

# FY2020 First Half Financial Results

November 10, 2020



➤ An overview of our fiscal 2020 first half financial results follows.

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# FY2020 First Half Results

(April 1 - September 30, 2020)

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

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➤ First, the results for the first half of fiscal 2020.

# 1. Business Environment Review

## Domestic construction market trends

- Steady demand in public sector in tandem with gradual downward trend in private capital expenditure due to careful investing
- Generally stable balance of supply and demand for labor as well as materials

## COVID-19 Associated Impacts

- No substantial impact on both construction and real estate businesses run by Kajima Corp.
- Healthy performance in construction business while decline in occupancy rate at operating facilities in Domestic Subsidiaries and Affiliates segment
- As for Overseas Subsidiaries and Affiliates segment, limited impact on operation in North America while prolonged adverse affect on both construction and real estate facility businesses in Southeast Asia

- Let us review the business environment.
- In the domestic construction market, while public sector investment was stable, private capital investment continued to decline due to a cautious investment stance caused by the impact of COVID-19. Supply and demand for labor and materials was stable.
- Regarding the impact of COVID-19 on business performance, there was no major impact on the construction business (Kajima Corp.) thanks to rigorous measures to prevent the spread of COVID-19, and efforts to maintain business continuity and production capabilities. In the real estate and other business (Kajima Corp.), COVID-19 had no major impact on the sales and lease businesses.
- Domestic subsidiaries and affiliates saw lower occupancy rates for hotels and golf courses, but the construction business remained stable.
- As for overseas subsidiaries and affiliates, while the impact was limited in North America, construction sites were temporarily closed in a number of countries in Southeast Asia due to government restrictions, and some of them have not yet reached full operation even after restart. Also, the decline in the occupancy rate has been prolonged due to travel restrictions for the operating facilities business such as hotels in Southeast Asia.

## 2. Financial Highlights

- Higher profit in the face of lower revenues than H1 2019
- Good progress toward the initial full-year forecast

Billions of yen	H1 2019 Result	H1 2020 Result	YoY Change	YTD % Progress	FY20 Initial Forecast
Revenues	947.1	912.6	(34.5)	48.8%	1,870.0
Operating Income	59.7	72.0	12.2	64.9%	111.0
Ordinary Income	65.0	79.3	14.2	67.3%	118.0
*1 Net Income	49.8	51.8	2.0	64.8%	80.0
Construction Contract Awards	801.3	703.4	(97.8)	38.4%	1,830.0
Interest-bearing Debt	*2 326.8	307.6	*3 (19.1)	—	380.0

\*1 Net Income Attributable to Owners of the Parent    \*2 As of Mar 31, 2020    \*3 Change from Mar 31, 2020

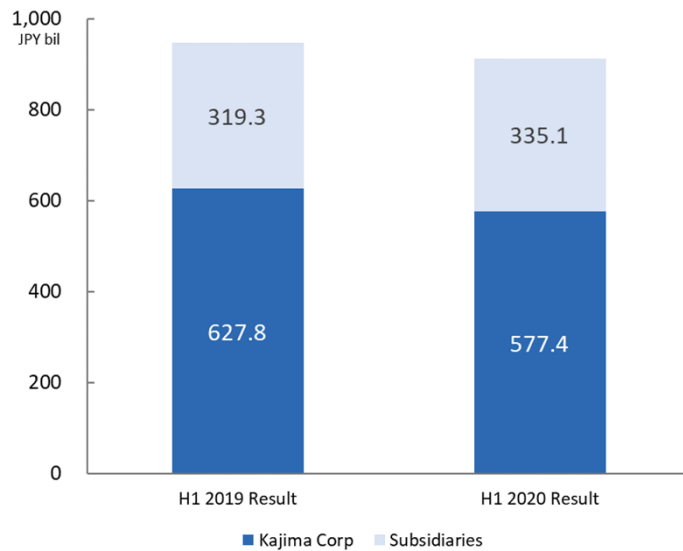
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- Here are the consolidated financial highlights.
- In the first half of fiscal 2020, revenues declined year on year, but operating income, ordinary income, and net income increased year on year.
- YTD progress against the full-year forecast announced at the beginning of the fiscal year exceeded 60% for each income.
- Construction contract awards were lower than in fiscal 2019 due to a decline in the building construction business at Kajima Corporation. Interest-bearing debt decreased from the end of the previous fiscal year.

## 2. Revenues

Billions of yen	H1 2019 Result	H1 2020 Result	YoY Change
Revenues	947.1	912.6	(34.5)



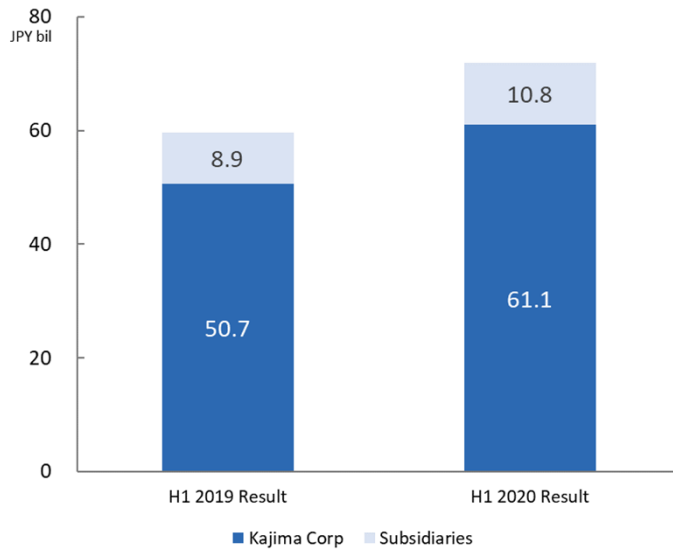
### YoY Change Factors

- Civil Engineering (Kajima Corp) +23.4
- Building Construction (Kajima Corp) (85.5)
- Overseas Subsidiaries and Affiliates +19.0

- Revenues decreased 34.5 billion yen year on year to 912.6 billion yen.
- The key factor was a decrease in the building construction business at Kajima Corporation.

