

# FY2019 First Half Financial Results

November 13, 2019



➤ An overview of our fiscal 2019 first half financial results follows.

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# FY2019 First Half Results

(April 1 - September 30, 2019)

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

# 1. Business Environment

## Domestic market trends

- Increasing demand in public sector
- Stable demand in private sector mainly in non-manufacturing industries
- Balanced supply-and-demand for labor and materials

## Progress of our measures

- Proceed development and making use of technologies for improvement of productivity and saving of labor
- Promote investments in real estate projects worldwide

- First, let us review the business environment for the first half of fiscal 2019.
- In the domestic construction market, there was increasing demand in the public sector, as well as stable demand in the private sector, mainly in non-manufacturing industries. Neither was there any noticeable pressure on supply and demand for labor and materials, which overall remained stable.
- Under these circumstances, the Kajima Group advanced efforts to develop, test and make use onsite of technologies for improving productivity and saving labor, based on our Medium-Term Business Plan. Active efforts were also made to promote investments in real estate development projects worldwide.

## 2. Financial Highlights

Lower profit than FY18 1H. Good progress toward the initial full-year forecast

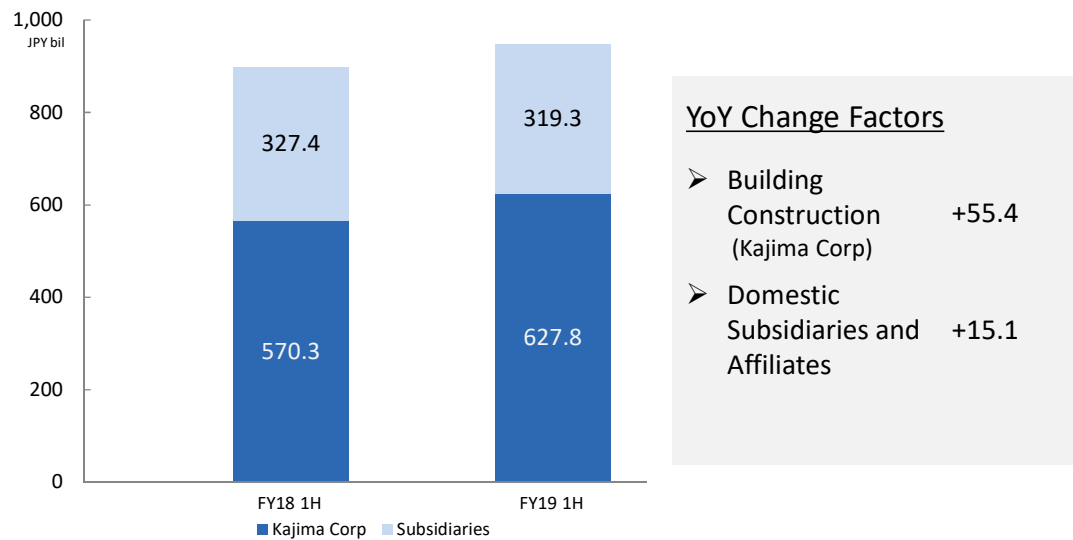
Billions of yen	FY18 1H Result	FY19 1H Result	YoY Change	Progress	FY19 Initial forecast
Revenues	897.7	947.1	+49.4	46.4%	2,040.0
Operating Income	60.6	59.7	(0.8)	50.4%	118.5
Ordinary Income	72.1	65.0	(7.0)	51.2%	127.0
Net Income	54.5	49.8	(4.7)	55.3%	90.0
Construction Contract Awards	752.0	801.3	+49.2	45.5%	1,760.0
Interest-bearing Debt	※2298.7	301.5	※3+2.8	-	330.0

\*1 Net Income Attributable to Owners of the Parent \*2 As of Mar 31, 2019 \*3 Change from Mar 31, 2019

- Here are the consolidated financial highlights.
- In the first half, revenues increased year on year. Although gross profit was up, net income for the first half was down year on year, due to increased SG&A expenses, and a deterioration in non-operating income.
- Progress in terms of the full-year forecast as announced at the beginning of the fiscal year is broadly in line with expectations, with profit at each stage over 50%.
- Construction contract awards have increased domestically, led mainly by building construction at Kajima Corporation, leading to performance that surpasses the previous year. Interest-bearing debt is at a similar level as the end of the previous fiscal year.

## 2. Revenues

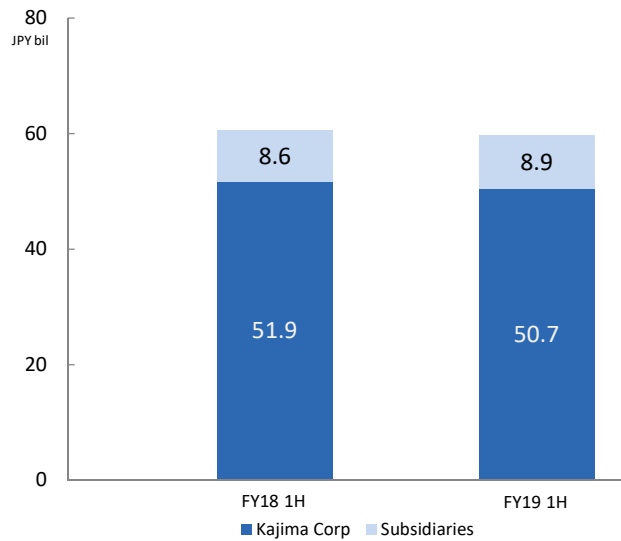
Billions of yen	FY18 1H Result	FY19 1H Result	YoY Change
Revenues	897.7	947.1	+49.4



- Let us take a look at some of the details.
- Revenues increased 49.4 billion yen year on year to 947.1 billion yen.
- The key factor was increased revenues in building construction at Kajima Corporation, and also increased revenues at domestic subsidiaries and affiliates.

