

# Part 3

## Implementing Medium-Term and Long-Term Growth Strategies

As a corporate group committed to addressing social issues within local communities, we are advancing initiatives to achieve a carbon-neutral society and foster a globally recognized, positive public image for the construction industry.

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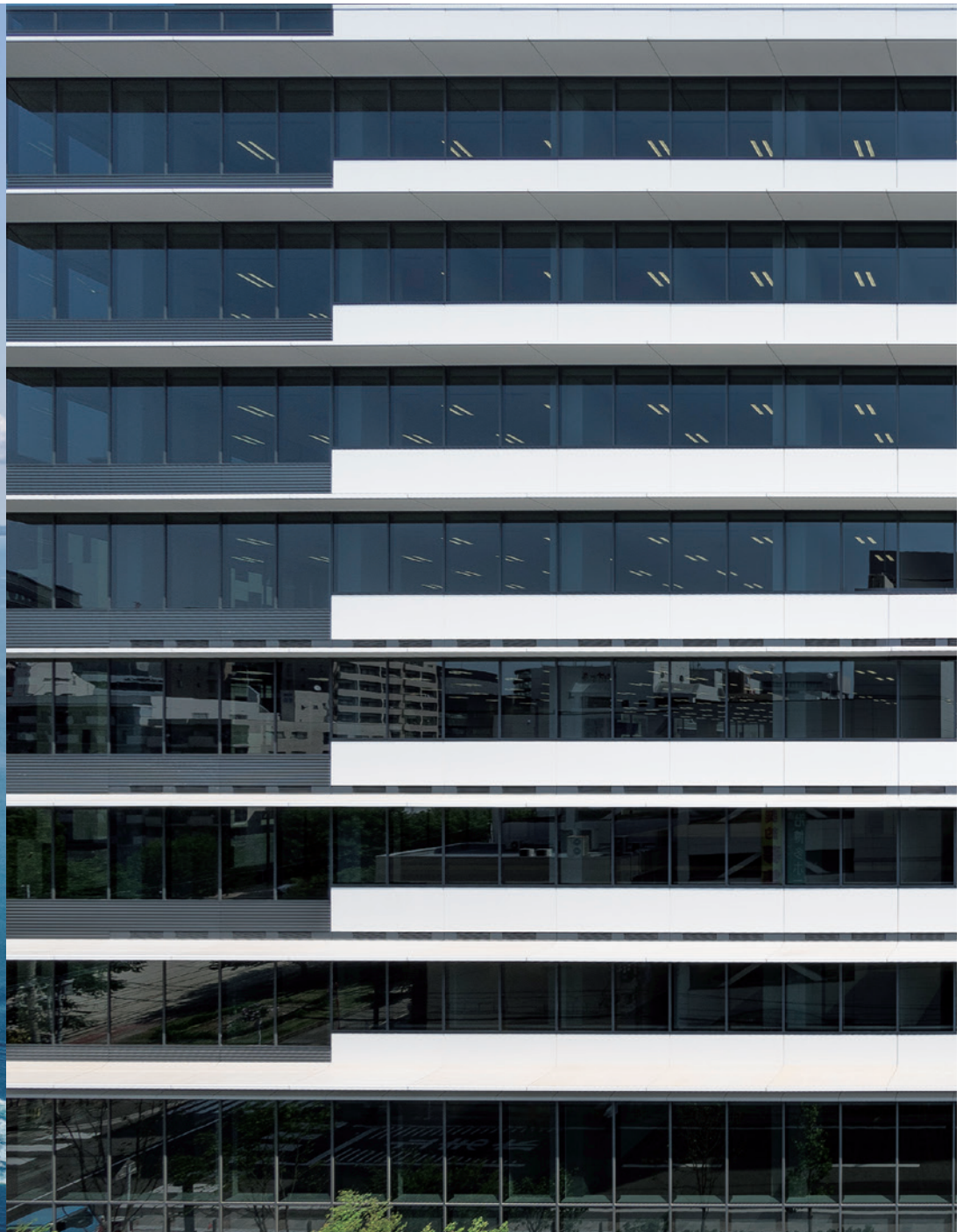
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# Developing Technologies and Knowledge to Address the Growing Demand for Renewable Energy

## Completion of Japan’s First Commercial Offshore Wind Power Generation Facilities

Kajima views renewable energy as a new growth area and is focused on developing the necessary technologies and insights.

While successfully constructing numerous onshore wind power generation facilities, we completed the Offshore Wind Farms at Akita Port and Noshiro Port Project in 2023.

In pursuit of a carbon-neutral society, we are steadily bolstering our competitiveness in areas where market expansion is anticipated.

### ■ Past Initiatives for Wind Power Generation

Since undertaking the yard construction and windmill foundation work for Japan’s first wind farm\*<sup>1</sup>, completed in Aomori Prefecture in 1992, Kajima has concentrated on securing orders for wind power-related construction projects with the aim of expanding the supply of clean energy. In addition to research and technological development, the company has encouraged the establishment of a system infrastructure to provide comprehensive engineering services—from planning and design to procurement, construction, and commissioning of wind turbines. Consequently, in the 2000s, we secured EPC (engineering, procurement, and construction) contracts for several large onshore wind power plants. To date, we have been involved in the construction of more than 30 onshore wind power plants across Japan.

Regarding offshore wind power, we participated in Japan’s first bottom-fixed offshore wind power generation demonstration study, a joint initiative by NEDO\*<sup>2</sup> and the Tokyo Electric Power Company in 2009 off the coast of Choshi, Chiba Prefecture. We were responsible for structural design, foundation and tower fabrication, and offshore construction (excluding submarine cable laying) for the offshore wind turbine and wind observation tower construction work. This experience led us to participate in the construction of the Offshore Wind Farms at Akita Port and Noshiro Port.

