

FY2018 First Half Financial Results

November 13, 2018



➤ Summary of our FY2018 First Half Financial Results is as follows.

I FY2018 First Half Results ————— **01**

II FY2018 Forecast ————— **13**



FY2018 First Half Results

(April 1 - September 30, 2018)

1. Business Environment
2. Financial Highlights
3. Segment Performance

1. Business Environment

Domestic market trends

- Stable construction demand mainly due to high level capital investments in private sector
- Limited increase in construction costs

Progress of our measures

- Go on pursuing rationalization of construction and improvement of productivity
- Proceed with expansion of business fields to capitalize on our group's strength and reinforcement of our management platform

- First, let us review the first-half business environment.
- The domestic construction market went well as a whole supported by stable construction demand mainly due to high level capital investments in private sector as well as limited increase in construction costs.
- Under these circumstances, the Kajima Group took positive steps to rationalize construction, improve productivity, expand business fields, and reinforce management platform based on Medium-Term Business Plan.

2. Financial Highlights

Lower profit than FY17 1H. Good progress toward the initial full-year forecast

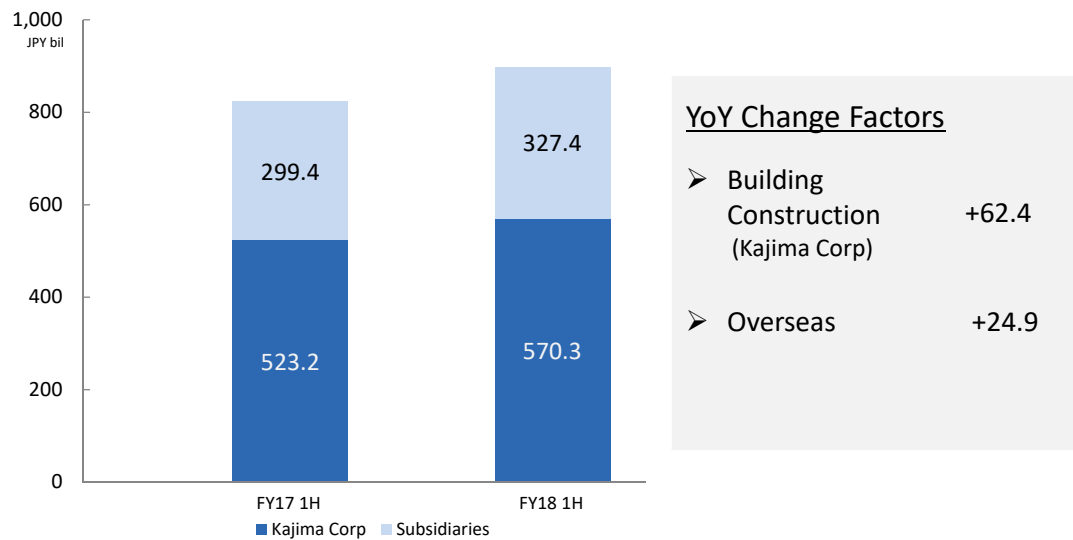
Billions of yen	FY17 1H Result	FY18 1H Result	YoY Change	Progress	FY18 Initial forecast
Revenues	822.7	897.7	+75.0	44.9%	2,000.0
Operating Income	76.8	60.6	(16.1)	56.1%	108.0
Ordinary Income	84.3	72.1	(12.2)	61.6%	117.0
*1 Net Income	64.3	54.5	(9.8)	66.5%	82.0
Construction Contract Awards	759.3	752.0	(7.2)	43.2%	1,740.0
Interest-bearing Debt	※2 344.8	275.8	※3 (68.9)	-	340.0

*1 Net Income Attributable to Owners of the Parent *2 As of Mar 31, 2018 *3 Change from Mar 31, 2018

- Here are the consolidated financial highlights.
- In the first half of fiscal 2018, revenues increased year on year, but all profits decreased.
- Regarding progress against the full-year forecast announced at the beginning of the year, ordinary income and net income were more than 60% of forecast.
- Construction contract awards were equivalent year on year, and interest-bearing debt decreased from the end of the previous fiscal year.

2. Revenues

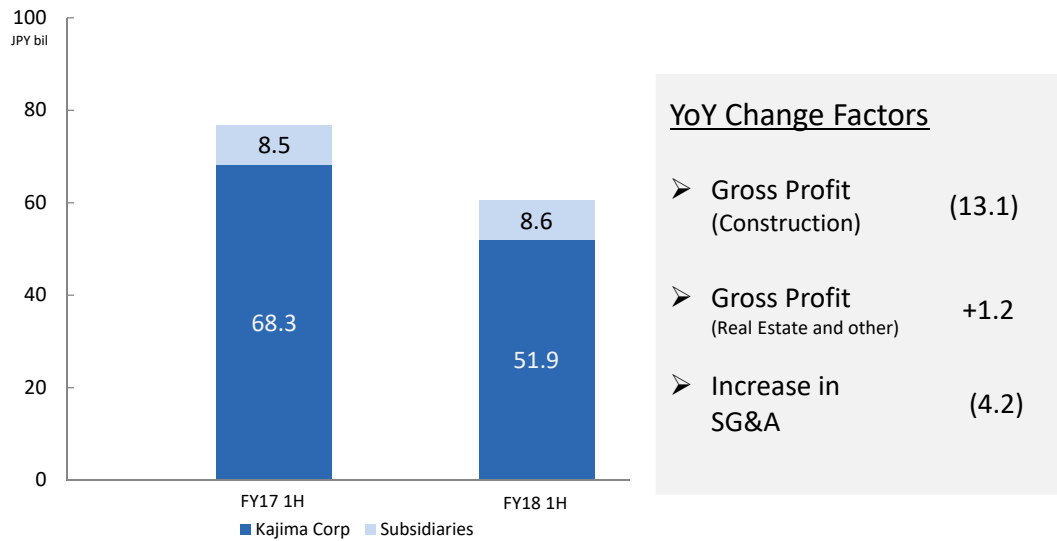
Billions of yen	FY17 1H Result	FY18 1H Result	YoY Change
Revenues	822.7	897.7	+75.0



