



*President and Representative Director
Kajima Corporation*

Yoshikazu Oshimi

Over the past year, we have all been acutely reminded of the need to ensure a safe and secure society for all, as Japan has endured a series of natural disasters. In September 2015, typhoon rains ruptured the Kinugawa River bank, bringing destruction to the surrounding region. In April 2016, the Kumamoto Earthquake had a devastating impact in the south of Japan, which was then further compounded by torrential rains. Our thoughts and prayers are with those who lost their lives in these disasters and all who were impacted. The events of the last year only serve to renew our determination, at Kajima, to serve society as a construction company dedicated to creating resilient social infrastructure.

The Year in Review

Immediately upon taking the helm of Kajima Corporation last year, I concentrated on “putting the construction site first,” ensuring that everyone in management—from headquarters down to all of our branches—provided full support to our construction sites, which are the most important part of our company and the drivers of our success. Recognizing that the key requirement of our business activities is to “provide our clients with high-quality buildings and structures, constructed safely and finished on schedule,” we deployed two slogans across all construction sites in Japan and beyond: “Think Safety! Make today accident free!” and “Building with the heart and soul of a craftsman.” These have been the watchwords for all employees to abide by as we have taken another good look at safety and quality from the bottom up.

Fiscal 2015 has therefore been a year in which management has focused on providing maximum support to construction sites, making safety and quality paramount. It has also been a year in which all Kajima employees and subcontractor workers at those sites have focused their efforts on achieving excellence in every single process and have been required to embrace new challenges with originality and ingenuity. For a company with the construction business at its core, having the confidence and trust of customers in the safety and quality provided is essential. It is this trust—accumulated over the course of many years through the efforts our predecessors—that we seek to further enhance by responding to our customers’ needs. This requires us to create a supportive working environment where our operations are facilitated through good communication between the Kajima Group and our subcontractors. This is an ongoing process and one that we will continue to work on.

Making Progress on our Medium-Term Business Plan (2015-2017)

Fiscal 2015 was the kick-off year for our three-year Medium-Term Business Plan through 2017, and it was also the first half of a two-year restructuring period. The single biggest challenge of recent years has been the profit margin in our core construction business, and we have continued to concentrate on turning around performance. We have also engaged in persistent efforts to leverage the Kajima Group’s competitive advantages to systematically reinforce and expand our business portfolio and establish a sound business platform.

Our results for fiscal 2015 outperformed initial expectations by a wide margin, and we were able to post consolidated ordinary income of 113.3 billion yen. This was thanks to tangible improvements in productivity as a result of ongoing initiatives and was also assisted by relatively muted increases in material costs. Construction contract awards totaled 1,795.8 billion yen in fiscal 2015, buoyed by robust performance in Japan as well as an uplift in contracts awarded in the United States and other markets around the world.

While these results are encouraging, we are mindful that there are still many hurdles to overcome if we are to maintain stable profitability in the medium to long term. Stability will grow as we further enhance synergies between our core construction business and the upstream and downstream sectors that are the specialties of our Group companies. We have fixed our sights firmly on the target of creating further synergy.

Looking to Achieve Medium to Long-term Growth

While the second half of our restructuring period, fiscal 2016, will be critical for preparing for the expected peak in construction demand from fiscal 2018 to 2019, the diverse initiatives we have already launched are not merely to respond to short-term surges in demand. Our aim is to create a new business foundation that will sustain our corporate growth in the medium to long term.

Competitive construction sites are the drivers of our growth, and competitiveness can only be achieved by improving productivity. To this end, we will continue to promote mechanization and leverage IT on site while working to engage in integrated management from the planning and design stages, through to construction and maintenance. In doing so, we will make the most of the latest building information modelling and construction information modelling technologies. We believe that these initiatives will contribute to resolving structural issues in the labor market in Japan, where skilled workers are declining as the overall labor force shrinks. By combining these efforts with direct hiring and enhancing workers' skills in multiple areas, we aim to secure an able and productive work force.