## 2. Operating Income

Billions of yen	FY18 1H Result	FY19 1H Result	YoY Change
Operating Income	60.6	59.7	(0.8)



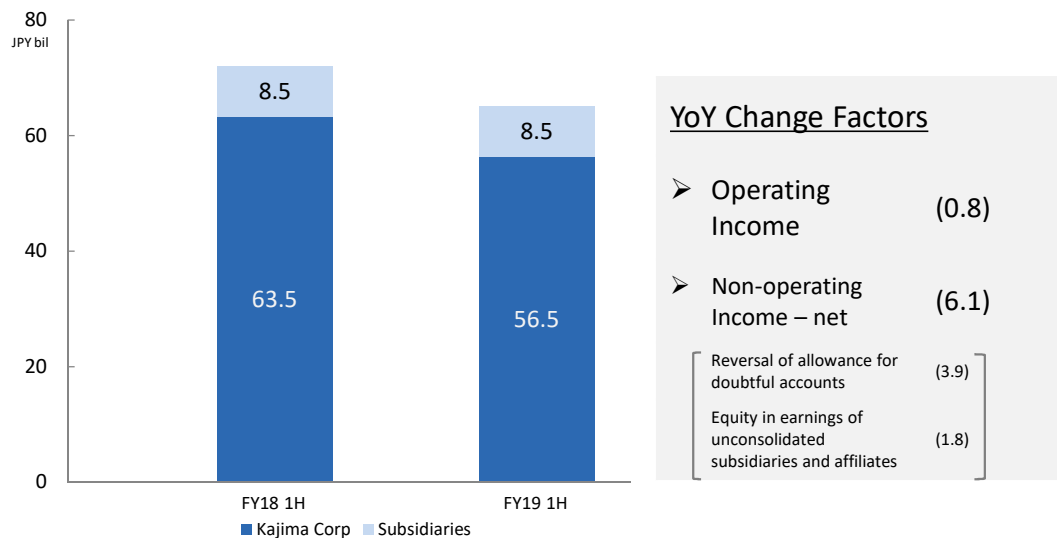
### YoY Change Factors

- Gross Profit (Civil Engineering, Kajima Corp) (4.1)
- Gross Profit (Building Construction, Kajima Corp) +5.2
- Increase in SG&A (2.8)

- Operating income decreased 800 million yen year on year to 59.7 billion yen.
- The key factors were a downturn in the profit margin at Kajima Corporation's Civil Engineering business and increased SG&A expenses.

## 2. Ordinary Income

Billions of yen	FY18 1H Result	FY19 1H Result	YoY Change
Ordinary Income	72.1	65.0	(7.0)



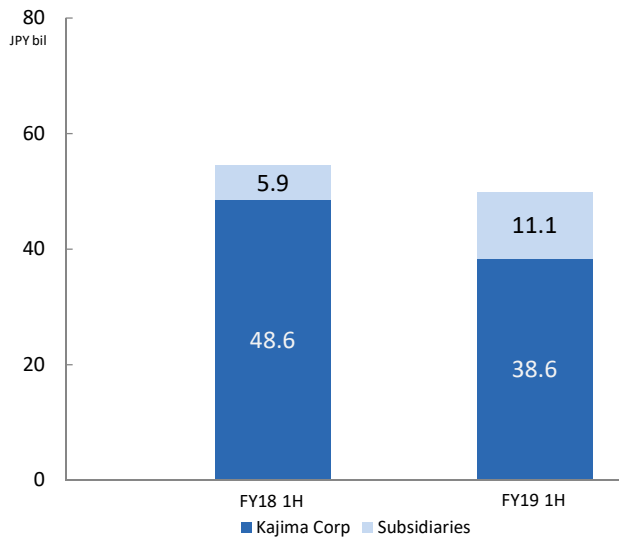
- Ordinary income was down 7.0 billion yen year on year to 65.0 billion yen.
- The main factors for the deterioration in non-operating income were reduction in reversal of allowance for doubtful accounts, and a downturn in equity in earnings of unconsolidated subsidiaries and affiliates.



## 2. Net Income Attributable to Owners of the Parent

Billions of yen	FY18 1H Result	FY19 1H Result	YoY Change
Net Income	54.5	49.8	(4.7)

\* Net Income Attributable to Owners of the Parent



### YoY Change Factors

➤ Ordinary Income	(7.0)
➤ Extraordinary Income - net	+1.1
➤ Decrease in Income Taxes	+1.1
➤ Noncontrolling Interests	+0.0