\*1 Tohoku Electric Power Company Tappi Wind Park

\*2 New Energy and Industrial Technology Development Organization

### Kajima’s History in Wind Power Plant Construction (\* indicates offshore wind-related projects)

1992	Completed Kajima’s inaugural construction project for the Tappi Wind Park wind power generation facility
1995-2003	Developed wind simulation technology
2001	Completed Kajima’s first construction project for a commercial wind farm, the Iwaya Wind Farm
2003	Completed construction of Japan’s first concrete tower wind power generation plant, the Umiterasu Nadachi Wind Power Plant
2007	Completed construction of the Summit Wind Power Kajima Power Plant, Kajima’s first project under the EPC contract
2008-2017	* Developed design and construction technologies for super-large 5-MW offshore wind power generation facilities
2013	* Completed the NEDO Offshore Wind Power Generation System Demonstration Study, Japan’s first bottom-fixed offshore wind farm in open ocean
2018	* Established streamlined design and construction technologies for offshore foundations
2019	* Initiated construction of SEP vessels through joint investment by Penta-Ocean Construction, Kajima and Yorigami Maritime Construction
2020	Established the Renewable Energy Department within the Civil Engineering Management Division
2020	Completed construction of Wind Farm Tsugaru, Japan’s largest wind farm
2021	* Participated as a preferred negotiator in the first stage 3 project in the general sea area under the Act on the Use of Renewable Energy Marine Areas
2022	* Launched the NEDO GI-funded project “Mass production and cost reduction of semi-submersible hybrid floating structures”
2023	* Completed construction of Japan’s first commercial offshore wind power generation facility, at Akita and Noshiro Ports

As of early 2023 Construction track record of wind farms in Japan Onshore: 28 Offshore: 4 Under construction Onshore: 10

## ■ Expanding the Offshore Wind Power Generation Market

Until now, offshore wind power generation in Japan has primarily involved facilities transferred to private companies after demonstration tests were conducted with government subsidies and other financial assistance. However, since the FIT\*3 scheme, private companies have been increasingly active in the wind power market. In response to these changes, the government has set a target of 10 million kW of offshore wind power generation capacity in general sea areas by 2030. Consequently, projects costing between 50 and 100 billion yen are expected to be initiated at a rate of three to four per year.

\*3 The "Feed-in Tariff Scheme for Renewable Energy" was launched by the Ministry of Economy, Trade and Industry in July 2012.

## ■ Gaining Experience in Constructing Bottom-fixed Offshore Wind Power Generation Facilities

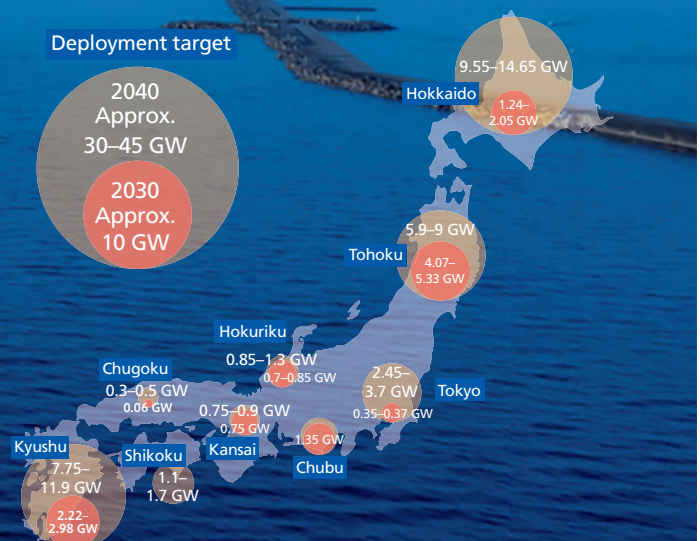
Kajima was involved in the Offshore Wind Farms at Akita Port and Noshiro Port Project, which commenced in February 2020, from the initial planning stage. This involved ground investigation and support for obtaining wind farm certification, as well as detailed design, procurement, construction, and installation of foundations.

As Japan's first commercial offshore wind power generation project, it incorporated the latest technologies related to offshore wind power generation, which were advanced even by European standards, and tailored the technologies to suit the unique conditions in Japan. We achieved high-quality, efficient design and construction, and installed 33 wind turbines using earthquake-resistant design technologies developed by Kajima and Kobori Research Complex Inc., as well as construction technologies to prevent scouring, promoted at the Kajima Technical Research Institute and other facilities.

For this project, we utilized a SEP vessel from Seajacks, which has extensive construction experience in Europe, and employed 30 European engineers. Up to 120 multinational personnel were involved in the construction work. By having engineers and skilled workers experienced in wind farm construction undertake such projects, we are building a construction system that prioritizes safety, adheres to quality and deadline requirements, and accumulates technologies and expertise for future projects.

### Government targets for offshore wind power

(Illustrative image of deployment, by area)



### Construction of the Offshore Wind Farms at Akita Port and Noshiro Port

Location: Akita City and Noshiro City, Akita Prefecture (including the port area)

Client: Akita Offshore Wind Corporation

Design: Kajima Corporation, Sumitomo Electric Industries, Vestas Japan

Power generation capacity: 138.6 MW (4.2-MW Wind Turbine × 33 units – Akita Port 13 units, Noshiro Port 20 units)

Power generation method: Bottom-fixed offshore wind power (Monopile Format)

Construction: Kajima and Sumitomo Electric Industries Joint Venture Consortium (Foundations and underwater cables)

\*Wind turbines are designed, manufactured, and assembled by Vestas Japan, and the Kajima JV takes care of transportation by SEP vessels, etc.