We will also continue to focus on real estate development as a source of stable income, where the Kajima Group serves as both developer and contractor. In Tokyo, in addition to large-scale comprehensive urban redevelopment projects, we will work to create prime assets in key areas of the city that respond to growing demand in the inbound tourism industry.

Another core business segment is engineering, and in April 2016 we restructured the Engineering Division to give it a more international outlook. The division was established in 1996 with the aim of bringing together our comprehensive skills in civil engineering and construction as a means of enhancing technological and sales capabilities in the wide-ranging engineering sector. We believe that the technologies and experience we have accumulated in Japan in the planning and construction of pharmaceutical and plant cultivation facilities are now ripe for deployment outside Japan, and the Engineering Division has been reconfigured with that in mind.

We entered the Oceanian market with the establishment in February 2015 of Kajima Australia Pty Ltd, adding to our global network, which encompasses the United States, Asia and Europe. As a corporate group, we will continue to work steadily to expand our operations around the world, seeking to achieve further growth in our core construction and development business and also in new business segments.

Technology and Experience to Ensure Safety and Security

As I have already noted, the events of this year in Japan have made us keenly aware of the mission of the construction industry to create a safe and secure society for all. We are deeply determined to employ all of our technologies and accumulated experience to create social infrastructure that is resilient to the forces of nature.

We have a long track record in seismic structural control technologies, dating back to our construction of the Kasumigaseki Building, Japan's first-ever high-rise building. In fiscal 2015, we succeeded in newly developing "HiDAX-R," an oil damper that provides unprecedented improvements in seismic control performance. The technology behind HiDAX-R is based on the concept of "stopping vibrations using earthquake energy" and revolutionizes conventional seismic control concepts. The scope of use of HiDAX-R goes beyond new high-rise buildings—it can also be installed in mid- and low-rise buildings and retrofitted on existing buildings, as well as on bridges and other urban infrastructure. We will be working hard to promote its use and application.

While we continue our quest to develop technologies that can withstand the forces of nature, it is also essential that Kajima maintains wide-ranging response capabilities when disasters occur, encompassing every stage from emergency mobilization through full recovery. In the aftermath of the Kumamoto Earthquake in April 2016, we assisted in the



emergency restoration of critical infrastructure, such as expressways and train tracks, and also in the implementation of seismic evaluation of damaged buildings and restoration work. Our quick mobilization and deployment of personnel to the disaster zone was made possible by the lessons we learned in the Great East Japan Earthquake in 2011. As a responsible member of the construction industry, we will continue to utilize our technologies and experience to fulfil our responsibility to facilitate the speedy recovery of the disaster-affected areas.

In Conclusion

Since my appointment I have had a number of opportunities to engage in dialogue with financial institutions and investors at earnings briefings. They have offered their encouragement and also indicated their desire to see robust and steady progress. For the year ended March 31, 2016, we increased the dividend to 12 yen from 5 yen in the previous year, and we will keep striving to maintain profitability and returns to stockholders.

In fiscal 2015, we appointed three outside directors, who have provided opinions and guidance based on their own wealth of management experience. We will continue to pursue corporate management that is open to a broad range of perspectives.

The recent Kumamoto Earthquake reemphasized the importance of people-to-people bonds in times of crisis, and this has bolstered our resolve to focus even more intently on our own social responsibility. In keeping with our corporate slogan, "Building for the Next 100 Years," we are committed to creating new value that is synonymous with the Kajima Group, and we hope to receive your continued guidance and support as we continue to grow.

Mr. Oshimi, President (center) and Executive Vice Presidents.
(From Left to Right)
Kazuo Kojima, Masayasu Kayano, Hiroyoshi Koizumi, Naoki Atsumi
Yoshikazu Oshimi
Tamiharu Tashiro, Takashi Hinago, Teruaki Yamaguchi, Hiroshi Ishikawa