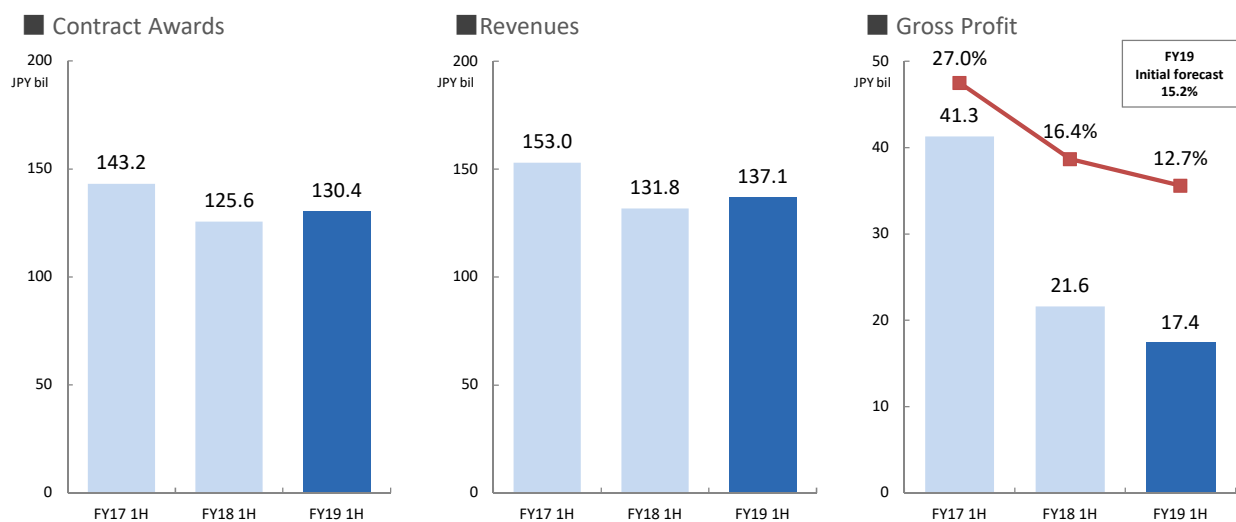
➤ As a result, net income attributable to owners of the parent in the first half of the period decreased 4.7 billion yen year on year to 49.8 billion yen.

### 3. Civil Engineering (Kajima Corp)

**Contracts** ➤ Equivalent level to FY18 1H

**Revenues** ➤ Equivalent level to FY18 1H

**Gross Profit** ➤ Decrease due to less projects that improved profits in 1H



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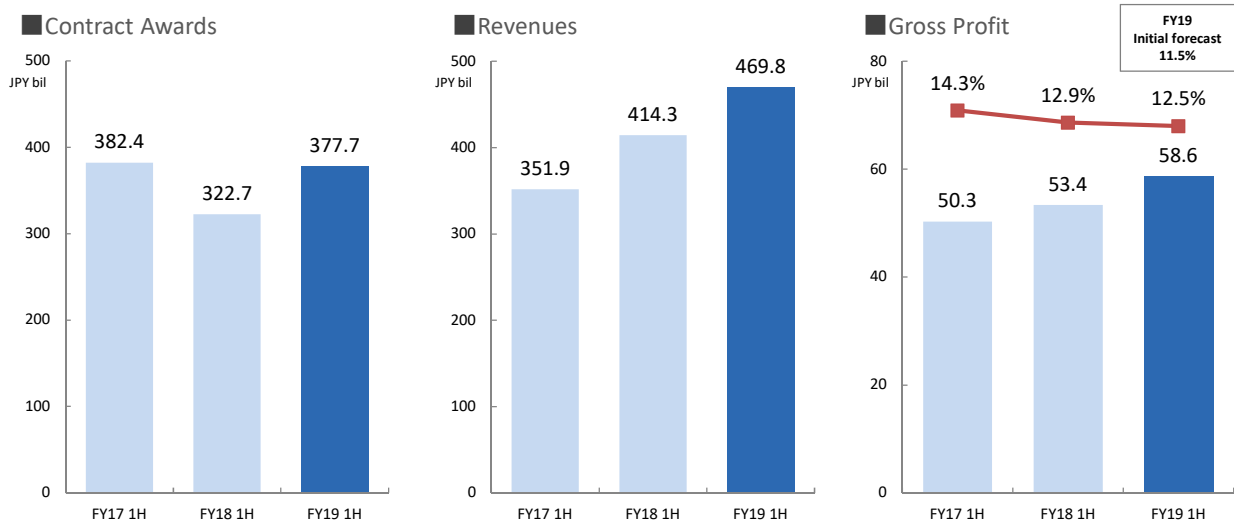
- Now let us present the results for each business segment. First, Civil Engineering at Kajima Corporation.
- Contract awards came to 130.4 billion yen, an equivalent level to the previous fiscal year.
- Revenues were 137.1 billion yen, an equivalent level to the previous fiscal year.
- Gross profit was 17.4 billion yen, a decrease of 4.1 billion yen year on year. The main factor for this decrease was fewer projects in the first quarter that improved profits, resulting in a downturn in the profit margin.

### 3. Building Construction (Kajima Corp)

**Contracts** ➤ Increase due to more contract awards of large-scale projects

**Revenues** ➤ Steady progress in large-scale backlog projects

**Gross Profit** ➤ Increase due to increased revenues



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➤ Next, let us look at Building Construction at Kajima Corporation.

