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Our Journey to 2020 Starts and Ends with Craftsmanship

My Commitments as President

As the new president of Kajima Corporation, I am deeply honored to take the helm of the Kajima Group, an enterprise with a proud history of more than 175 years. I bring over 30 years of experience with Kajima to the job. I've been a construction project manager, a branch general manager, and a division general manager. All the while, I was learning from clients and colleagues, including the people at suppliers, architecture firms, and construction subcontractors. I count myself fortunate to have celebrated with these partners the completion of so many successful projects. If I had to sum up what I've learned, it's that Kajima can and will overcome any and all obstacles as we strive to fulfill our mission of constructing buildings and providing services that satisfy not only our clients, but all future users.

When I was a branch manager, I started using two slogans: "Think Safety! Make today accident free!" and "Building with the heart and soul of a craftsman." Now they have become our companywide slogans.

The first commitment—Think Safety! Make today accident free!—is about protecting the safety of everyone working

at the construction site. Kajima people stay true to this each and every day. We also take seriously our obligation to the workers and staff from our subcontractors—our essential partners—to maintain safe working conditions and construction plans. At Kajima, we are determined to ensure that everyone we work with returns home safely to their families at the end of every day.

The second slogan—Building with the heart and soul of a craftsman—is the foundation of Kajima quality. I am emphasizing this anew, partly in response to the serious criticism we have received for major construction flaws in several projects in recent years. This is unacceptable. The very heart of our business is providing our clients with high-quality buildings and structures, constructed safely and finished on schedule. This is always our genuine pursuit, and I would like to state here my total resolve to restore and uphold Kajima's heritage of outstanding craftsmanship. In essence, these two commitments—safety and craftsmanship—are the keys to our success, and I am positioning them front and center as we pursue the goals of the new Kajima Group Medium-Term Business Plan from 2015 through 2017.

Launching a New Medium-Term Business Plan, and Looking Ahead to 2020

In the fiscal 2014 ended March 31, 2015, Kajima posted consolidated revenues of ¥1,693.6 billion and operating income of ¥12.6 billion. Subsidiaries both in Japan and around the world achieved steady revenue growth overall, making a strong contribution to consolidated results. On a non-consolidated basis, however, the Company posted an operating loss of ¥18.0 billion, and its core construction business saw a low profit margin. I am making it a top priority to improve this profit margin, considering it an essential factor in the Kajima Group's performance.

In light of these financial results, we recently formulated and embarked upon the Kajima Group Medium-Term Business Plan, which covers from 2015 to 2017. In crafting it, we also looked ahead to 2020, building a plan which uses the next three years as a launching pad to get us to where we want to be when the new decade begins.

One of the main priorities of the plan is completely turning around performance in our core construction operations. Our goal is to build a business structure that can consistently deliver over ¥20 billion in non-consolidated operating income. We will do this by restructuring in the first two years: streamlining the Company's construction business and reorganizing all unprofitable projects. Meanwhile, starting now, we will refine the Kajima Group's business platform to make sure that we are leveraging our competitive advantages effectively to reinforce and expand our business portfolio.

Building on these steps, we are determined to reach ¥85 billion in consolidated recurring profit by fiscal 2020. To get there, we will qualitatively enhance the Kajima Group's businesses and further raise the level of consolidated profits by capitalizing on the synergies delivered by our near-term efforts to improve profitability and refine Group operations.

I recognize that it will be crucial to achieve our fiscal 2015 financial targets in the first year of the plan. Seeing this through is my first major responsibility as president. Simultaneously, I will fully prepare for fiscal 2016 and 2017, starting now.

A number of projects of an unprecedented large scale are coming up in Tokyo, and we expect to be involved in many of them, as they present uniquely valuable opportunities. The overlapping timeframes of the various projects will allow us to formulate integrated plans to take advantage of economies of scale and make the most of the collective expertise and experience of our design and construction professionals. Embracing these challenging opportunities, we intend to translate these experiences into assets for Kajima's future. I am calling upon everyone at Kajima to precisely assess our clients' needs and earn their trust that Kajima's valuable capabilities can meet them.

Putting the Construction Site First

To deliver on the targets of our Medium-Term Business Plan, I am going to make sure that we "put the construction site first" in everything we do. The construction site is the source of Kajima's success, the driver of profitability. Management's job, then, is to provide the construction site with as much support as possible. Our leadership team is focused on making sure every site is ready to overcome every challenge, by keeping the entire Kajima team focused on making sites successful. Of course, subcontractors are working hard side by side with Kajima employees at our construction sites. I want to engage their creativity and insight as well, bringing together the diverse perspectives of every party to ensure success.

