KAJIMA CORPORATION

FY2019 3rd Quarter Analyst and Investor Briefing (Tele-Conference) Summary of Q&A Session

February 12, 2020

Q

Will it be possible to meet the full-year forecast for new sales on a non-consolidated basis while its progress rate as of the end of third quarter stayed at 64%?

A

- The Company expects it can achieve the full-year target based on the current situation that several new works are secured for which final contracts will be made shortly.

Q

How is the competitive environment for large-scale projects?

A

- Until recently, there were a number of negotiated projects which had time constraints such as required completion before the Olympics or before the increase in the consumption tax.
- Moving into FY2019, however, these constraints began to fade, and the Company believes competition has already intensified.
- Rather than competition based purely on cost, the Company sees a continued trend toward competition increasingly based on technical and proposal capabilities, such as design-build projects in which general contractors are required to get involved from the early stages.

Q

Has there been any change in the projected profitability of new sales?

A

- The projected profit margin for new sales remains at the same level as that of FY2018.

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With higher revenues to be posted during the three months of the fourth quarter than the third quarter of 240 billion yen, will revenues from building construction business surpass the full-year forecast?

A

- Since large-scale building construction projects centered on the Tokyo metropolitan area have already peaked, revenues to be posted during fourth quarter are expected to remain at the same level as those of third quarter, and therefore the full-year forecast remains unchanged.

Q

Why did the gross profit margin on building construction business for the nine months show a year-on-year decline from 12.7% to 11.9%?

A

- There has been no particular change in the business environment.
- The decline is attributable to the low number of projects completed in the third quarter, which lowered the gross profit margin during that quarter to 10.8%.

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The operating income of overseas subsidiaries and affiliates segment for the third quarter is in the red. Will it be possible to meet the full-year forecast?

A

- Overseas subsidiaries and affiliates are making steady progress toward meeting the full-year forecast revised downward at the end of second quarter.

Q

What is the reason for the decline in the difference between consolidated and non-consolidated operating income year on year from 13.5 billion yen to 12.4 billion yen?

A

- Although profits generated by domestic subsidiaries and affiliates increased, operating income from overseas subsidiaries and affiliates declined due to poor performance in certain construction projects.

Q

What is the outlook for overseas subsidiaries and affiliates performance in FY2020?

A

- The Company expects their performance will recover as such temporary negative factors that occurred in FY2019 go away.

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What is the reason for the year-on-year decrease in “equity in earnings of partnership” in non-operating income from 3.5 billion yen to 2.7 billion yen?

A

- The number of properties sold overseas in FY2019 decreased as for the off-balance sheet projects which can contribute to “equity in earnings of partnership.”
- On the other hand, revenues and gross profits from real estate development business generated by overseas subsidiaries and affiliates increased year on year thanks to strong sales of on-balance sheet projects.

Q

Will gross profit margin on civil engineering business in FY2020 rebound to a similar level as high as 19.0% achieved in FY2018?

A

- Since there has been no significant change in the business environment, the Company thinks its initial projection of gross profit margin on civil engineering business for FY2020 will be on the same level as that for FY2019 or 15.2%.

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Q What is the outlook for new sales and revenues on building construction business in FY2020?

A

- The Company is focused on securing new sales in consideration of construction schedule and its capacity.
- If some contracts for new jobs are unexpectedly delayed until FY2020, new sales on building construction business for the next fiscal year could exceed 900 billion yen.
- Revenues from that business may decline temporarily in FY2020 due to less progress on large-scale projects but will increase from FY2021.

Q What is the outlook for the gross profit margin on building construction business in FY2020?

A

- Since there has been no significant change in the business environment, the Company thinks its initial projection of gross profit margin on building construction business for FY2020 will be on the same level as that for FY2019 or 11.2%

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Q

What is the main reason for the figure posted on "provision for loss on construction projects in progress" remaining so high over a long period? The balance at end of third quarter is 12.2 billion yen?

A

- This is due to a few specific long-term projects and therefore it takes long until the write-off will be done.

Q

How will the profit contribution from real estate business go in the medium term?

A

- The Company is in the process of investing in the domestic real estate business and there are some projects that will start operation in FY2021, contributing to its full-year performance from FY2022.
- As for overseas real estate business, the Company has been investing in short-term turnover projects in North America and elsewhere, and the Company also expects to see steady progress in the sell-off of these projects.

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Q

What is the progress of real estate investment projected in the Medium-Term Business Plan (FY2018-FY2020)?

A

- The Company plans to report the details of FY2019 progress when it announces the full-year financial results.
- As of now the Company is making good progress in new investment as well as recoupment of investment against the three-year plan.