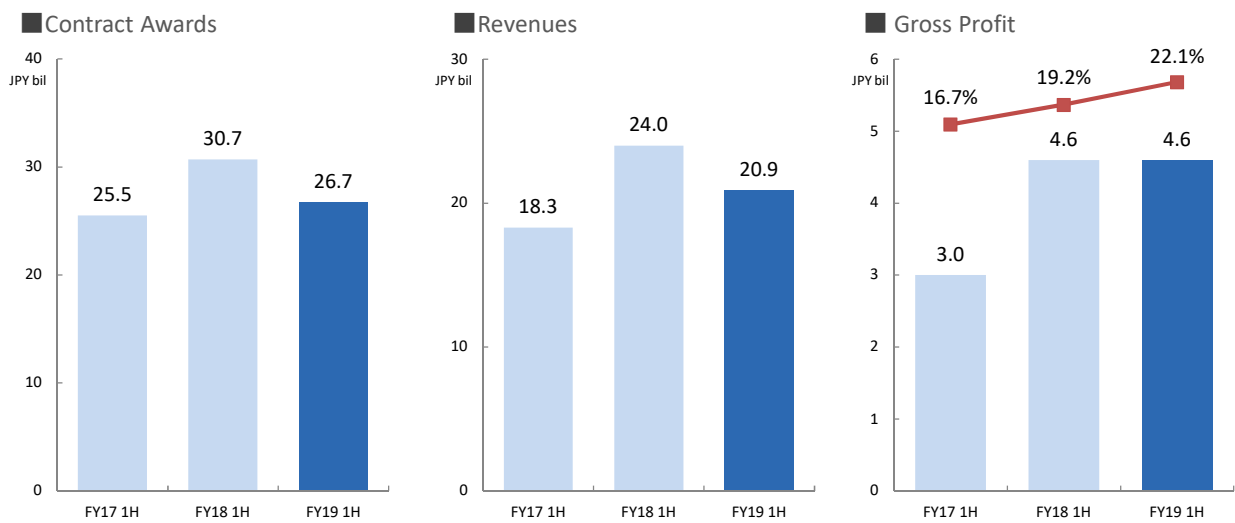
➤ Contracts came to 377.7 billion yen. Contracts for large construction projects increased, leading to a year on year increase of 54.9 billion yen.

➤ Revenues came to 469.8 billion yen, an increase year on year of 55.4 billion yen, attributable to steady progress in construction on hand, mainly relating to the completion of large scale backlog projects ahead of the start of the Tokyo 2020 Olympic and Paralympic Games.

➤ Gross profit was 58.6 billion yen, an increase of 5.2 billion yen year on year due to increased revenues. The profit margin was 12.5%, exceeding the initial forecast due to cost reductions thanks to productivity improvements and rationalization construction measures, and the acquisition of change orders for some construction projects.

### 3. Real Estate and Other (Kajima Corp)

- Contracts
  - Revenues
  - Gross Profit
- Decrease due to disposition of owned assets to Kajima private REIT in FY18 1H
- Equivalent level to FY18 1H



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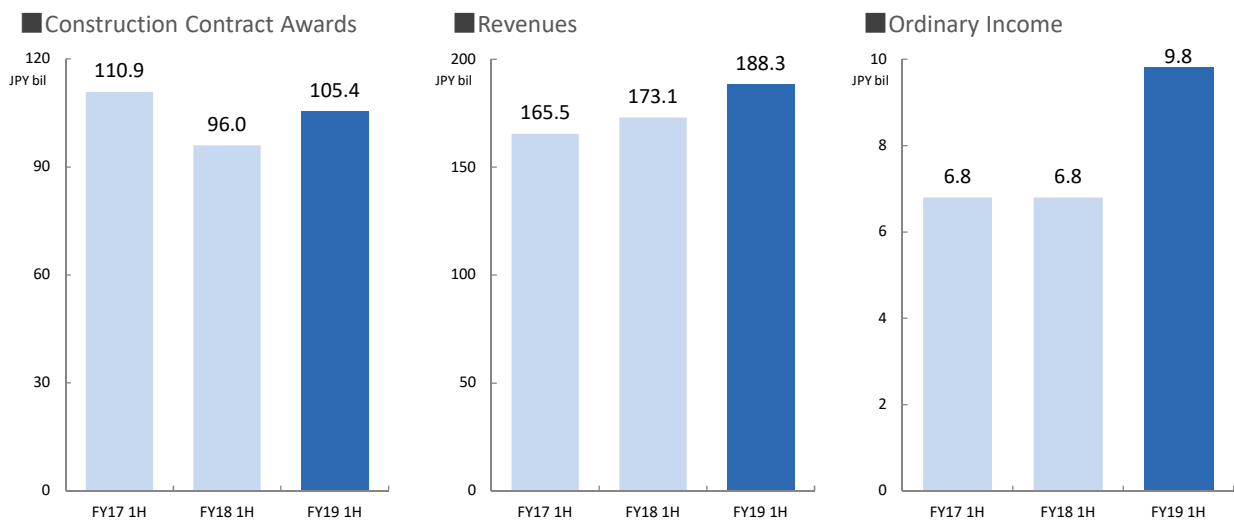
- Next, let us look at Real Estate and Other business at Kajima Corporation.
- Contracts came to 26.7 billion yen and revenues amounted to 20.9 billion yen. These figures represent a decrease year on year, due mainly to the disposition of owned assets to Kajima private REIT in the same period of the previous fiscal year.
- Gross profit came to 4.6 billion yen. Although income from sale of real estate decreased, gross profit remained at an equivalent level to the previous year due to improvements in the rental business.