## 2. Operating Income

Billions of yen	H1 2019 Result	H1 2020 Result	YoY Change
Operating Income	59.7	72.0	12.2



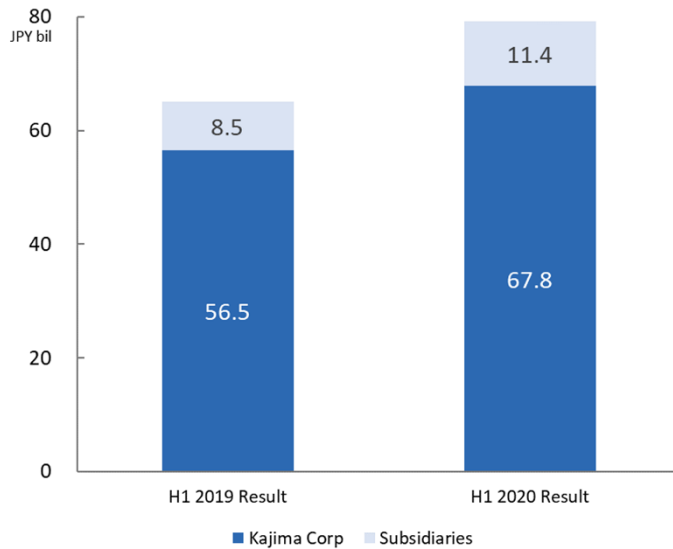
### YoY Change Factors

- Gross Profit (Civil Engineering, Kajima Corp) +10.8
- Gross Profit (Building Construction, Kajima Corp) (5.0)
- Gross Profit (Real Estate and Other, Kajima Corp) +4.7

- Operating income increased 12.2 billion yen year on year to 72.0 billion yen.
- The main factors for the increase of operating income were the improved profit margin in the civil engineering business at Kajima Corporation and higher profits in the real estate and other business thanks to the disposition of a specific large-scale property.

## 2. Ordinary Income

Billions of yen	H1 2019 Result	H1 2020 Result	YoY Change
Ordinary Income	65.0	79.3	14.2



### YoY Change Factors

➤ Operating Income	+12.2
➤ Non-operating Income – net	+2.0
[ Equity in earnings of unconsolidated subsidiaries and affiliates ]	+1.3

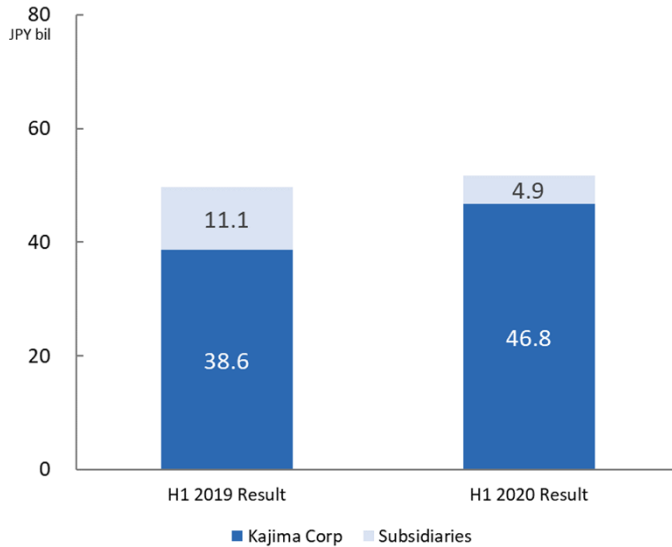
- Ordinary income increased 14.2 billion yen year on year to 79.3 billion yen.
- The increase in non-operating income (net) was due to an improvement in equity in earnings of unconsolidated subsidiaries and affiliates.



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

Billions of yen	H1 2019 Result	H1 2020 Result	YoY Change
Net Income	49.8	51.8	2.0

\* Net Income Attributable to Owners of the Parent



### YoY Change Factors

➤ Ordinary Income	+14.2
➤ Extraordinary Income - net	(8.2)
➤ Increase in Income Taxes	(3.4)
➤ Noncontrolling Interests	(0.5)

- Net income attributable to owners of the parent increased ¥2.0 billion yen year on year to 51.8 billion yen.
- Regarding extraordinary income or loss, while posting an extraordinary income on the reversal of provision for loss on the Anti-Monopoly Act in the previous fiscal year, we recorded an extraordinary loss on the valuation of investment securities in the current fiscal year.