Construction period: February 2020 - March 2023

Reference: "Overview of the Vision for Offshore Wind Power Industry (1st), Public-Private Council on Enhancement of Industrial Competitiveness for Offshore Wind Power Generation, Ministry of Economy, Trade and Industry and Ministry of Land, Infrastructure, Transport and Tourism"

■ **SEP Vessel Construction and R&D to Enhance Competitiveness**

Kajima has founded PKY Marine Co., Ltd, a joint venture with Penta-Ocean Construction Co., Ltd. and Yorigami Maritime Construction Co., Ltd. to build large SEP vessels. This initiative's aim is to bolster construction capabilities for upcoming construction projects involving bottom-fixed offshore wind farms. The SEP vessel is equipped with a 1,600-ton all-swivel crane, which is expected to ensure safe, highly efficient construction and reduce costs associated with installing wind turbine foundations and large wind turbines.

In the medium to long term, demand is projected to rise for "floating" offshore wind turbines, which are moored to the seabed via ropes or chains and are appropriate for offshore areas where the water depth exceeds 100 meters. In collaboration with Hitachi Zosen Corporation, Kajima is researching and developing optimized and mass-produced floating foundations and hybrid mooring systems. These efforts have been selected for the Cost Reductions for Offshore Wind Power Generation project, a publicly solicited initiative under the Green Innovation Fund Project\*4 run by NEDO.

\*4 To achieve carbon neutrality by 2050, NEDO will establish a 2-trillion-yen fund, and the government and private companies will collaboratively pursue ambitious, specific goals, providing continuous support for 10 years, from R&D and demonstration to commercialization.



The SEP vessel built by Kajima in conjunction with Penta-Ocean Construction and Yorigami Maritime Construction

■ **Participation in New Offshore Wind Power Projects**

Following the Offshore Wind Farms at Akita Port and Noshiro Port Project, the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism publicly solicited applications for three projects\*5 in general sea areas under the Act on the Use of Renewable Energy Marine Areas\*6. In December 2021, operators were selected. Kajima is participating jointly with Van Oord Japan K.K.\*7 as a cooperating company (preferred negotiator for offshore construction work for the offshore wind farm) for the three projects, and is working on the design and construction plans. Kajima will facilitate the smooth implementation of the project by demonstrating its technology and expertise, and will contribute to achieving carbon neutrality by 2050 through its participation in the project.

\*5 Off Noshiro City, Mitane Town, and Oga City, Akita Prefecture; Off Yurihonjo City, Akita Prefecture; Off Choshi City, Chiba Prefecture

\*6 Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities

\*7 A Japanese subsidiary of Van Oord Offshore Wind BV in the Netherlands, which is involved in more than 40 offshore wind power projects in Europe



**Developing Human Resources and Strengthening Competitiveness to Meet Growing Demand for Renewable Energy**

Kajima has an abundance of experience in large-scale offshore construction projects, including the SEP-KAJIMA, one of the world's largest SEP vessels when it entered service in 1972, as well as advanced design and construction technology stemming from previous research and development. These factors were highly evaluated, and we secured the first commercial offshore wind power generation facilities project in Japan. In 2020, to better respond to social demand in the renewable energy sector, we established the Renewable Energy Department, a specialized division staffed with experienced construction workers. This department consolidates knowledge and information on renewable energy in a single centralized location, and will play a key role in achieving carbon neutrality by further strengthening human resource development and competitiveness in renewable energy.



**Hisashi Miyamoto**  
General Manager,  
Renewable Energy Department  
Civil Engineering Management  
Division

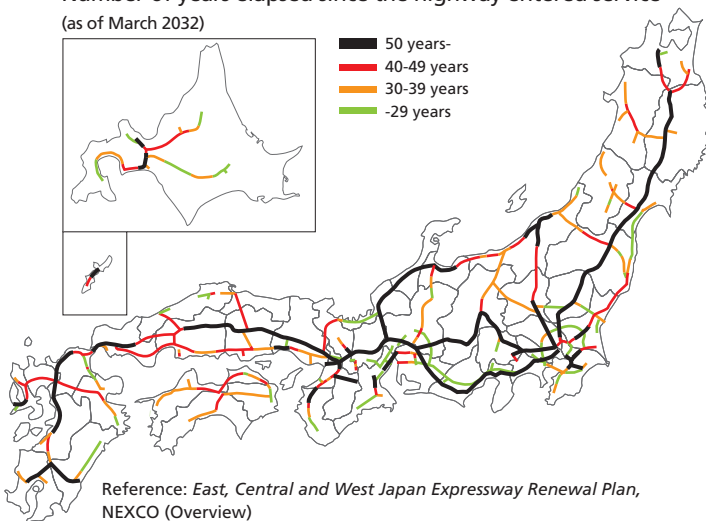
# Tackling the Need to Update Aging Infrastructure

## Developing state-of-the-art construction and maintenance management technology

### Expansion of the Road Renewal Market

Japan's high-speed transportation network, which has developed since the period of rapid economic growth, now has around 30% of expressways that have been in service for over 40 years. This figure is expected to increase to approximately 60% by 2032. The expressway business has entered a new phase where maintenance and management are becoming increasingly important, with a focus not only on new construction but also on renewal.