### 3. Domestic Subsidiaries and Affiliates

**Contracts** ➤ Increase in interior and MEP(Mechanical, Electrical, Plumbing) works

**Revenues** ➤ Increase mainly in road paving and MEP works

**Ordinary Income** ➤ Increase in revenues  
➤ Improvement in margins of both construction and real estate businesses



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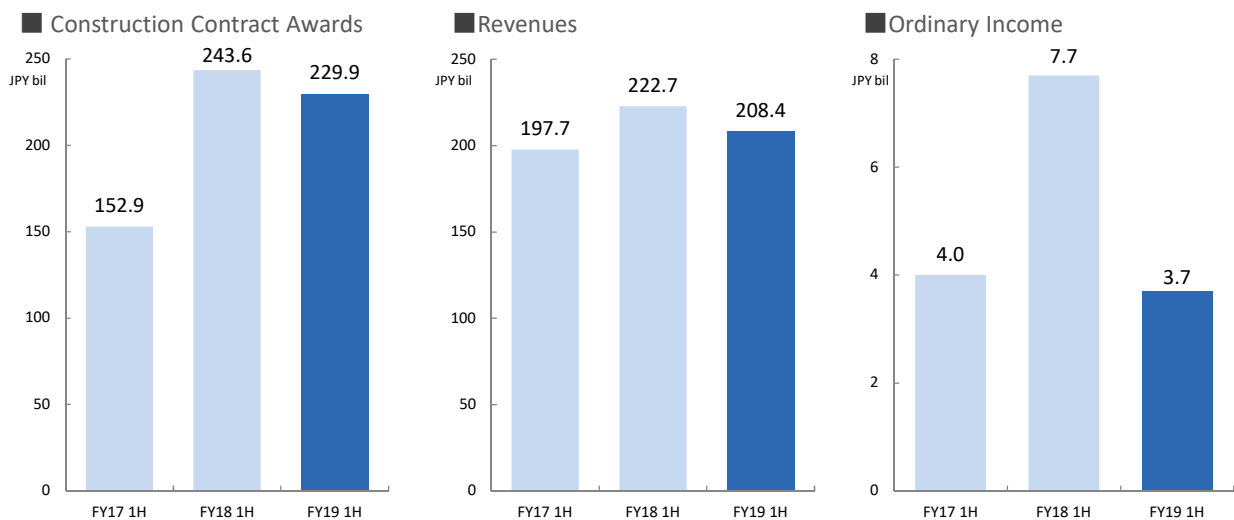
- Next, let us look at Domestic Subsidiaries and Affiliates.
- Construction contract awards came to 105.4 billion yen. There were increases in interior and MEP (mechanical, electrical, plumbing) works.
- Revenues were 188.3 billion yen. Revenues of the construction business increased mainly in road paving and MEP works.
- Ordinary income was up 3.0 billion yen year on year, due to increased revenues and improvements in the margins of both construction and real estate businesses.

### 3. Overseas Subsidiaries and Affiliates

**Contracts** ➤ Decrease in regions at a high-level in FY18

**Revenues** ➤ Decrease due to delay of construction starts

**Ordinary Income** ➤ Decrease in revenues and margin of construction business



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➤ Next, let us look at Overseas Subsidiaries and Affiliates.

➤ Construction contract awards came to 229.9 billion yen, a decrease of 13.7 billion yen year on year, reflecting a downturn in contracts in Oceania and Taiwan, where large-scale project contracts were acquired during the previous fiscal year.

➤ Revenues came to 208.4 billion yen. This represents a 14.2 billion yen decrease year on year, due to such factors as delayed starts to construction caused by planning delays.

➤ Ordinary income was 3.7 billion yen. This was down 3.9 billion yen year on year, mainly due to decreases in revenues and also losses on some projects at Kajima Australia Pty Ltd (KA) and equity method affiliate Kajima Corporation (China) Co., Ltd.



# FY2019 Forecast

(April 1, 2019 - March 31, 2020)

1. Business Environment
2. Financial Highlights
3. Segment Performance
4. Stockholder Returns

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➤ Next, let us take a look at the forecast for the full-year results for fiscal 2019.

# 1. Business Environment

## Domestic market outlook

- Stable demand in civil engineering and private capital investments
- Uncertainty in capital investments reflecting protracted trade friction between the U.S. and China

## Corporate strategies

- Reinforce sales based on technologies and proposals to address customer needs
- Proceed development and making use of technologies in pilot sites
- Build solid operating foundations of overseas subsidiaries corresponding to their business expansion

- First, let us look at the business environment outlook.
- In the domestic construction market, although there is uncertainty concerning the outlook for capital investments in the manufacturing industry, reflecting protracted trade friction between the U.S. and China, stable demand is forecast in civil engineering, in areas relating to public investment and renewable energy, and also in building construction, where private capital investment in functional advancements and labor saving will keep demand stable.
- In light of this outlook, in addition to reinforcing our sales activities focused around our technological capabilities and ability to make proposals to address customer needs, we will also engage in technological development and field tests, with a view to boosting productivity in pilot sites.
- We will also continue to develop solid operating foundations at overseas subsidiaries and affiliates, corresponding to their business expansion.



