

President Oshimi talked with Outside Director Saito, who has extensive experience as an entrepreneur and as a corporate executive. They exchanged opinions on the approach behind the new Medium-Term Business Plan that started this fiscal year, and the challenges related to fulfilling it.



Yoshikazu Oshimi
President and Representative Director

Kiyomi Saito
Outside Director

Impressions After Becoming a Kajima Outside Director

Oshimi: Three years have passed since you became an outside director at our company. You may have noticed a different corporate culture here in the construction industry, so I am curious about your impressions so far.

Saito: Although I have gotten used to it now, I was puzzled at first by the industry terminology. For example, I was surprised by the use of the Japanese word *nyushu* (literally “to lay one’s hands on”) for the obtaining of construction orders.

Oshimi: It has already been pointed out by other outside directors that it is often difficult for us to achieve our forecasts for project performance. This seems to be a characteristic peculiar to the construction industry.

Saito: I think this is a very distinctive feature. Unlike in the manufacturing industry, your project performance is forecast based on the individual circumstances for each project. If project scales expand further and overseas projects also increase, I feel that the forecast uncertainty should be better defined using numbers. However, I think that this has improved greatly compared with three years ago. I look forward to more progress in the future.

Investment to Succeed in an Era of Dynamic Change

Oshimi: We discussed the new Medium-Term Business Plan that started this fiscal year at Board of Directors’ meetings as part of the plan formulation process. However, please share with me again your views of the new plan.

Saito: I think it outlines very clear directions for each business field, not taking an all-around approach. The world will no doubt change considerably within the three years of the plan, but from a corporate management point of view, it is a period of time over which things can be anticipated. I think that it is more appropriate to articulate it as a work schedule rather than as a plan, but since it is not a period for overly ambitious schemes, I feel that it is a good plan that can be fully realized.

Oshimi: The plan was also designed to help the Company prepare to address an abruptly and discontinuously

changing business environment from 2021 onward. Regarding our core business segment of construction, we will focus on investing in technology development that improves productivity to create next-generation construction systems. Furthermore, since the Japanese construction market is unlikely to grow dramatically in the near future, we will actively invest in both domestic and overseas development projects in the meantime, with the aim of preparing for future changes.

Saito: It is good for Kajima to increase its use of external resources, such as investment in technology development, rather than trying to do everything in-house.

Oshimi: I have received a lot of advice from the outside directors regarding open innovation. Until now, Kajima has tended to be strongly focused on internal development as much as possible in order to achieve technical capacities that differentiate us from other companies. However, as we move forward with the trend of automated construction, if we try to develop all the required technologies within our company, we will not be able to excel at all of them. For example, the image recognition and information processing aspects will not come along quickly enough unless we incorporate external resources, and our development teams are well aware of this.

Saito: Large companies tend to collaborate only with companies of the same size when they look to bring in external resources. However, now that venture companies have great capabilities, we are in an era where content rather than scale is the determining factor. In the IT world, many outstanding AI engineers have never worked for a company, and major companies are generally not well connected with them.

Oshimi: We are dispatching employees to Silicon Valley this year. The technology of a major IT company could have a big impact on the construction industry, but an unknown venture company could also offer us a solution.

Saito: I am closely watching your investment in real estate development projects, since the construction business alone is rather unstable, and I think real estate development can facilitate sustainable growth in a changing society.

Oshimi: You taught me how to think about the importance of the business portfolio as a system to bring in revenue in various fields. Thinking of the various regions where we operate, we need to minimize specific country risk by preparing opportunities for profit creation, putting down roots in multiple countries. Also, our investment methods are going to be different from

the past, and we will make them broader. For example, we want to invest in specialized construction companies overseas and gradually develop them into general contractors. Also, as we collaborate with leading companies in other countries and work with them there, I want us to look for new business development opportunities, not just develop technology and obtain construction orders.

Saito: I think you can tackle this area even more strongly. In the words of John F. Kennedy, “The time to repair the roof is when the sun is shining.” Kajima is enjoying good performance now, so it is an opportune time to repair the roof. When domestic growth seems ready to slow down, you will need to decide what you want to do overseas and where. I feel that the current environment is perfect for making prior investments, such as strengthening the areas relating to the core business.

