

FY2022 Results Analyst and Investor Briefing (Web Conference)

Summary of Q&A Session

May 15, 2023

Q Is the decrease in construction capacity the reason that the non-consolidated building construction business revenue forecast for fiscal 2023 is lower than the fiscal 2022 results?

A The revenue forecast was formulated based on the status of on-hand construction projects and does not indicate a decrease in construction capacity. We believe that the revenue forecast for fiscal 2023 is also high.

Q Why did the gross profit margin of the non-consolidated building construction business decline in the fourth quarter of fiscal 2022?

A That was mainly due to the factoring in of material price hikes and other factors into construction profitability in the fourth quarter. The full-year fiscal 2022 gross profit margin was the same as the forecast.

Q Does the forecast for gross profit in the non-consolidated building construction business for fiscal 2023 factor in the impact of higher material prices?

A The impact of material price hikes has been factored into construction profitability according to the status of each construction project. The fiscal 2023 forecast anticipates an improvement in profitability of large-scale construction projects nearing completion and looks ahead to where we will be at the end of the fiscal year.

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Q What risk factors do you anticipate in the non-consolidated building construction business?

A We foresee issues such as further material price increases, overtime work restrictions to be applied starting in fiscal 2024, and a future shortage of skilled workers. It is important to ensure appropriate construction work schedules to address the overtime work restrictions and skilled worker shortage, and so we are coordinating this with clients.

Q What is the status of construction of the two offshore wind power projects off the coast of Akita Prefecture and the one off the coast of Chiba Prefecture, and will they be profitable?

A Kajima Corporation has preferred contractor status in these three projects but contracts have yet to be finalized. At the moment, we are reviewing our construction plans and other factors, and we are not yet at a stage where we can determine actual profitability.

Q What is the forecast for the leasing and sales businesses in domestic real estate development business in fiscal 2023?

A In the leasing business, we expect net income to decrease from fiscal 2022 due to the sale of real estate for rent in fiscal 2022. In the sales business, we plan to sell several properties, including offices. We will continue to flexibly conduct asset replacement, taking into account the region and asset type.

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Q

What is the environment and outlook for the real estate development business at KUSA (U.S.) and KAP (Asia)?

A

KUSA expects to sell nearly the same number of distribution warehouses in fiscal 2023 as in fiscal 2022 (10 distribution warehouses were sold in fiscal 2022). Construction costs and cap rates are rising, but actual demand for distribution warehouses is vigorous, so we expect sales to remain steady. In our earnings forecast, we cautiously anticipate revenues from joint venture partnerships, which are recorded in non-operating income, especially for apartment complexes and commercial facilities.

Since both occupancy rates and room rates are recovering at KAP hotels in Thailand, Indonesia, and other countries, we expect KAP earnings to improve in fiscal 2023.

Q

What is the outlook for overseas real estate investments and asset balances in fiscal 2023?

A

We plan to invest the same as in previous years and also to sell properties mainly in the U.S. and Asia. The balance of assets is expected to increase, but not as much as the fiscal 2022 increase.

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Q What are the prospects for an additional share buyback during fiscal 2023?

A Taking into account the fiscal 2022 results and the fiscal 2023 forecast, we decided first to buy back 10.0 billion yen of our own shares. We will consider additional buybacks during the period, taking into account our progress on fiscal 2023 earnings targets, the business environment, and the balance with growth investments.

Q What are the prospects for the reduction of cross-shareholdings in fiscal 2023 and beyond?

A First, we are working toward the goal of selling a total of more than 30.0 billion yen of cross-shareholdings. Since the market's view of cross-shareholdings is changing, we will consider a new reduction policy when drawing up the next medium-term business plan.

Q What are Kajima's strengths in improving its reputation in the market?

A Our strengths lie in the ability to secure stable profits in the domestic construction business and to have our solid platform of real estate development business and overseas business. Kajima Corporation seeks to raise its reputation in the market by taking various steps, including more carefully explaining its growth strategies in each field.