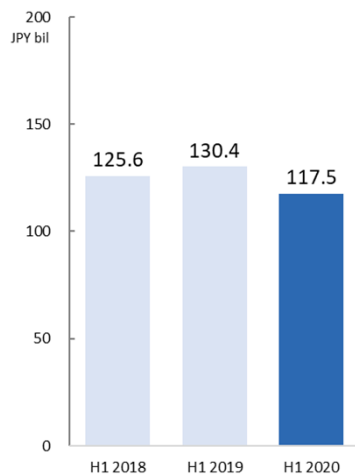
### 3. Civil Engineering (Kajima Corp)

**Contracts** ➤ Decreased due to fewer target projects to win in the first half

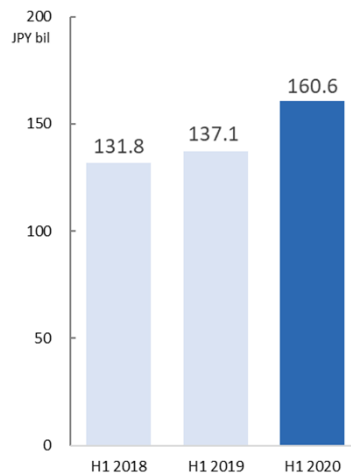
**Revenues** ➤ Increased owing to steady progress on backlog projects

**Gross Profit** ➤ Improved in profitability of some projects to be completed in the current fiscal year

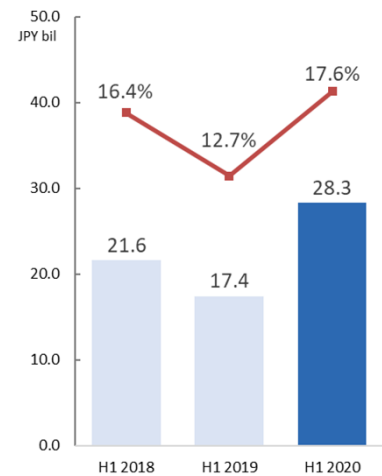
■ Contract Awards



■ Revenues



■ Gross Profit



- Now we will present the results for each business segment. First, Civil Engineering business at Kajima Corporation.
- Contract awards were down to 117.5 billion yen mainly due to few target projects in the first half.
- Revenues were 160.6 billion yen, an increase of 23.4 billion yen year on year, owing to steady progress of backlog projects.
- Gross profit was 28.3 billion yen, an increase of 10.8 billion yen year on year. This was due to improved profitability mainly on some projects to be completed in the current fiscal year. The profit margin was 17.6%.

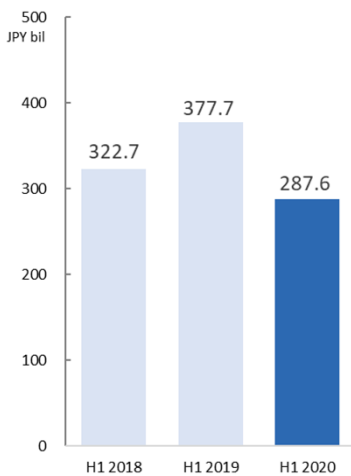
### 3. Building Construction (Kajima Corp)

**Contracts** ➤ Decreased due to delays in contract negotiations caused by the state of emergency

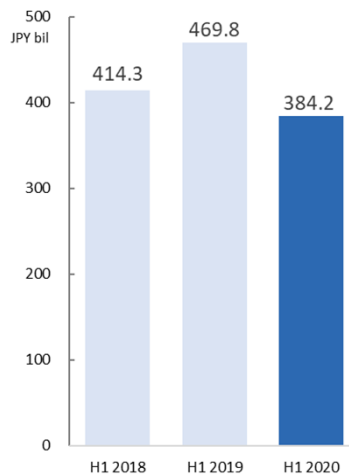
**Revenues** ➤ Dropped by fewer backlog balance at the beginning of the period

**Gross Profit** ➤ Declined in response to a decrease in revenues

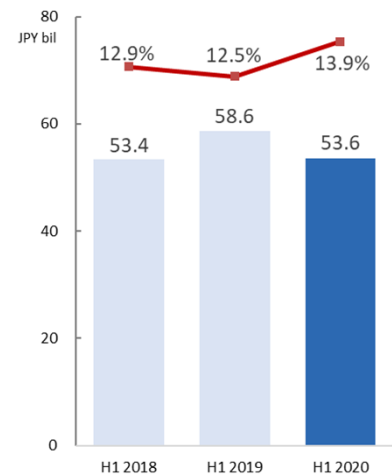
■ Contract Awards



■ Revenues



■ Gross Profit



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- Next, Building Construction business at Kajima Corporation.
- Contract awards came to 287.6 billion, a decrease of 90.0 billion yen year on year. This was mainly due to contract negotiation delays and sluggish sales activities stemming from the impact of a state of emergency.
- Revenues came to 384.2 billion yen, a decrease of 85.5 billion yen year on year. The main reason was a decrease in the backlog balance at the beginning of the fiscal year compared to the same period of the previous fiscal year.
- Gross profit was 53.6 billion yen, a decrease of 5.0 billion yen year on year, in response to lower revenues. But the profit margin was 13.9%, which exceeded that of the previous fiscal year, caused by an improvement in profitability at the final stages of construction mainly on projects completed in the first half.