Work-Style Reform

Oshimi: Another pillar of the Medium-Term Business Plan is the Company’s environmental, social and governance (ESG) efforts. With regard to social initiatives in particular, we will promote Kajima work-style reform to solve the shortage of new recruits, which is a pressing issue in the construction industry. The industry has neglected efforts to attract young people, as the business environment was sluggish for a long time. This lack of action over many years has left the industry with a serious challenge. As a general contractor, our primary duty is to help improve construction site work environments



and create a situation where partner companies can increase the number of skilled workers. The basic aim is to promote services that will increase the number of workers joining the industry, while also promoting productivity improvement.

Saito: The company of which I am president and CEO is engaged in the development and operation of electronic trading systems for government bonds. What I have been saying since I started the company is that human beings should not do what machines can do. In other words, how can jobs be replaced by machines? Taking breaks in challenging worksite environments creates problems for meeting construction deadlines, and it also lowers wages for workers. I think the way to help solve this problem is through mechanization. Such solutions will depend on how you use systems and AI, and this is also addressed in the Medium-Term Business Plan.

Oshimi: Especially in the area of civil engineering, we are hoping that by focusing on using machines to perform jobs that people have been doing, productivity will improve and the industry will also attract more personnel.

Saito: I believe Kajima can do that. At the same time, I think that in addition to machines, having a human touch for workers is also critical, which is why it is important to maintain supportive workplace environments. I heard that at accommodations for civil engineering projects in the mountains, workers sometimes are given access to hot spring baths. This kind of consideration for people at the site is also important.

Oshimi: Turning to career advancement opportunities for women at Kajima, we mainstreamed women in the managerial track in around 2006, and the number of women in management positions has been on the rise. However, since it has been 10 years since the first young women entered this program, many of them are now in their child-rearing years. So we are also revising the human resource programs accordingly. What do you think about these initiatives?

Saito: It is very difficult to work while raising a small child, which makes it important to provide more supportive human resource programs for working mothers. Moreover, the support provided by the managers of these employees is also critical. For example, when an employee’s child has a fever, the boss needs to respond by saying, “That’s too bad, you can leave early,” and not make a negative remark like,

“What? Again?” The way that their managers think can make all the difference to women on the job, but changing preconceived notions can be more difficult than just implementing a program. As an initiative that does not cost anything and would be immediately effective, you should promote atmospheres in each workplace that encourage employees to also talk about their family responsibilities.

Oshimi: As an increasing number of employees will also be providing home care for aging family members, managers will need to look carefully at each subordinate’s circumstances and respond accordingly. Because human resources are the Kajima Group’s greatest asset, it is vital for everyone to work as a team, considering individual circumstances.

Strengthening Governance

Oshimi: Although the entire Kajima Group has been focusing on compliance, I think we could do more in some areas. Over the next three years, I would like to see us further strengthen compliance throughout the Company.

Saito: I believe you’re right. I like to illustrate this with the metaphor of a tennis match. You assume the dimensions of the court are fixed, but one day you notice the court has gotten smaller and your ball goes out of bounds. This is similar to the situation that we are experiencing now with compliance. It would be easier if the lines were actually repainted, but instead there are new invisible lines dictated by the changing expectations of society. I think top management needs to send a message to employees that the lines on the court are not determined by the past, but by the current standards of the wider world.

Oshimi: I think part of the issue is that some executives still lack a common understanding of the kind of company Kajima should be and our strategy with respect to work.

Saito: When I was an officer at another company, the chief executive said, “Even when sales and profits decline slightly, the company does not fail as a result. However, when compliance and governance problems arise, the company is in real danger. Therefore, don’t break compliance rules for the sake of the company, as we don’t need that kind of business or profit.” I think saying this to employees will put



their minds at ease. The sad thing about many governance incidents is that the employees concerned broke the rules because they thought it would benefit the company. It is important to send a strong message that compliance violations with an intention to help the company are unacceptable.

Expectations for Kajima’s Future

Saito: I think the attraction of the construction industry is that the results of your efforts have a physical form. There are not many jobs in the world that make workers’ kids proud like this—that their father or mother helped to construct a huge building. Also, I get a sense that Kajima employees do not fully appreciate how superior their technology is and take it for granted. You should do more to publicize the fact that Kajima is a company with outstanding technology.

Oshimi: Since we must now prepare for the future while embracing newness and change, I am going to make it my mission to tell the wider world about Kajima’s technical capabilities and the attractiveness of the construction industry.

Saito: I want Kajima to be a company that is admired by society. In the past, I think many people accepted their jobs in a passive way, but I think we are now moving into a creative era.

Oshimi: Yes, I agree. I hope that Kajima can continue to benefit from your knowledge and experience. Thank you for your time today.