Exemplifying this approach, in 2013 we set up a dedicated site support office at the Kansai Branch while I was the Branch Manager. Construction sites require various inspections and

are subject to many different reporting requirements. We wanted to add a new perspective to this process by inviting a different group of people to take a fresh look. The new office assembled a site support team mainly composed of female office employees with no prior experience at a construction site. The team was asked to inspect all of the finishing touches in the interiors of newly built condominiums and give detailed feedback with a view to future improvements. At Kajima, we want all employees, whether engineers or not, to contribute to Kajima's craftsmanship. This kind of program is also expected to generate useful ideas for approaching various life events with flexibility.

My career started on the construction site, and I have worked as a project manager on a number of projects. I know from first-hand experience that it is the people at the site who ultimately create the building's appearance and functions. The most fascinating aspect of this is the flexibility that sites actually have in shaping the exact process and methods used over the course of a construction project. Many different construction methods could potentially be used, so the

methods authorized by the project manager must be highly credible. What's more, these methods only gain maximum credibility onsite if the Company's departments and people are united behind the project manager's vision. Of course, it is also vital that construction work is well-planned, but my point here is that ideas must also be allowed to develop at the project manager's discretion. I am certain that the new concepts and approaches that Kajima must develop to stay competitive will be created when we put the construction site first.

The first project I worked on as a project manager was an office building in the city of Fujisawa, Japan. Many challenges arose in that project and I was under a great deal of pressure, but I still vividly remember how delighted I was when the construction methods I chose proved to increase safety and productivity onsite and enhanced the quality of the building. I will never forget it. That's why I want to build a culture at Kajima that fosters this kind of dynamic, creative approach at our construction sites. Ultimately, I want everyone working hard every day at the site to experience the same deep satisfaction I did.

Kajima Group Medium-Term Business Plan				
Fiscal Year	2015	2016	2017	2020
	Restructuring period Main tasks in the first two years			
Non-consolidated	○ Revitalize and reinforce the Kajima Corporation's non-consolidated construction operations Restore the foundation for generating steady operating income of over 20 billion yen			
Kajima Group	○ Leverage the Kajima Group's competitive advantages to systematically reinforce and expand its business portfolio ○ Refine the Kajima Group's management platform			
Recurring profit	Consolidated	¥43 billion	¥65 billion	¥85 billion
	Non-consolidated	¥22 billion	¥35 billion	
Revenues	Consolidated	¥1,750 billion	¥1,750 billion	
	Non-consolidated	¥1,130 billion	¥1,080 billion	
Interest-bearing debt	No more than ¥380 billion		No more than ¥370 billion	
Return on equity	—		At least 8.0%	



Flexibly Adapting to a Shifting Market Environment

Over the medium to long term, the Japanese construction market is projected to stagnate and eventually even shrink as a result of the country's declining birthrate. Structural changes are also anticipated, including greater concentration of investment in large cities and a growing proportion of construction projects involving maintenance, repairs and renovations. Facing these realities, we know we will face greater competition in the market over the medium term. We also recognize the risk posed by a chronic shortage of skilled workers needed at construction sites.

In light of the shrinking Japanese market, Kajima has been proactively expanding operations outside Japan for some time. The Kajima Group combines capabilities and expertise in both construction and real estate development. By making the most of the competitive advantage created by this integration, we expect to continue growing our projects outside Japan while minimizing associated risks.

