

# FY2021 First Half Analyst and Investor Briefing (Tele-Conference)

## Summary of Q&A Session

November 9, 2021

**Q** What is the trend in the profit margin on new contracts in the domestic construction business?

**A** The fiercely competitive environment has continued, particularly in the building construction business, but the profit margin has held steady at about the same level as in the previous fiscal year in both the building construction business and the civil engineering business.

**Q** What are you doing to maintain the profitability of new contracts?

**A** Even in this fiercely competitive environment, we are working to secure contract awards while ensuring profitability. In particular, for large-scale construction projects that will have a significant impact on the company's business performance, we carefully examine various conditions and decide whether or not to proactively pursue such projects. We will stick with our policy of not accepting contracts for the sole purpose of securing contract awards.

**Q** What are the future trends in demand for the civil engineering business at Kajima Corporation?

**A** Public-sector demand remains stable. As for private-sector construction, there are changes and reductions in some plans such as railways, but the market as a whole is expected to remain firm due to the anticipated expansion of demand related to renewable energy.

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Q

Can you maintain a profit margin in the 10% range in the building construction business at Kajima Corporation in fiscal 2022 and beyond?

A

Although there are some uncertainties in estimating the profit level for fiscal 2022 and beyond due to the current fiercely competitive environment and the upward trend in material prices, especially steel, we hope to secure a profit margin in the 10% range.

Q

What is the outlook for performance at overseas subsidiaries and affiliates in fiscal 2022 and beyond?

A

At KUSA (North America) and KE (Europe), the construction business has been solid, and the distribution warehouse development business has also been turning in a strong performance due to the booming e-commerce market. We expect the current high demand for distribution warehouses to continue for the foreseeable future, and we believe steady progress will be made in fiscal 2022 and beyond.

On the other hand, performance at KAP (Southeast Asia) has been sluggish due to the impact of COVID-19, but we expect a recovery in performance due to an improvement in economic conditions in fiscal 2022 and beyond.

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Q

With regard to progress on the investment plan, what is the outlook for fiscal 2021 investment in the real estate development business? Will it be possible to achieve the full-year forecast?

A

In the overseas real estate development business, we will invest more in the second half than we did in the first half. This is mainly due to the large number of distribution warehouse development projects scheduled to commence in the second half. However, the objective is not to invest the planned amount, but to invest with an emphasis on profitability, so investments could be carried forward into fiscal 2022 and beyond.

In the domestic real estate development business, the full-year investment forecast consists primarily of investment in projects already in progress, mainly in central Tokyo and bayside areas, and investments are moving forward as planned.

Q

In the future, how much do you plan to expand the infrastructure management business, which is one of your businesses that can help solve social challenges?

A

We recently acquired the Atami Beachline toll road via a bidding process. However, there are not many opportunities like this to acquire an infrastructure operation business, so we do not have a specific target set for the size of the business. For the time being, we will steadily proceed with the operation business for Atami Beachline, and if there are opportunities to acquire any new businesses in the future, we will take into consideration.

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Q

What is the status of reduction in cross-shareholdings? Is there any possibility you will change the reduction target?

A

In our Medium-Term Business Plan, we have set a goal to sell 30.0 billion yen or more of our cross shareholdings during the plan period, and we sold 4.7 billion yen of cross-shareholdings in the first half of fiscal 2021. Our priority now is to keep taking steps to sell 30 billion yen of cross-shareholdings as stated in the plan.

Q

It has been about half year since you assumed the position of president. What are your thoughts about the current situation and what issues do you see?

A

I recognize that, in the construction business, in which the effects of economic downturn manifest with some delay and rising prices have an outsized impact, I believe we need to pay good attention to the evolving business environment. On the other hand, despite the lingering effects of COVID-19, we are making steady progress with the measures and investments set out in our Medium-Term Management Plan, including strengthening the competitiveness of our core businesses, taking on the challenge of new businesses that will lead to solving social challenges, and taking initiatives to decarbonize and secure our workforce. We will continue to make strong progress in these areas, going forward.