## 2. Financial Highlights

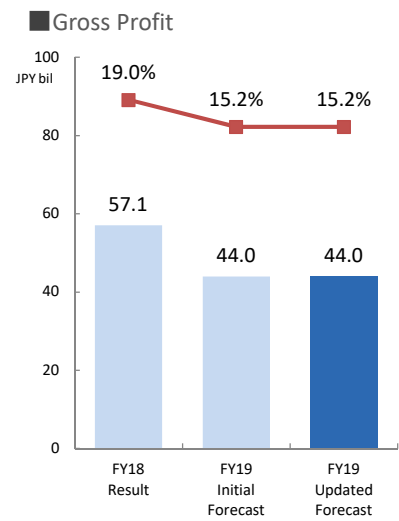
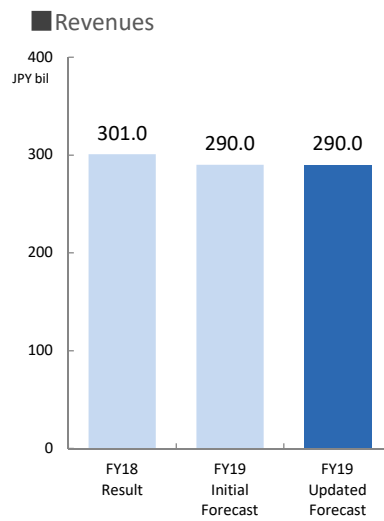
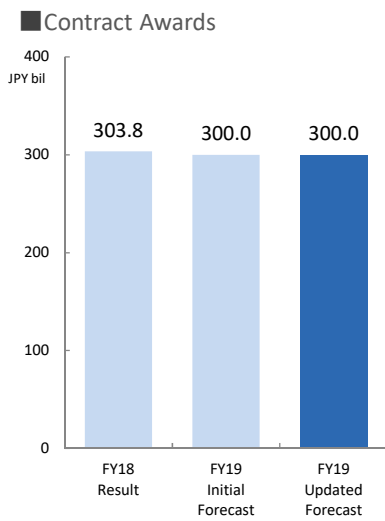
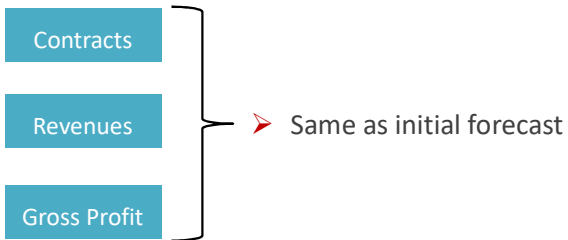
Updated based on 1H result and business condition

Billions of yen	FY18 Result	FY19 Initial Forecast	FY19 Updated Forecast	YoY Change	Change from Initial Forecast
Revenues	1,974.2	2,040.0	2,000.0	+25.7	(40.0)
Operating Income	142.6	118.5	121.0	(21.6)	+2.5
Ordinary Income	162.9	127.0	130.0	(32.9)	+3.0
* Net Income	109.8	90.0	95.0	(14.8)	+5.0
Construction Contract Awards	2,010.1	1,760.0	1,800.0	(210.1)	+40.0
Interest-bearing Debt	298.7	330.0	330.0	+31.3	0.0

\* Net Income Attributable to Owners of the Parent

- These are the revised figures for the full-year forecast.
- The updated forecast is for revenues of 2 trillion yen, operating income of 121.0 billion yen, ordinary income of 130.0 billion yen, and net income of 95.0 billion yen.
- Revenues are projected to decrease by 40 billion yen compared to the initial forecast, mainly due to decreased revenues at overseas affiliates and subsidiaries. In terms of income, in view of the results for the first half and forecasts for the latter half of the fiscal year, forecasts have been adjusted upwards by 2.5 billion yen for operating income, 3.0 billion yen for ordinary income, and 5.0 billion yen for net income.
- Construction contract awards are projected to surpass the initial forecast by 40.0 billion yen to stand at 1.8 trillion yen. Contracts awarded to overseas subsidiaries and affiliates are expected to exceed the initial forecast.
- Interest-bearing debt is expected to be in line with initial forecasts of 330.0 billion yen.

### 3. Civil Engineering (Kajima Corp)

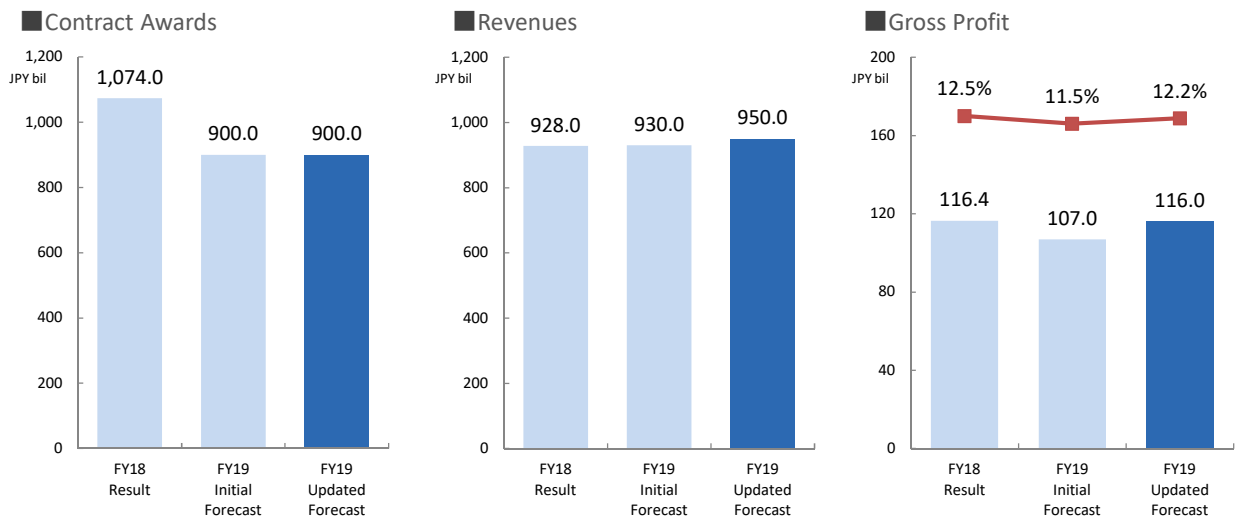


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- Now, we will present the forecasts for each business segment. First, let us look at Civil Engineering at Kajima Corporation.
- Contracts, revenues and gross profit forecasts at Civil Engineering at Kajima Corporation are unchanged from initial forecasts. The gross profit margin is projected to improve in line with progress in ongoing construction projects.