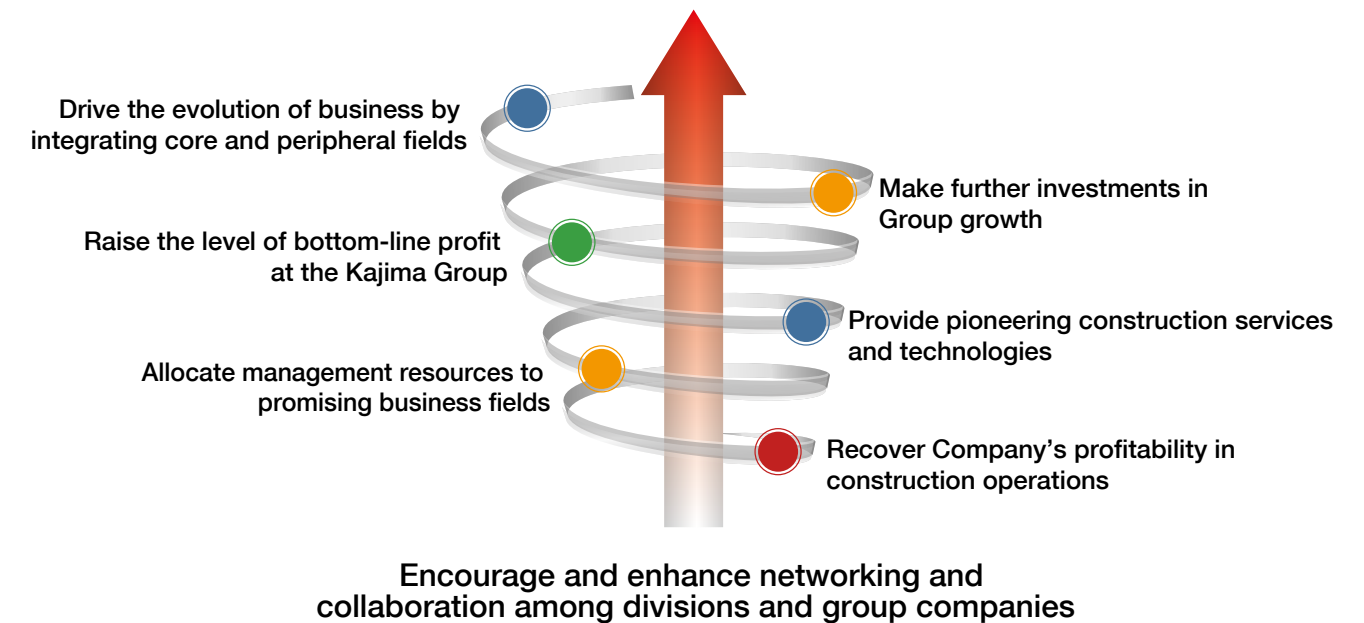
Kajima recently established a new subsidiary in Australia. Our strategy there is to effectively combine the Group's leading-edge capabilities with the talent of our local personnel and network in the country, instead of simply dispatching staff and other operational resources from Japan. This demonstrates how we are expanding our business with strategies tailored to specific countries and regions. Our goal is to be ready to fully demonstrate Kajima's strengths and competitive advantages on the international stage by around 2020, when

the aforementioned changes in the Japanese market will be emerging. We are preparing by fostering a global business mindset among our employees by training and stationing them in countries around the world, conducting market research in promising countries and regions, and identifying potential local business partners.

Meanwhile, we will not be passive in Japan about the upcoming structural shifts. We are transforming our operations to ensure that we can provide the leading-edge construction and engineering services required to meet new clients' needs. We will leverage the Kajima Group's competitive advantages to reinforce and expand our business portfolio while enlisting the strengths of all group companies in Japan to achieve our strategic and financial goals. We will strive to diversify the Company's earnings drivers and increase profitability by leveraging the core domestic construction business to generate more profit from downstream projects, such as maintenance and building management, and pursue greater involvement in upstream projects, particularly in engineering-, environment-, and energy-related fields. In this way, we will take advantage of every phase of opportunity in the value chain, across the entire building lifecycle.

In the Company's real estate development business, which spans from project conception to building management, we intend to make effective use of investments in Japan to create unrivalled projects, and to restructure our non-asset business platform, which includes fee-based businesses. We will also draw on each group company's specialized expertise and unique strengths, especially their ability to flexibly and

Set Up a Group-Wide Business Platform That Generates a Positive Spiral



effectively respond to the market, in order to diversify earnings sources and establish a network that generates synergies from all Kajima Group workplaces. In so doing, I am sure we will increase the sustainability of the Kajima Group.

Finally, the shortage of skilled workers needed at construction sites in Japan, including engineers and specialists, is going to require far-reaching measures by the industry as a whole. The next several years are projected to see growing construction work volume, but after that, every subcontracting firm will need to shift from specialized construction work to more flexible and diversified operations. In the same way, each worker will need to be capable of handling multiple tasks in a single project. This broadening of skills has potential to improve productivity, help stabilize revenues, and lead directly to safer construction sites. From the subcontractor's point of view, leveling out workloads could promote more stable conditions for securing workers. In order to take advantage of these beneficial synergies, prime contractors and subcontractors will need to share information and work together to carry out fundamental industry reforms.

I believe Kajima has an important obligation to promote the benefits of working in the construction industry to young people in order to attract the next generation of workers. This is why we cooperate with our colleagues across the construction industry to show young people how construction sites are actually exciting places to work, for instance by holding site tours for children.

