

FY2019 Financial Results

May 14, 2020



➤ Our fiscal 2019 Financial Results are as follows.

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FY2019 Results

(April 1, 2019 - March 31, 2020)

1. Business Environment
2. Financial Highlights
3. Segment Performance
4. Financial Positions
5. Investment Plan

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1. Business Environment

Domestic market trends

- Stable demand in civil engineering, mainly expressway and renewable energy sectors
- Redevelopment projects mainly in Tokyo metropolitan area and capital investment in the manufacturing industry supported demand in building construction

Impact of COVID-19

- No major impact on construction business in Japan, including materials procurement
- Domestic subsidiaries and affiliates experienced lower occupancy rates for facilities operated, which had minimal impact on their performance

- First, let us review the business environment for the 2019 fiscal year.
- In the domestic construction market, demand remained stable in civil engineering, mainly in the expressway and renewable energy sectors. Private capital investment supported demand in building construction, such as redevelopment projects mainly in Tokyo metropolitan area and research facilities in the manufacturing industry.
- With regards to the impact of COVID-19, in the domestic construction business, there were concerns over the impact on construction schedules owing to delivery delays for materials and equipment procured from China. However, there was no major impact due to the securing of alternative suppliers. Domestic subsidiaries and affiliates experienced lower occupancy rates for facilities operated, such as hotels, which had minimal impact on their performance. In addition, there was no impact on overseas subsidiaries and affiliates because the figures are as of December 31, 2019 for consolidated accounting.

2. Financial Highlights

Over ¥100.0 billion in net income for the fourth year in a row

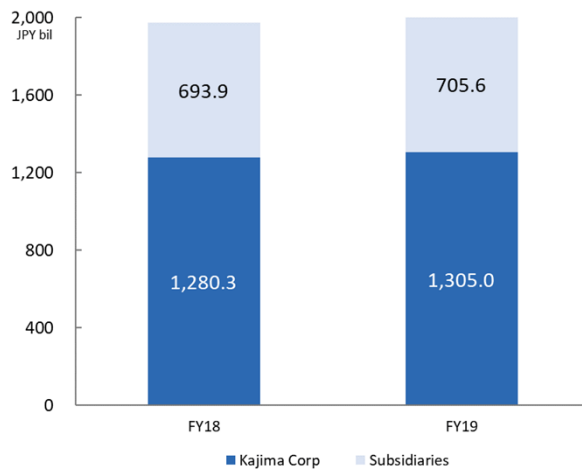
Billions of yen	FY18 Result	FY19 Result	YoY Change	FY19 Forecast ¹
Revenues	1,974.2	2,010.7	36.4	2,000.0
Operating Income	142.6	131.9	(10.6)	121.0
Ordinary Income	162.9	146.6	(16.2)	130.0
Net Income ²	109.8	103.2	(6.5)	95.0
Construction Contract Awards	2,010.1	1,752.8	(257.3)	1,800.0
Interest-bearing Debt	298.7	326.8	28.1	330.0

¹ Announced on Nov 12, 2019 ² Net Income Attributable to Owners of the Parent

- Here are the consolidated financial highlights.
- Revenues exceeded 2 trillion yen for the first time since fiscal 2001, mainly due to steady progress in the building construction business at Kajima Corporation.
- Consolidated net income was 103.2 billion yen, higher than the forecast, achieving over 100.0 billion yen for the fourth year in a row due to an uptick at domestic subsidiaries and affiliates and improvement at overseas subsidiaries and affiliates in the second half of the year, in addition to an increase in the profit margin in the building construction business at Kajima Corporation.
- Construction contract awards were lower than in fiscal 2018, due to a decrease in the building construction business at Kajima Corporation. Interest-bearing debt increased from the end of the previous fiscal year due to such factors as an increase in construction expense expenditures.

2. Revenues

Billions of yen	FY18 Result	FY19 Result	YoY Change	Change from Forecast
Revenues	1,974.2	2,010.7	+36.4	+10.7



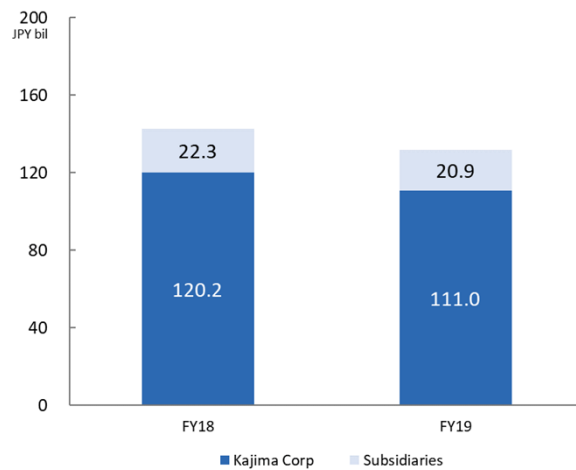
YoY Change Factors

- Building Construction (Kajima Corp) +29.4
- Civil Engineering (Kajima Corp) (12.9)
- Overseas Subsidiaries and Affiliates +13.0

- Let us elaborate on a few points.
- Revenues increased by 36.4 billion yen year on year to 2,010.7 billion yen.
- The key factor was growth in building construction at Kajima Corporation.

2. Operating Income

Billions of yen	FY18 Result	FY19 Result	YoY Change	Change from Forecast
Operating Income	142.6	131.9	(10.6)	+10.9



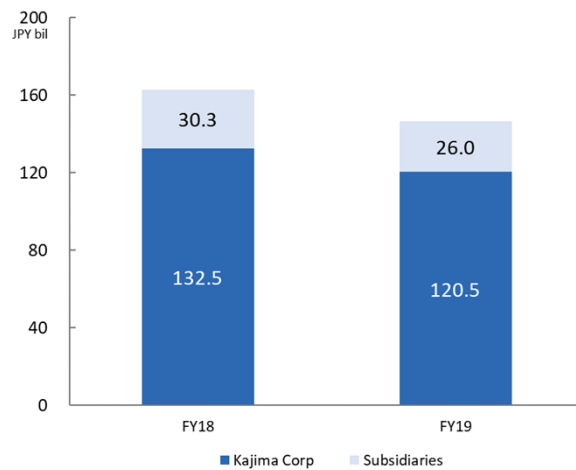
YoY Change Factors

- Gross Profit (Construction) (9.8)
- Increase in SG&A (7.5)

- Operating income decreased by 10.6 billion yen year on year to 131.9 billion yen.
- A decrease in gross profit in the construction business accompanying a decline in the profit margin of civil engineering at Kajima Corporation and an increase in SG&A due to increased R&D expenses were the main factors.