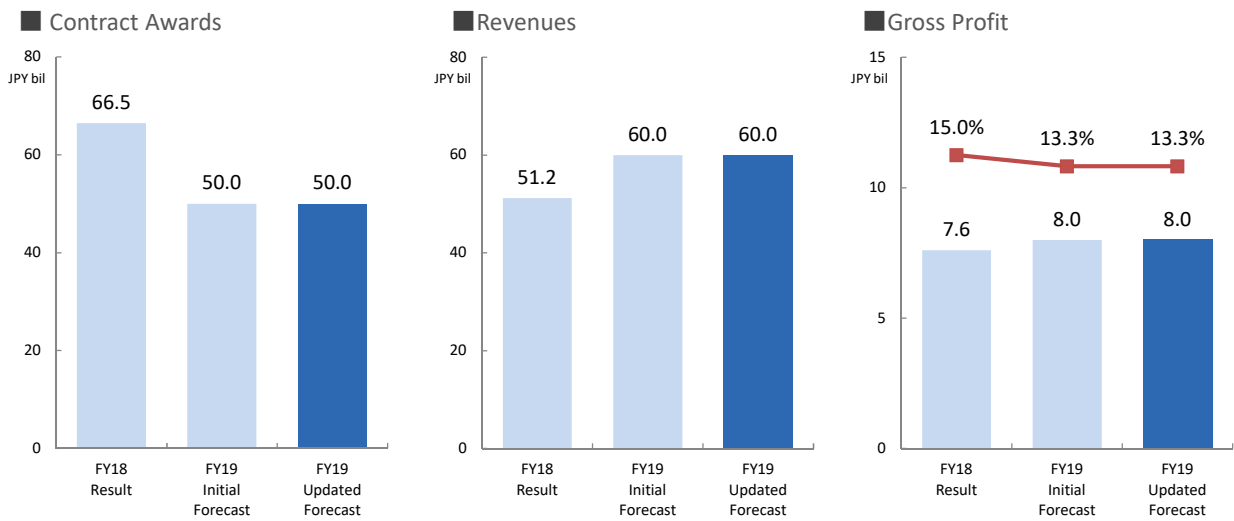
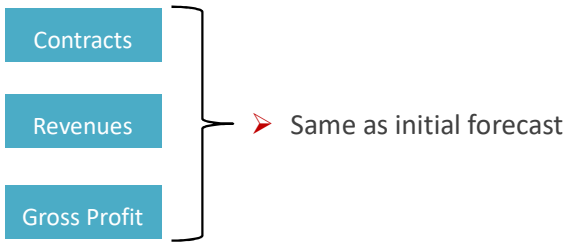
### 3. Building Construction (Kajima Corp)

- Contracts** ➤ Same as initial forecast
- Revenues** ➤ Upward based on steady progress of backlog projects
- Gross Profit** ➤ Upward based on first half result and condition of backlog projects  
➤ Equivalent to FY18



- Next, let's look at Building Construction at Kajima Corporation.
- We expect contracts to amount to 900.0 billion yen, unchanged from initial forecasts. The revenue forecast has been revised upward by 20.0 billion yen to 950.0 billion yen, reflecting the steady progress being made in backlog projects.
- The forecast for gross profit has been adjusted upward by 9.0 billion yen, based on the first-half results and status of backlog projects. The gross profit margin has been revised upwards by 0.7 points from the initial forecast to 12.2%.

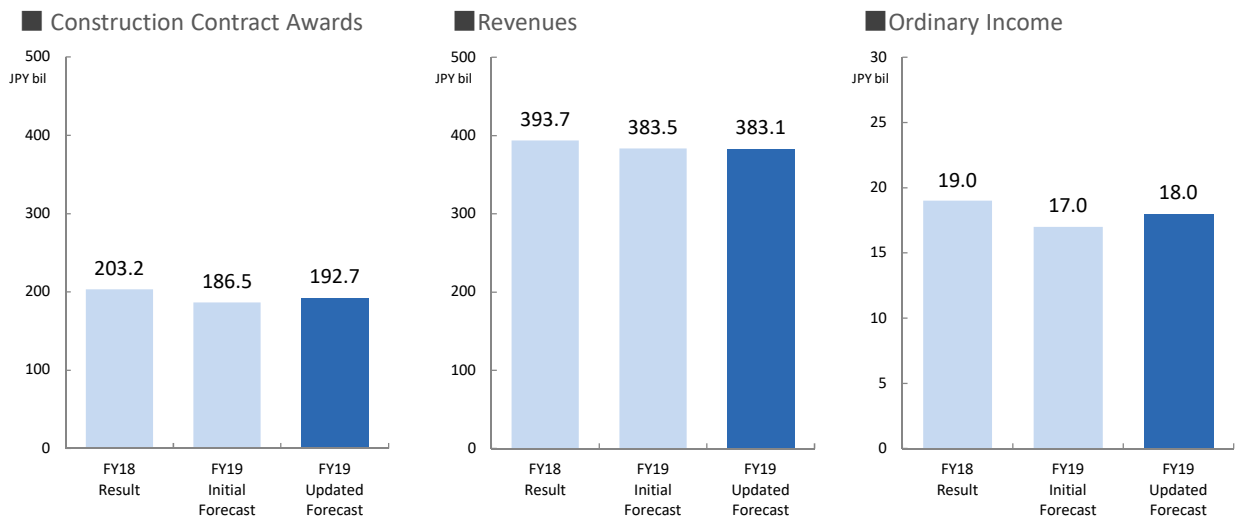
### 3. Real Estate and Other (Kajima Corp)



- Next, let us look at Real Estate and Other business at Kajima Corporation.
- We expect results for contracts, revenues and gross profit all to be unchanged from initial forecasts, as the Real Estate and Other business continues to perform robustly.

