meetings, these offices also supply outside directors and board members with the information they need to serve in their positions.

While also meeting on their own, the outside directors regularly meet with Kajima management. In addition, they receive tours of branch offices and construction sites. This enhances management supervision by ensuring that the outside directors have an incisive understanding of Kajima's business.



Meeting of outside directors

## Investor Relations

Kajima strives to engage in timely and appropriate disclosure of corporate and business information to keep shareholders, investors, and others well informed about the Kajima Group.

## Policy on Constructive Dialogue with Stockholders

Kajima has instituted the following systems and measures to foster constructive, mutual dialogue with stockholders and investors that helps ensure sustainable growth and increasing corporate value for the Kajima Group over the medium to long term.

- (1) The financial director and the executive officer in charge of the Corporate Planning Department oversee dialogue with stockholders and investors.
- (2) The Corporate Planning Department's IR Group plays the central role at Kajima in fostering this dialogue. The group shares information as needed to encourage organic coordination among all involved departments.
- (3) In addition to one-on-one meetings, earnings briefings and construction site tours are held regularly to increase opportunities for dialogue between the Company and its stockholders and investors.
- (4) The opinions expressed by stockholders and investors during these dialogues are regularly reported in a timely and appropriate manner to the Board of Directors and other bodies.
- (5) Insider information is appropriately handled in the context of dialogue with stockholders and investors in accordance with prescribed internal rules.



Site tour for analysts and institutional investors (KACHIDOKI THE TOWER)

## Main IR Activities in FY2016

Activity	Times conducted	Description
Briefing for analysts and institutional investors	4	Earnings briefing with the president held at the end of Q2 and the fiscal year. IR teleconference briefings were held at the end of Q1 and Q3.
Construction site tour for analysts and institutional investors	1	Annual tour of construction sites and Kajima development projects for analysts and institutional investors.
IR activities for institutional investors outside of Japan	Ongoing	Participated in three conferences arranged by securities companies, mainly holding one-on-one meetings with institutional investors. Telephone and individual meetings were also provided upon request.
Release of documents at IR website	Ongoing	Released earnings briefing documents, Fact Book, quarterly earnings reports, and data on contract awards at Kajima's investor relations website. <a href="http://www.kajima.co.jp/english/ir/">http://www.kajima.co.jp/english/ir/</a>



## Compliance

Kajima designates compliance as one of the five cornerstones of its framework for corporate social responsibility (CSR). Compliance is considered fundamental to all

corporate conduct, a stance that is outlined in the Kajima Group Code of Conduct.

Kajima Group Code of Conduct		
<b>① Fair and Honest Corporate Conduct</b> 1 Observing the law and social norms 2 Emphasizing the needs of society and clients 3 Fair, transparent and free competition, and appropriate trade 4 Protection of intellectual property, rights and assets 5 Transparent relations with government 6 Eradication of antisocial activity 7 Maintaining adequate accounting	<b>② Harmony with Society</b> 1 Building solid community relations 2 Respecting cultures and customs of all nations and people 3 Timely and appropriate disclosures and communications of information <b>③ Respect for All People Connected to the Kajima Group</b> 1 Prohibiting discrimination and unfair treatment 2 Providing a safe and secure workplace environment 3 Respecting employee's unique characteristics and promoting individual development 4 Avoiding child labor and forced labor	<b>④ Responsibility to the Environment</b> 1 Approach to environmental issues <b>⑤ Implementation of Corporate Code of Conduct</b> 1 Education and awareness 2 Establishment of an effective internal monitoring structure <b>⑥ Occurrence of Code Violations</b> 1 Accountability and preventive measures 2 Disciplinary action

## Compliance Framework

Kajima continually raises compliance awareness among all of its executives and employees to ensure thorough compliance with laws and regulations and the Company's corporate ethics. The Corporate Conduct Committee, headed by the president, meets once a year to examine the implementation results of various compliance-related measures and to check the plan for the upcoming fiscal year. Major examples of these measures are implemented by the Legal Department, which is responsible for overseeing compliance at Kajima. The department develops and distributes a compliance manual (*Handbook for Practical Application of the Code of Conduct*; revised in August 2016), and conducts group-wide training concerning the Corporate Code of Conduct.

Kajima operates a corporate ethics hotline for confidential, anonymous reporting by employees and other stakeholders, available internally through the head office and branches as well as externally through an attorney's office. Information cards on the hotline are distributed to employees to raise awareness and encourage them to use it.

In addition, departments in each field formulate necessary regulations and guidelines, and carry out training to continue efforts related to compliance.

## Prevention of Bid Rigging

Kajima operates an Antitrust Law Committee under the Corporate Conduct Committee, and implements a variety of ongoing initiatives to prevent bid rigging within the Company. These initiatives include the internal circulation of a Manual for Compliance with the Antimonopoly Act (revised in July 2016), regular monitoring of bid processes, and implementation of workshops on the Antimonopoly Act.

