

Message from the Management



Mitsuyoshi Nakamura
President, Representative Director

The Kajima Group is determined to succeed in a challenging environment and maximize earnings by making full use of the trust and technology it has built over nearly 170 years in business. We will deploy our versatile capabilities in each of our business segments, both in Japan and around the world.

Results for the Fiscal Year Ended March 31, 2008

The Japanese construction industry faced an increasingly challenging business environment in the fiscal year ended March 31, 2008. The brisk construction investment of the last several years began to slow, reflecting the impact of the ongoing reduction of public-sector investment and the revised Building Standard Law as well as a downturn in demand for condominiums. Competition for new projects remained intense, while rising prices in areas such as materials continued to push up construction costs.

In this difficult business climate, consolidated construction contract awards increased 4.0 percent to ¥1,677.3 billion, primarily reflecting an increase in building construction work at the parent company. Revenues edged up 0.1 percent to ¥1,894.2 billion, mainly owing to the progress of civil engineering work. On the other hand, a declining gross profit margin resulted in a 67.1 percent drop in operating income to ¥18.2 billion. Net income, however, increased 1.7 percent to ¥42.2 billion because of other income, which included gain on the sale of a portion of our ownership (preferred units) in UDX SPC.

Policies for the Fiscal Year Ending March 2009

Unfortunately, at this point, we see no promising signs in the environment surrounding the construction industry. We remain fully committed to carrying out our Medium-Term Business Plan for the three years ending March 2009, but the current market structure is considerably different from the one we based our assumptions on when we drew up the plan two years ago. This will make achieving the final-year targets of the plan extremely difficult.

Nevertheless, the increasingly challenging conditions also present new opportunities for growth. In the domestic construction market, the importance of technological and planning proposal capabilities is increasing in both the public and private sectors. The Kajima Group is fully deploying its strengths, which are backed by the trust and technology built over nearly 170 years in its core construction business, to meet the expectations of all stakeholders. At the same time, we have moved to boost profitability in our real estate development business by combining it with construction operations as a general contractor-developer (GC-developer). This synergistic approach, which has yielded significant results over the last several years, will continue to strengthen and differentiate the Kajima brand and make a steady contribution to enhancing our financial performance.

In our business strategy going forward, we will place top priority on raising the profitability of our core construction business. Measures to rapidly improve our performance in the construction segment will include applying stricter criteria for selecting contracts and further streamlining construction execution. At the same time, we will expand other businesses such as real estate development and engineering, and enhance our presence in other construction-related business areas. Further, in overseas operations, we will carefully assess risk and profitability while aiming for steady growth in our drive to maximize profits for the entire Kajima Group.

We will continue our initiatives to reduce fixed costs, reduce interest-bearing debt, and maximize equity as key themes for

the current fiscal year in order to accelerate the enhancement of our management foundation. Of course, ensuring sound business practices is also critically important. Therefore, we will focus on maintaining high levels of quality, safety and environmental management, promoting compliance throughout the Kajima Group and reinforcing our internal control system.

Increasing Corporate Value

Our basic policy for profit allocation is to provide stable dividends to stockholders in accordance with performance while securing internal reserves to maintain a sound management foundation. Accordingly, we paid cash dividends per share of ¥7.00 for the fiscal year ended March 31, 2008, unchanged from the previous year. For the fiscal year ending March 2009, although we expect our business environment to remain challenging, we plan to keep dividends per share at ¥7.00, taking into account our performance forecast, the strength of our management foundation and other factors.

These are trying times for the construction industry, and the situation is likely to continue. But it also presents opportunities to leverage Kajima's technology, creativity and other inherent strengths. We will objectively analyze the direction of the construction market and other external factors, properly assess our own capabilities, and advance with confidence toward future growth as an industry leader. The entire Kajima Group, from senior management to rank-and-file employees, pledges to redouble its efforts in day-to-day operations on fulfilling the expectations and earning the trust of its stockholders and other stakeholders.

June 2008



Mitsuyoshi Nakamura
President, Representative Director