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

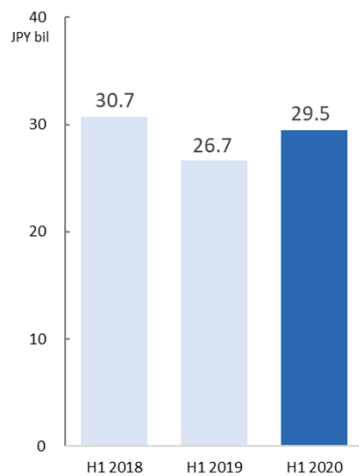
Contracts ➤ Achieved higher level than 1H 2019

Revenues

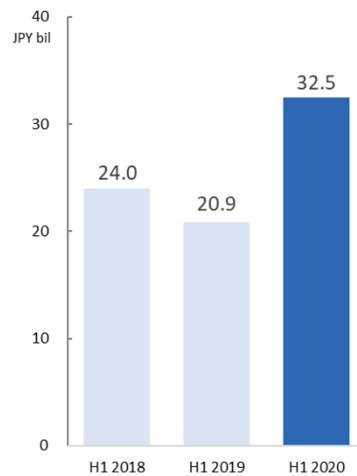
Gross Profit

➤ Increased due to successful disposition of a specific large-scale property

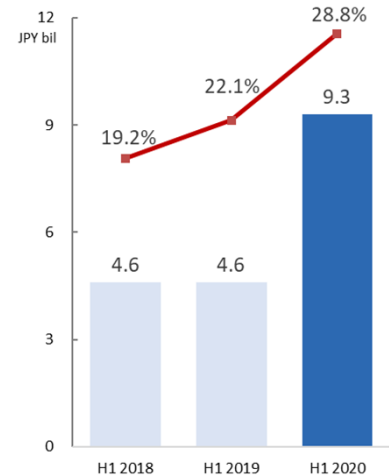
■ Contract Awards



■ Revenues



■ Gross Profit



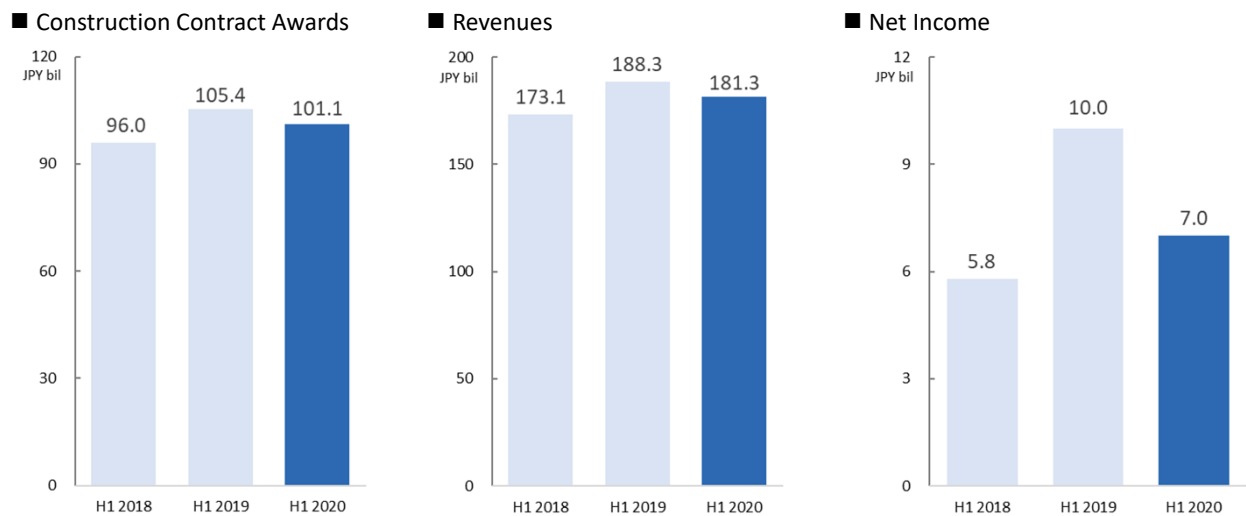
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- Next, Real Estate and Other business at Kajima Corporation.
- Contract awards came to 29.5 billion yen, an increase of ¥2.8 billion year on year.
- Revenues and gross profit came to 32.5 billion yen and 9.3 billion yen, respectively, greatly exceeding those of the previous fiscal year, mainly due to the successful disposition of a specific large-scale property.

### 3. Domestic Subsidiaries and Affiliates

- Contracts ➤ Decreased in the area of interior finish works
- Revenues ➤ Lower than H1 2019 with high-level revenues
- Net Income ➤ Operating income kept the same level of H1 2019 by improving profitability of construction business
- Net Income ➤ ¥2.9 billion reversal of provision for loss posted in H1 2019 as extraordinary income



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- Next, Domestic Subsidiaries and Affiliates business.
- Construction contract awards were down to 101.1 billion yen mainly due to a decrease in contracts for interior finish work on buildings.
- Revenues fell below their high level in the same period of the previous fiscal year to 181.3 billion yen.
- Operating income kept the same level year on year by improving the profitability of the construction business, but net income decreased to 7.0 billion yen year on year on the recording of a 2.9 billion yen reversal of provision for loss on the Antimonopoly Act as an extraordinary income in the previous fiscal year.