Attorney-led workshops on the Antimonopoly Act were held in fiscal 2016 for Kajima executives and sales staff across Japan. The workshops were attended by 1,109 people, including 245 personnel from 23 group companies.

Since 2015, subsidiary Kajima Road Co., Ltd. has been subject to a compulsory criminal investigation and on-site inspection by the Japan Fair Trade Commission and prosecutors, related to multiple suspected violations of the Antimonopoly Act. In September 2016, the Commission issued Kajima Road with orders to cease and desist and to pay penalties regarding some of the cases, but no criminal charges were filed. For the remaining cases, the Fair Trade Commission is continuing its investigation into suspected violations of the Antimonopoly Act.

Kajima sincerely regrets causing such a situation. In fiscal 2016, the Company began to directly verify bid rigging prevention systems at each Kajima Group company, ensuring they were robust enough for respective risk levels, and provided further appropriate guidance. Kajima will ensure that such violations never happen again, and the Group will strive for thorough bid rigging prevention, to avoid any future suspected violations.

## Information Security

Kajima firmly prioritizes constant risk management and operates an information security policy. Employees of the Kajima Group and its business partners receive an annual online course on information security. Special emphasis is placed on response to targeted cyber-attacks, which have increased in recent years. By participating in the Nippon Computer Security Incident Response Team Association, Kajima is also working with external organizations to obtain the latest computer security expertise.

In the construction industry, project offices are often housed in temporary structures, and there is frequent communication with clients and business partners during the construction process. These factors increase information security risk. Accordingly, Kajima regularly inspects and audits to verify that physical, personal, and technical measures are in place, while it also continues enhancing such measures. In fiscal 2016, Kajima addressed seven issues for improvement resulting from audits of 25 sites.

For partner companies, Kajima also provides standard check sheets and online educational materials prepared by the Japan Federation of Construction Contractors. The Company is working to improve the level of information security at its partners.

## Risk Management

With appropriate and efficient risk management systems established, the Kajima Group has made its best effort to exactly identify risks in day-to-day operations and prevent them. The Group also strives to keep improving corporate value by winning the trust of shareholders, clients, and others with timely information disclosure.

## Company-Wide Risk Management System

Kajima conducts company-wide activities to eliminate or reduce operational risks. The Management Committee and special-purpose committees deliberate on countermeasures to deal with such risks, including for new businesses and development investments.

The Risk Management Committee, which meets every March and is chaired by the president, identifies major business risks that must be controlled company-wide. Kajima seeks to raise awareness of these risks and undertake risk management initiatives based on the PDCA cycle. Group companies in and outside of Japan have adopted standardized systems and have independently introduced risk management initiatives.

## Business Continuity Plan: Preparing for Disasters

In the event of an earthquake or other natural disaster, the construction industry must quickly mobilize to ensure business continuity, as well as rapidly restore social infrastructure such as roads and bridges. To meet these responsibilities, and as a member of the Japan Federation of Construction Contractors, which acts at the behest of the Japanese government, Kajima has put in place a business continuity plan (BCP), conducts regular drills, and periodically updates the plan to prepare for contingencies. Kajima also has agreements with government bodies at various levels to cooperate on disaster preparedness.

After the Kumamoto earthquake struck in 2016, Kajima quickly confirmed the safety of affected employees and their families. Through coordination between the corporate headquarters, branch office and the disaster zone, Kajima was able to focus on emergency restoration of bullet train and expressway routes, which also allowed for the quick restoration of other social infrastructure and various facilities. This response enabled the Company to confirm a certain level of effectiveness for its BCP, and to identify issues that will be used to further improve the plan.



Earthquake response headquarters during BCP training

## Addressing Risks Outside of Japan

Kajima has established an International Emergency Response Committee to oversee the Group's response and ensure the safety of employees and their families when emergencies arise outside of Japan. In the event of a terrorist attack, major earthquake or other disaster outside of Japan, Kajima focuses first on gathering information to verify the safety of employees and their families and next on providing aid to the affected area.

Kajima has compiled a manual on preparedness measures and emergency response in areas where it operates and is currently educating employees on assignment outside of Japan on these topics.

## Internal Controls

In keeping with the Companies Act in Japan, Kajima has established a basic internal control systems policy to ensure that its financial reporting is accurate and reliable. The Company draws on this system to operate appropriately and effectively while ensuring thorough compliance and risk management.

## Application of Internal Controls over Financial Reporting

Kajima issues internal control reports on the validity of its financial reporting, in accordance with the requirements of Japan's Financial Instruments and Exchange Act. The most recent report evaluated management activities and internal controls designed to ensure the accuracy of all reported information, and received a favorable opinion by an independent auditing firm. Kajima will continue to improve its internal control reporting system to ensure consistently credible financial reporting.