Number of years elapsed since the highway entered service (as of March 2022)



### Developing Infrastructure Development, Renewal, and Maintenance Management Technologies Using Optical Fiber Sensing

Kajima is advancing the development of research and technology for infrastructure development and maintenance management using optical fiber sensing. Among its many advantages, optical fiber (1) can measure strain, temperature, and vibration distribution, (2) supports long-distance measurement, (3) is compact and lightweight and can be installed anywhere, and (4) is highly durable.

In the construction of the Yoshinogawa Sunrise Bridge (Tokushima Prefecture, opened in 2022), we used a PC cable incorporating optical fiber – the SmART Strand – to measure the tension applied to the bridge. We have initiated test measurements to utilize optical fibers for strain measurement to maintain and manage road bridges even after they enter service. Additionally, for the Atami Beach Line (Shizuoka Prefecture) [▶Page 62](#), we demonstrated the optical fiber technology to manage road traffic and road surface condition anomalies in real time.

Moreover, we have developed technologies for measuring strain in tunnel steel supports, detecting strain behavior in dam embankments, and measuring tension in ground anchors. These technologies are being employed in actual construction projects.

### Developed and Patented the SDR System Technology for Replacing Road Bridge Slabs

Kajima has developed and is promoting the Smart Deck Renewal (SDR) System, which significantly reduces social losses due to traffic restrictions and other factors associated with road bridge deck replacement work. The system features ultra-high-speed construction that simultaneously performs the four operations required when replacing slabs with precast slabs: (1) removing existing slabs, (2) cleaning to remove rust, etc. from the upper flange of the steel girders, (3) adjusting height, and (4) erecting the new slabs. It also includes features such as improved safety around the construction site and reduced impact on steel girders.

For full-section (two-lane restriction in case of a two-lane road) replacement, the process can be shortened to approximately 1/6 of the time required by conventional methods. In 2022, we also developed the variable-width orientation SDR System (one lane restriction for a two-lane road) for two-lane roads, which allows us to reduce the scope and duration of traffic restrictions by dividing the construction work by lane and shortening the replacement process to about 10%.

As of September 2023, Kajima has two ongoing road bridge slab replacement projects using the SDR System. We have also secured a patent for this system as the SDR System and plan to implement it for other companies' construction projects in the future.



SDR System demonstration test. Machine to install precast slab

To view the video  
"Structural Monitoring  
Using Optical Fibers."



To view the video  
"Smart Deck Renewal  
(SDR)System."



# Our Unique Construction Value Chain

One of Kajima’s strategies for sustainable growth is to expand the construction value chain. At each stage of the construction value chain, we provide value-maximizing urban spaces and buildings, as well as services of the highest standard, by demonstrating advanced technical capabilities and enabling the group network to function organically.

## HAKATA CONNECTA, Hakata-ku, Fukuoka City

This project is a high-standard rental office development project that leverages the Kajima Group’s construction value chain.

We provide buildings that maximize value by combining our expertise in planning, design, construction, and operation and management.

Land owner: Fukuoka Oxygen Co., Ltd.

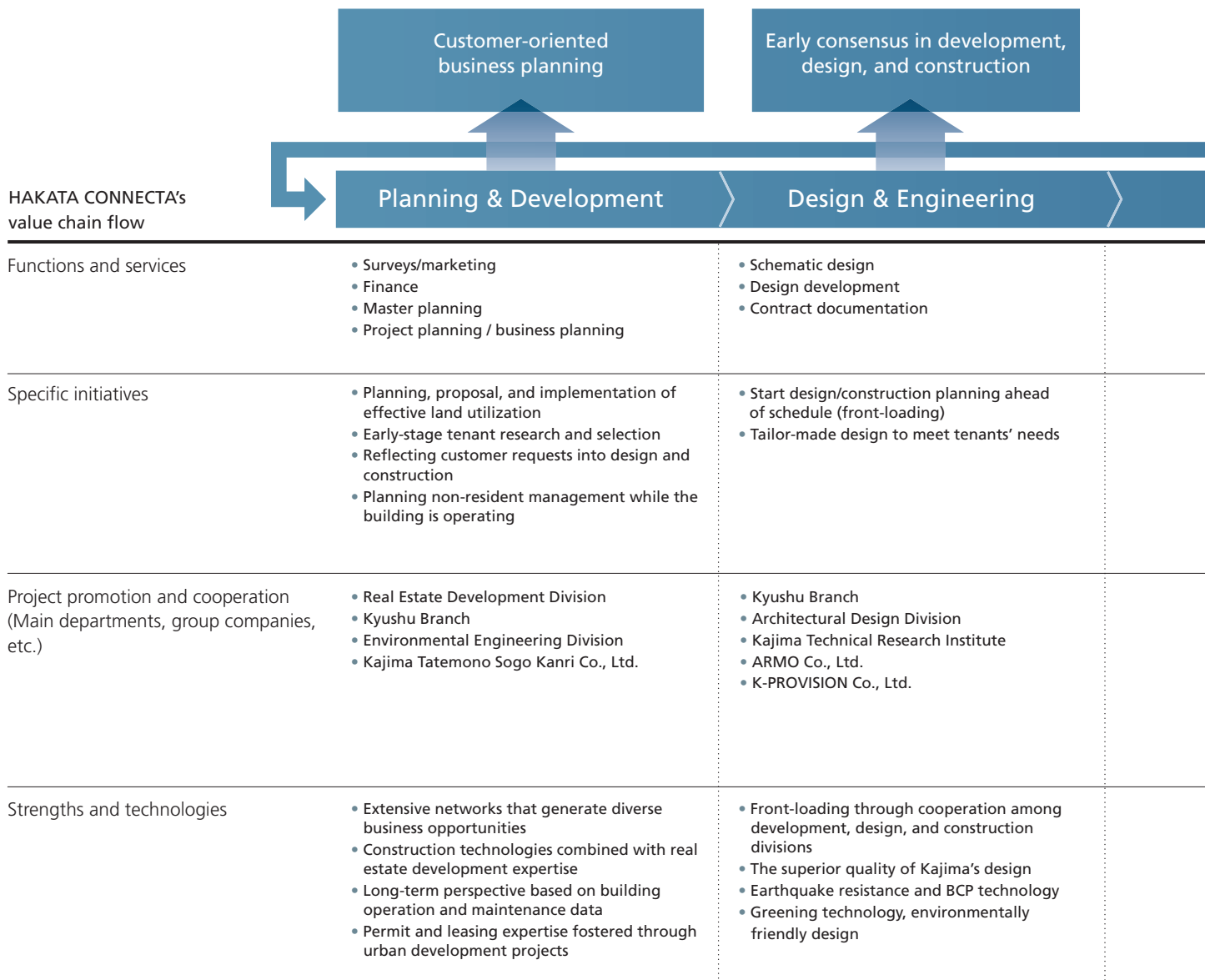
Project partner: Real Estate Development Division, Kajima Corporation