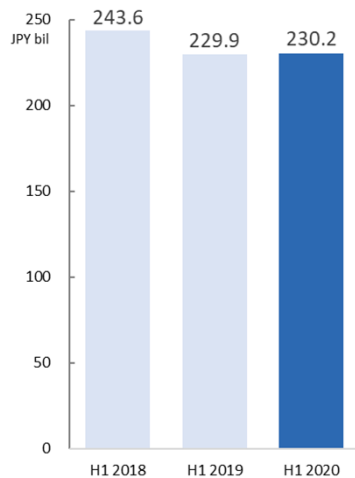
### 3. Overseas Subsidiaries and Affiliates

**Contracts** ➤ Equivalent level to H1 2019

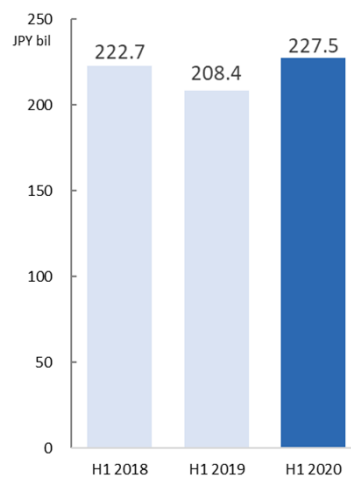
**Revenues** ➤ Increased mainly because of uptick in the U.S. (KUSA)

**Net Income** ➤ Contribution from warehouse property business in the U.S. along with revenue growth

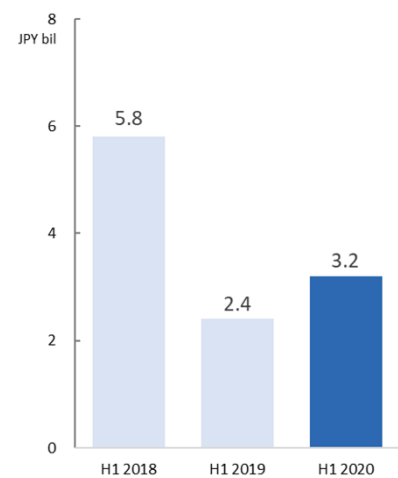
■ Construction Contract Awards



■ Revenues



■ Net Income



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- Next, Overseas Subsidiaries and Affiliates business.
- Construction contract awards came to 230.2 billion yen, largely unchanged year on year.
- Revenues came to 227.5 billion yen, an increase of 19.0 billion year on year, mainly because of uptick in the U.S. (KUSA).
- In addition to the revenue growth, the favorable disposition of industrial warehouses in the U.S. (KUSA) also contributed, and net income increased 0.7 billion yen year on year to 3.2 billion yen.



# FY2020 Forecast

(April 1, 2020 - March 31, 2021)

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

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➤ Next, the forecast for the fiscal 2020.

# 1. Business Environment Outlook

## COVID-19 Associated Impacts and Market Outlook

- Persisting uncertainties on construction demand both in Japan and overseas to observe closely
- Limited impact on progress of domestic construction works performed by Kajima Corp.
- Minimal impact on domestic real estate leasing and sales businesses operated by Kajima Corp.
- No significant impact on performance in Domestic Subsidiaries and Affiliates segment supported by solid progress in construction business although continued decline in occupancy rate at some facilities under operation
- Need a certain amount of time to resume full-fledged operations at construction sites as well as recover occupancy rate at some facilities under operation in Overseas Subsidiaries and Affiliates segment, especially in Southeast Asia

- Let us describe the COVID-19 associated impacts and market outlook.
- Regarding contracts, there are persisting uncertainties on both domestic and overseas construction demand and the competitive environment is growing more challenging. We will leverage our technologies and proposals that address emerging needs to secure new sales as well as maintain and improve profitability.
- In the construction business (Kajima Corp.), we continue to implement rigorous measures to prevent the spread of COVID-19 and expect limited impact on business performance. We are accelerating our efforts to remotely manage, robotize, and automate construction process.
- The impact on the real estate and other business (Kajima Corp.) is expected to remain minimal.
- Among facilities operated by domestic subsidiaries and affiliates, the number of golf course visitors is starting to recovery, but occupancy rates for some hotels continue to decline. As the construction business is strong, these factors are not expected to materially impact business results.
- Overseas subsidiaries and affiliates are expected to continue having an impact on the construction business and facilities-operated business such as hotels in Southeast Asia during the current fiscal year. We need to be careful about the re-spread of COVID-19.



## 2. Financial Highlights

■ Updated in light of H1 result and foreseeable business environment

Billions of yen	FY19 Result	FY20 Initial Forecast	FY20 Updated Forecast	YoY Change	Change from Initial Forecast
Revenues	2,010.7	1,870.0	1,910.0	(100.7)	40.0
Operating Income	131.9	111.0	115.0	(16.9)	4.0
Ordinary Income	146.6	118.0	123.0	(23.6)	5.0
Net Income <sup>1</sup>	103.2	80.0	80.0	(23.2)	0.0
Construction Contract Awards	1,752.8	1,830.0	1,790.0	37.1	(40.0)
Interest-bearing Debt	326.8	380.0	380.0	53.1	0.0

\*1 Net Income Attributable to Owners of the Parent

- These are the revised figures for the full-year forecast. The latest earnings forecast based on first-half results and the future business environment is revenues of 1,910.0 billion yen, operating income of 115.0 billion yen, ordinary income of 123.0 billion yen, and net income of 80.0 billion yen.
- We expect revenues to increase by 40.0 billion yen from the initial forecast mainly due to the increase of the civil engineering business as well as domestic affiliates and subsidiaries.
- On a gross profit basis, profits of overseas affiliates and subsidiaries will decline due to the prolonged impact of COVID-19 especially in Southeast Asia, but this will be offset by improved profit at the civil engineering and real estate businesses (Kajima Corp.) as well as domestic affiliates and subsidiaries. As SG&A expenses are expected to decrease, operating income and ordinary income are forecast to increase by 4.0 billion yen and 5.0 billion yen, respectively.
- Net income is expected to be unchanged from the initial forecast due to certain extraordinary losses.
- Construction contract awards of 1,790.0 billion yen, which is 40.0 billion yen below the initial forecast, are expected. This is mainly because contracts for overseas affiliates and subsidiaries are expected to fall below the initial forecast.
- We expect interest-bearing debt to be 380.0 billion yen, the same as the initial forecast.

