

Qualitative Information on the Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024

(1) Qualitative Information on the Consolidated Financial Results

i. Overview of overall financial performance

During the first quarter (April 1, 2023 to June 30, 2023) of the fiscal year ending March 31, 2024, the pace of global economic growth slowed due to inflation and increasing policy interest rates, mainly in the U.S. and Europe, but the global economy as a whole demonstrated underlying strength. The Japanese economy kept to a moderate recovery track buoyed by domestic demand, including strong consumer spending due to a rebound in service consumption, even as prices continued to rise.

In the domestic construction market, steady public investment, along with strong corporate willingness to invest in both the manufacturing and non-manufacturing sectors, which led to steady construction demand. As for construction costs, although prices for steel and certain other materials appear to have settled, prices for materials and equipment remained generally high.

In this environment, the Kajima Group's financial results for the first quarter of the fiscal year ending March 31, 2024 were as follows.

Consolidated construction contract awards increased both in Japan and overseas, coming to 801.8 billion yen (compared with 493.0 billion yen in the same period of the previous fiscal year), a 62.6% year-on-year increase. Non-consolidated contract awards, including those for real estate development and other businesses, jumped 34.2% year on year to 483.6 billion yen (compared with 360.4 billion yen in the same period of the previous fiscal year).

Revenues increased 16.8% year on year to 583.4 billion yen (compared with 499.6 billion yen in the same period of the previous fiscal year) mainly due to an increase in construction business revenues of the Company and its overseas subsidiaries and affiliates.

Operating income was up 31.9% year on year to 24.8 billion yen (compared with 18.8 billion yen in the same period of the previous fiscal year), mainly due to higher gross profit in the Company's construction business. Although overall non-operating income declined due to a decrease in non-operating income related to the overseas real estate development business, a profit of 4.2 billion yen (compared with a profit of 8.8 billion yen in the same period of the previous fiscal year) was recorded. Ordinary income increased 5.2% to 29.1 billion yen (compared with 27.6 billion yen in the same period of the previous fiscal year), while net income attributable to owners of the parent was largely unchanged at 19.3 billion yen (compared with 19.6 billion yen in the same period of the previous fiscal year).

First quarter performance by business was as follows.

With revenues and gross profit margin in both the civil engineering and building construction businesses exceeding those of the same period of the previous fiscal year, the Company made steady progress against its full-year forecast. To counter rising construction costs, the Company has taken rigorous measures such as ensuring that estimates reflect the latest price trends, striving to practice early procurement, and discussing changes to contract prices and design with clients, while also pursuing initiatives to raise productivity. In the real estate development and other businesses, performance was largely in line with that of the same period of the previous fiscal year due to a stable real estate leasing business and other factors.

In domestic subsidiaries and affiliates, revenues and operating income exceeded that of the same period of the previous fiscal year due to the steady progress of on-hand construction projects and the recovery of operated hotels and asphalt mixture sales in the real estate development and other businesses.

In overseas subsidiaries and affiliates, despite an increase in revenues and gross profit in the construction business, profits fell below those of the same period of the previous fiscal year as fewer properties were sold in the real estate development business. Going forward, the distribution warehouse development business in the U.S. is expected to contribute to earnings thanks to an increase in the number of properties sold due, with several properties certain to sell in the second quarter.

ii. Segment Performance

Segment results are as follows. (Segment results include internal sales or transfers between segments.)

Civil Engineering

Civil engineering projects in the construction business operated by the Company

Revenues increased 31.7% year on year to 88.5 billion yen (compared with 67.1 billion yen in the same period of the previous fiscal year) due to steady progress in on-hand construction projects, especially large-scale projects.

Operating income jumped 152.2% to 5.4 billion yen (compared with 2.1 billion in the same period of the previous fiscal year) on the improvement of gross profit margin in addition to higher revenues.

Building Construction

Building construction in the construction business operated by the Company

Revenues increased 16.5% year on year to 279.2 billion yen (compared with 239.7 billion yen in the previous fiscal year) due to steady progress in large-scale projects such as the construction of production facilities and offices.

Operating income jumped 42.1% to 16.1 billion yen (compared with 11.3 billion in the previous fiscal year) due to higher gross profit margin in addition to increased revenues.

Real Estate Development and Other

Real estate development business, architectural, structural and other design business and engineering business operated by the Company

Revenues climbed 7.1% year on year to 10.7 billion yen (compared with 10.0 billion yen in the same period of the previous fiscal year) due to increases in the real estate development, design and engineering businesses.

Operating income decreased 10.5% to 1.3 billion yen (compared with 1.4 billion yen in the same period of the previous fiscal year), mainly due to lack of sales in the real estate sales business.

Domestic Subsidiaries and Affiliates

Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by domestic subsidiaries and affiliates

Revenues and gross profit remained largely unchanged in both the construction business and real estate development and other businesses. Revenues rose 2.6% year on year to 78.4 billion yen (compared with 76.5 billion yen in the same period of the previous fiscal year), while operating income increased 3.3% to 2.8 billion yen (compared with 2.7 billion yen in the same period of the previous fiscal year).

Overseas Subsidiaries and Affiliates

Construction business, real estate development business and others overseas such as in North America, Europe, Asia, Oceania, and other areas operated by overseas subsidiaries and affiliates

Revenues increased 10.5% year on year to 154.3 billion yen (compared with 139.7 billion yen in the same period of the previous fiscal year), mainly due to higher construction business revenues in the U.S. and Southeast Asia, despite a decrease in the number of properties sold in the U.S.

Operating loss came to 0.8 billion yen (compared with operating income of 1.3 billion yen in the same period of the previous fiscal year), mainly due to a decrease in the number of properties sold in the U.S.

(2) Qualitative Information on the Consolidated Financial Position

Total assets at the end of the first quarter were up 18.2 billion yen year on year to 2,787.9 billion yen (compared with 2,769.7 billion yen at the end of the previous fiscal year). The main factors were a 34.5 billion yen surge in investment securities mainly due to an increase in unrealized gains from the higher market value of stocks and other holdings, and a 32.0 billion yen increase in inventories (real estate for sale, construction projects in progress, development projects in progress, and others), while there was a 48.3 billion yen decrease in notes and accounts receivable - trade.

Total liabilities increased 0.6 billion yen year on year to 1,709.1 billion yen (compared with 1,708.5 billion yen at the end of the previous fiscal year). The main factors were advances received on construction projects in progress of 45.8 billion yen and a decrease in accounts payable - trade of 11.6 billion yen. Interest-bearing debt* was 535.2 billion yen (compared with 537.7 billion yen at the end of the previous fiscal year).

Total equity, including shareholders' equity of 870.8 billion yen, accumulated other comprehensive income of 198.1 billion yen, and noncontrolling interests of 9.7 billion yen, increased by 17.6 billion yen year on year to 1,078.7 billion yen (compared with 1,061.1 billion yen at the end of the previous fiscal year).

In addition, the owners' equity ratio improved to 38.3%, up 0.3 points compared with 38.0% at the end of the

previous fiscal year.

* Total amount of short-term loans payable, commercial paper, bonds payable (including current portion of bonds payable) and long-term loans payable.

(3) Qualitative Information on the Forecast of Consolidated Financial Results

There has been no change, at this time, to the full-year earnings forecast announced on May 15, 2023, when the financial results for the fiscal year ended March 31, 2023, were announced.

Disclaimer: This document is a partial English translation of the Japanese Financial Statements which are filed with Stock Exchanges in Japan on August 9, 2023. The Company provides this translation for your reference and convenience only without any warranty as to its accuracy. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.