**Directors and Auditors** (As of June 29, 2017)



**Chairman;  
Representative Director**

**Mitsuyoshi Nakamura**

1965 Joined the Company  
1996 Director  
1999 Managing Director  
2002 Senior Managing Director; General Manager, Sales and Marketing Division; and General Manager, Kansai Sales and Marketing Division  
2005 President; Representative Director  
2015 Chairman; Representative Director (to the present)



**President;  
Representative Director**

**Yoshikazu Oshimi**

1974 Joined the Company  
2005 Executive Officer; General Manager, Yokohama Branch  
2008 Managing Executive Officer  
2009 General Manager, Building Construction Management Division  
2010 Senior Executive Officer  
2013 General Manager, Kansai Branch  
2015 Executive Vice President; President (to the present); Representative Director (to the present)



**Director;  
Senior Advisor**

**Shoichi Kajima**

1953 Director  
1959 Executive Vice President; Representative Director  
1978 Vice Chairman; Representative Director  
1984 President; Representative Director  
199 Co-Chairman and CEO; Representative Director  
1994 Director (to the present); Senior Advisor (to the present)



**Representative Director;  
Executive Vice President**

**Naoki Atsumi**

1986 Joined the Company  
1995 Director  
1997 Managing Director  
2000 Senior Managing Director  
2002 Representative Director; Executive Vice President; Responsible for Executive Office, Human Resources and Audit  
2005 Representative Director (to the present); Executive Vice President (to the present); General Manager, Corporate Planning Division; Responsible for CSR and Overseeing Executive Office, Audit Department, New Business Department, Affiliated Business Department and IT Solutions Department



**Representative Director;  
Executive Vice President**

**Tamiharu Tashiro**

1971 Joined the Company  
2005 Executive Officer; General Manager, Tokyo Civil Engineering Branch, Tokyo Metropolitan Business Division  
2007 Managing Executive Officer; General Manager, Civil Engineering Management Division; Overseeing Machinery and Electrical Engineering Department  
2008 Senior Executive Officer  
2009 Director  
2010 Representative Director (to the present); Executive Vice President (to the present)



**Representative Director;  
Executive Vice President; General Manager,  
Building Construction Management Division**

**Hiroyoshi Koizumi**

1973 Joined the Company  
2004 Managing Director, Kajima Overseas Asia Pte Ltd  
2008 Executive Officer  
2010 Managing Executive Officer  
2013 Senior Executive Officer; General Manager, Building Construction Management Division (to the present)  
2015 Representative Director (to the present); Executive Vice President (to the present)



**Director; Executive Vice President;  
General Manager,  
Sales and Marketing Division**

**Takashi Hinago**

1968 Joined the Company  
2003 Director  
2005 Executive Officer  
2006 Managing Executive Officer  
2007 General Manager, Sales and Marketing Division (to the present)  
2008 Senior Executive Officer  
2011 Executive Vice President (to the present)  
2012 Director (to the present)



**Director\***

**Koji Furukawa**

1962 Joined Mitsubishi Corporation  
1999 Director, Senior Executive Vice President, Mitsubishi Corporation  
2004 Vice Chairman of the Board, Mitsubishi Motors Corporation  
2007 Chairman and CEO, Representative Director, Japan Post Bank Co., Ltd.  
2009 Chairman and CEO, Representative Director, Japan Post Network Co., Ltd.  
2012 Chairman and CEO, Representative Director, Japan Post Co., Ltd.  
2013 Advisor, Japan Post Co., Ltd.; Advisor, Mitsubishi Corporation (to the present)  
2015 Director (to the present)



**Director\***

**Masahiro Sakane**

1963 Joined Komatsu Ltd.  
1989 Director, Komatsu Ltd.  
1999 Executive Vice President, Representative Director, Komatsu Ltd.  
2001 President, Representative Director, Komatsu Ltd.  
2003 President and CEO, Representative Director, Komatsu Ltd.  
2007 Chairman of the Board, Representative Director, Komatsu Ltd.  
2010 Chairman of the Board, Director, Komatsu Ltd.  
2013 Councilor, Komatsu Ltd. (to the present)  
2015 Director (to the present)



**Director\***

**Kiyomi Saito**

1973 Joined Nikkei Inc.  
1975 Joined Sony Corporation  
1984 Joined Morgan Stanley  
1990 Executive Director, Morgan Stanley  
2000 President, JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.) (to the present)  
2015 Director (to the present)



**Audit & Supervisory Board Member\*\***

**Kinro Nakamura**

1972 Joined the Sumitomo Bank, Limited  
2002 Corporate Auditor, Sumitomo Mitsui Banking Corporation  
2003 Managing Director, Managing Executive Officer, Sumitomo Mitsui Card Company, Limited  
2006 Audit & Supervisory Board Member (to the present)