2. Ordinary Income

Billions of yen	FY18 Result	FY19 Result	YoY Change	Change from Forecast
Ordinary Income	162.9	146.6	(16.2)	+16.6



YoY Change Factors

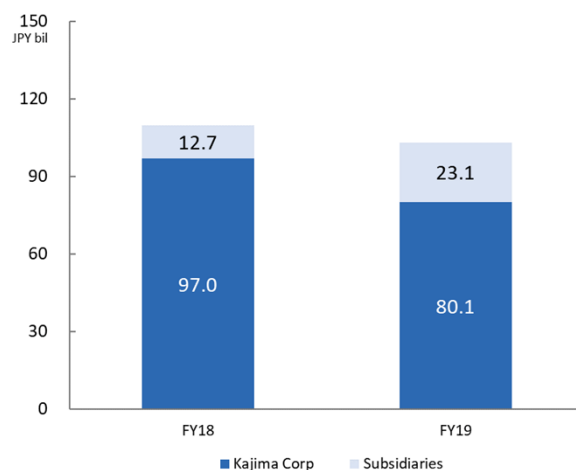
➤ Operating Income	(10.6)
➤ Non-operating Income – net	(5.6)
Equity in Earnings of Partnership	(1.8)
Equity in Earnings of Unconsolidated Subsidiaries and Affiliates	(1.6)

- Ordinary income was down by 16.2 billion yen year on year to 146.6 billion yen, due to a decrease in non-operating income in addition to a decrease in operating income.
- The decrease in non-operating income was due to a decrease in profit on disposition of off-balance sheet properties as well as a decline in equity in earnings of overseas unconsolidated subsidiaries and affiliates.

2. Net Income Attributable to Owners of the Parent

Billions of yen	FY18 Result	FY19 Result	YoY Change	Change from Forecast
Net Income	109.8	103.2	(6.5)	+8.2

* Net Income Attributable to Owners of the Parent



YoY Change Factors

➤ Ordinary Income	(16.2)
➤ Extraordinary Income - net	+8.4
➤ Decrease in Income Taxes	+1.4
➤ Noncontrolling Interests	(0.2)

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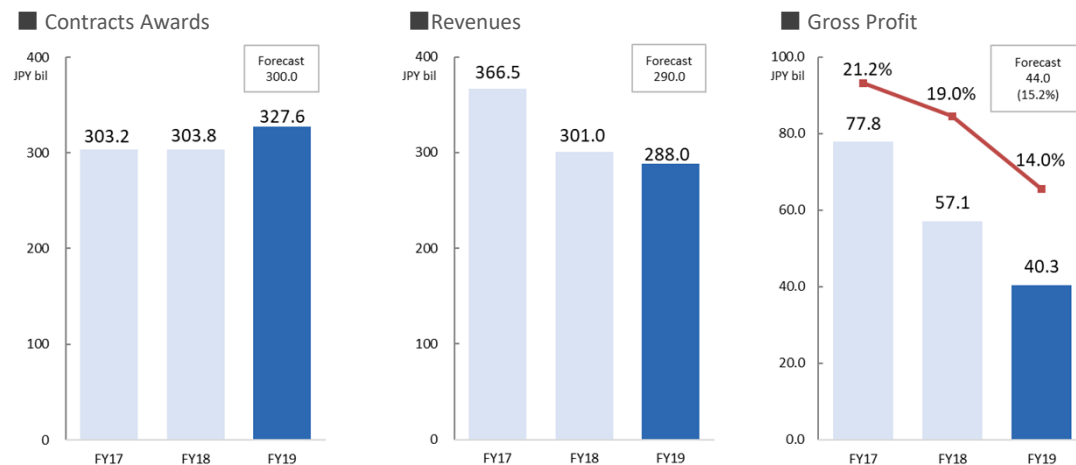
- As a result, net income attributable to owners of the parent decreased by 6.5 billion yen year on year to 103.2 billion yen.
- For reference, the increase in extraordinary income was because in fiscal 2018 8.7 billion yen in provision for loss on the Anti-Monopoly Act was recorded in connection with the suspected violation of Japan's Anti-Monopoly Act concerning the determination of the sales price of the asphalt mix sold nationwide by our subsidiary, Kajima Road Co., Ltd., and in fiscal 2019, 2.9 billion yen in reversal of provision for loss on the Antimonopoly Act was recorded due to a reduction in the surcharge.

