FY2022 Third Quarter Analyst and Investor Briefing (Web Conference)
Summary of Q&A Session
February 14, 2023

Q What is the trend in the profit margin on new contracts in the non-consolidated construction business?

A The profit margin on new contracts for the civil engineering business remains the same as it was in the results for the previous fiscal year. The building construction business has improved slightly over the results of the previous fiscal year and the first half of the current fiscal year.

Q What was the reason for the revision of the profit margin forecast for the non-consolidated building construction business?

A The gross profit margin of the building construction business in the first three quarters was 8.8%, exceeding the 8.5% of the previous forecast. This was due to the impact of rising material prices falling within the range of risk factors included in the forecast, as well as improved profitability, mainly for projects to be completed in fiscal 2022. The revised full-year forecast of 8.6% was based on an expected increase in revenues due to steady progress made on construction in progress, and also the need to pay close attention to the impact of rising material prices and other factors.

Q What is the outlook for the gross profit margin of the non-consolidated building construction business in fiscal 2023?

A We will refrain from replying specifically about the forecast for fiscal 2023, as it is still being reviewed. That said, we will continue to closely monitor the impact of rising material and equipment prices and will formulate our forecast based on the forecast we issued at the beginning of fiscal 2022, which was 8.5%, taking into account the state of projects on hand and other factors.

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Q What was the reason for the upward revision of the fiscal 2022 full-year forecast for the gross profit margin of the non-consolidated civil engineering business? Do you expect the same level of profit in fiscal 2023?

A We revised our fiscal 2022 full-year forecast upward to 16.9% due to an unexpected profit improvement in the fourth quarter, mainly on construction completed at the end of the fiscal year, and additional revenues from several construction projects. We will refrain from giving a specific response regarding the forecast for fiscal 2023, but since there have been no major changes in the business environment, we think a rough estimate would be a level similar to that of the forecast we issued at the beginning of fiscal 2022 — a level around 15%.

Q What impact do changes in market conditions have on the performance of overseas subsidiaries and affiliates?

A In the construction business, developers sensitive to interest rate trends in the U.S. are beginning to postpone the timing of their orders for apartment complexes and other projects. On the other hand, in Asia, we have received multiple orders for large-scale projects and are recovering from the previous situation, which was greatly affected by COVID-19.
In the real estate development business, we postponed the scheduled sales dates of some projects due to the marked increase in cap rates following the rise in interest rates from the second half of fiscal 2022. We plan to sell properties based on market trends in anticipation of a stable market environment in the second half of fiscal 2023. New project starts are steadily progressing, so we do not foresee a significant investment slowdown.

KAJIMA CORPORATION

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Q What is the financial results forecast for the domestic real estate development business in fiscal 2023? What is the status of private REIT assets?

A Due to few planned property sales, the combined net income of the non-consolidated real estate development business and real estate development-related subsidiaries and affiliates is expected to reach 7.6 billion yen in fiscal 2022. But we will review the figure for fiscal 2023 based on the target of 11.0 billion yen set in the medium-term business plan.
We have used the private REIT as a part of our efforts to secure profits in the real estate development business. The scale of our assets has reached approximately 70.0 billion yen due to continuous accumulation. Investment demand for the private REIT is strong and we hope to reach 100 billion yen in assets soon.

Q Can you maintain the revised annual dividend per share of 62 yen in fiscal 2023 as well? What is the policy for future share buybacks?

A The decision to revise the dividend forecast was based on the financial results forecast for fiscal 2022, and it will again be based on the forecast for fiscal 2023. For share buybacks, we have prioritized a dividend increase at this time, since we already acquired 10 billion yen of our own shares in fiscal 2022, but we will continue to consider share buybacks based on our performance and financial condition.