- Let us take a look at some of the details.
- Revenues increased 75.0 billion yen year on year to 897.7 billion yen.
- The key factor was growth in building construction at Kajima Corporation and overseas subsidiaries and affiliates.

2. Operating Income

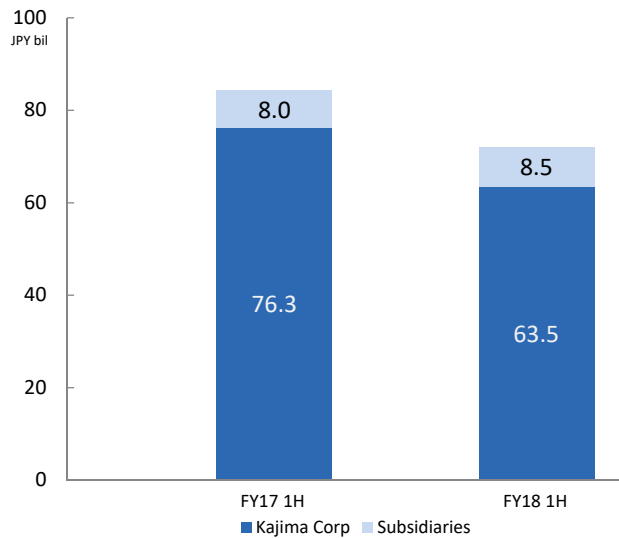
Billions of yen	FY17 1H Result	FY18 1H Result	YoY Change
Operating Income	76.8	60.6	(16.1)



- Operating income decreased 16.1 billion yen year on year to 60.6 billion yen.
- Compared to the same period of the previous fiscal year, the main factors in the change were temporary factors in Civil Engineering that boosted profits in FY2017, and higher SG&A expenses due to increased R&D expenses and implementation of M&A.

2. Ordinary Income

Billions of yen	FY17 1H Result	FY18 1H Result	YoY Change
Ordinary Income	84.3	72.1	(12.2)



YoY Change Factors

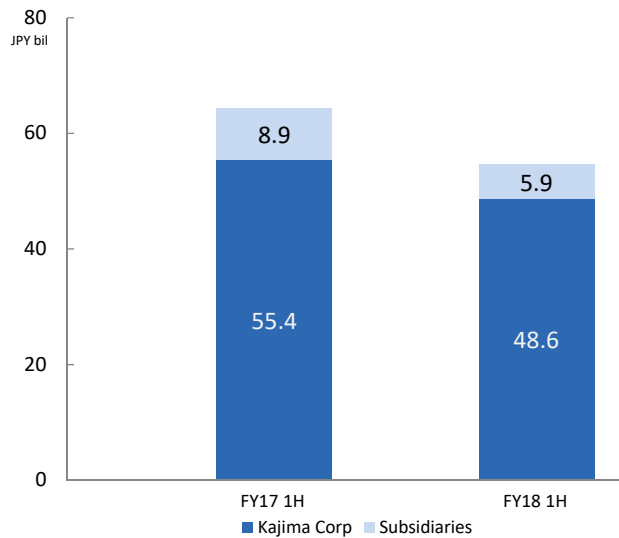
➤ Operating Income	(16.1)
➤ Non-operating Income – net	+3.9
<ul style="list-style-type: none"> Reversal of allowance for doubtful accounts +2.2 Equity in Earnings of Partnership +1.6 	

- Ordinary income was down 12.2 billion yen year on year to 72.1 billion yen.
- Non-operating income improved mainly due to a reversal of allowance for doubtful accounts and an increase in equity in earnings of partnership.

2. Net Income Attributable to Owners of the Parent

Billions of yen	FY17 1H Result	FY18 1H Result	YoY Change
Net Income	64.3	54.5	(9.8)

* Net Income Attributable to Owners of the Parent



YoY Change Factors

➤ Ordinary Income	(12.2)
➤ Extraordinary Income - net	(1.2)
➤ Decrease in Income Taxes	+3.8
➤ Noncontrolling Interests	(0.2)