3. Civil Engineering (Kajima Corp)

Contracts ➤ Increase due to contract awards for several large-scale projects

Revenues ➤ Equivalent level to FY18

Gross Profit ➤ Lower than forecast due to decline in progress of some projects



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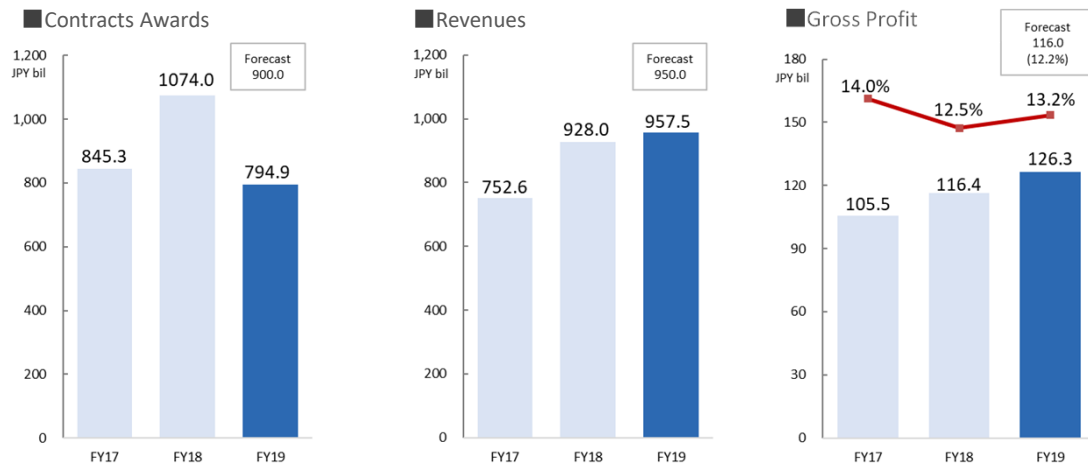
- Now we will present the results for each business segment. First, civil engineering at Kajima Corporation.
- Contact awards came to 327.6 billion yen, an increase from the previous fiscal year due to contract awards for several large-scale projects.
- Revenues were 288.0 billion yen, an equivalent level to the previous fiscal year.
- Gross profit was 40.3 billion yen, a decrease of 16.7 billion yen year on year. This was lower than forecast due to a decline in the progress of some projects.

3. Building Construction (Kajima Corp)

Contracts ➤ Decline due to delays in final contracts for secured projects and highly probable projects

Revenues ➤ Steady progress in large-scale backlog projects

Gross Profit ➤ Improvement in margin due to acquisition of change orders and effect of cost reductions



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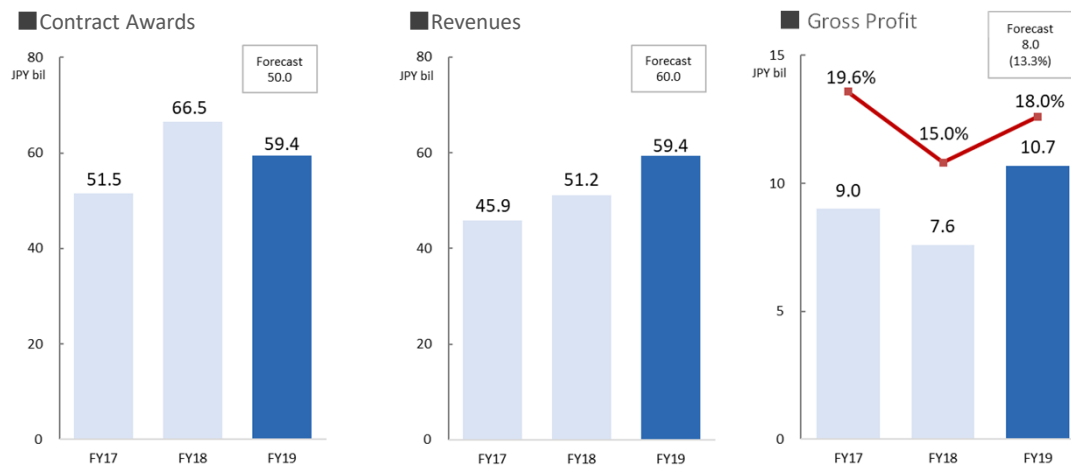
- Next, building construction at Kajima Corporation.
- Contract awards came to 794.9 billion yen, a decrease of 279.0 billion yen year on year. The main reason was delays in the final contracts for secured projects and highly probable projects until fiscal 2020 and later.
- Revenues came to 957.5 billion yen, an increase of 29.4 billion yen year on year. Large-scale backlog projects on hand progressed steadily.
- Gross profit was 126.3 billion yen, an increase of 9.9 billion yen year on year. The profit margin improved to a higher level of 13.2%, due to acquisition of change orders and the effect of cost reductions.

3. Real Estate and Other (Kajima Corp)

Contracts ➤ Relatively in high level

Revenues ➤ Disposition of several properties in addition to acquiring a specific large-scale income-producing property and increasing rents

Gross Profit ➤ Improvement in margin in addition to increased revenue



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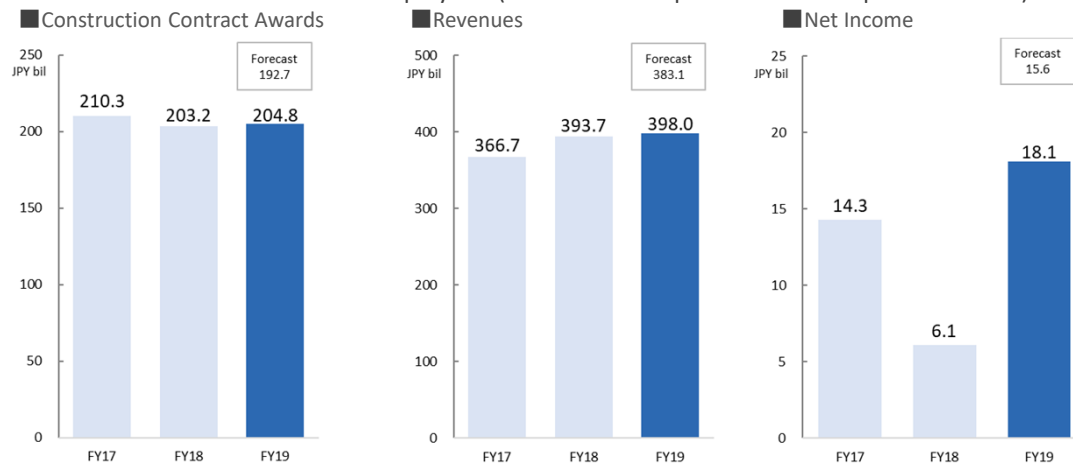
- Next, real estate and other business at Kajima Corporation.
- Contracts came to 59.4 billion yen.
This was a decrease from the previous fiscal year when there were large-scale sales contracts, but it remained at a relatively high level.
- Revenues came to 59.4 billion yen, an increase of 8.1 billion yen year on year.
The increase was due to the disposition of several properties in addition to acquiring a specific large-scale income-producing property and increasing rents.
- Gross profit came to 10.7 billion yen, an increase of 3.0 billion yen year on year due to an improvement in margin in addition to increased revenue.