Creating a More Sustainable Kajima Group

While carrying out the measures listed above, we have set a target of ¥65 billion in consolidated recurring profit by fiscal 2017, the third year of the Kajima Group Medium-Term Business Plan. With fiscal 2015 to 2016 positioned as a restructuring period, we should be ready to tackle major tasks from fiscal 2017 and beyond with our sights set on 2020. We are determined to constantly work to resolve issues early on and put preparations in place with a long-term outlook. Indeed, Kajima's underlying resources in the future will depend on the extent to which we are able to focus on these preparations in advance. To be ready for fiscal 2016 and 2017, we will flexibly reassign personnel and reorganize operational resources, and engage the entire Company fully in preparing for upcoming projects.

Our management approach over the short term applies equally to Japan and the Group's international operations. Nevertheless, for Kajima's business to make inroads in other countries, it will be essential to collect extensive data and make calculated decisions on market entry based on a solid understanding of international markets. On that basis, we intend to strategically determine when and where to direct operational resources and resolutely follow through on those decisions.

Outlook for the Construction Market in Japan

	Period of the business plan from 2015 to 2017	Mid-term outlook
Market environment	<ul style="list-style-type: none"> Favorable conditions are continuing <ul style="list-style-type: none"> Demand for reconstruction in areas hit by the Tohoku earthquake Measures for preventing and reducing the impact of disasters Demand for replacement of aging infrastructure Projects related to the 2020 Tokyo Olympic Games 	<ul style="list-style-type: none"> Investment in construction will steadily decline <ul style="list-style-type: none"> Shrinking population Limited public spending Investment will be concentrated in big cities Qualitative shifts <ul style="list-style-type: none"> New construction demand will be gradually replaced by demand for maintenance, repairs, and renovations Public-private partnerships and private finance initiatives projects will increase
Competitive environment	<ul style="list-style-type: none"> Demand is robust and competition is easing 	<ul style="list-style-type: none"> Competition will intensify
Labor environment	<ul style="list-style-type: none"> Shortage of skilled construction workers caused by increasing demand 	<ul style="list-style-type: none"> Falling birthrate and aging society will lead to further shortages of skilled construction workers

Establishing a Platform for Growth

Setting up a group-wide business platform that generates a positive spiral is essential for achieving our fiscal 2017 targets. To this end, I will not only enhance cooperation within the Company, but also promote greater collaboration among Kajima Group companies. What enables Kajima to create value are its technologies and its people. We plan to step up technological development in line with our business strategies and accelerate hiring and training of human resources to put this business platform into place.

Kajima's technologies have built a strong reputation at the leading edge of Japan's construction industry. Yet we can take it higher. We are determined to pursue advantageous technical alliances and take a new, more objective look at technological development. Without bias from the past, we will boldly select the technical fields where Kajima is best positioned to capitalize on its leadership, and pursue a more proactive approach to meeting market needs. Therefore, while continuing to leverage our strong track record in high-rise building construction and seismic structural control systems, we will also expand into the energy sector and pursue technological development under the Kajima brand by focusing on strategic projects, such as mechanized construction.

To All Stakeholders

In the fiscal year underway, Kajima appointed three outside directors to its board. Given the extensive experience and expertise of each of these directors in their respective fields, I look forward to their advice and suggestions based on their strict supervision of the Company's management execution as we strive to expand our business based on considerations of current trends and market conditions.

In our daily operations, everyone at Kajima is working in earnest to deliver the buildings and services that clients genuinely want. For that purpose, we plan to continue organizing dialogues with our clients, designers, and other parties involved in projects, recognizing the need to take the initiative in strengthening ties across the industry.

In addition to the companies and organizations that place orders for construction, Kajima's clients include our valued subcontractors. Working together with these important partners, we will mutually set ambitious goals in order to help the Japanese construction industry thrive as a whole, while striving to continue bringing benefits to society by considering the needs of local communities and addressing global environmental issues.

With a strong commitment to engaging in ongoing dialogue with all stakeholders and responding to the needs of our clients, all of us at the Kajima Group will continue to take on the challenge of meeting the needs of the future.

In recent years, we have been taking decisive steps to address unprofitable construction products while working to better respond to the changing market environment. Our management team will continue tackling these issues as we do our utmost to meet the expectations of shareholders and investors. While working to build a growth platform that leverages Kajima's competitive advantages, we intend to pay dividends as planned and in accordance with the results of the steps described above.

I look forward to taking on the challenges ahead with the backing of the entire Kajima team. I invite you to watch our progress as we make the journey of growth to 2020.