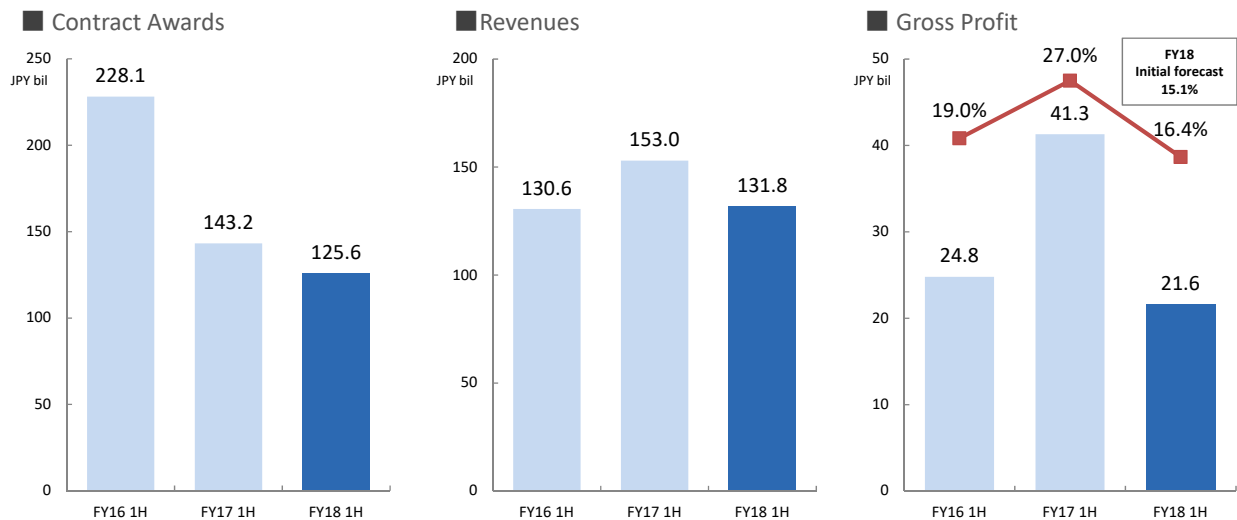
- As a result, net income attributable to owners of the parent decreased 9.8 billion yen year on year to 54.5 billion yen.

3. Civil Engineering (Kajima Corp)

Contracts ➤ Decrease due to fewer contract awards of large-scale projects

Revenues ➤ Decrease due to decline in overseas projects

Gross Profit ➤ Higher margin than FY18 initial forecast



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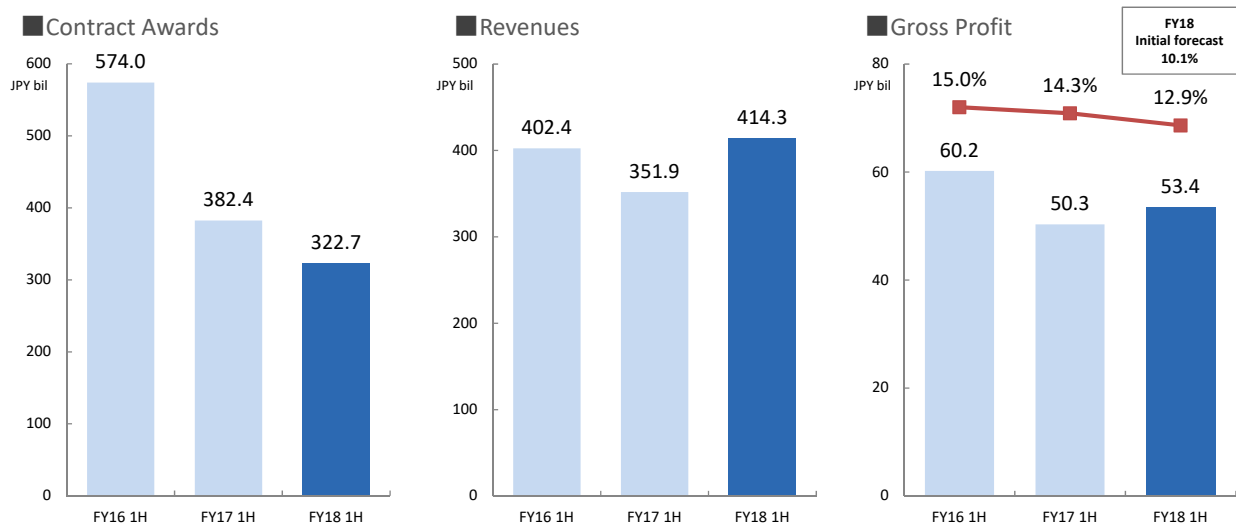
- Now let us present the results for each business segment. First, Civil Engineering at Kajima Corporation.
- Contracts came to 125.6 billion yen, a decrease of 17.5 billion yen year on year due to a decrease in contracts for large projects.
- Revenues were 131.8 billion yen, a decrease of 21.1 billion yen year on year due to a decline in overseas Civil Engineering.
- Gross profit was 21.6 billion yen, a decrease of 19.6 billion yen year on year, but the gross profit margin was 16.4%, exceeding the initial full-year forecast.