3. Domestic Subsidiaries and Affiliates

Contracts ➤ Equivalent level to FY18

Revenues ➤ Equivalent level to FY18

Net Income ➤ Increase in operating income, mainly due to higher gross profit in construction business
 ➤ Improvement in extraordinary income (net) caused by ¥2.9 billion reversal of provision for loss on Antimonopoly Act (ref: ¥8.7 billion provision for loss posted in FY18)



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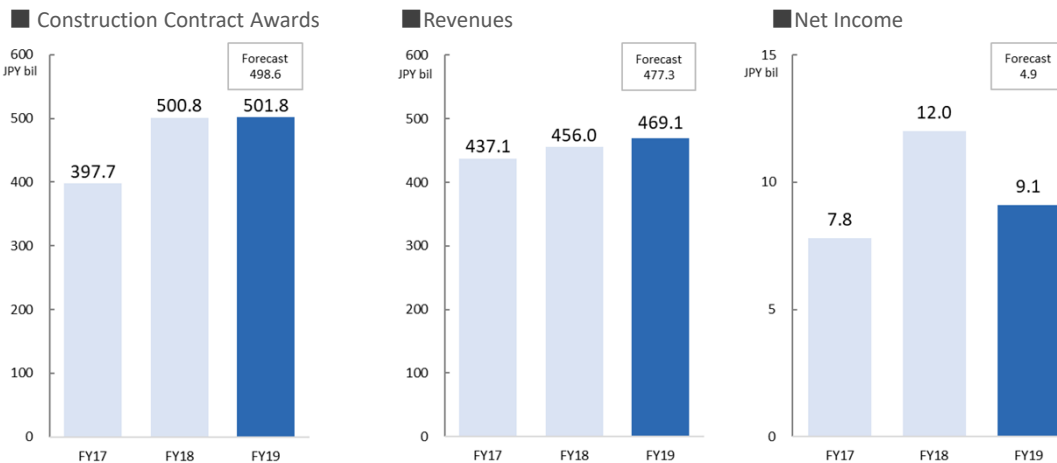
- Next, domestic subsidiaries and affiliates.
- Construction contract awards came to 204.8 billion yen and revenues were 398.0 billion yen, an equivalent level to the previous fiscal year.
- Net income was 18.1 billion yen, an increase of 12.0 billion yen year on year. Operating income increased, mainly due to higher gross profit in the construction business. Extraordinary income (net) also improved, mainly caused by 2.9 billion yen reversal of provision for loss on the Antimonopoly Act in fiscal 2019 as against 8.7 billion yen provision for loss posted in fiscal 2018.

3. Overseas Subsidiaries and Affiliates

Contracts ➤ Equivalent level to FY18

Revenues ➤ Increase mainly due to increase in the U.S.(KUSA)

Net Income ➤ Decline due to decrease in gross profit in construction business
➤ Higher than forecast due to favorable disposition of off-balance sheet properties



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- Next, overseas subsidiaries and affiliates.
- Construction contract awards came to 501.8 billion yen, an equivalent level to the previous fiscal year.
- Revenues came to 469.1 billion yen, an increase of 13.0 billion yen year on year, mainly due to an increase at Kajima U.S.A. (KUSA).
- Net income was 9.1 billion yen, a decrease of 2.9 billion yen year on year. This was mainly due to a decrease in gross profit in the construction business, along with an increase in SG&A and the recording of a loss at Kajima Corporation (China) accounted for using the equity method. Favorable disposition of off-balance sheet properties such as distribution warehouses at KUSA achieved in the second half of the fiscal year contributed to exceeding the forecast.

4. Financial Positions

Steady progress in increase of owners' equity toward ¥800 billion target

Billions of yen	FY18 Result	FY19 Result	YoY Change	FY19 Forecast ^{*,1}
Total Assets	2,091.1	2,172.1	80.9	—
Interest-bearing Debt	298.7	326.8	28.1	330.0
Owners' Equity	753.2	791.7	38.5	—
Owners' Equity Ratio	36.0%	36.5%	+0.5pt	—
ROE	15.5%	13.4%	(2.1pt)	—

*1 Announced on Nov 12, 2019

- Next, financial position as of the end of fiscal 2019.
- Owners' equity progressed steadily toward our target of 800.0 billion yen.
- ROE was 13.4%.

5. Investment Plan

- Medium-Term Business Plan: Investment of ¥500 billion over 3 years
 - Proactive investment in the real estate business in Japan and overseas as well as R&D from a medium- to long-term perspective

(¥ billion)

	FY18 Result	FY19 Result	3-year Plan (FY18-FY20)
■ Domestic/Overseas real estate development	68.0	144.0	400.0
Domestic	35.0	81.0	160.0
Overseas	33.0	63.0	240.0
■ R&D Investment	15.0	18.0	50.0
■ Strengthen competitiveness/ sustainable growth	26.0	21.0	50.0
Total	109.0	183.0	500.0

- Next, the progress of the investment plan.
- We plan to invest 500.0 billion yen over three years under the Medium-Term Business Plan. In fiscal 2019, we invested 144.0 billion yen in domestic and overseas real estate development, 18.0 billion yen in R&D, and 21.0 billion yen to strengthening of competitiveness and sustainable growth.
- At the present stage, we are not considering revision of the plan due to the impact of COVID-19.