Use: Offices

Structure: Steel structure, partly CFT, 9 stories, GFA 21,449 m<sup>2</sup>

Design and construction: Kajima Corporation Kyushu Branch

Construction period: March 2020 - June 2021





State-of-the-art construction using smart construction

Efficiency and rationalization throughout the building lifecycle

Exit strategy using a private REIT



Construction

Operation & Management

Maintenance & Renovation/Sales

- Procurement
- Construction planning
- Construction management
- Construction supervision

- Building management
- Asset management
- Facilities management
- Property management
- Energy services

- Maintenance
- Renewal/renovation
- Securitization of assets

- Front-loading streamlines construction, improves quality and safety, and reduces costs
- Simultaneous construction of new buildings and eco-friendly construction for tenants that delivers high customer satisfaction
- Smart construction through the use of robots and the pilot introduction of 3D K-Field

- Remote management system
- Resource-recycling rooftop garden
- Real-time information using the BIM-FM
- Receives 100% renewable energy power
- q-NAVIGATOR earthquake safety diagnostic system

- Maintaining green infrastructure
- Sale of some assets to private REITs (real estate investment trusts)

- Kyushu Branch
- Building Construction Management Division
- Kajima Technical Research Institute
- Machinery and Electrical Engineering Department
- Kajima Information Communication Technology Co., Ltd.
- Global BIM Inc.
- Kajima Kress Corporation
- Taiko Trading Co., Ltd.
- Kajima Road Co., Ltd.
- KATABAMI CORPORATION

- Real Estate Development Division
- Building Construction Management Division
- Kajima Tatemono Sogo Kanri Co., Ltd.
- One Team Inc.
- Kobori Research Complex

- Real Estate Development Division
- Kyushu Branch
- Kajima Tatemono Sogo Kanri Co., Ltd.
- Kajima Real Estate Investment Advisors Inc.

- Extensive construction experience and track record
- Smart construction using digital technologies and robotics
- Outstanding network of partner companies

- Provision of comprehensive management services throughout the building lifecycle
- BCP solutions
- Carbon-neutrality initiatives

- Comprehensive management service, from building maintenance and management to repairs
- Development and deployment of state-of-the-art maintenance and management technologies
- Pursuit of investment efficiency through integrating real estate and finance, e.g. private REITs



## The Case: HAKATA CONNECTA



Planning & Development

### Customer-oriented business planning

HAKATA CONNECTA project started with receiving information regarding Fukuoka Oxygen Co., Ltd. The company was planning to reorganize its offices in occasion of 100th anniversary. They also wanted to strengthen its business foundation by utilizing potential asset – over 3,500m<sup>2</sup> of land they owned. As we supported to develop their CRE\* strategies, we proposed an office development project based on a fixed-term land lease (Kajima leases land from Fukuoka Oxygen on a 50-year fixed-term and constructs a rental office building. Fukuoka Oxygen moves in as a tenant.), which enables the company to move into the new building on a preferential basis without having to give up the land associated with the company’s founding, and were selected as the project partner among the five companies in the proposition competition.

\* CRE: Corporate real estate (Real estate owned by the company)



Design & Engineering

### Early consensus in development, design, and construction

Applying our extensive real estate development expertise accumulated through numerous projects to deliver advanced and comfortable features, functionality, flexibility, high security, and BCP, such as long-span column-free spaces and seismic damping systems employing Honeycomb Damper.

Utilizing our network, a basic lease agreement was reached at the planning stage to lease all space, other than space used by Fukuoka Oxygen, to PayPay Card Corporation.

A tailor-made building plan was developed based on a

detailed study of both tenants’ requests and issues, such as layout, number of employees, and working styles, in order to both improve business performance and provide comfortable office space.

Our integrated approach to development, design, and construction during the design phase, sufficient information sharing and quick consensus building, resulting no demolition of the interiors that is usually done after delivery. This led to efficient and eco-friendly construction.

Furthermore, by using BIM\* to implement front-loading and virtual (in digital space) completion, we improve construction efficiency and quality, accelerate material procurement, and reduce costs.