3. Building Construction (Kajima Corp)

Contracts ➤ Decrease due to fewer contract awards of large-scale projects

Revenues ➤ Contribution from large-scale projects

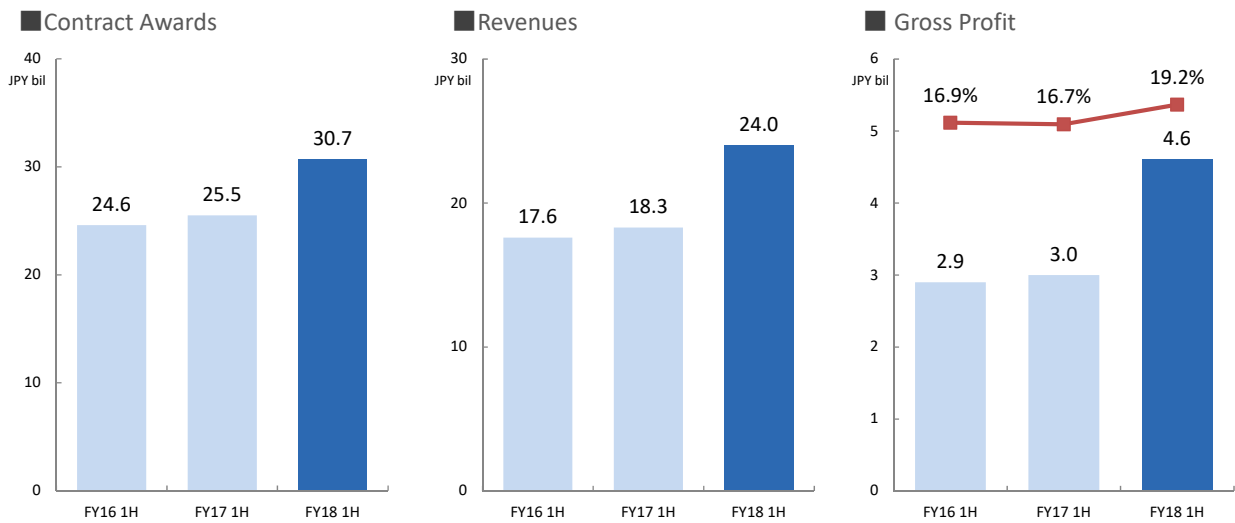
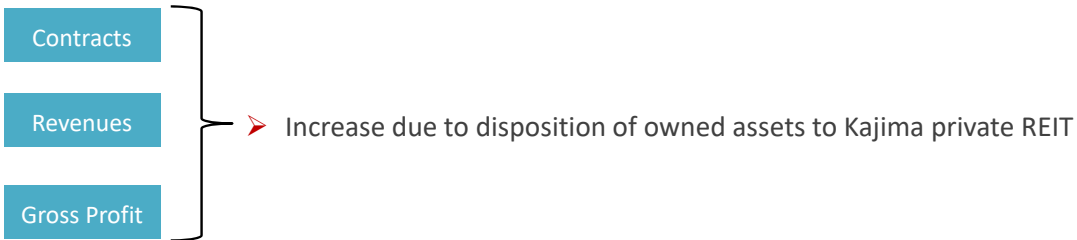
Gross Profit ➤ Higher-than-expected margin by pursuing improvement of productivity and cost reduction as well as limited increase in construction costs



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- Next, Building Construction at Kajima Corporation.
- Contracts came to 322.7 billion yen. Like Civil Engineering, due to a decline in large project contracts, contracts decreased 59.7 billion yen year on year.
- Revenues came to 414.3 billion yen, an increase of 62.4 billion yen year on year. The main factors were large construction projects on hand that were in the initial stage of construction as of the end of the previous fiscal year but entered the full-scale construction stage in the first half of fiscal 2018.
- Gross profit was 53.4 billion yen, an increase of 3.1 billion yen year on year. The profit margin was 12.9%, exceeding the initial forecast due to limited increase in construction costs and our efforts to raise productivity and reduce costs.

3. Real Estate and Other (Kajima Corp)



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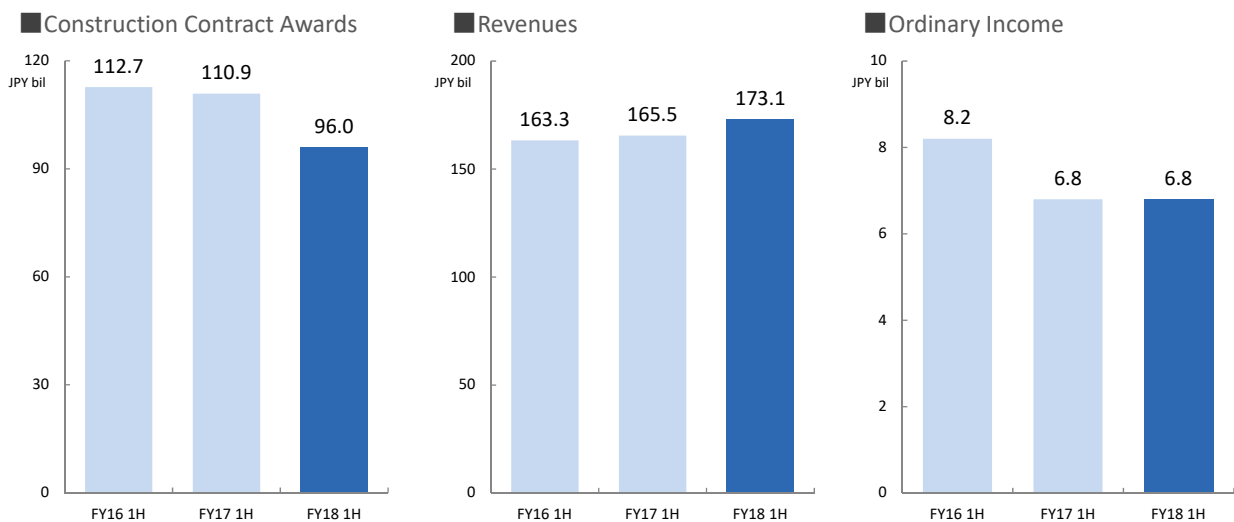
- Next, Real Estate and Other business at Kajima Corporation.
- Contracts, revenues, and gross profit were 30.7billion yen, 24.0 billion yen, and 4.6 billion yen, respectively — all higher than the same period of the previous fiscal year, mainly due to the sale of assets to Kajima private REIT which went into operation in June.