FY2020 Forecast

(April 1, 2020 - March 31, 2021)

1. Business Performance Outlook
2. Financial Highlights
3. Segment Performance
4. Shareholder Returns

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➤ Next is the financial forecast for the fiscal 2020.

1. Business Environment

Impact of COVID-19 and Business Performance Outlook

- Uncertainty has increased, and the Company monitors the impact on order acquisitions
- In the construction business (Kajima Corp.), a decline in revenue and associated fall in profit is expected in addition to the fact that the Company has relatively fewer progress of large-scale building projects
- In the real estate and other business (Kajima Corp.), impact is expected to be minimal based on current status of rents and sale contracts
- In domestic subsidiaries and affiliates, a decline in construction business revenue and lower occupancy rates for facilities operated is expected
- For overseas subsidiaries and affiliates, site closures for a certain period and higher costs in construction business and lower occupancy rates for facilities operated in real estate business have already occurred

- Let us look at the impact of COVID-19 and the outlook for business performance.
- There is increased uncertainty about construction demand, and the Company will need to monitor the impact of COVID-19 on order acquisitions.
- In the construction business at Kajima Corporation, we expect a decline in revenue and an associated fall in profit to a certain extent given the impact of COVID-19, in addition to the fact that we have relatively fewer progress of large-scale building projects during this fiscal year despite ample construction backlog.
- The impact on the real estate and other business at Kajima Corporation is expected to be minimal based on the current status of rents and sale contracts.
- At domestic subsidiaries and affiliates, a certain impact is expected, including a decline in construction business revenue due to the large number of projects with shorter construction periods and lower occupancy rates for facilities operated.
- At overseas subsidiaries and affiliates, the impact has already occurred, including site closures for a certain period and the associated higher costs in the construction business, primarily in Asia, and lower occupancy rates for facilities operated in the real estate business.

2. Financial Highlights

Net income projection equal to target in Medium-Term Business Plan

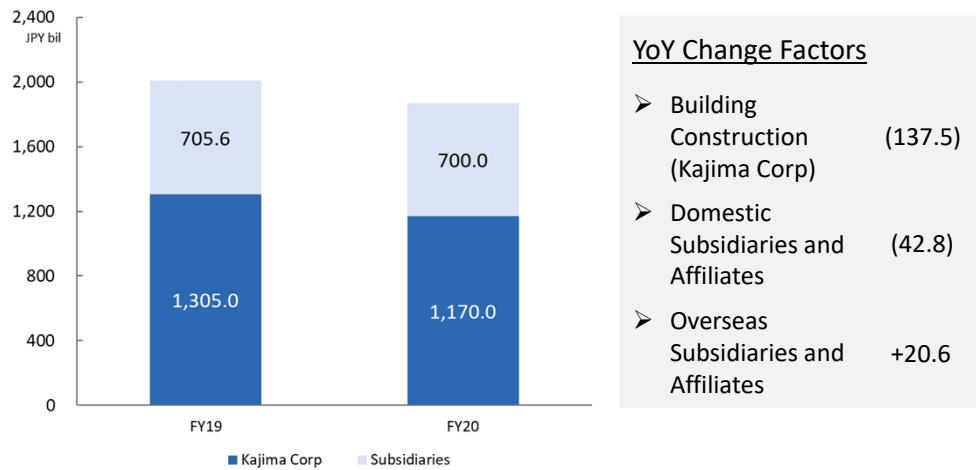
Billions of yen	FY19 Result	FY20 Forecast	YoY Change
Revenues	2,010.7	1,870.0	(140.7)
Operating Income	131.9	111.0	(20.9)
Ordinary Income	146.6	118.0	(28.6)
Net Income ^{*1}	103.2	80.0	(23.2)
Construction Contract Awards	1,752.8	1,830.0	77.1
Interest-bearing Debt	326.8	380.0	53.1

*1 Net Income Attributable to Owners of the Parent

- These are the financial forecast highlights.
- We expect net income to be impacted by COVID-19. As a result, we forecast 80.0 billion yen in net income, equivalent to the level targeted in the Medium-Term Business Plan.
- We expect an increase in construction contract awards, mainly due to an increase in the building construction business at Kajima Corporation.
- We expect an interest-bearing debt of 380.0 billion yen.

2. Revenues

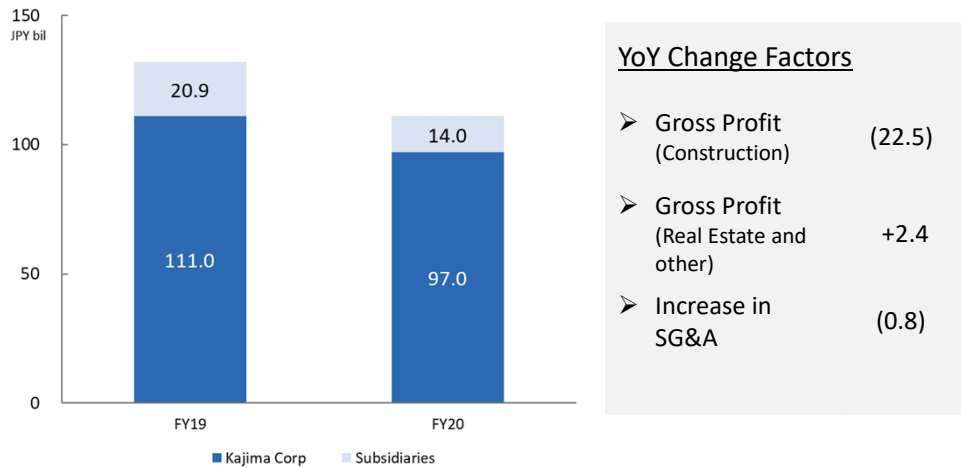
Billions of yen	FY19 Result	FY20 Forecast	YoY Change
Revenues	2,010.7	1,870.0	(140.7)



- Let us elaborate on a few points.
- We expect revenues of 1,870.0 billion yen, a decrease of 140.7 billion yen from fiscal 2019.
- The main factor is a decrease in the building construction business at Kajima Corporation.