\* BIM: Building Information Modeling



Construction

### State-of-the-art construction using smart construction

As a construction site developed in-house, we embraced digital and robot technologies to practice the Kajima Smart Future Vision. [▶ Page 70](#)

We used robotics at the site on an experimental basis, such as for steel welding work and smoothing work on concrete surfaces, to prepare for the labor shortage. “3D K-Field,” [▶ Page 70](#) a real-time site management system, delivers equipment status data during operation, plus workers’ locations and other vital data, from the site to a remote location for safe and efficient operation. Our BIM platform accelerated the process of information sharing and decision making through digitalization. To control quality, we developed a smart app that enables us to connect to the platform when on site.

These initiatives have led to a transformation in building processes at construction sites.



HAKATA CONNECTA operates its buildings through non-resident management using remote monitoring systems to make operations smarter. Kajima Tatemono Sogo Kanri Co., Ltd., which specializes in building management, participated from the planning phase, and collaborated closely with us to formulate a building and facility plan for non-resident building management.

In addition, we have introduced BIM-FM, a facility management system that converts BIM applied during design and construction into management. By linking the 3D model BIM data with equipment information and daily records, real-time information on buildings and facilities is centralized and visualized, enabling faster response to problems and improving management quality. Such data will be fed back to the planning and development teams, leading to comprehensive ways to reduce building lifecycle costs.



As an exit strategy, we sold a portion of our equity (trust beneficiary interests) in HAKATA CONNECTA to Kajima Private REIT, Inc., which is managed by Kajima Real Estate Investment Advisors Inc.

This REIT, established in 2018, is the first private REIT in the construction industry. We are expanding our asset scale by acquiring prime assets, mainly office buildings, in the Tokyo metropolitan area and major regional cities too.

By selling properties through private REIT, we recover funds for the next investment. This forms our construction value chain of investment, recovery, and reinvestment.

**Mobilizing all the Kajima Group's resources to create a model case for development projects**

**Yuichiro Ota**  
Deputy General Manager,  
Project Department  
Real Estate  
Development Division



As a first-time project manager, I was responsible for the HAKATA CONNECTA project, which required me to smoothly link together all aspects of the construction value chain. To ensure success, we began searching for large tenants early, and were fortunate to find PayPay Card. During the design and construction phase, we mobilized all Group resources to meet the requests of Fukuoka Oxygen and PayPay Card. After completion, we sold a portion of the equity to the REIT. This project has been a model case for development in large regional

cities, and has reaffirmed the Kajima Group's strength in delivering high-quality results through its people, technologies, and network.

From an SDGs perspective, building workers and children from the building's nursery school grow vegetables in a rooftop garden ("Tenku Saien"), and we make original shocho with sweet potatoes harvested there. We plan to maintain a long-lasting relationship with this project, as well as with all parties involved.



See here for more information about HAKATA CONNECTA's "Tenku Saien."



# Strategies of KUSA, the Kajima Group's Growth Driver

Kajima's overseas business has become one of the growth drivers for the Kajima Group, with steady business development in each of its locations.

In particular, the U.S. business, the core of our overseas operations, has flexibly adapted to and transformed itself in response to diverse changes in the external environment, including the country's economic ups and downs and paradigm shifts in the market, since our local subsidiary was established in 1964.

We will continue to grow strongly by executing Kajima's unique growth strategies.

(Net sales ¥413.2 billion, net income ¥27.5 billion, number of employees 1,552 in KUSA's FY2022)

\* Company names are abbreviations. Please see the organizational chart below for the official names.

## Optimizing the Business Portfolio and Restructuring the Organization to Adapt to Changes in the External Environment

In 1964, Kajima established KII in response to a request by the City of Los Angeles to rebuild "Little Tokyo," a Japanese neighborhood. This redevelopment project enabled us to enter the U.S. market at full scale.

In the 1970s, as Japanese companies accelerated their expansion into the U.S., we met requests from Japanese clients for integrated design and construction services, and in addition to the existing design function, pushed development of a construction function. The company earned the trust of its clients by providing comprehensive support for site selection, planning, design, and construction. In the 1980s, the company's construction business grew dramatically as it received orders for a series of large Japanese-affiliated automobile plants. The real estate development business has expanded since the days of the luxury condominium business in Minneapolis. Since establishing KDC in 1979, our real estate development business has also expanded to office buildings, commercial facilities, and condominium.

We further expanded our local presence as the yen appreciated following the Plaza Accord in 1985 and more Japanese companies entered the U.S. market. In 1986, we established KUSA as a regional holding company to oversee

