1.Overview of Financial Results

(1) Overview of financial results for the fiscal year ended March 31, 2024

i Overview of overall financial performance

During the fiscal year ended March 31, 2024, the rate of inflation in many countries and regions slowed, and the trend in policy interest rates shifted from increases to holding steady. Although the pace of economic growth stagnated in some countries and regions due to the effects of higher prices and interest rates, growth remained firm overall. In Japan, amid a moderate rise in prices, the economy continued to recover due to an improved employment situation and a recovery in inbound demand, along with changes including the Bank of Japan lifting its negative interest rate policy.

In the domestic construction market, public-sector investment remained stable and corporate capital investment steadily progressed, and, as a result, construction investment continued to grow. With regard to construction costs, as material and equipment expenses remained high overall, labor costs rose as construction volume increased.

Against this backdrop, the Kajima Group has focused its efforts in Japan and overseas on the construction and real estate development businesses under the Kajima Group Medium-Term Business Plan (FY2021-2023).

As a result, the Group's financial results for the fiscal year ended March 31, 2024, were as follows.

Consolidated construction contract awards increased both in Japan and overseas, coming to 2,927.2 billion yen (compared with 2,196.9 billion yen in the previous fiscal year), a 33.2% year-on-year increase. Non-consolidated contract awards, including those for real estate development and other businesses, increased 26.6% year on year to 1,944.0 billion yen (compared with 1,535.7 billion yen in the previous fiscal year).

Revenues increased 11.4% year on year to 2,665.1 billion yen (compared with 2,391.5 billion yen in the previous fiscal year) due to higher revenues in both the construction business and the real estate development and other businesses in Japan and overseas.

Operating income was up 10.3% year on year to 136.2 billion yen (compared with 123.5 billion yen in the previous fiscal year), due to higher gross profit in the construction business in Japan and overseas, as well as in the real estate development and other businesses in Japan. Although ordinary income decreased 4.2% to 150.1 billion yen (compared with 156.7 billion yen in the previous fiscal year) due to a decline in non-operating income, net income attributable to owners of the parent increased 2.9% to 115.0 billion yen (compared with 111.7 billion yen in the previous fiscal year) thanks to an improvement in extraordinary income. Also, in the period under review, the Company sold strategic shareholdings (27 stocks, 28.4 billion yen), and recorded a gain on sales of investment securities as extraordinary income.

Full-year performance by business was as follows.

In the construction business, revenues in both the civil engineering and building construction businesses exceeded those of the previous fiscal year due to steady construction progress, especially on large-scale projects. The gross profit margin in the building construction business exceeded that of the previous fiscal year, enabling the Company to secure steady profits, despite the impact of rising construction costs in some projects. In the real estate development and other businesses, disposal of real estate for sale were implemented according to plan, contributing significantly to both revenues and profits.

Domestic subsidiaries and affiliates reported higher revenues and profits than in the previous fiscal year due to increased revenues and gross profit margin in the construction business, as well as disposal of real estate for sale held by real estate development related subsidiaries and affiliates.

In the construction business of overseas subsidiaries and affiliates, despite the persistent impact of the COVID-19 pandemic on some construction projects in Southeast Asia, business performance has recovered since the third quarter. In the real estate development and other businesses, although the business environment in each region was affected by inflation and rising interest rates, the subsidiaries and affiliates in the U.S. sold 12 properties in the distribution warehouse development business, and the occupancy rate of hotels managed by the subsidiaries and affiliates in Southeast Asia improved, driving solid performance overall.

ii. Segment performance

Segment results are as follows. (Segment results include internal sales or transfers between segments.)

Civil Engineering

Civil engineering in the construction business operated by the Company

Revenues increased 20.5% year on year to 363.3 billion yen (compared with 301.6 billion in the previous fiscal year) due to steady construction progress on large-scale projects.

Operating income decreased 20.6% to 23.2 billion yen (compared with 29.3 billion yen in the previous fiscal year), falling below that of the previous fiscal year when the gross profit margin was particularly high.

Building Construction

Building construction in the construction business operated by the Company

Revenues increased 1.7% year on year to 1,104.2 billion yen (compared with 1,086.2 billion yen in the previous fiscal year) due to favorable construction progress of large-scale projects.