2. Operating Income

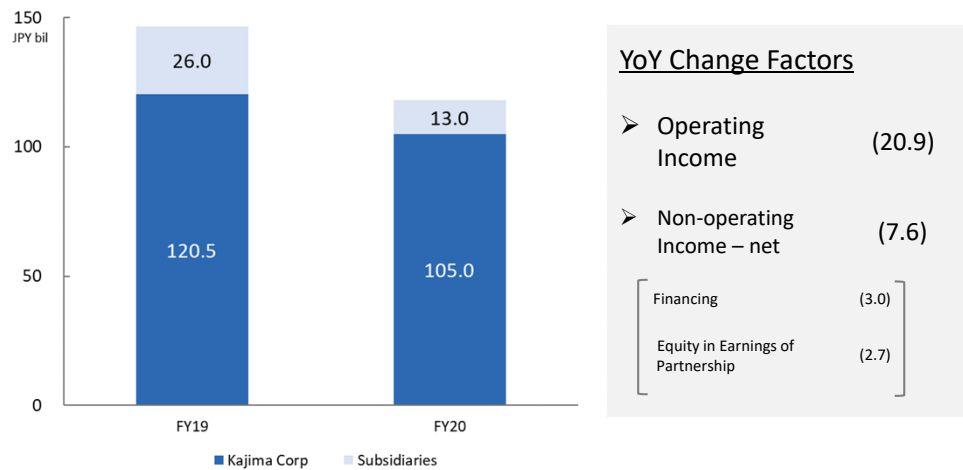
Billions of yen	FY19 Result	FY20 Forecast	YoY Change
Operating Income	131.9	111.0	(20.9)



- We forecast operating income of 111.0 billion yen, a 20.9 billion yen decrease from fiscal 2019. We forecast operating income will fall due to lower revenue in the construction business.
- SG&A is expected to be an equivalent level to the previous fiscal year.

2. Ordinary Income

Billions of yen	FY19 Result	FY20 Forecast	YoY Change
Ordinary Income	146.6	118.0	(28.6)

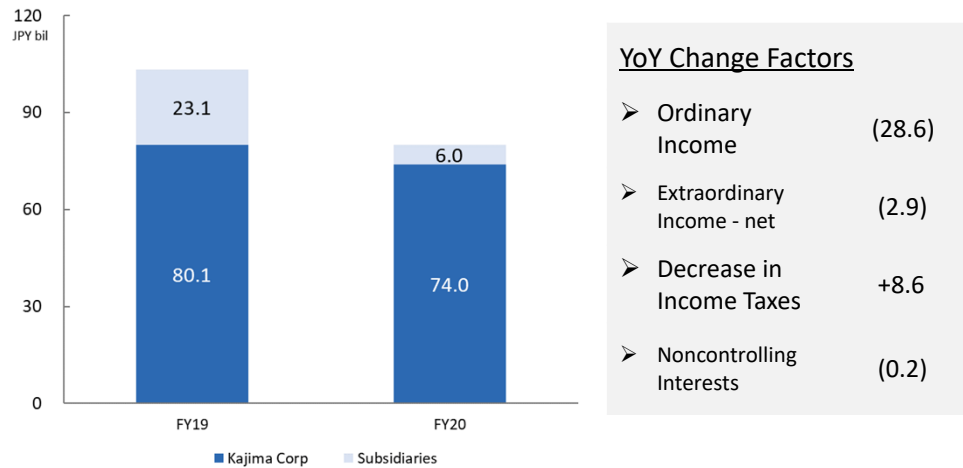


- We anticipate ordinary income of 118.0 billion yen, a decrease of 28.6 billion yen from fiscal 2019.
- For non-operating income, we expect a deterioration in the financing balance and a decrease in disposition of off-balance sheet properties.

2. Net Income Attributable to Owners of the Parent

Billions of yen	FY19 Result	FY20 Forecast	YoY Change
Net Income	103.2	80.0	(23.2)

* Net Income Attributable to Owners of the Parent



➤ Ordinary Income	(28.6)
➤ Extraordinary Income - net	(2.9)
➤ Decrease in Income Taxes	+8.6
➤ Noncontrolling Interests	(0.2)

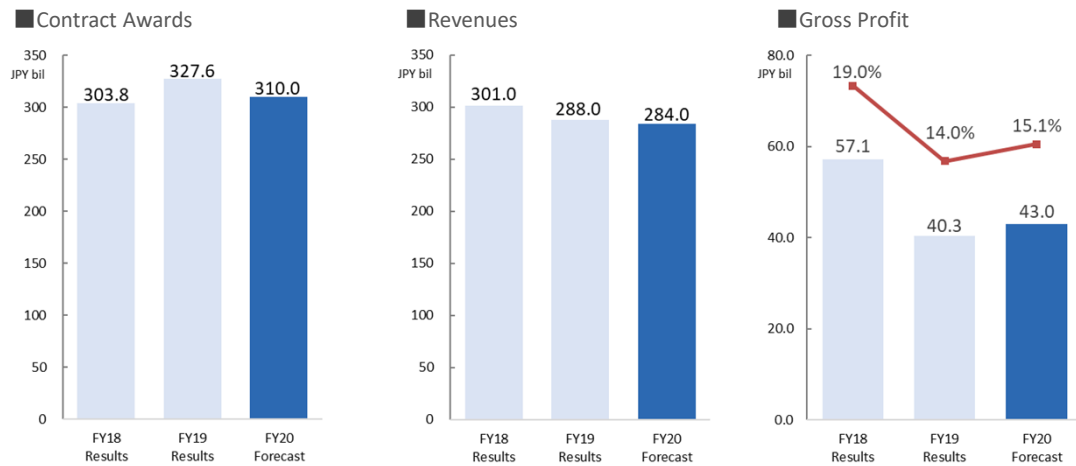
➤ We expect net income of 80.0 billion yen, a decrease of 23.2 billion yen from fiscal 2019.

