KAJIMA CORPORATION

FY2023 1st Quarter Analyst and Investor Briefing (Web Conference) Summary of Q&A Session

August 9, 2023

Q What is the potential for the gross profit margin in the non-consolidated building construction business to exceed the full-year forecast?

A The first quarter gross profit margin (9.6%) was in line with the full-year forecast (9.7%) because the impact of rising material prices was within the range expected at the beginning of the fiscal year and the profitability of several construction projects improved, especially those to be completed this fiscal year.
Although we hope for further improvement in profitability, we have not changed the full-year forecast, since we still need to assess the impact of rising material prices.

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

A Office projects, for which we received many orders in the first quarter, were contracted at a certain profit level and the profit margin on new contracts remained largely in line with that of the previous fiscal year.

Q Has there been a change in domestic construction demand?

A Construction demand remains high in both manufacturing and non-manufacturing sectors including semiconductors and other digital-related facilities, medical and pharmaceutical production facilities, and redevelopment projects. We expect this environment to continue for the time being.

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Q What is the outlook for the gross profit margin of the non-consolidated civil engineering business?

A The first quarter gross profit margin (12.8%) was below the full-year forecast (16.1%) due to fewer completed construction projects and little improvement in profitability from additional design changes and other factors. We expect an improvement to the gross profit margin, mainly due to more projects completed toward the end of the current fiscal year.

Q What is the impact on business performance of the overtime work restrictions that will apply to the construction industry starting in fiscal 2024?

A Since we view this as a change in the business environment that needs to be addressed, we are raising productivity, reviewing operations, and taking steps to enhance the needed construction system. The costs and other expenses associated with these initiatives are appropriately reflected in the estimates and profitability for each construction project. The Company's basic policies, such as submitting quotations after thoroughly examining the construction systems, including those of subcontractors, are rigorously enforced in its efforts to win orders.

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Q What are the prospects for market environment and property sales in the distribution warehouse development business in the U.S.?

A The U.S. real estate market overall is affected by inflation, rising interest rates, and the strict lending practices of financial institutions. There is steady demand for prime distribution warehouse projects that have already been leased to tenants, and the Group is certain to sell multiple properties in the second quarter, while new project starts are generally going according to plan. We will continue to assess market conditions and pursue profitable sales of properties and new project starts.

Q What is the state of tenant demand and rental prices in the U.S. distribution warehouse development business?

A In general, tenant demand is strong and leasing is progressing favorably, although conditions vary from project to project. Since rental prices are rising in line with inflation and interest rates, we have secured planned profit levels when the properties are sold.

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

A As set forth in our policy on stockholder returns, our approach of flexibly contributing to returns remains unchanged, and we will review this after assessing our future financial outlook, business environment, and balance of funds.