**Director; Executive Vice President; General Manager, Civil Engineering Management Division, Responsible for International Civil Engineering Operations**

**Masayasu Kayano**

1974 Joined the Company  
2001 Secretary Senior Manager  
2007 Executive Officer; General Manager, Tokyo Civil Engineering Branch  
2009 Managing Executive Officer  
2011 General Manager, Civil Engineering Management Division (to the present); Overseeing Machinery and Electrical Engineering Department  
2012 Senior Executive Officer  
2014 Director (to the present); Executive Vice President (to the present)  
2015 Responsible for International Civil Engineering Operations (to the present)



**Director; Executive Vice President;  
Responsible for Sales and Marketing**

**Hiroshi Ishikawa**

1989 Joined the Company  
1997 Representative Director; Vice President, Kajima Leasing Corporation  
2000 Director  
2002 Managing Director  
2004 Senior Managing Director  
2005 Director (to the present); Senior Executive Officer; General Manager, Sales and Marketing Division  
2007 Responsible for Sales and Marketing (to the present)  
2016 Executive Vice President (to the present)



**Director; Managing Executive Officer;  
General Manager, Treasury Division**

**Ken Uchida**

1979 Joined the Company  
2012 President, Kajima Europe Ltd.  
2015 Executive Officer  
2017 Managing Executive Officer (to the present); General Manager, Treasury Division (to the present); Director (to the present)



**Director**

**Nobuyuki Hiraizumi**

1984 Joined the Company  
2005 Principal Economist, Research Department, Policy Research Institute, Ministry of Finance  
2007 Senior Manager, Asset Management Service Department, Real Estate Development Division  
2009 Retired from the Company; Advisor, Avant Associates, Inc. (to the present)  
2012 Director (to the present)



**Audit & Supervisory Board Member**

**Toshinobu Nakatani**

1976 Joined the Company  
2010 General Manager, Accounting Department, Treasury Division  
2011 Executive Officer; Deputy General Manager, Treasury Division  
2015 Managing Executive Officer; Overseeing Audit Department  
2016 Audit & Supervisory Board Member (to the present)



**Audit & Supervisory Board Member**

**Koji Fukada**

1980 Joined the Company  
2007 General Manager, Accounting Department, Yokohama Branch  
2013 General Manager, Administration Department, Yokohama Branch  
2015 General Manager, Audit Department  
2017 Audit & Supervisory Board Member (to the present)



**Audit & Supervisory Board Member\*\***

**Shuichiro Sudo**

1964 Joined The Dowa Fire and Marine Insurance Co., Ltd.  
1991 Director, The Dowa Fire and Marine Insurance Co., Ltd.  
1996 Managing Director, The Dowa Fire and Marine Insurance Co., Ltd.  
1998 President, Representative Director, The Dowa Fire and Marine Insurance Co., Ltd.  
2001 President, Representative Director, Nissay Dowa General Insurance Co., Ltd.  
2006 Chairman, Representative Director, Nissay Dowa General Insurance Co., Ltd.  
2010 Representative Director, Aioi Nissay Dowa Insurance Co., Ltd.  
2012 Audit & Supervisory Board Member (to the present)



**Audit & Supervisory Board Member\*\***

**Yukio Machida**

1969 Public Prosecutor, Tokyo District Public Prosecutor's Office  
2002 Director-General, Public Security Investigation Agency  
2004 Superintending Prosecutor, Sendai High Public Prosecutor's Office  
2004 Deputy Prosecutor-General, Supreme Public Prosecutor's Office  
2005 Retired from Public Prosecutors' Office; Admitted to the bar  
2015 Audit & Supervisory Board Member (to the present)

\* Outside Director as defined in Article 2, Item 15, of the Companies Act.  
\*\* Outside Company Auditor as defined in Article 2, Item 16, of the Companies Act.