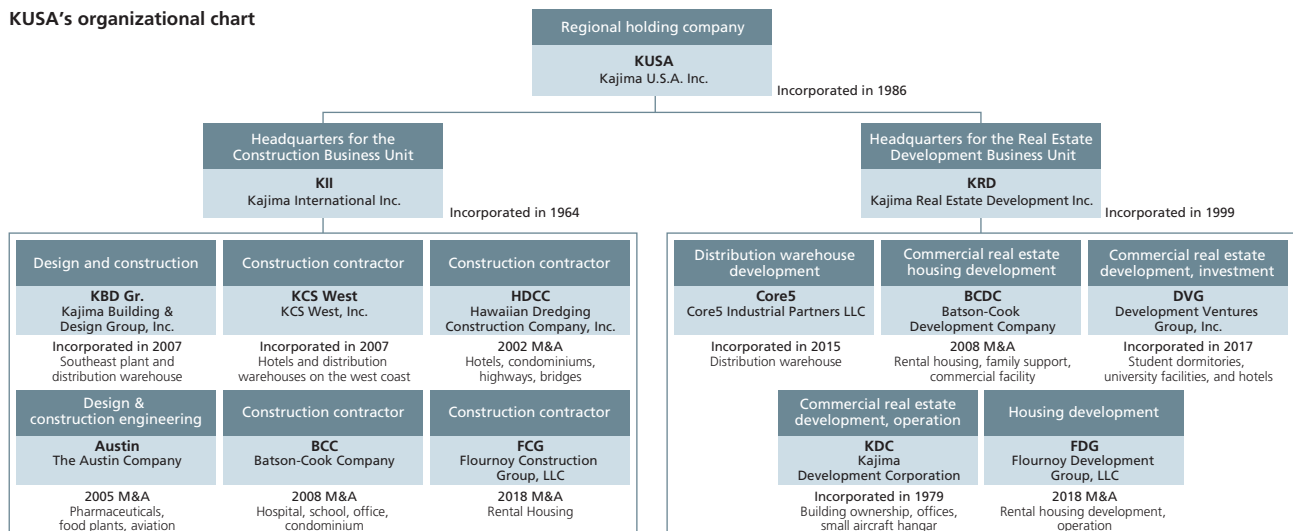
a wide range of businesses in the U.S. and to handle financing functions.

During the real estate recession around 1990, we founded IDI in 1989 in anticipation of the U.S. logistics revolution. Establishing a shorter-term merchant development model of land acquisition, warehouse construction, leasing, and sale to investors, our distribution warehouses, with their outstanding locations and state-of-the-art specifications, gained the trust of tenants and investors and grew significantly during the 1990s. In addition, KUD (now DVG) has developed a model of fee development business from finance scheme planning to design and construction and has completed projects such as the San Francisco Giants Stadium.

The collapse of Japan's bubble economy in the early 1990s caused a significant drop in Japanese investment in the U.S., which led to KII's difficulties. The company attempted to shift its focus to the local market by hiring experienced executives from major U.S. contractors and expanding business with U.S. clients. However, this new strategy led to a divergence from our traditional focus on service quality and client relationship, and we reorganized and restructured our business with a focus on expanding business with Japanese clients.

In 1999, we restructured our organization in order to make more efficient use of our resources, enhance our financial strength, and revitalize our organization. We have consolidated the group's corporate planning, financial management and

KUSA's organizational chart





The Westin Nanea Ocean Villas (constructed by HDCC; Hawaii)

governance functions within KUSA, enabling KUSA to establish an integrated management structure overseeing KII's construction business and KRDC's real estate development business. Since then, KUSA has been expanding its business areas organically and through M&A and optimizing its business portfolio in response to changes in the market environment.

■ **Developing New Markets and Cultivating Existing Markets through “Platforms”**

Kajima defines a platform as a business infrastructure that combines a value-creating business model with human resources and organization to execute it. Kajima's overseas subsidiaries, including KUSA, are identifying their target markets, capturing business opportunities, and building their respective platforms.

In 2008, BCDC joined KUSA Group through M&A and became a real estate development company under KRDC. After the financial crisis, BCDC partnered with a housing development specialist to develop high-rise rental apartment complexes. The SkyHouse series in well-located urban center with high-quality product planning was well-received and generated high profits. BCC, BCDC's former parent company and reorganized under KII after M&A, also participated as a contractor, realizing group synergies.

Within the same rental apartment segment, FDG, which joined the group in 2018, specializes in suburban, wooden, medium- to low-rise rental housing complexes. KUSA acquired FCG, a former subsidiary of FDG, in anticipation of the future potential of the business that would allow us to provide integrated services from planning, development, construction through operation.

Thus, in its development business, KUSA aims to identify competitive business platforms, create them in-house if necessary, expand these businesses, and further optimize its portfolio. Another major advantage is that the group has construction companies with different strengths, whether they were former parent or subsidiary companies of the real estate arm.

■ **Expanding the Business Domains through M&A**

In the United States, where construction has become a mature industry with deep local roots, it is an extremely difficult

endeavor to build from scratch a relationship with customers, partner companies, and the community, and a system that drives people and organizations. With this understanding, KUSA has expanded its business areas through M&A. When selecting target companies, we place importance on their competitive advantages in specific business domains or regions, their alignment with Kajima Group's corporate culture, and the potential for synergy with group companies.

For example, we welcomed HDCC into our group because of its business base in Hawaii, which has high entry barriers, and its corporate culture that values customer relationships and emphasizes quality. KUSA's post-M&A support for credit granting, capital investment, and human resource development has led to higher employee morale, productivity, and business expansion, and the company continues to maintain its position as the top construction company in the state of Hawaii.

In addition, in order to expand our group business operations, we welcome companies that excel in specific fields including Austin, which has strong engineering capabilities and excels in factory construction in the food, pharmaceutical, and aviation industries, BCC, a company based in the Southeast that has high-rise construction capabilities and handles a wide range of buildings, including hospitals, educational facilities and hotels, and both FCG and FDG, which excel in construction and development of timber frame rental housing complexes.



KŌ'ULA (constructed by HDCC; Hawaii)

Photo Courtesy of Ward Village

■ **Human Resource Management and Governance to Support Sustainable Growth**

KUSA fosters an environment that facilitates mutual understanding among group companies and encourages collaborations. KUSA achieves this by organizing events like Presidents Meeting of the group companies and cross-functional meetings involving business leaders. KUSA also has the president of each company serve as an outside director for other companies in the group. As a result, the management teams of the group companies have developed a relationship where they can directly contact each other and have open discussions.

