Qualitative Information on the Consolidated Financial Results for the First Half 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 half (April 1, 2023 to September 30, 2023) of the fiscal year ending March 31, 2024, the global economy remained firm despite the slowing and stagnation of growth in some countries and regions, mostly due to inflation and continued high interest rates. The Japanese economy made a moderate recovery mainly in service consumption thanks to the normalization of social and economic activities and a recovery of the employment and income environment, despite rising prices.

In the domestic construction market, alongside stable public investment, private companies in both the manufacturing and non-manufacturing sectors moved forward steadily with capital investment. With regard to construction costs, material and equipment prices remained high overall, and labor costs rose in some occupations. We are closely watching this upward future trend in some occupations.

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

Consolidated construction contract awards increased both in Japan and overseas, coming to 1,411.6 billion yen (compared with 1,122.5 billion yen in the same period of the previous fiscal year), a 25.8% year-on-year increase. Non-consolidated contract awards, including those for real estate development and other businesses, increased 18.6% year on year to 915.4 billion yen (compared with 771.8 billion yen in the same period of the previous fiscal year).

Revenues increased 14.8% year on year to 1,305.8 billion yen (compared with 1,137.4 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 2.4% year on year to 66.4 billion yen (compared with 64.9 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. Ordinary income declined 8.0% to 72.8 billion yen (compared with 79.1 billion yen in the same period of the previous fiscal year) and net income attributable to owners of the parent decreased 8.6% to 50.0 billion yen (compared with 54.7 billion yen in the same period of the previous fiscal year) due to a decline in non-operating income related to the overseas real estate development business. Also in the period under review, the Company sold strategic shareholdings (15 stocks, 5.9 billion yen), and recorded a gain on sales of investment securities as extraordinary income.

First-half performance by business was as follows.

Looking at details of the Company’s construction business performance, revenues in both the civil engineering and building construction businesses were significantly higher than those of the same period of the previous fiscal year, due to steady progress in on-hand construction projects. Although the gross profit margin of the civil engineering business (13.0%) fell below that of the same period of the previous fiscal year (14.5%), profitability is expected to improve due to the conclusion of additional amended contracts and cost reductions. The gross profit margin of the building construction business (9.8%) is progressing favorably against the full-year forecast (9.7%), as the impact of higher material and equipment prices are within the expected range of the initial forecast. In the real estate and other businesses, performance is progressing steadily, with delivery completed for one of the real estate sales projects scheduled for sale during the fiscal year under review. In addition, the Company is entering the logistics facility development business as part of its new investments that will contribute to future profits.

For domestic subsidiaries and affiliates, the construction business remained largely unchanged from the same period of the previous fiscal year, while the revenues and gross profit margin of the asphalt mixture sales business improved. Sales of real estate owned by real estate development-related subsidiaries are expected to contribute to business performance. Overseas subsidiaries and affiliates are seeing results from investments in the real estate sales business, including the sale of seven properties in the U.S. distribution warehouse development business, and the occupancy rates in the Company’s managed hotels in Southeast Asia continued to recover. On the other hand, the effects of the COVID-19 pandemic persisted in Southeast Asia’s construction business. The Company will take steps to improve profitability in the construction business and steadily sell off properties in the real estate development business.

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 22.3% year on year to 173.8 billion yen (compared with 142.0 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 increased 9.5% to 10.2 billion yen (compared with 9.3 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 15.8% year on year to 582.1 billion yen (compared with 502.9 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 jumped 51.0% to 35.3 billion yen (compared with 23.4 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 88.5% to 36.9 billion yen (compared with 19.5 billion yen in the same period of the previous fiscal year) and operating income surged 103.0% to 6.9 billion yen (compared with 3.4 billion yen in the same period of the previous fiscal year), mainly due to the completed delivery of one of the real estate sales projects planned for the period.

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 at the same level in the domestic subsidiaries and affiliates business. Revenues were down 2.6% year on year to 167.7 billion yen (compared with 172.3 billion yen in the same period of the previous fiscal year), while operating income decreased 1.3% to 7.7 billion yen (compared with 7.8 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 increased 8.9% year on year to 402.5 billion yen (compared with 369.8 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.

Operating income decreased 70.4% to 6.0 billion yen (compared with 20.3 billion yen in the same period of the previous fiscal year), mainly due to gross profit in the real estate development and other businesses in the U.S. falling below its high level in the same period of the previous fiscal year, despite steady property sales in the distribution warehouse development business in the U.S.

(2) Qualitative Information on the Consolidated Financial Position

Total assets at the end of the first half were up 147.1 billion yen year on year to 2,916.8 billion yen (compared with 2,769.7 billion yen at the end of the previous fiscal year). The main factors were a 54.0 billion yen surge in investment securities mainly due to an increase in unrealized gains from the higher market value of stocks and other holdings, a 50.8 billion yen increase in inventories (real estate for sale, construction projects in progress, development projects in progress, and others), and a 24.3 billion yen increase in tangible fixed assets.

Total liabilities increased 68.0 billion yen year on year to 1,776.5 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 32.2 billion yen and an increase in interest-bearing debt* of 31.0 billion yen. Interest-bearing debt was 568.7 billion yen (compared with 537.7 billion yen at the end of the previous fiscal year).

Total equity, including shareholders' equity of 901.5 billion yen, accumulated other comprehensive income of 227.8 billion yen, and noncontrolling interests of 10.8 billion yen, increased by 79.0 billion yen year on year to 1,140.2 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 38.7%, up 0.7 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

In consideration of business trends in the first half of the fiscal year and the future operating environment, the Company has revised the full-year financial results forecast announced on May 15, 2023, when the financial results for the fiscal year ended March 31, 2023 were released.

In the Company's construction business, the Company expects revenues to increase due to steady progress in construction, especially of large-scale projects in both the civil engineering and building construction business, and gross profit also to increase accordingly. With regard to the real estate development business and other, the Company expects the real estate sales business, including properties owned by domestic subsidiaries and affiliates, to perform well. Revenues of overseas subsidiaries and affiliates are expected to increase due to higher foreign currency translation effects caused by a change in the exchange rate forecast from JPY132.70=USD1.00 when the previous forecast was announced to JPY149.58=USD1.00. Meanwhile, profits are expected to fall below the previous forecast on lower profitability in certain construction projects in Southeast Asia due to the impact of higher costs during the COVID-19 pandemic, and, in the U.S. real estate development business, a change in the timing of the sale of some properties from this fiscal year to the next. Overall, the Company expects that its improved performance and that of its domestic subsidiaries and affiliates will offset the performance of its overseas subsidiaries and affiliates, and revenues and income will therefore exceed the previously announced forecast.

Reflecting these factors, the Company is now forecasting revenues 5.2% higher than previously forecasted, at 2,610.0 billion yen, operating income to rise 1.4% to 144.0 billion yen, ordinary income to climb 2.0 % to 153.0 billion yen, and net income attributable to owners of the parent to increase 1.9% to 107.0 billion yen.

For details, see "Announcement of Revisions to the Financial Forecast" released today (November 13, 2023) and "Financial Highlights (Forecast of Operating Results)" on page 11 of Financial Statements (April 1, 2023 to September 30, 2023).