# Corporate Data

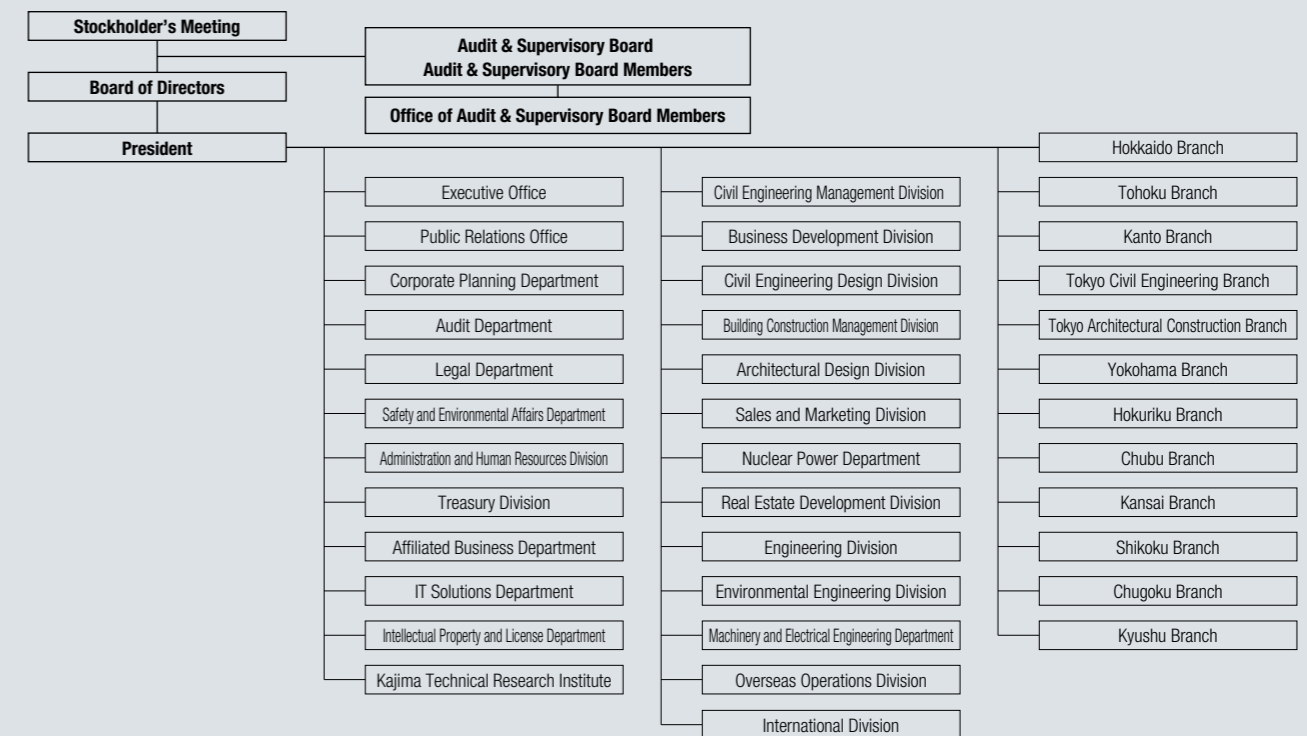


## Corporate Profile

<b>Company Name</b>	Kajima Corporation
<b>Head Office</b>	3-1, Motoakasaka 1-chome, Minato-ku, Tokyo 107-8388, Japan
<b>Established</b>	1840
<b>Incorporated</b>	1930
<b>Paid-in Capital</b>	Over ¥81,400 million
<b>Number of Employees*</b>	7,611 (non-consolidated), 18,032 (group)
<b>Business Domains</b>	Construction, real estate development, architectural design, civil engineering design, engineering, and other
<b>Offices*</b>	Head Office; Real Estate Development Division, Engineering Division, and Overseas Operations Division; Kajima Technical Research Institute; 12 branches; 27 offices in Japan; 41 offices outside Japan (in 19 countries and regions)
<b>Group Companies*</b>	200 companies (including 89 in Japan and 111 outside Japan)

\*As of March 31, 2017

## Corporate Organization





**PRINCIPAL SUBSIDIARIES AND AFFILIATES**

OVERSEAS

**Kajima Europe Ltd.**

- POLAND
- UNITED KINGDOM
- FRANCE ■ CZECH REPUBLIC

**Kajima Overseas Asia Pte Ltd**

- SHANGHAI
- INDIA ■ HONG KONG ■ TAIWAN
- MYANMAR ■ THE PHILIPPINES
- THAILAND ■ VIETNAM
- MALAYSIA ■ SINGAPORE
- INDONESIA

**Kajima Australia Pty Ltd**

- MELBOURNE

- HONOLULU

**Kajima U.S.A. Inc.**

- CLEVELAND
- NEW YORK
- LOS ANGELES
- ATLANTA
- LEÓN (MEXICO)

**Kajima Europe Ltd.**

- UNITED KINGDOM  
Kajima Europe Ltd.  
Kajima Partnerships Ltd.  
Kajima Properties (Europe) Ltd.
- FRANCE  
Kajima Europe Lou Roucas S.A.R.L.
- CZECH REPUBLIC  
Kajima Czech Design and Construction s.r.o.
- POLAND  
Kajima Poland Sp. z o.o.

