Qualitative Information on the Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2023

(1) Qualitative Information on the Consolidated Financial Results

i. Overview of overall financial performance

During the first half (April 1, 2022, to September 30, 2022) of the fiscal year ending March 31,2023, amid the drawn-out situation in Ukraine along with inflation and rising interest rates, mainly in Europe and the United States, the pace of global economic growth slowed. The Japanese economy has recovered moderately thanks to progress made in balancing COVID-19 prevention measures and socioeconomic activities.

In the domestic construction market, construction demand continued to rebound as both manufacturing and non-manufacturing industries showed a trend toward increasing capital investment, and public investment remained firm. Although prices for materials and equipment have started to stabilize to a certain extent, prices remain generally high, so an appropriate assessment of the situation and countermeasures are required.

In this environment, the Kajima Group's financial results for the first half of the fiscal year ending March 31, 2023, were as follows.

Consolidated construction contract awards increased both in Japan and overseas and came to 1,122.5 billion yen (compared with 807.1 billion yen in the same period of the previous fiscal year), a 39.1% year-on-year increase. Non-consolidated contract awards, including those for real estate development and other projects, increased 49.8% year on year to 771.8 billion yen (compared with 515.1 billion yen in the same period of the previous fiscal year).

Revenues increased 19.0% year on year to 1,137.4 billion yen (compared with 956.1 billion yen in the same period of the previous fiscal year) mainly due to higher revenues by the Company and its overseas subsidiaries and affiliates.

Profits at the Company and its domestic and overseas affiliates increased, with operating income up 15.0% year on year to 64.9 billion yen (compared with 56.4 billion yen in the same period of the previous fiscal year), ordinary income up 20.9% year on year to 79.1 billion yen (compared with 65.4 billion yen in the same period of the previous fiscal year), and net income attributable to owners of the parent up 9.8% year on year to 54.7 billion yen (compared with 49.8 billion yen in the same period of the previous fiscal year). Also in the period under review, the Company sold cross-shareholdings (12 stocks, 5.7 billion yen), and recorded a gain on sales of investment securities as extraordinary income.

Looking at details of the Company's construction business performance in the period under review, revenues in both the civil engineering and building construction businesses exceeded those of the same period of the previous fiscal year due to steady progress in on-hand construction projects, including large-scale projects ordered this fiscal year. Although the impact of higher prices for materials and equipment were within the range of risk factors that we considered in at the beginning of the fiscal year, we continue to take rigorous measures against rising costs including early procurement and to raise productivity. At the same time, when there are significant price fluctuations, we strive to obtain the client's understanding of changes to contract prices and design so that we can maintain and improve the gross profit margin. Although there were no major real estate sales projects in the real estate and other businesses, revenues in the real estate leasing business increased and remained steady.

In domestic subsidiaries and affiliates, earnings in both the construction business and real estate development and other businesses exceeded that of the same period of the previous fiscal year due to orders for large-scale construction projects and the sale of building lease projects. In overseas subsidiaries and affiliates, Southeast Asia, where the impact of the COVID-19 pandemic lingers, will require more time for a full earnings recovery. However, as of the end of the first half, the impact of the war in Ukraine on our European business has been limited, and the effects of rising prices and policy interest rates were minor. In the real estate development business in the United States, the distribution warehouse development business sold eight properties and the apartment complex development business in cooperation with business partners remained strong and contributed significantly to the earnings of overseas subsidiaries and affiliates.

ii. Segment Performance

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

<u>Civil Engineering</u>
Civil engineering projects in the construction business operated by the Company

Revenues increased 8.5% year on year to 142.0 billion yen (compared with 130.9 billion yen in the same period of the previous fiscal year) due to progress in on-hand construction projects, especially large-scale projects in the final stage of construction.

Operating income increased 4.4% to 9.3 billion yen (compared with 8.9 billion in the same period of the previous fiscal year) as higher revenues offset the decline in gross profit margin.

Building Construction

Building construction in the construction business operated by the Company

Revenues increased 22.8% year on year to 502.9 billion yen (compared with 409.6 billion yen in the same period of the previous fiscal year) due to steady progress in large-scale construction projects including those ordered in the current fiscal year.

