FY2024 1st Quarter Analyst and Investor Briefing (Web Conference) Summary of Q&A Session

August 6, 2024

100年をつくる会社 鹿島

Q: What are the prospects for the gross profit margin of the non-consolidated civil engineering business, which for the moment is coming in below the full-year forecast?

A: In the first quarter of each year, the gross profit margin tends to be lower than the full-year forecast due to few completed construction projects and little improvement in profitability from additional income. We see the same happening in this fiscal year. We expect the profit margin to improve quarter by quarter with the increase in completed construction toward the end of the fiscal year.

Q: Why did the gross profit margin of the non-consolidated building construction business in the first quarter exceed the full-year forecast?

A: This was due to the progress of relatively profitable construction projects. The full-year forecast remains unchanged, taking into account both the increase we expect toward the end of the fiscal year of sales from construction projects that we recorded a provision for loss on construction projects in progress in the previous fiscal year, and the risk of rising construction costs.

Q: What is the trend of the profit margin on new contracts in the non-consolidated building construction business?

A: The profit margin returned to the pre-pandemic level in the previous fiscal year and continues on an improvement trend in the current fiscal year.

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Q: Why did the gross profit margin of the overseas real estate development business in the first quarter (29.4%) exceed the full-year forecast (22.7%)?

A: In the U.S. real estate development business, one distribution warehouse and one rental housing complex were sold at a slightly higher-than-expected profit.

Q: What is the outlook for business conditions in the U.S. distribution warehouse development business?

A: While we sold one distribution warehouse in the first quarter, there were no new project starts. However, in the second quarter, we have sold multiple properties and started new projects, so we have no major concerns about business conditions. We expect an increase in the number of properties to be sold in the second half of the year due to an expected revitalization of the real estate market and a decline in cap rates following interest rate cuts during the year.

Q: How profitable is Rodgers Builders, the company acquired in the first quarter?

A: Its annual sales are around 80 billion yen, with net income of about 500 million yen. Our plan is to increase its future profitability by integrating it into the Group.

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Q: Domestic interest rates are on an upward trend. What impact will this have on domestic real estate development projects?

A: Since there is a certain spread between interest rates and expected real estate yields, even if interest rates rise slightly, we do not expect it to have a major impact on our scheduled projects. We expect to achieve our full-year forecast for the current fiscal year, since revenues and profits will mainly be driven by the delivery of condominiums for sale, including those already completed.

Since we have factored in a certain amount of interest rate risk into our full-year forecast, we do not expect a significant impact on interest expenses from domestic borrowings at this time.

Q: What are the prospects for the divestment of strategic shareholdings this fiscal year?

A: We plan to divest 30 stocks this fiscal year and began selling some in the second quarter. Given the volatile stock market, we will carefully monitor the situation as we move forward with the planned divestment within the fiscal year while carefully monitoring the situation.