**Kajima Overseas Asia Pte Ltd**

- SINGAPORE  
Kajima Overseas Asia Pte Ltd  
Kajima Overseas Asia (HQ) Pte. Ltd.  
Kajima Design Asia Pte Ltd  
Kajima Development Pte. Ltd.
- INDONESIA  
PT Kajima Indonesia  
PT Senayan Trikarya Sempana  
PT Jimbaran Greenhill
- THAILAND  
Thai Kajima Co., Ltd.  
Ramaland Development Co., Ltd.  
Bang Tao Beach Ltd.
- MALAYSIA  
Kajima (Malaysia) Sdn. Bhd.
- VIETNAM  
Kajima Vietnam Co., Ltd.  
Indochina Kajima Development Ltd.
- THE PHILIPPINES  
Kajima Philippines Inc.
- HONG KONG  
Allied Kajima Ltd.
- INDIA  
Kajima India Pvt. Ltd.
- MYANMAR  
Kajima Overseas Asia (HQ) Pte. Ltd.,  
Myanmar Branch

**Kajima Australia Pty Ltd**

- MELBOURNE  
Kajima Australia Pty Ltd  
Icon Co Pty Ltd  
Cockram Construction Australia Pty Ltd  
Icon Developments Australia Pty Ltd

**Kajima Corporation (China) Co., Ltd.**

- SHANGHAI

**Chung-Lu Construction Co., Ltd.**

- TAIWAN

**Kajima U.S.A. Inc.**

- ATLANTA  
Kajima U.S.A. Inc.  
Kajima International Inc.  
KBD Group, Inc.  
Batson-Cook Company  
Kajima Real Estate Development Inc.  
Core5 Industrial Partners LLC  
Batson-Cook Development Company
- LOS ANGELES  
KCS West, Inc.  
Kajima Development Corporation
- HONOLULU  
Hawaiian Dredging Construction Company, Inc.
- CLEVELAND  
The Austin Company
- NEW YORK  
Development Ventures Group, Inc.  
Anglebrook Golf Club
- LEÓN (MEXICO)  
Kajima Alberici  
Construcciones S.A.de C.V.

## PRINCIPAL SUBSIDIARIES AND AFFILIATES

### IN JAPAN

	Company name	Business description
<b>Design and Consulting</b>	Ilya Corporation	Interior design, consulting, interior and furniture-related business
	ARMO Co., Ltd.	Architectural design, facility design, and presentation
	ARTES Corporation	Building structure design, consulting, and construction engineering
	Engineering & Risk Services Corporation	Asset evaluation, soil environmental assessment, and disaster risk assessment
	Landscape Design Inc.	Property exterior structure design, landscape planning, greening consulting, and town planning proposals
	Retec Engineering Inc.	Survey and diagnosis of civil engineering structures, new construction and repair/reinforcement design, and measurement management
	Avant Associates, Inc.	Urban planning, town planning support, public real estate utilization (PRE), public-private partnerships (PPP), and area management
<b>Procurement and Construction</b>	Global BIM Inc.	BIM-related information processing, software sales, and operational consulting
	Taiko Trading Co., Ltd.	Sale and rental of construction equipment and materials, and subcontracting for various construction projects
	Chemical Grouting Co., Ltd.	Ground improvement, foundation construction, and soil remediation
	Kajima Road Co., Ltd.	Paving of roads, bridges, airports, etc., and manufacture and sale of paving materials
	Japan Sea Works Co., Ltd.	Ocean port and coastal protection work, and geological surveying
	Kajima Kress Corporation	Temporary staffing, subcontracting for construction projects, calculation and preparation of construction plans
	Kajima Environment Engineering Corporation	Environmental and consulting work focused on water and waste
	Kajima Mechatro Engineering Co., Ltd.	Construction machinery manufacturing
	Kajima Renovate Construction Co., Ltd.	Repair and reinforcement work for civil engineering structures, and sales of repair materials
	Clima-Teq Co., Ltd.	Integrated facility construction, and renovation
<b>Real Estate Development and Management</b>	Kajima Fit Co., Ltd.	Subcontracting for various construction projects by providing directly-employed skilled workers
	Clima Works Co., Ltd.	Subcontracting for various facility construction projects by providing directly-employed skilled workers
	Kajima Tatemono Sogo Kanri Co., Ltd.	Building management
	Kajima Tokyo Development Corporation	Leasing and operational management of real estate, and hotel management
	East Real Estate Co., Ltd.	Leasing, management, brokerage and appraisal of real estate
	Kajima Yaesu Kaihatsu Co., Ltd.	Real estate leasing and operational management
	Niigata Bandaijima Building Co., Ltd.	Real estate leasing and operational management
<b>Sales and Services</b>	Kajima Services Co., Ltd.	Travel agency, product sales, and business services
	Act Technical Support, Inc.	Temporary staffing and human resources placement, and events planning
	Kajima Leasing Corporation	Planning of construction projects, building and equipment leasing
	Kajima Information Communication Technology Co., Ltd.	Design, operation and management of the Kajima Group's information communication technology infrastructure and various computer systems
	Toshi Kankyo Engineering Co., Ltd.	Collection, transportation and processing of waste
	K-PROVISION Co., Ltd.	Public relations and advertising planning and production, as well as video production
<b>Book Publishing</b>	Kajima Real Estate Investment Advisors Inc.	Real estate asset management, consulting, and buying, selling, and brokerage of beneficial interests of a trust
	Kajima Institute Publishing Co., Ltd.	Editing and publishing of books and publications
<b>Hotel and Leisure</b>	Azuma Kanko Kaihatsu Co., Ltd.	Management of the Takasaka Country Club golf course
	Hotel Kajima no Mori Co., Ltd.	Hotel management in Karuizawa, Nagano Prefecture
	Kajima Resort Corporation	Sale and management of vacation home property in Tateshina, Nagano Prefecture, as well as management of the Kajima Minami Tateshina golf course
	Atema Kogen Resort, Inc.	Hotel and golf course management
	Nasu Resort Corporation	Management of the Nasu Chifuriko Country Club golf course
	Shinrinkohen Golf Club Co., Ltd.	Golf course management
	Kajima Karuizawa Resort, Inc.	Management of a golf course, hotel, and ski resort
<b>Greening and Insurance</b>	Katabami Kogyo Co., Ltd.	Mountain forest management, greening landscaping, and agency handling of property, casualty, and life insurance