Operating income climbed 14.2% to 53.3 billion yen (compared with 46.6 billion yen in the previous fiscal year) due to improved profitability, mainly in projects completed during the period.

Real Estate Development and Other

Real estate development business, architectural, structural and other design business and engineering business operated by the Company

Revenues increased 90.0% year on year to 85.3 billion yen (compared with 44.9 billion yen in the previous fiscal year), and operating income jumped 156.2% to 18.4 billion yen (compared with 7.1 billion yen in the previous fiscal year), mainly due to the successful implementation of planned disposal of real estate for sale in the fiscal year.

Domestic Subsidiaries and Affiliates

Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by domestic subsidiaries and affiliates

Revenues rose 4.2% year on year to 367.4 billion yen (compared with 352.6 billion yen in the previous fiscal year), while operating income increased 38.8% to 24.1 billion yen (compared with 17.4 billion yen in the previous fiscal year), mainly due to the disposal of real estate for sale held by real estate development related subsidiaries and affiliates.

Overseas Subsidiaries and Affiliates

Construction business, real estate development business and others overseas such as in North America, Europe, Asia, Oceania, and other areas operated by overseas subsidiaries and affiliates

Revenues increased 16.3% year on year to 859.6 billion yen (compared with 739.2 billion yen in the previous fiscal year), mainly due to an increase in construction business revenues in the U.S. and Oceania.

Operating income decreased 25.6% to 16.9 billion yen (compared with 22.7 billion yen in the previous fiscal year), mainly due to lower income than the high level of the previous fiscal year, despite the steady gain on sales in the U.S. real estate development business.

(2) Overview of financial position for the fiscal year ended March 31, 2024

Total assets at the end of the fiscal year increased 365.4 billion yen year on year to 3,135.1 billion yen (compared with 2,769.7 billion yen at the end of the previous fiscal year). The main factors were an 86.3 billion surge in investment securities mainly due to an increase in unrealized gains as the market value of shares held rose, a 64.9 billion yen increase in inventories (real estate for sale, construction projects in progress, development projects in progress, and others), and a 61.6 billion yen increase in property and equipment.

Total liabilities increased 202.9 billion yen year on year to 1,911.4 billion yen (compared with 1,708.5 billion yen at the end of the previous fiscal year). This was due to an increase in interest-bearing debt* of 74.8 billion yen as well as a 53.5 billion increase in advances received on construction projects in progress. Interest-bearing debt was 612.6 billion yen (compared with 537.7 billion yen at the end of the previous fiscal year).

Total equity, including shareholders' equity of 949.6 billion yen, accumulated other comprehensive income of 260.4 billion yen, and noncontrolling interests of 13.5 billion yen, increased by 162.5 billion yen year on year to 1,223.6 billion yen (compared with 1,061.1 billion yen at the end of the previous fiscal year).

In addition, the owners' equity ratio improved to 38.6%, up 0.6 points compared with 38.0% at the end of the previous fiscal year.

* Total amount of short-term loans payable, commercial paper, bonds payable (including current portion of bonds payable) and long-term loans payable.

(3) Overview of cash flows for the fiscal year ended March 31, 2024

Cash flows from operating activities in the fiscal year resulted in a net cash inflow of 123.7 billion yen (compared with a net cash outflow of 29.1 billion yen in the previous fiscal year). Main factors were income before income taxes of 168.9 billion yen, adjusted for depreciation and amortization of 27.2 billion yen, and an increase in advances received on construction and development projects and other of 52.2 billion yen, offset by income taxes paid of 50.5 billion yen and an increase in inventories (real estate for sale, uncompleted construction costs, real estate development project costs, and other inventories) of 48.7 billion yen, as well as a decrease in payables of 33.2 billion yen and an increase in receivables of 31.6 billion yen.

Cash flows from investing activities resulted in a net cash outflow of 62.9 billion yen (compared with 81.7 billion yen in the previous fiscal year). Main factors were payments for purchases of property and equipment of 41.5 billion yen, for disbursements for loans of 41.4 billion yen, and payment for purchases of investment securities of 19.2 billion yen, partially offset by inflows of proceeds from sales and redemption of investment securities of 30.1 billion yen and proceeds from collection of loans of 25.8 billion yen.