3. Civil Engineering (Kajima Corp)

Contracts ➤ Expect to maintain over ¥300 billion level

Revenues ➤ Equivalent level to FY19

Gross Profit ➤ Expect gross profit margin to recover to 15% level due to improvement of productivity and cost reductions



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- Now we will present the forecasts for each business segment. First, civil engineering at Kajima Corporation.
- Although contract awards will be lower than in fiscal 2019, we expect to maintain the 300 billion yen level.
- We anticipate revenues to be 284.0 billion yen, a level equivalent to fiscal 2019.
- We expect gross profit to be 43.0 billion yen and gross profit margin to be at 15.1% in anticipation of a certain level of profit improvement due to acquisition of change orders as well as the effect of productivity improvements and cost reductions.

3. Building Construction (Kajima Corp)

Contracts

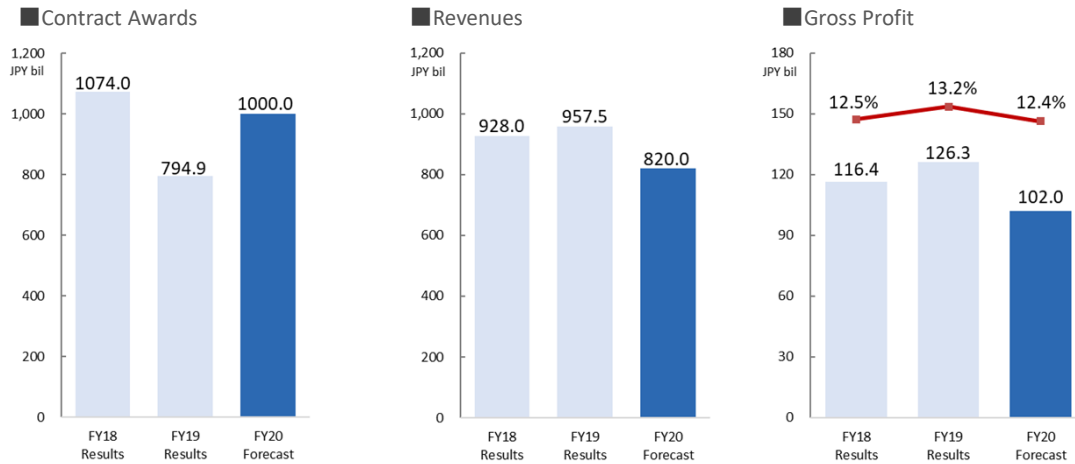
➤ Expect increase based on secured projects and highly probable projects , but will monitor impact of COVID-19

Revenues

➤ Expect decline due to impact of COVID-19 in addition to the fact that the Company has relatively fewer progress of large-scale building projects

Gross Profit

➤ Expect to secure gross profit margin at 12% level due to improvement of productivity and cost reductions



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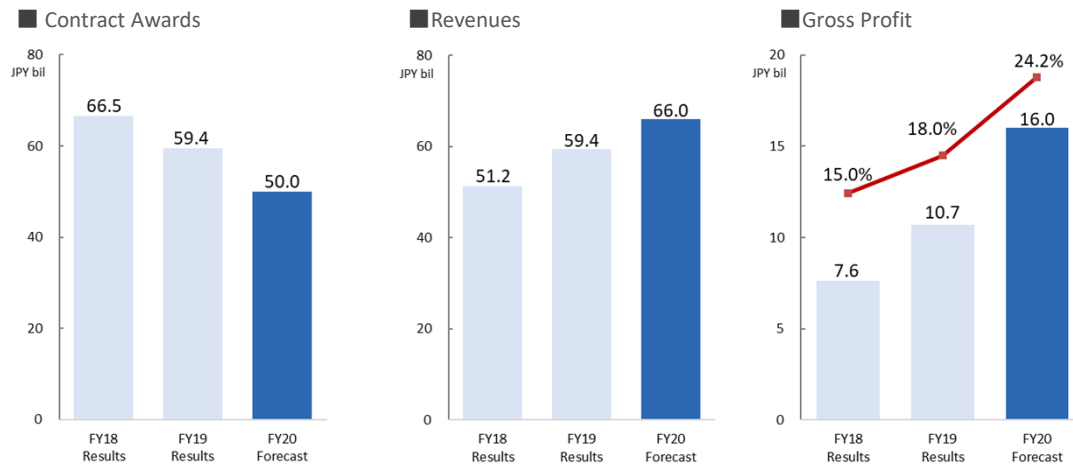
- Next, building construction at Kajima Corporation.
- We expect contract awards to be 1,000 billion yen, higher than in fiscal 2019, due to some secured projects and highly probable projects, including projects delayed from fiscal 2019, but we will monitor the impact of COVID-19.
- We expect revenues to be 820.0 billion yen, lower than in fiscal 2019, due to the impact of COVID-19, in addition to the fact that we have relatively fewer progress of large-scale building projects.
- We expect gross profit to be 102.0 billion yen and gross profit margin to be at 12.4% in anticipation of a certain level of profit improvement due to acquisition of change orders as well as the effect of productivity improvements and cost reductions.

3. Real Estate and Other (Kajima Corp)

Contracts ➤ Expect decrease from high level of FY2019

Revenues ➤ Expect increase due to sale of projects for which contracts have been concluded

Gross Profit ➤ Expect increase due to growth in project sales



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- Next, real estate and other business at Kajima Corporation.
- We expect contract awards to be 50.0 billion yen, revenues to be 66.0 billion yen, and gross profit to be 16.0 billion yen. We forecast revenue and profit growth, mainly due to disposition of large-scale properties for which we have concluded sales contracts.
- At the present stage, we expect the impact of COVID-19 on the lease business to be minimal because it is based on medium- to long-term tenancy contracts.