## FOUNDATIONS

### THE KAJIMA FOUNDATION

Established in 1976 with the goal of promoting academic and cultural development in Japan, the Kajima Foundation offers research grants and assistance for international academic exchanges to support research that helps to improve people's lives in a wide spectrum of fields, including the natural sciences, humanities, and social sciences.

### THE KAJIMA FOUNDATION FOR THE ARTS

The Kajima Foundation for the Arts, established in 1982, provides grants for research in the arts, related publications, international exchange, and projects to foster art dissemination, aiming to foster the arts and enrich Japanese culture.

### KAJIMA INSTITUTE OF INTERNATIONAL PEACE

Established in 1966, the Kajima Institute of International Peace promotes international peace and strives to contribute to Japan's security. It studies and provides funding for research on international peace and security, economic matters, and issues concerning Japan's foreign relations, and then publishes the research findings.

### KAJIMA SCULPTURE COMPETITION

Held every two years since 1989 as part of Kajima's cultural activities, the Kajima Sculpture Competition has consistently focused on the theme of "Sculpture, Architecture & Space," aiming to create a new space where sculptural art and architecture meet. The 15th Kajima Sculpture Competition takes place in 2017. Seen as a gateway to success for sculptors in Japan and around the world, the competition is sponsored by the Kajima Foundation for the Arts and the Kajima Foundation.

### ATSUMI INTERNATIONAL SCHOLARSHIP FOUNDATION

Established in 1994, the Atsumi International Foundation provides student scholarships and develops international exchange programs. Aiming to build long-lasting networks among recipients, the foundation also sponsors symposiums, forums, workshops, and study tours led by former program scholars, who now teach at universities worldwide. These events have been held annually in and outside Japan.

### KAJIMA IKUEIKAI FOUNDATION

The Kajima Ikueikai Foundation, established in 1956, provides scholarships and financial assistance to university students in Japan, including students from other countries.



## SHAREHOLDER INFORMATION AS OF MARCH 31, 2017

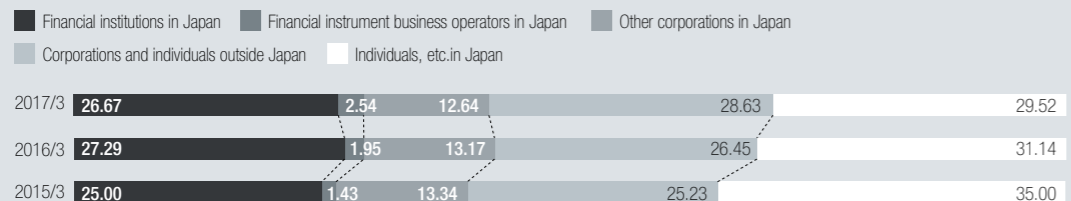
Number of Shares - Authorized	2,500,000,000
Number of Shares - Issued and Outstanding	1,057,312,022 (including treasury stock of 17,508,329 shares)
Number of Shareholders	63,298 (down 2,038 from fiscal 2015 end)

### Major Shareholders

Shareholders	Number of shares (Thousand shares)	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	63,253	6.08
Japan Trustee Services Bank, Ltd. (Trust Account)	52,616	5.06
Shoichi Kajima	31,585	3.04
Sumitomo Mitsui Banking Corporation	20,442	1.97
Kajima Employee Stock Ownership	18,445	1.77
Japan Trustee Services Bank, Ltd. (Trust Account 5)	18,095	1.74
State Street Bank West Client - Treaty 505234	16,868	1.62
The Kajima Foundation	14,470	1.39
Japan Trustee Services Bank, Ltd. (Trust Account 1)	13,403	1.29
Japan Trustee Services Bank, Ltd. (Trust Account 2)	13,255	1.27

Notes 1. In addition to the above, Kajima Corporation has treasury stock of 17,508,329 shares.  
2. Shareholding was computed excluding total treasury stock.