Cash flows from financing activities resulted in a net cash outflow of 9.5 billion yen (compared with a net cash inflow of 111.8 billion yen in the previous fiscal year). Main factors were cash outflows from cash dividends paid of 36.8 billion yen and payment for purchases of treasury stock of 15.0 billion yen, offset by net cash inflows from financing and repayment balance of short-term loans payable, long-term loans payable, commercial paper and bonds payable of 38.1 billion, and proceeds from the disposal of treasury stock of 5.0 billion yen.

As a result, the balance of cash and cash equivalents at the end of the fiscal year increased by 67.8 billion yen year on year to 350.0 billion yen (compared with 282.2 billion yen at the end of the previous fiscal year).

(4) Future outlook

In the global economy, as inflation slows, we expect interest rates to decline, and the pace of growth to gradually recover. Nevertheless, the economic outlook remains uncertain, and we assume the economic situation remains difficult to assess. Furthermore, the needs of society and customers are expected to further diversify, including the push to achieve carbon neutrality and build a circular economy, and human capital will become even more important. To achieve sustainable growth in this business environment, we believe it is important to take measures needed to address the various risks that accompany these changes and pursue business by appropriately seizing opportunities.

In the construction market, construction demand is expected to continue to grow both in Japan and overseas, driven by investments in production facilities related to environment and advancing technology and upgrading aging buildings and infrastructure. On the other hand, we must pay attention to the application of overtime work restrictions in the domestic construction industry and the potential for escalating construction costs worldwide. To help ensure the sustainability of the construction industry, we need to improve construction worker compensation and benefits, pursue work-style reforms, and raise productivity while providing high quality value and services to meet demand.

In this business environment, we launched the “Kajima Group Medium-Term Business Plan (FY2024-2026) — Further Strengthening the Core Business and Building the Future.” Under the new Medium-Term Business Plan, we will work to further strengthen our core domestic construction, real estate development and overseas businesses, while, as a technology-based company, creating new value by expanding our value chain and promoting R&D and innovation. In doing so, we intend to build the future by working together with society and our customers. The plan sets forth the following drivers of our growth strategy: (1) enhance domestic construction business, (2) expand growth areas, (3) create new value as a technology-based company, and (4) ensure sustainability.

In the domestic construction business in the fiscal year ending March 31, 2025, we expect to achieve solid performance by delivering steady construction work to meet strong construction demand in the civil engineering and building construction businesses, and by making efforts to raise productivity and lower costs. In the domestic real estate development business, just as in the fiscal year under review, we plan to sell multiple properties, which will contribute to revenues and profits. In the overseas business, we expect the recovery of performance in Southeast Asia to progress. In the U.S. and Europe, the business environment surrounding prices and interest rates is expected to remain uncertain, but we will seek to increase revenues and profits across the overseas businesses as a whole by taking measures to counter risks and seizing opportunities to address market and interest rate trends. Our exchange rate assumption is JPY 141.83 to USD 1.00.

Reflecting this outlook, results for the fiscal year ending March 31, 2025, are forecast to show, on a consolidated basis, an increase in revenues, as well as net income attributable to owners of the parent remaining above the 100 billion yen mark.

(5) Basic policy on profit distribution

The Company's basic policy is to allocate profits taking account of balance between growth investment and stockholder returns, with the aim of achieving sustainable growth and increasing corporate value, while maintaining financial soundness. Regarding dividends, the Company plans to pay dividends with a target payout ratio of 40%, as well as to flexibly contribute to stockholder returns by acquiring own shares and other means with consideration of business performance, financial condition and business environment.

For information on the Group’s management policies, etc., please refer to the following website.

https://www.kajima.co.jp/english/ir/admin/index.html

2. Basic approach to the selection of accounting standards

The Kajima Group applies Japanese GAAP in consideration of the comparability of consolidated financial statements between periods and among companies, the nature of its business, and other factors. With regard to the application of International Financial Reporting Standards (IFRS), the Group’s policy is to address them appropriately, taking into consideration various conditions in Japan and overseas.