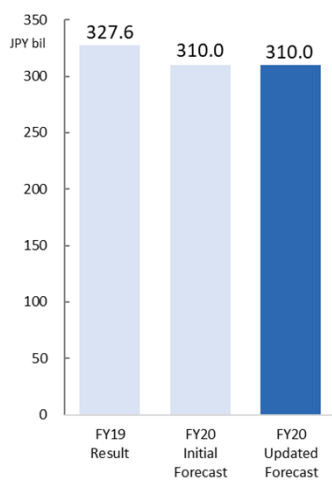
### 3. Civil Engineering (Kajima Corp)

**Contracts** ➤ Same as initial forecast

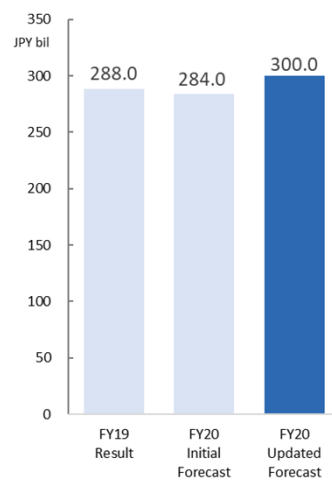
**Revenues** ➤ Upward thanks to steady progress of backlog projects

**Gross Profit** ➤ Expect earnings growth in accordance with increased revenues

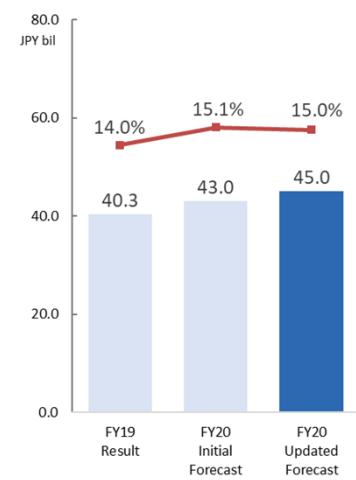
■ Contract Awards



■ Revenues

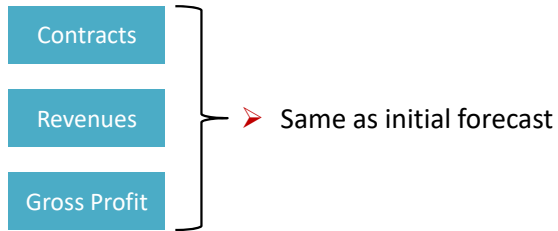


■ Gross Profit

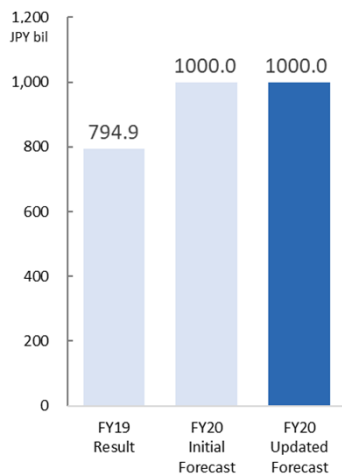


- Now, we will present the forecasts for each business segment. First, Civil Engineering business at Kajima Corporation.
- We have left the initial forecast for contract awards unchanged.
- Revenues have been revised upward to 300.0 billion yen, an increase of 16.0 billion yen, based on progress of backlog projects.
- We expect gross profit to increase by 2.0 billion yen to 45.0 billion yen due to higher revenues. We expect a gross profit level of 15%, in line with the initial forecast.

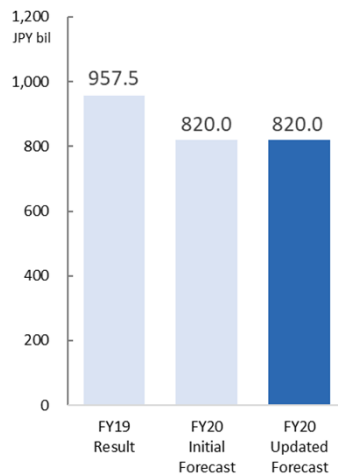
### 3. Building Construction (Kajima Corp)