3. Domestic Subsidiaries and Affiliates

Contracts ➤ Decrease due to fewer contract awards of large-scale projects

Revenues ➤ Increase mainly due to sell of materials and equipment in Metro-Tokyo area

Ordinary Income ➤ Equivalent level to FY17 1H



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➤ Next, Domestic Subsidiaries and Affiliates.

➤ Construction contract awards declined from the same period of the previous fiscal year, during which multiple contracts were received for large projects, but revenues increased due to sales of equipment and materials in the Tokyo metropolitan area.

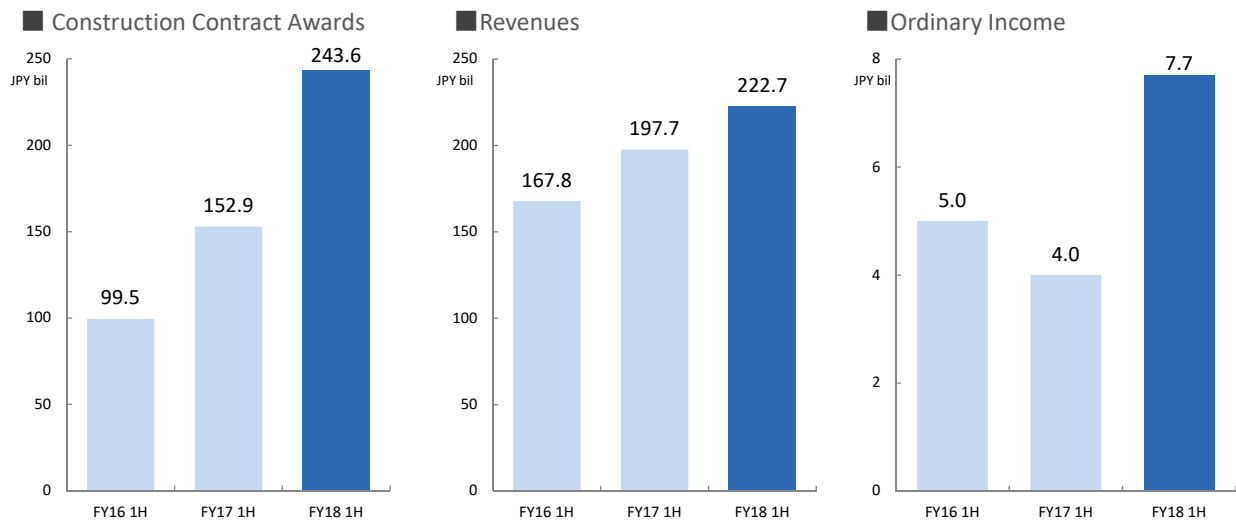
➤ Ordinary income was flat year on year, at 6.8 billion yen.

3. Overseas Subsidiaries and Affiliates

Contracts ➤ Increase due to the effect of M&A and contract awards of large-scale projects

Revenues ➤ Increase mainly due to the effect of M&A

Ordinary Income ➤ Jump due to increase in revenues, improvement of margin and disposition of assets



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- Next, Overseas Subsidiaries and Affiliates.
- Construction contract awards came to 243.6 billion yen, an increase of 90.7 billion yen year on year. The growth was due to the effects of M&A as well as new contracts for large projects in the United States, Taiwan, and other countries.
- Revenues came to 222.7 billion yen, an increase of 24.9 billion yen year on year, mainly due to the effects of M&A.
- Ordinary income was 7.7 billion yen, which was a significant increase. This was driven by a higher profit margin and the disposition of assets, in addition to an increase in revenues.



FY2018 Forecast

(April 1, 2018 - March 31, 2019)

1. Business Environment
2. Financial Highlights
3. Segment Performance
4. Dividend

1. Business Environment

Domestic market outlook

- Stable construction demand mainly supported by capital investments in private sector
- Concern of cost escalation along with progress of large-scale projects mainly in Metro-Tokyo area

Corporate strategies

- Reinforce creation of next-generation construction system
- Promote the Kajima Group's work-style reform aiming to acquire future construction workers
- Steady implementation of investment plan in accordance with Kajima Group Medium-Term Business Plan

- We see several important trends in the business environment.
- In the domestic construction market, we expect construction investment to remain strong with private capital investment as the driving force, but we have concerns about a further rise in construction costs as large project construction including large-scale redevelopment and facilities related to the Tokyo 2020 Olympic and Paralympic Games, mainly in the Tokyo metropolitan area, shifts into full swing.
- Based on this outlook, in line with the Medium-Term Business Plan, the Kajima Group will continue to pursue the creation of next-generation construction system, promote Kajima Group's work-style reform, and implement investment plan steadily.

