

Qualitative Information on the Consolidated Financial Results for the Third 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 third quarter (April 1, 2023 to December 31, 2023) of the fiscal year ending March 31, 2024, the rate of inflation in each country and region was on a decelerating trend and policy interest rates moved from rate increases to keeping them unchanged. The pace of growth slowed and stagnated due to factors such as continued high prices and interest rates. In the Japanese economy, prices rose moderately, but the firm recovery continued, with signs of a recovery of the employment and income environment as well as inbound demand. Trends in domestic and international inflation and interest rates, as well as rising geopolitical risks, require continued attention.

In the domestic construction market, construction demand remained steady in the public and private sectors. With regard to construction costs, material and equipment prices remained high overall, and labor costs rose in some occupations as construction volume increased.

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

Consolidated construction contract awards increased both in Japan and overseas, reaching 2,092.3 billion yen (compared with 1,746.1 billion yen in the same period of the previous fiscal year), a 19.8% year-on-year increase. Non-consolidated contract awards, including those for real estate development and other businesses, increased 16.7% year on year to 1,363.8 billion yen (compared with 1,168.9 billion yen in the same period of the previous fiscal year).

Revenues increased 13.8% year on year to 1,994.6 billion yen (compared with 1,753.1 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 9.5% year on year to 102.1 billion yen (compared with 93.2 billion yen in the same period of the previous fiscal year), mainly due to higher gross profit in the Company's construction business and the real estate development and other business as well as an increase in gross profit of the real estate development and other business in the domestic subsidiaries and affiliates. Ordinary income declined 6.9% to 112.8 billion yen (compared with 121.2 billion yen in the same period of the previous fiscal year) and net income attributable to owners of the parent decreased 6.7% to 76.6 billion yen (compared with 82.0 billion yen in the same period of the previous fiscal year) due to a decline in non-operating income in the overseas real estate development business. Also in the period under review, the Company sold strategic shareholdings (20 stocks, 10.3 billion yen), and recorded a gain on sales of investment securities as extraordinary income.

Third quarter performance by business was as follows.

In the construction business, revenues in both the civil engineering and building construction businesses exceeded those of the same period of the previous fiscal year and the gross profit margin also increased. Although the gross profit margin of the civil engineering business (13.2%) fell below that of the same period of the previous fiscal year (15.3%), profitability is expected to improve due to the conclusion of additional amended contracts and cost reductions for construction projects to be completed by the end of the current fiscal year. The gross profit margin of the building construction business (9.6%) exceeded that of the same period of the previous fiscal year (8.8%) and is progressing favorably against the full-year forecast (9.7%), even while prices for materials and equipment remained high. In the real estate and other businesses, the sale of real estate sales projects planned at the beginning of the period under review progressed steadily and contributed to business performance.

Domestic subsidiaries and affiliates reported higher revenues and profits than in the same period of the previous fiscal year due to increased revenues and gross profit margin in the construction business, as well as the sale of real estate for sale held by real estate development-related subsidiaries and affiliates. In the construction business of overseas subsidiaries and affiliates, despite the impact of the COVID-19 pandemic on some construction projects in Southeast Asia, business performance improved compared to the first half of the fiscal year under review. In the real estate development and other businesses, although eight distribution warehouses were sold in the U.S. and the performance of the Company's managed hotels in Southeast Asia recovered, profits were lower than the high point achieved in the same period of the previous fiscal year. Performance of overseas subsidiaries and affiliates is expected to improve by the end of the fiscal year under review due to the sale of properties in the U.S. and further improvement in construction business profitability.

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 19.5% year on year to 261.0 billion yen (compared with 218.4 billion yen in the same period of the previous fiscal year) due to steady progress, especially large-scale projects.

Operating income decreased 3.0% to 15.5 billion yen (compared with 16.0 billion yen in the same period of the previous fiscal year) due to a decline in the gross profit margin and an increase in SG&A expenses, despite the impact of higher revenues.

Building Construction

Building construction in the construction business operated by the Company

Revenues increased 11.9% year on year to 858.7 billion yen (compared with 767.5 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 36.2% to 49.0 billion yen (compared with 36.0 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

Both revenues and operating income were up from those of the same period of the previous fiscal year, mainly due to an increase in the sale of real estate sales projects planned for the current fiscal year. Revenues increased 64.4% year on year to 52.5 billion yen (compared with 31.9 billion yen in the same period of the previous fiscal year) and operating income increased 72.9% to 9.4 billion yen (compared with 5.4 billion yen in the same period of the previous fiscal year).

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 increased mainly due to the sale of real estate for sale held by real estate development-related subsidiaries and affiliates. Revenues rose 6.2% year on year to 270.1 billion yen (compared with 254.2 billion yen in the same period of the previous fiscal year), while operating income increased 73.5% to 19.5 billion yen (compared with 11.2 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 9.9% year on year to 636.3 billion yen (compared with 579.0 billion yen in the same period of the previous fiscal year), mainly due to higher construction business revenues in the U.S. and Oceania.

Operating income decreased 65.6% to 8.3 billion yen (compared with 24.2 billion yen in the same period of the previous fiscal year) even as gross profit from the construction business rose, mainly because gross profit in the real estate development and other businesses in the U.S. was lower than the high point achieved in the same period of the previous fiscal year.

(2) Qualitative Information on the Consolidated Financial Position

Total assets at the end of the third quarter were up 400.1 billion yen year on year to 3,169.8 billion yen (compared with 2,769.7 billion yen at the end of the previous fiscal year). The increase was accounted for by a 131.0 billion yen increase in notes and accounts receivable – trade and a 84.0 billion yen increase in inventories (real estate for sale, construction projects in progress, development projects in progress, and others), and a 65.0 billion yen increase in investment securities mainly driven by an increase in unrealized gains as the market value of shares held rose.

Total liabilities increased 294.8 billion yen year on year to 2,003.4 billion yen (compared with 1,708.5 billion yen at the end of the previous fiscal year). This was due to an increase in notes and accounts payable – trade of 216.2 billion yen and an increase in interest-bearing debt* of 31.7 billion yen as well as a 14.9 billion yen increase in advances received on construction projects in progress. Interest-bearing debt was 754.0 billion yen (compared with 537.7 billion yen at the end of the previous fiscal year).

Total equity, including shareholders' equity of 911.2 billion yen, accumulated other comprehensive income of 242.3 billion yen, and noncontrolling interests of 12.9 billion yen, increased by 105.3 billion yen year on year to 1,166.4 billion yen (compared with 1,061.1 billion yen at the end of the previous fiscal year).

In addition, the owners' equity ratio dropped to 36.4%, down 1.6 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 November 13, 2023, when the financial results for the first half of the fiscal year ending March 31, 2024, were announced.

Disclaimer: This document is a partial English translation of the Japanese Financial Statements which are filed with Stock Exchanges in Japan on February 13, 2024. 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.