The governance of KUSA Group companies is conducted through the control of each company's Board of Directors. It is made clear what requires the approval of the Board of Directors of each company, which has been diligently followed in operation. The overall management of each company is entrusted to the president and the management team, and important matters are deliberated on and decided by the Board, a majority of which is served by employees seconded from Kajima.

Both the construction and real estate development businesses are typical of the local industry, and in light of achieving sustainable growth of each company, it is essential to secure outstanding individuals who are rooted in the local area and train them as candidates for future executives. Developing those candidates is another important task entrusted to each president.

Discipline and trust are important to maintain beneficial relationships with companies that join the group through M&A. When we contemplate on M&A, we always assess whether the target company can blend in with us as one team, sharing the same core value, not as a mere investment destination. We recognize that KUSA is on an important mission to ensure that



Presidents Meeting of top management of KUSA Group companies

the next-generation management of each company will build on such trust.

■ **Overcoming Crises and Aiming to Ensure Stable Performance and Sustainable Growth**

Since the COVID-19 pandemic, the business environment has been more uncertain than ever before, with supply chain disruptions, labor shortages, soaring energy prices due to the situation in Ukraine, inflation, and repeated interest rate hikes.

The construction business has been affected by rising construction costs and longer procurement periods for materials and equipment. However, construction demand in the United States is expected to remain strong for production facilities, distribution warehouses, and rental housing complexes. KUSA is seeking to increase new sales, enhance the quality of construction management and improve the profitability of the business. KUSA promotes the horizontal deployment of effective technologies and best management practices within the group companies to achieve stable and robust business expansion with a focus on both quality and quantity.

The real estate development business is moving well. With the e-commerce market remaining strong, Core5 was able to sell prime properties at a profit in 2021 and 2022, while rents were rising and cap rates were falling. Although investors are becoming more cautious about purchasing properties as interest rates rise, tenant demand remains high. Core5 is monitoring market trends and optimizing the sales activities at any given period of time.

KUSA is also investing in a variety of asset types, including hotels, student dormitories, and self-storage, in addition to distribution warehouses and rental housing complexes. Future challenges include deciding what and where to invest in light of the future market trend and how to accumulate more income-producing properties.

KUSA has expanded its business by adjusting targets, adapting to changing external environment, reorganizing, and overcoming numerous crises. The construction and real estate development businesses leverage and combine each other's strength to provide unique, high value-added services that other companies cannot imitate. We aim to create an organization with competitive edge, able to achieve stable performance and sustainable growth.

**Message from Top Management of the KUSA Group's Operating Companies**

**Core5**



**Timothy J. Gunter**  
President & CEO  
Core5 Industrial  
Partners, LLC

**Secured stable earnings by leveraging our strengths and thorough risk management**

Our strengths include the credibility that comes from being a member of the Kajima Group, experienced and dedicated employees who are among the best in the industry at developing distribution warehouses, and the high regard investors and tenants have for the buildings we provide. These have resulted in trust from players in the industry. We have conservative business plans for all of our projects that have been properly vetted to ensure a prescribed level of profitability should unexpected events arise. In addition, several financial indicators have been established to ensure that risk is managed at both project and portfolio levels.



Hendricks Gateway Park (Indiana)

**KBD Gr.**



**Jeff Stiner**  
President & CEO  
Kajima Building & Design  
Group, Inc.

**Strengthened management foundation through information sharing and cooperation with group companies**

Our focus is on building manufacturing plants and distribution warehouses, and we are equipped with talented design, construction, and engineering professionals. Each time, the company provides its clients with service that exceeds their expectations, and currently approximately 75% of its orders come from repeat clients. As a member of the Kajima Group, we have an important Japanese client base, as well as opportunities to learn from and work with other construction and real estate development companies in the group. This leads to growth in human resources and business opportunities, further elevating our capabilities to a higher level.



UPS Middletown (Pennsylvania)

**FDG**



**Blake Breimann**  
President & CEO  
Flournoy Development  
Group, LLC

**Becoming a member of the Kajima Group and achieving many synergies**

Since becoming a member of the Kajima Group in 2018, our brand and reliability as a company with top-class development business execution and financial strength in the development of rental housing complexes have increased. This has boosted our competitiveness in many aspects, including our ability to secure land at premier locations and to attract talented professionals. Through cooperation with group companies, we have been able to participate in projects that would not have been possible on our own, and we expect to launch many successful projects in times to come. The long-term partnership between us and Kajima has resulted in remarkable synergies on many fronts, and is a driving force for us to achieve results as a member of the group.



SEA SOUND (Florida)

**Aiming to provide high value-added services through collaboration among businesses with their own unique strengths**

KUSA has become a collection of operating companies engaged in diverse businesses in various fields, a small conglomerate so to speak. The essence of our strategy is for group companies to have unique strengths in specific business domains, provide high-value services through collaboration within the group, and ultimately maximize competitiveness and profitability as a whole. The recent strong performance is the result of implementing this strategy, nurturing people and organizations with a long-term perspective, and leveraging the strengths of each company. KUSA, as the holding company, finds it important to provide a "Map and Compass" to implement proper governance while encouraging autonomous operations. Our intention is for all employees to understand the processes and procedures of their work (Map) and, on top of that, perform their work while adhering to Kajima's core values (Compass), which are "customer-centric" and "valuing trust." As changes in the business environment intensify, I believe that sharing the strategic direction and placing trust in the autonomy and flexibility of each company are crucial to maximize competitiveness and achieve sustainable growth.



**Motohiro Umehara**  
President & CEO  
KAJIMA U.S.A. INC.