2. Financial Highlights

Updated based on 1H result and business condition

Billions of yen	FY17 Result	FY18 Initial Forecast	FY18 Updated Forecast	YoY Change	Change from Initial Forecast
Revenues	1,830.6	2,000.0	1,960.0	+129.3	(40.0)
Operating Income	158.3	108.0	120.0	(38.3)	+12.0
Ordinary Income	179.7	117.0	134.0	(45.7)	+17.0
* Net Income	126.7	82.0	97.0	(29.7)	+15.0
Construction Contract Awards	1,685.9	1,740.0	1,780.0	+94.0	+40.0
Interest-bearing Debt	344.8	340.0	340.0	(4.8)	0.0

* Net Income Attributable to Owners of the Parent

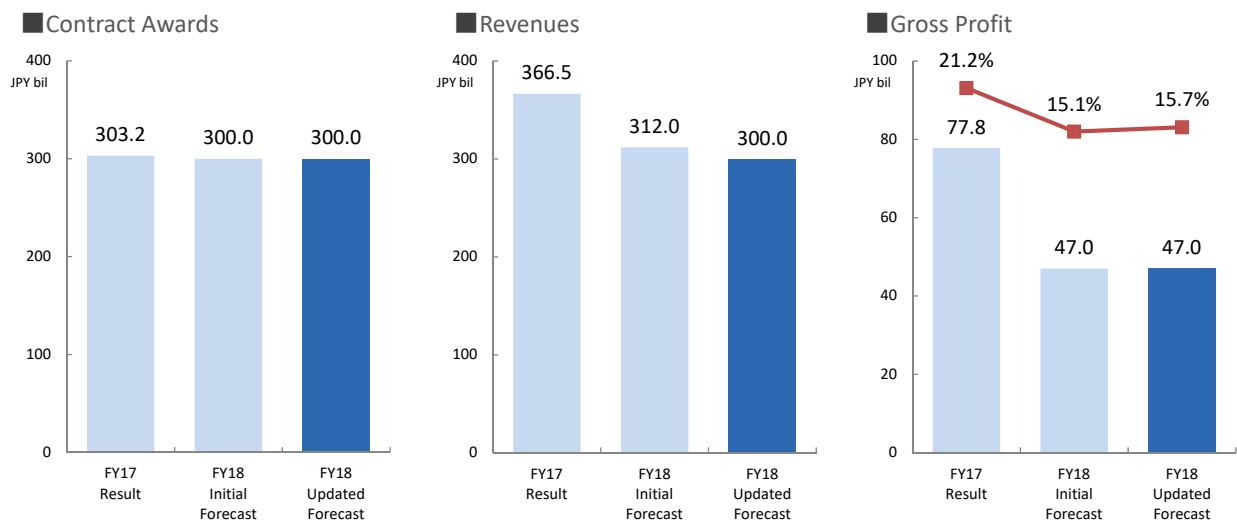
- This is the revised full-year financial forecast that we announced today.
- The updated forecast calls for revenues of 1,960 billion yen, operating income of 120.0 billion yen, ordinary income of 134.0 billion yen, and net income of 97.0 billion yen.
- We anticipate revenues to be 40.0 billion yen lower than the initial forecast mainly due to a decrease in sales at overseas subsidiaries and affiliates. On the other hand, we have revised profits upward, based on first-half results and the second-half outlook, by 12.0 billion yen for operating income, 17.0 billion for ordinary income, and 15.0 billion yen for net income.
- In accordance with the forecast that building construction contracts at Kajima Corporation will exceed the initial forecast, we anticipate construction contract awards to reach 1,780.0 billion yen, 40.0 billion yen higher than the initial forecast.
- Interest-bearing debt of 340.0 billion yen is unchanged from the initial forecast.

3. Civil Engineering (Kajima Corp)

Contracts ➤ Same as initial forecast

Revenues ➤ Equivalent to initial forecast

Gross Profit ➤ Unchanged from initial forecast based on the first half result



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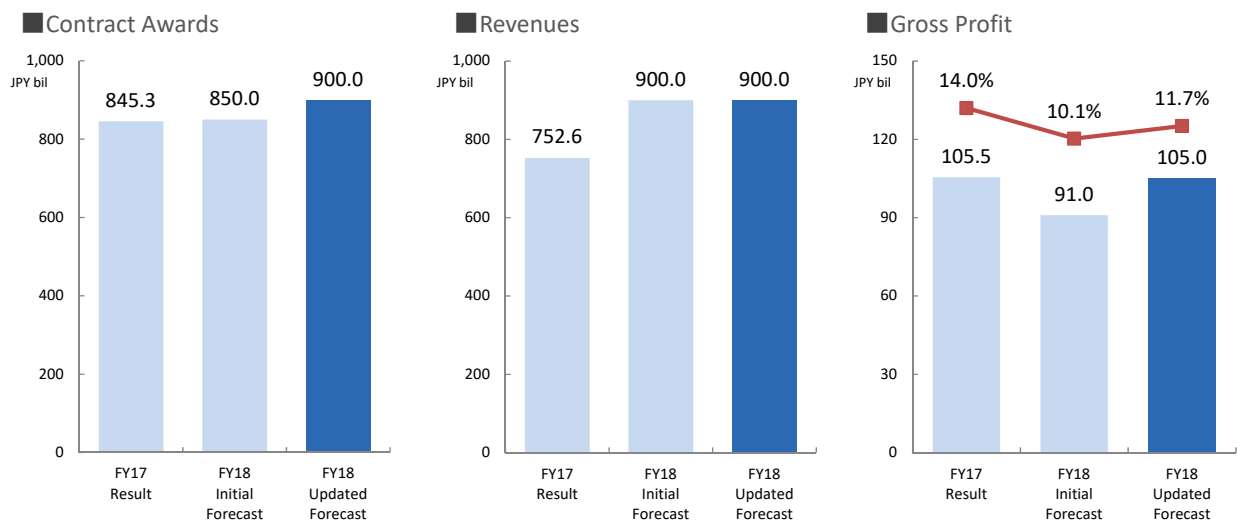
- Let us refer to the updated forecast for each business segment. First, Civil Engineering at Kajima Corporation.
- We anticipate construction contract awards of 300.0 billion yen, the same as the initial forecast, and revenues of 300.0 billion yen, a slight decrease from the initial forecast.
- We expect gross profit will be the same as initially forecast, at 47.0 billion yen.