Operating income increased 7.3% to 23.4 billion yen (compared with 21.8 billion yen in the same period of the previous fiscal year) due to higher revenues, despite a decline in the gross profit margin from the same period of the previous fiscal year, which was partly due to rising prices for materials and equipment.

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 in line with those of the same period of the previous fiscal year, mainly due to the solid performance of the real estate leasing business. Revenues increased 2.0% year on year to 19.5 billion yen (compared with 19.1 billion yen in the same period of the previous fiscal year) and operating income decreased 4.1% to 3.4 billion yen (compared with 3.5 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

Both revenues and gross profit increased in the construction business and real estate development and other businesses. Revenues rose 18.4% year on year to 172.3 billion yen (compared with 145.5 billion yen in the same period of the previous fiscal year), while operating income climbed 15.1% to 7.8 billion yen (compared with 6.8 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 jumped 24.2% to 369.8 billion yen (compared with 297.8 billion yen in the same period of the previous fiscal year), with increases in all regions due to foreign exchange volatility and other factors.

Operating income surged 36.4% to 20.3 billion yen (compared with 14.9 billion yen in the same period of the previous fiscal year), mainly due to higher gross profit in the real estate development and other businesses in North America.

(2) Qualitative Information on the Consolidated Financial Position

Total assets at the end of the first half were up 188.8 billion yen year on year to 2,526.5 billion yen (compared with 2,337.7 billion yen at the end of the previous fiscal year). The main factors were a 94.8 billion yen increase in notes and accounts receivable—trade, a 92.3 billion yen increase in inventories (real estate for sale, construction projects in progress, development projects in progress, and others), and a 49.9 billion yen decrease in cash and deposits.

Total liabilities increased 114.0 billion yen year on year to 1,498.2 billion yen (compared with 1,384.1 billion yen at the end of the previous fiscal year). The main factors were an increase in advances received on construction projects in progress of 44.7 billion yen and an increase in interest-bearing debt* of 39.7 billion yen. Interest-bearing debt was 399.6 billion yen (compared with 359.9 billion yen at the end of the previous fiscal year).

Total equity, including shareholders' equity of 849.0 billion yen, accumulated other comprehensive income of 170.8 billion yen, and noncontrolling interests of 8.4 billion yen, increased by 74.7 billion yen year on year to 1,028.3 billion yen (compared with 953.5 billion yen at the end of the previous fiscal year).

In addition, the owners' equity ratio dropped to 40.4%, down 0.1 points compared with 40.5% 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 Consolidated Earnings Forecasts

Considering the earnings trend in the second quarter of the fiscal year ending March 31, 2023, and the future business environment, we have revised the full-year earnings forecast announced on May 13, 2022, when the financial results for the fiscal year ended March 31, 2022, were released.

The Company expects profits to exceed the previously announced forecast due to an anticipated increase in revenues caused by steady orders and construction progress in the construction business and a gross profit margin that is expected to remain unchanged (15.5% for civil engineering and 8.5% for building construction) from the initial forecast.

Profits of domestic subsidiaries and affiliates are expected to exceed the previous forecast, though they will vary by company. As for overseas subsidiaries and affiliates, the slow recovery of earnings in Southeast Asia will be offset by strong earnings in North America, and we expect revenues and profits to increase due to exchange rate fluctuations since the beginning of the current fiscal year.

Based on each of these segment's forecast, we are now forecasting revenues to increase 7.0% from the previously announced forecast to 2,430.0 billion yen, operating income to rise 4.6% to 113.0 billion yen, ordinary income to climb 15.6 % to 141.0 billion yen, and net income attributable to owners of the parent to increase 17.6% to 100.0 billion yen.

(JPY mil)

	Revenues	Operating income	Ordinary income	Net income attributable to owners of the parent
Previously announced forecast (A) (May 13, 2022)	2,270,000	108,000	122,000	85,000
Revised forecast (B)	2,430,000	113,000	141,000	100,000
Change (B–A)	160,000	5,000	19,000	15,000
Percentage change (%)	7.0%	4.6%	15.6%	17.6%

For details, see "Financial Highlights (Forecast of Operating Results)" on page 11 of Financial Statements (April 1, 2022 – September 30, 2022).