### Stock Ownership Breakdown



### Stock Price



## EXTERNAL RECOGNITION



## EXECUTIVE OFFICERS AS OF JUNE 29, 2017

### President

**YOSHIKAZU OSHIMI**

### KEISUKE KOSHIJIMA

General Manager, Overseas Operations Division

### KENGO KONO

General Manager, Kyushu Branch

### EIICHI TANAKA

General Manager, Nuclear Power Department

### Executive Vice Presidents

**NAOKI ATSUMI**

### TAKAO NOMURA

General Manager, Yokohama Branch

### TAKESHI TADOKORO

General Manager, Kanto Branch

### SHIGERU YOSHIKAI

Deputy General Manager, Architectural Design Division

**TAMIHARU TASHIRO**

### KOICHI MATSUZAKI

General Manager, Kansai Branch

### HIROSHI SHOJI

General Manager, Tohoku Branch

### MICHIYA UCHIDA

Deputy General Manager, Overseas Operations Division

**HIROYOSHI KOIZUMI**

General Manager, Building Construction Management Division

### JUN MATSUSHIMA

Deputy General Manager, Tokyo Architectural Construction Branch

### KEN UCHIDA

General Manager, Treasury Division

**TAKASHI HINAGO**

General Manager, Sales and Marketing Division

### Managing Executive Officers

**KATSUMASA KAWAMOTO**

General Manager, Hokuriku Branch

**MASAYASU KAYANO**

General Manager, Civil Engineering Management Division, Responsible for International Civil Engineering Operations

### HITOSHI ITO

Deputy General Manager, Building Construction Management Division

### TOSHIHARU TANAKA

General Manager, International Division

### KOJI SUGIMOTO

President, Kajima Overseas Asia (HQ) Pte. Ltd.

**TERUAKI YAMAGUCHI**

General Manager, Real Estate Development Division

### ISAO KINOSHITA

General Manager, Hokkaido Branch

### SHUICHI OISHI

President, Kajima Development Pte. Ltd.

**KAZUO KOJIMA**

Responsible for Building Structures and Research and Technology Development, Overseeing Intellectual Property and License Department

### YOSHIHISA TAKADA

Deputy General Manager, Civil Engineering Management Division, Overseeing Machinery and Electrical Engineering Department

### KAZUYOSHI YONEZAWA

Deputy General Manager, Tokyo Architectural Construction Branch

**HIROSHI ISHIKAWA**

Responsible for Sales and Marketing

### HIDEYA MARUGAME

General Manager, Engineering Division

### KOJI IKKATAI

Deputy General Manager, Engineering Division

**HIROMASA AMANO**

General Manager, Tokyo Architectural Construction Branch

### SHIGERU TOMODA

Deputy General Manager, Sales and Marketing Division

### OSAMU SHIMOYASU

Senior Supervisory Engineer

### Senior Executive Officers

**MASARU OZAKI**

General Manager, Architectural Design Division

### MASARU KAZAMA

General Manager, Tokyo Civil Engineering Branch

### KOH KIMURA

Senior Supervisory Engineer

**YUTAKA TAKEDA**

General Manager, Administration and Human Resources Division, Overseeing Public Relations Office, Legal Department, and Safety and Environmental Affairs Department

### KAZUO YAMAMOTO

Deputy General Manager, Tokyo Architectural Construction Branch

### HIDENOBU YOSHIDA

General Manager, Shikoku Branch

**MASAO OKA**

Responsible for Mechanical and Electrical Facilities

### YOSHINORI SAKAMOTO

General Manager, Business Development Division

### MITSU HARU KODOI

Deputy General Manager, Business Development Division

### KENJI OTSU

Senior Supervisory Engineer

### RYUZO IKEGAMI

General Manager, Chugoku Branch

**KENICHI SUZUKI**

Responsible for Civil Engineering Design

### YUTAKA KATAYAMA

General Manager, Chubu Branch

### SHINICHIRO SHIOZAWA

Deputy General Manager, Sales and Marketing Division

### TAKESHI KATSUMI

General Manager, Corporate Planning Department, Overseeing Affiliated Business Department and IT Solutions Department

### HIROSHI KUNIHARA

Deputy General Manager, Architectural Design Division

### MUNEHISA YOSHIMI

Deputy General Manager, Sales and Marketing Division

### YASUHIKO YAMADA

Deputy General Manager, Tokyo Architectural Construction Branch

### MITSURU NIIZUMA

Chief Secretary, Executive Office

### NORIO KITA

Deputy General Manager, Architectural Design Division

### NOBUHIRO KOBAYASHI

Deputy General Manager, Tokyo Architectural Construction Branch

### KATSUNORI ICHIHASHI

General Manager, Executive Office