FY2024 First Half Analyst and Investor Briefing (Web Conference) Summary of Q&A Session

November 12, 2024

KAJIMA CORPORATION

Q: What is the cause of the shrinking gross profit margin (8.8%) of the non-consolidated building construction business since the first quarter (9.7%), and what is the outlook for future profit margins?

A: For construction projects awarded in or before fiscal 2023, considering the status of our discussions with clients, we factored the impact of price increases into our profit and loss projection and recorded a provision for construction losses. This was a limited factor that occurred only in specific construction projects. The impact of rising construction costs is within the range of risks anticipated at the beginning of the fiscal year, and we expect to achieve the full-year gross profit margin forecast (9.0%). We aim to achieve an early recovery to the 10% range in fiscal 2025 and beyond.

Q: Due to rising prices, developers have announced that they are cancelling or postponing some projects. Is it possible that you will raise the unit price of orders further?

A: Prices for materials, equipment, and labor could continue to rise. The Company is appropriately reflecting this possibility in its quotations as it assesses the conditions of each project and negotiates prices with clients while incorporating design change proposals.

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Q: Orders for production facilities appear to be strong. Is this trend sustainable?

A: Demand for production facilities is strong. There are plenty of business opportunities related to semiconductors, pharmaceuticals, EV, and storage batteries, and we expect this situation to continue for the foreseeable future.

Q: What is the outlook for domestic civil engineering and building construction revenues in the next fiscal year and beyond?

A: Civil engineering revenues are expected to exceed ¥350 billion for the foreseeable future thanks to the stable business environment. Building construction revenues are expected to continue to exceed one trillion yen due to strong demand and order status.

Q: What impact will the use of automated construction technology in civil engineering have on revenues?

A: At the Naruse Dam, we have established remote construction and achieved efficiency and labor savings by reducing personnel deployment and employing 24-hour construction. The Ministry of Land, Infrastructure, Transport and Tourism is promoting ICT construction, including automated construction. In the future, the Company plans to improve its A^4CSEL (Quad Accel) versatility and expand the sites where it can be used beyond dams, so that it contributes more to earnings.

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Q: Why was the timing of sales in the U.S. real estate development business delayed, and what are the prospects for gains on sales in fiscal 2025 and beyond?

A: This was because long-term interest rates and cap rates declined less than expected, and investor attitudes grew more cautious ahead of the presidential election. In the U.S. distribution warehouse market, there is a constraint on new supply, the balance between supply and demand has remained stable, and rents are rising. Now that the presidential election is over, we expect investor demand to improve and the real estate market to bounce back.

Q: The balance of assets of the overseas real estate development business (¥750 billion) and consolidated owner's equity are increasing. Shouldn't you consider increasing the turnover rate of overseas real estate development assets?

A: In Europe and the U.S., the Company is pursuing real estate development projects focusing on a short-term turnover model. In Southeast Asia, we have focused on long-term holdings, but in Vietnam, we are reinforcing the short-term turnover approach and expect to start selling properties in fiscal 2025. We plan to further increase the turnover rate and improve future profit levels, including in distribution warehouses and rental housing complexes in the U.S., where demand is steady. The Company uses ROE to manage the performance of its overseas businesses, and has set an ROE target of 10% or more. Although profits have declined in the current fiscal year, the Company aims to achieve this target in fiscal 2025 and beyond.

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Q: Net income and earnings per share were revised upward, so why has the annual dividend been kept flat at ¥90 per share?

A: Our dividend payout ratio target is 40%. The current dividend payout ratio is 36.6%, but with the ¥30 billion share buyback conducted in the first quarter included, the total return ratio will be 62.5%. While we believe that our upwardly revised full-year forecast can be achieved, we will reexamine the dividend level at the fiscal year-end based on the earnings outlook for fiscal 2025.

Q: Could the Company conduct additional share buybacks if it expects to secure its profit projection?

A: We will consider share buybacks and dividends in line with the ¥200 billion stockholder return plan set out in the cash allocation provisions of the medium-term business plan. The ¥200 billion figure is not an upper limit. We will take a flexible approach and consider increasing stockholder returns if net income exceeds the plan.