### 3. Domestic Subsidiaries and Affiliates

- Contracts** ➤ Upward due to increase in interior and road paving works
- Revenues** ➤ Equivalent to initial forecast
- Ordinary Income** ➤ Upward due to increased revenues of construction business

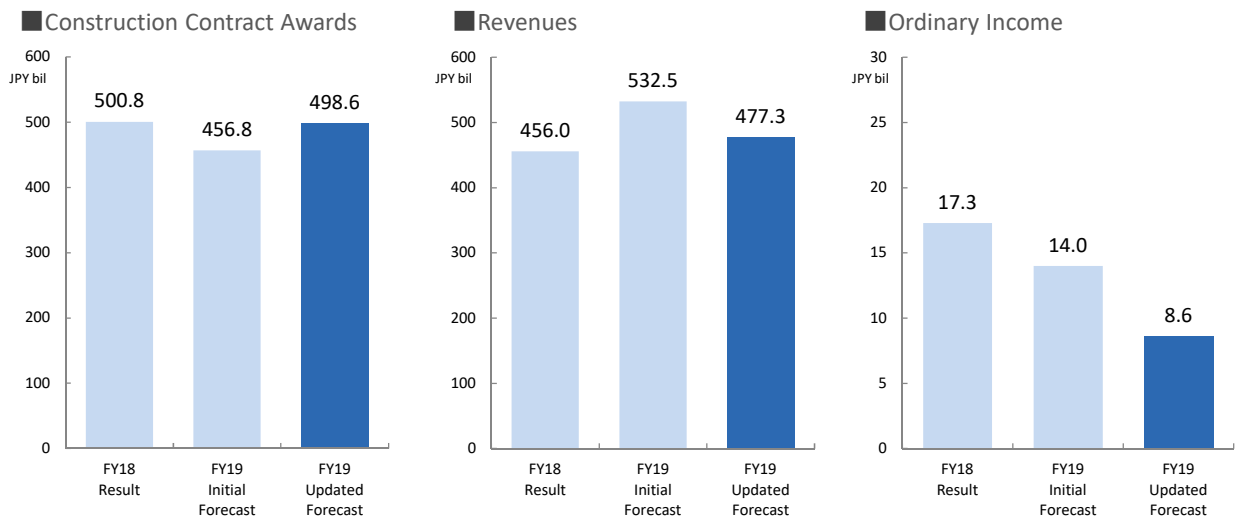


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- Next, let us look at Domestic Subsidiaries and Affiliates.
- Contract awards have been revised upwards by 6.2 billion yen to 192.7 billion yen, reflecting increases in interior and road paving works. Revenues are expected to be in line with initial forecasts.
- The forecast for ordinary income has been revised upwards by 1.0 billion yen, mainly due to increased revenues in the construction business.

### 3. Overseas Subsidiaries and Affiliates

- Contracts** ➤ Upward due to increase in the U.S.(KUSA) and Taiwan(Chung-Lu)
- Revenues** ➤ Downward due to delay of construction starts
- Ordinary Income** ➤ Downward due to loss of construction business in Australia(KA)



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- Next, let us look at Overseas Subsidiaries and Affiliates.
- Construct contract awards have been revised upwards by 41.7 billion yen to 498.6 billion yen. Although there has been a decrease at Kajima Asia Pacific Holdings Pte. Ltd. (KAP) due to delays in projects, contracts are expected to increase at Kajima U.S.A. Inc. (KUSA), and Chung-Lu Construction Co., Ltd. (Taiwan), which are projected to push the total figure upwards.
- Revenue has been revised downward by 55.2 billion yen to 477.3 billion yen. The main factor for this decrease is delayed starts to construction caused by planning delays for projects at Kajima Australia Pty Ltd (KA) and KAP.
- The forecast for ordinary income has been revised downward by 5.4 billion yen to 8.6 billion yen, based on first half results.

## 4. Stockholder Returns

Dividend is unchanged from initial forecast

Yen	FY17 Result	FY18 Result	FY19 Initial Forecast	FY19 Updated Forecast
Dividend per Share	48.00	50.00	50.00	50.00
Earnings per Share (EPS)	244.29	211.67	173.44	184.94
Payout Ratio	19.6%	23.6%	28.8%	27.0%

\* The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, the figures for FY2017 and FY2018 are calculated as if the consolidation of shares had been conducted at the beginning of FY2017.

**- Policy on Stockholder Returns-**

Aim to distribute stable amounts of dividend with a target range of a 20 to 30% payout ratio, while securing adequate consolidated equity capital, as well as to provide stockholder returns with consideration of business performance, financial condition and business environment.

- Finally, let us look at stockholder returns.
- The dividend per share is unchanged from the initial forecast, with a dividend of 25 yen at the end of the second quarter and a dividend of 25 yen at fiscal year-end.
- In addition, this fiscal year we acquired 10.0 billion yen of treasury stock to enhance stockholder returns and improve capital efficiency.



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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, 2019, and are subject to risks and uncertainties that may cause the actual results to vary.