FY2023 Analyst and Investor Briefing (Web Conference)
Summary of Q&A Session
May 14, 2024

Q

Why were gross profit margins for fiscal 2023 lower than the full-year forecast in the non-consolidated civil engineering and building construction businesses? (Civil engineering: Forecast 15.6%, Result: 13.7%; Building construction: Forecast 9.7%, Result: 9.2%)

A

In the civil engineering business, despite improvements in quarterly gross profit margins, the forecasted improvement in profitability was not achieved, as costs increased due to changes in construction conditions in some projects.
In the building construction business, the gross profit margin was lower than the full-year forecast because we recorded a provision for loss on construction projects in progress, carefully factoring in the impact of rising construction costs in some projects into profitability based on the status of negotiations with clients and other factors.

Q

Why was the gross profit margin for the overseas real estate development business lower in fiscal 2023 (30.4%) than in fiscal 2022 (34.5%)?

A

The main reasons were higher costs due to inflation and an increase in the capitalization rate. In the overseas real estate development business, we use net income as the performance management indicator because we record non-operating income or extraordinary income rather than gross profit for some projects.

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Why is the fiscal 2024 forecast for the gross profit margin (9.0%) in the non-consolidated building construction business lower than the result for fiscal 2023 (9.2%)?

A

The gross profit margin for the non-consolidated building construction business is expected to be 9.0% in fiscal 2024 due to the small number of completed projects and the impact of the provision for loss on construction projects in progress that we recorded in fiscal 2023, as well as the need to factor in rising construction costs and other factors.

Q

What is the outlook for the overseas real estate development business in and beyond fiscal 2024?

A

We set a conservative forecast for fiscal 2024 because it is uncertain when long-term interest rates will fall. We anticipate that interest rates will fall from 2025 onward, and profit levels should improve.

Q

What are the forecasts for revenues and the gross profit margin in the non-consolidated construction business in the Medium-Term Business Plan?

A

In the civil engineering business, in addition to an increase in revenues, we are aiming to improve the gross profit margin from our typical performance of around 15 – 16%. In the building construction business, we expect revenues to continue to exceed 1 trillion yen. In addition, we anticipate that the gross profit margin will gradually improve from fiscal 2025 onward due to the profit margin on new contracts which has recovered to the pre-pandemic level.

KAJIMA CORPORATION

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Is gain on sale of strategic shareholdings included in the target for consolidated net income in fiscal 2026 (more than 130 billion yen)?

A

The net income target for fiscal 2026 includes a certain amount of gain on sale from strategic shareholdings based on the policy for sales in the new medium-term business plan. At this point, we have not finalized the stocks to be sold in order to reach the 50 billion yen target in the medium-term plan.

Q

Are you planning around 30 billion yen in share buybacks from fiscal 2025 onward as well?

A

We decided on a 30 billion yen share buyback in fiscal 2024 in light of better-than-forecast results in fiscal 2023 and the willingness of some shareholders to sell. During the period of the medium-term business plan, we plan stockholder returns of approximately 200 billion yen over three years as shown in the cash allocation. We will pay dividends linked to profit growth combined with flexible share buybacks, in consideration of the business environment and other factors.