02 Our Performance

Fiscal 2015 was the first year of the Medium-Term Business Plan (fiscal 2015–2017). This section reviews fiscal 2015 performance for individual segments and the Group as a whole, while also discussing the issues Kajima will be tackling next and the entire Group's future course.

New junction for the Yokohama Circular Northern Route, Metropolitan Expressway (Koyasudai, Kanagawa-ku, Yokohama–Kishitani, Tsurumi-ku, Yokohama)

Fairmont Jakarta Hotel

Diversifying and Globalizing Revenue Sources

Director, Senior Executive Officer,
General Manager, Treasury Division

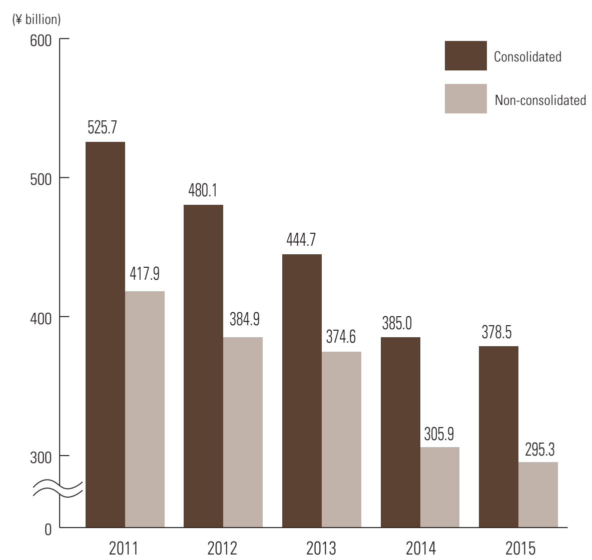
Hironobu Takano

In fiscal 2015, the Kajima Group's goals were ¥1,750.0 billion in revenues and ¥43.0 billion in ordinary income. We far exceeded these goals, posting revenues of ¥1,742.7 billion and a ordinary income of ¥113.3 billion, both figures higher than in the preceding fiscal year. This success stems from two factors. One is our effort over the past few years to improve the productivity of construction operations in Japan. The other is customers' acceptance of the rising cost of building materials.

Of course, these consolidated results include contributions from group companies in and outside Japan, which did much to drive the Group's overall performance. For years, Kajima has had regional headquarters for construction and development in the United States, Asia, and Europe. In 2015, we took the next step to globalization by adding a presence in Australia.

Despite the positive performance in fiscal 2015, we do have some causes for concern when it comes to future profitability. The more active construction market in Japan could generate higher demand for skilled personnel, thus leading to further shortages, and today's relatively stable prices for building materials could begin to rise. To address these risks, we will act quickly to diversify revenue sources and build a system that will continue to deliver strong consolidated revenues.

Interest-Bearing Debt



Building a Solid Financial Position: Improving Capital Efficiency

Kajima has been working in recent years to restore its credit rating. The first challenge was to reduce interest-bearing debt, and considerable progress has been made on this front despite the difficult business environment. As a result, Kajima's credit rating has been upgraded from BBB+ to A–, and we are working to achieve a further upgrade.

The second task is to enhance the ability to generate cash flows. The idea is to increase cash flows by tapping into the synergies to be found among Kajima's technical, business, and construction capabilities, and by enhancing and expanding our lines of business. To achieve this goal, we plan to undertake strategic investments to ensure good revenue sources. Complementing our new presence in Australia, Kajima has also established Core5 Industrial Partners in the United States, and we continue to engage in new investments in Japan.

Moving forward, one key focus will be to strike a proper balance between short-term transitional investments and medium to long-term investments that yield stable returns. Kajima will also actively consider adopting new capital-efficient schemes.

Pursuing a Medium to Long-Term Vision

The current three-year Medium-Term Business Plan also looks ahead to the period after 2020. The core role of the Treasury Division is managing the Group's overall financial and accounting operations, which will only become more important in coming years. This is why I am determined to ensure that the division attracts more people with a broad range of overseas experience, experts who are intimately familiar with global business. I intend to foster the ability to read markets and make sound judgments among our people. This will support our progress on the Medium-Term Business Plan.