3. Domestic Subsidiaries and Affiliates

Contracts

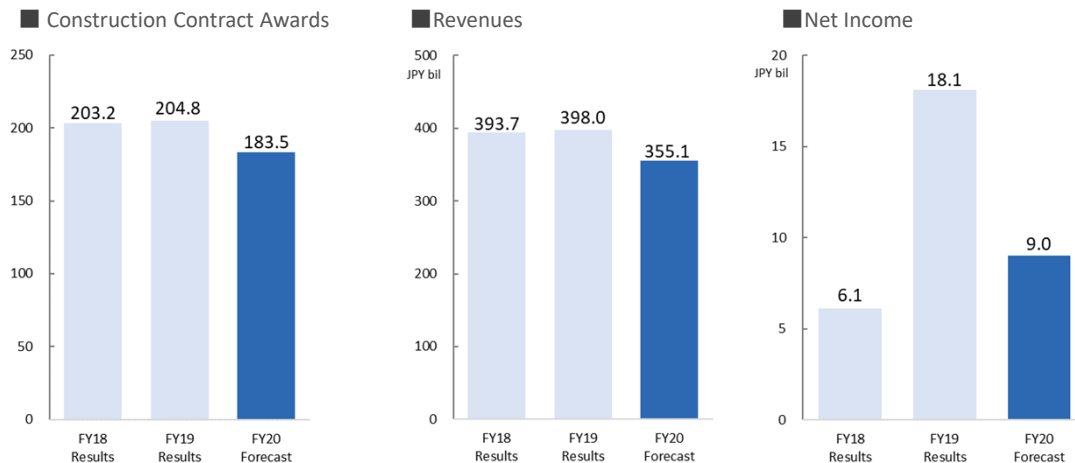
➤ Expect slight decrease due to impact of COVID-19

Revenues

➤ Expect decrease due to decline in contracts and lower occupancy rates of facilities operated

Net Income

➤ Expect decrease in construction business and decrease in facilities-operated business
 ➤ ¥2.9 billion reversal of provision for loss on Antimonopoly Act posted in FY19



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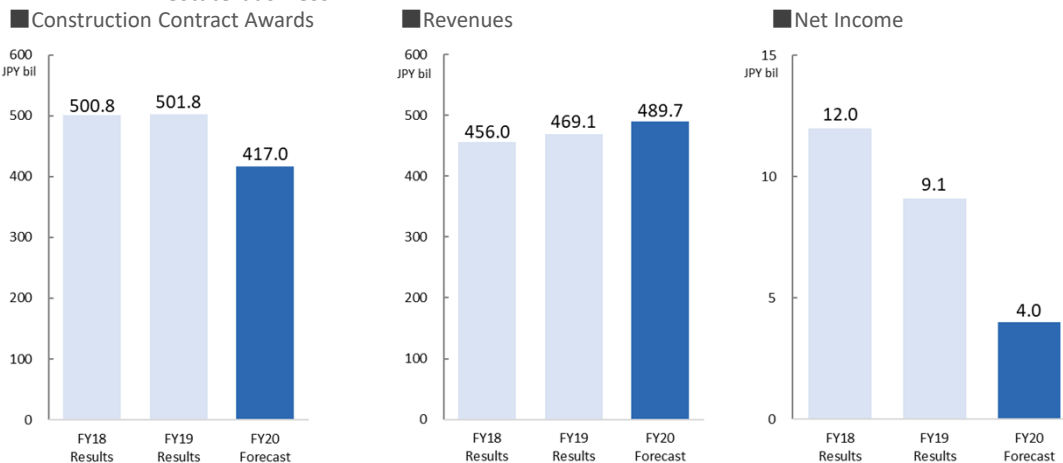
- Next, domestic subsidiaries and affiliates.
- We forecast 183.5 billion yen in construction contract awards, 355.1 billion yen in revenues, and 9.0 billion yen in net income.
- We expect a certain level of impact from COVID-19 in the construction business because there are many projects with short construction periods. In addition, net income will decrease due to such factors as a forecasted decline in income in the hotel business operated by our group companies and the 2.9 billion yen reversal of provision for loss on the Antimonopoly Act posted in fiscal 2019.

3. Overseas Subsidiaries and Affiliates

Contracts ➤ Expect decrease, given postponement of construction projects due to impact of COVID-19

Revenues ➤ Although there will be impact of COVID-19, expect increase due to ample construction backlog projects in progress and sale plans for real estate projects

Net Income ➤ Expect site closures for a certain period and associated higher costs in construction business and review of sale timing and lower occupancy rates for facilities operated in real estate business



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- Next, overseas subsidiaries and affiliates.
- We expect construction contract awards to be 417.0 billion yen, lower than in fiscal 2019 taking into consideration the postponement of construction projects due to the impact of COVID-19.
- We expect revenues to be 489.7 billion yen, based on ample construction backlog projects in progress and sale plans for real estate projects, despite the impact of COVID-19.
- We expect net income to be 4.0 billion yen owing to site closures for a certain period and the associated higher costs in the construction business, along with review of the timing of sales and lower occupancy rates for facilities operated in the real estate business due to the impact of COVID-19.

4. Shareholder Returns

Maintain ¥50 per share annual dividend

Billions of yen	FY18 Result ^{*1}	FY19 Result	FY19 Forecast ^{*2}	FY20 Forecast
Dividend per Share	50.00	50.00	50.00	50.00
Earnings per Share (EPS)	211.67	200.99	184.94	156.07
Payout Ratio	23.6%	24.9%	27.0%	32.0%

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

^{*2} Announced on Nov 12, 2019

- Policy on Shareholder 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 shareholder returns with consideration of business performance, financial condition and business environment.

- Next, shareholder returns.
- We plan an annual dividend of 50 yen per share for fiscal 2019.
- Our dividend forecast for fiscal 2020 is 50 yen per share, the same as in fiscal 2019. A payout ratio of 32.0% is expected.



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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 May 14, 2020, and are subject to risks and uncertainties that may cause the actual results to vary.