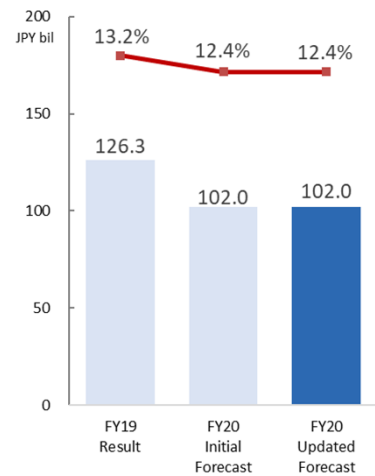
■ Contract Awards



■ Revenues

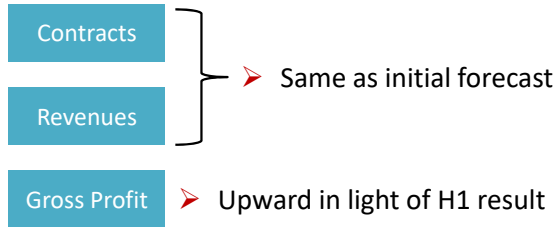


■ Gross Profit

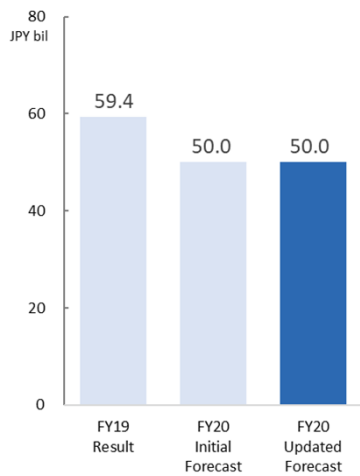


- Next, Building Construction business at Kajima Corporation.
- We made less progress on contract awards in the first half, but the forecast remains unchanged due to many secured and highly probable projects scheduled for the second half.
- We expect the initial forecast for revenues and gross profit to remain unchanged, based on progress of backlog projects.

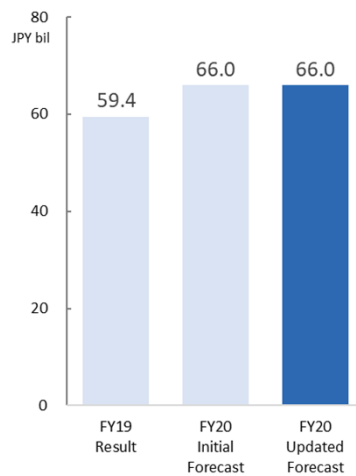
### 3. Real Estate and Other (Kajima Corp)



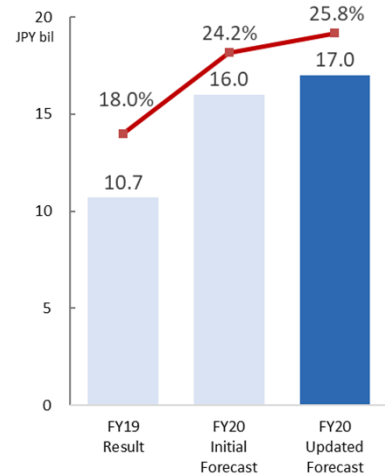
■ Contract Awards



■ Revenues



■ Gross Profit



- Next, Real Estate and Other business at Kajima Corporation.
- Contract awards and revenues remain unchanged from the initial forecast, but we expect gross profit to increase by 1.0 billion yen to 17.0 billion yen, based on strong first-half results.

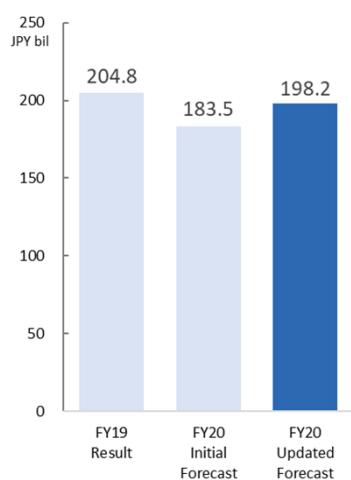
### 3. Domestic Subsidiaries and Affiliates

**Contracts** ➤ Expect to increase mainly in road paving works

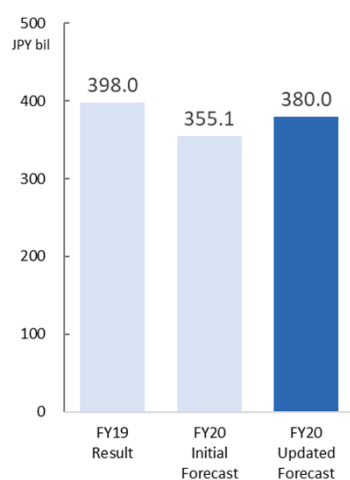
**Revenues** ➤ Expect to increase in construction business and sales of materials

**Net Income** ➤ Upward associated with increased revenues

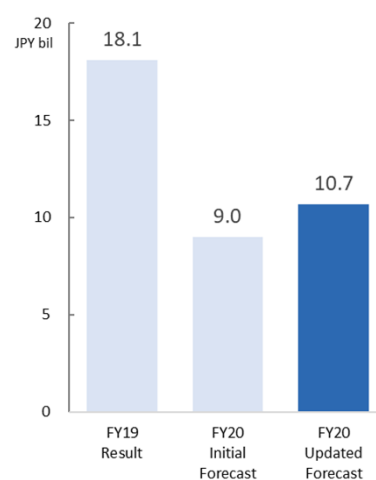
■ Construction Contract Awards



■ Revenues



■ Net Income

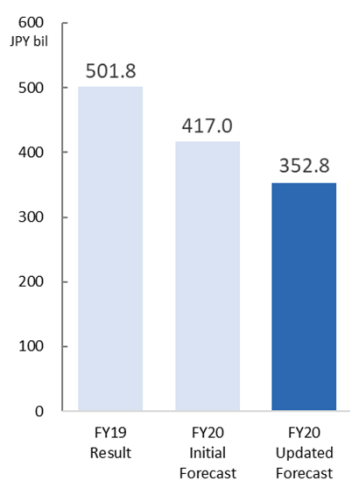


- Next, Domestic Subsidiaries and Affiliates business.
- We expect construction contract awards to increase by 14.7 billion yen to 198.2 billion yen, mainly because of contribution from Kajima Road Co., Ltd.
- We expect revenues to increase by 24.8 billion yen to 380.0 billion yen, owing to steady progress in the construction business and construction materials sales business.
- We expect net income to increase by 1.7 billion yen due to higher revenues.