3. Building Construction (Kajima Corp)

Contracts ➤ Upward based on business condition

Revenues ➤ Same as initial forecast

Gross Profit ➤ Upward based on first half result and condition of backlog
 ➤ Equivalent to FY17



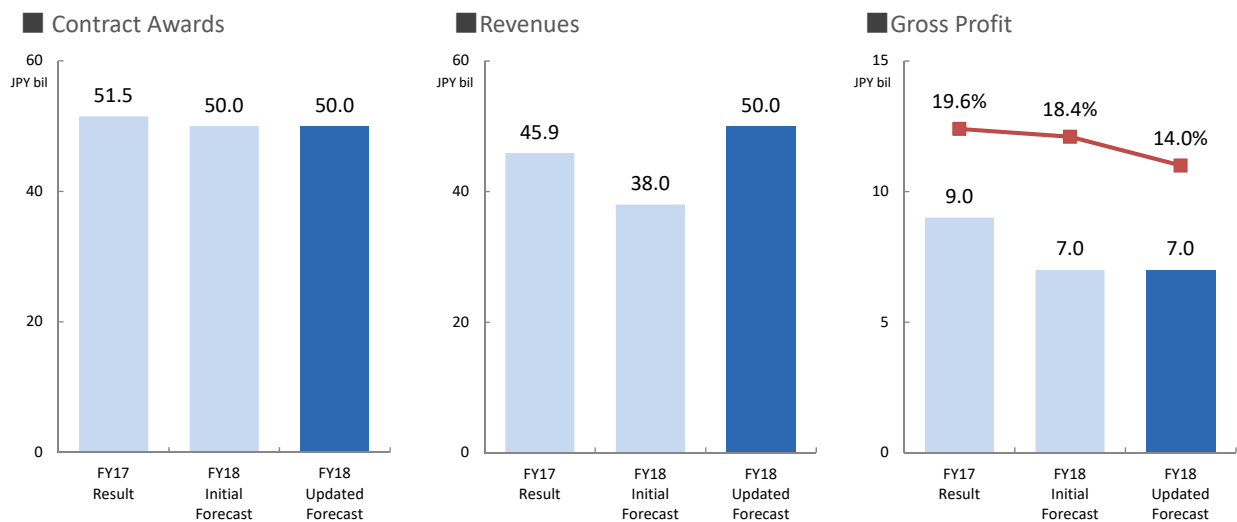
- Next, Building Construction at Kajima Corporation.
- Based on business conditions at the end of the first half, we expect contracts to increase 50.0 billion yen from the initial forecast to 900.0 billion yen. We anticipate revenues of 900.0 billion yen, the same as the initial forecast.
- We expect gross profit to be 14.0 billion yen higher, based on first-half results and status of backlog. We see the gross profit margin reaching 11.7%, a 1.6 point increase over the initial forecast.

3. Real Estate and Other (Kajima Corp)

Contracts ➤ Same as initial forecast

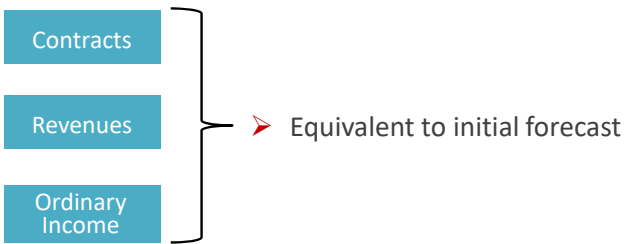
Revenues ➤ Upward based on first half result

Gross Profit ➤ Unchanged from initial forecast

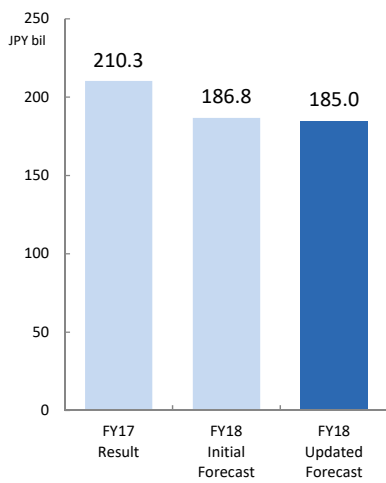


- Next, Real Estate and Other at Kajima Corporation.
- We expect contracts of 50.0 billion yen, the same as the initial forecast, and revenues of 50.0 billion yen, 12.0 billion yen higher than the initial forecast, based on design and consulting jobs on hand.
- We expect gross profit of 7.0 billion yen, the same as the initial forecast.