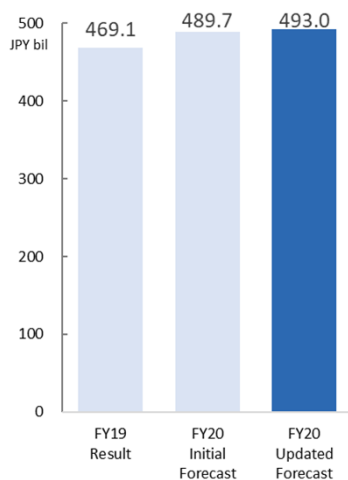
### 3. Overseas Subsidiaries and Affiliates

- Contracts** ➤ Downward due to delayed negotiations in large promising projects in Asia (KAP)
- Revenues** ➤ Expect to increase with steady progress of construction business in the U.S. (KUSA)
- Net Income** ➤ Expect to decrease caused by lower profit in Asia (KAP)

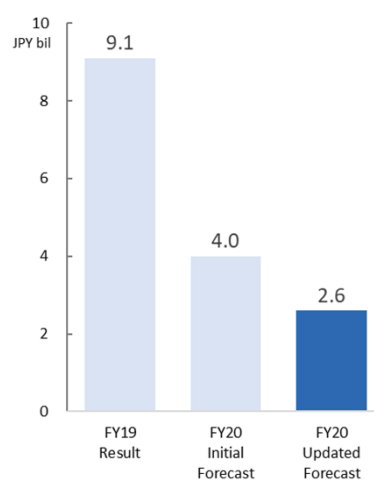
■ Construction Contract Awards



■ Revenues



■ Net Income



- Next, Overseas Subsidiaries and Affiliates business.
- We expect construction contract awards to decline by 64.2 billion yen to 352.8 billion yen, mainly due to delayed negotiations in large promising projects in Asia (KAP) caused by the impact of COVID-19.
- We forecast revenues of 493.0 billion yen, exceeding the initial forecast by 3.3 billion yen, owing to steady progress in the construction business in the U.S. (KUSA).
- We forecast net income of 2.6 billion yen, down from the initial forecast by 1.3 billion yen, mainly due to lower gross profit for the KAP's construction business and operating facilities business.

## 4. Investment Plan

### ■ Steady progress in investment for future growth expecting to exceed the Medium-Term Business Plan

(¥billion)

	FY18-FY19 Result	FY20 Forecast	FY18-20 Forecast	3-year Plan (FY18-FY20)
■ Domestic/Overseas real estate development	212.0	200.0	412.0	400.0
(Recoup of investment)	88.0	59.0	147.0	175.0
Domestic	116.0	92.0	208.0	160.0
(Recoup of investment)	33.0	28.0	61.0	60.0
Overseas	96.0	108.0	204.0	240.0
(Recoup of investment)	55.0	31.0	86.0	115.0
■ R&D Investment	33.0	16.0	49.0	50.0
■ Strengthen competitiveness/ sustainable growth	47.0	23.0	70.0	50.0
■ Total	292.0	239.0	531.0	500.0

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- Next, the progress of the investment plan.
- In the Medium-Term Business Plan, we expect to invest a total of 500.0 billion yen over three years and have already invested a total of 292.0 billion yen over the two years up to fiscal 2019.
- In fiscal 2020, while monitoring the impact of COVID-19 on market trends, we expect to invest 200.0 billion yen in domestic and overseas real estate development, 16.0 billion yen in R&D, and 23.0 billion yen to strengthen competitiveness and sustain growth. The total investment over three years will be 531.0 billion yen, which exceeds our plan.

## 5. Stockholder Returns

- Leave dividend forecast unchanged
- Decided on share repurchase up to 10 billion yen

	FY18 Result	FY19 Result	FY20 Initial Forecast	FY20 Updated Forecast
Dividend per Share	¥50.00	¥50.00	¥50.00	¥50.00
Earnings per Share (EPS)	¥211.67	¥200.99	¥156.07	¥156.03
Payout Ratio	23.6%	24.9%	32.0%	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.

### - 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.

- Next, stockholder returns.
- We set an interim dividend per share of 25 yen and a year-end dividend of 25 yen, and our beginning-of-the-year forecast for the total annual dividend remains unchanged.
- In order to assess the impact of COVID-19, we held back on the decision to acquire treasury stock. In light of first-half financial results, we expect fiscal 2020 financial results to achieve the initial forecast. Also, given stable financial markets, we decided on share repurchase up to a limit of 10.0 billion yen to increase stockholder returns and capital efficiency.
- With the share repurchase this time, the total return ratio is expected to be about 44%.





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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 10, 2020, and are subject to risks and uncertainties that may cause the actual results to vary.