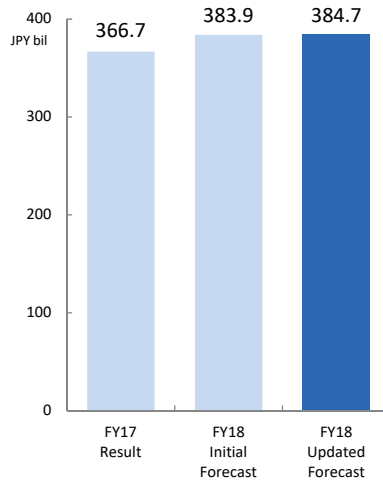
3. Domestic Subsidiaries and Affiliates



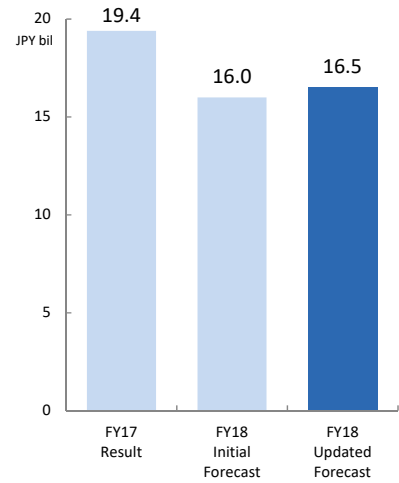
■ Construction Contract Awards



■ Revenues



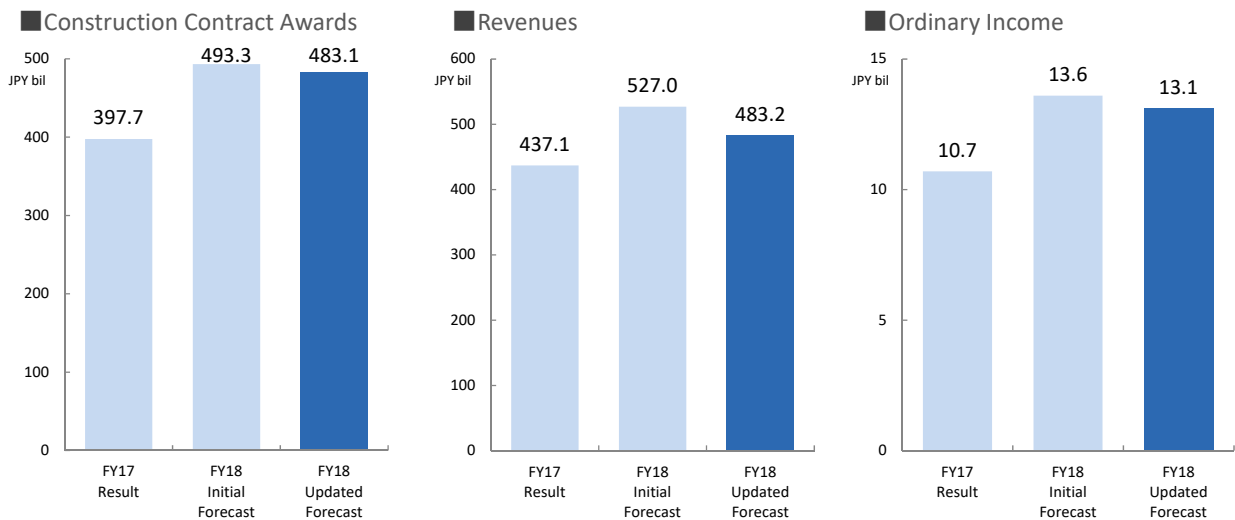
■ Ordinary Income



- Next, Domestic Subsidiaries and Affiliates.
- First-half results progressed steadily and we expect contracts, revenues and ordinary income to be in line with the initial forecast.

3. Overseas Subsidiaries and Affiliates

- Contracts ➤ Equivalent to initial forecast
- Revenues ➤ Downward due to delay of construction starts and unfavorable exchange rates
- Ordinary Income ➤ Equivalent to initial forecast



- Next, Overseas Subsidiaries and Affiliates.
- We expect contracts of 483.1 billion yen, equivalent to the initial forecast. While contracts in the U.S., Taiwan and Europe are increasing, we are afraid contracts in Asia and Australia will fall below the initial forecast due to delays of target projects.
- We anticipate revenues of 483.2 billion yen, 43.7 billion yen below the initial target. This is because construction work delays caused by delays of construction starts and the effects of currency exchange rates.
- We anticipate ordinary income to remain largely unchanged from the initial target.

4. Dividend

Unchanged from initial forecast

Yen	FY16 Result	FY17 Result	FY18 Initial Forecast	FY18 Updated Forecast
Dividend per Share	20.00	24.00	24.00	24.00
Basic Net Income per Share	101.01	122.14	79.00	93.46
Payout Ratio	19.8%	19.6%	30.4%	25.7%

The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. For comparison purposes, the figures of FY2018 do not reflect the outcome of the consolidation of shares.

- Dividend Policy -

We aim to distribute stable amounts of dividend with a target range of a 20 to 30% payout ratio, while securing adequate consolidated equity capital. Meanwhile, maintaining the financial health, we intend to utilize internal reserves for investments to realize sustainable growth.

- Finally, let us explain the dividend.
- The dividend per share is unchanged from the initial forecast, with a 12 yen interim dividend and a 24 yen year-end dividend. This 24 yen year-end dividend is the amount after the consolidation of shares in October. This table shows the figures converted before the consolidation so that you can compare them with those of the previous fiscal year.



Inquiries: Corporate Communication Group, Corporate Planning Department
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Disclaimer: All financial information has been prepared in accordance with generally accepted accounting principles in Japan. While every attempt has been made to ensure the accuracy of information, forecasts contained in this slides are based on the judgments made with information available as at November 13, 2018, and are subject to risks and uncertainties that may cause the actual results to vary.