

FY2024 Third Quarter Analyst and Investor Briefing (Web Conference)

Summary of Q&A Session

February 12, 2025

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

A: The profitability on new contracts in the first nine months (Q3) of fiscal 2024 continued to improve, exceeding that of the same period of the previous fiscal year as well as that of the previous full fiscal year. We have also achieved decent profitability in large-scale redevelopment projects awarded in fiscal 2024.

Q: What are the revenues and gross profit margin forecasts for the non-consolidated building construction business?

A: Fiscal 2024 has been a transitional period with many projects in the early stages of construction. In fiscal 2025, revenues are expected to increase over fiscal 2024. We raised the gross profit margin forecast for fiscal 2024 from 9.0% to 9.2%, and we expect it to reach the same level as in fiscal 2023, a year in which many construction projects were completed. In fiscal 2025 and beyond, we will seek to restore the margin promptly to the 10% level, although this will be dependent on negotiations with clients regarding construction cost increases.

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Q: Sales of properties in the U.S. distribution warehouse development business are favorable. What is the status of new starts?

A: We have a risk management policy to control new project starts based on the progress made on leasing existing properties, and the number of new starts has declined due to a temporary slowdown in leasing in fiscal 2024. With recent signs of improved vacancy rates and declining CAP rates, we expect new starts and land purchases to pick up in fiscal 2025.

Q: You have set a Medium-Term Business Plan(FY2024-2026) target for overseas subsidiaries and affiliates of a “three-year average net income of 30 billion yen or more.” Taking into account your net income forecast of 18 billion yen for fiscal 2024, can we expect annual profits of about 36 billion yen in fiscal 2025 and 2026?

A: Although the net income of overseas subsidiaries and affiliates is expected to continue increasing starting in fiscal 2025, the economic situation in the U.S. is hard to predict, and determining where things will land is difficult. We want to provide our views about this when we announce the full-year financial results for fiscal 2024, taking into account the current business environment.

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Q: The balance of assets in the real estate development business has increased to about 1.2 trillion yen for the total of Japan and overseas. This is a large amount for a construction company. How will the balance of assets change over the long term?

A: Our policy is not to expand without limit, either domestically or internationally. We aim to recoup our investment principal by selling assets and then to allocate both the recouped investment and the profits earned to reinvestment. This cycle of recouping and reinvesting is becoming well-established overseas. In Japan, we plan to invest in large-scale projects, and the balance of assets is expected to continue increasing over the next few years, but our aim is the same.

Our real estate development business, with its synergies with our construction business, is a distinctive feature of the Kajima Group. We will earn profit proportional to our investments and asset balances.

Q: Can the goal of reducing strategic shareholdings be achieved ahead of schedule?

A: The Medium-Term Business Plan(FY2024-2026) target is to reduce strategic shareholdings to less than 20% of our consolidated net assets by the end of fiscal 2026, selling 50 billion yen or more of these shareholdings over three years, and the target has not changed. Still, we are striving to achieve the target as soon as possible and will continue to reduce strategic shareholdings even after the target is achieved.

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Q: Looking at the Medium-Term Business Plan(FY2024-2026) target of an ROE of 10% or more, and taking into account the improved performance of the construction business, progress on the sale of strategic shareholdings, and the contribution to profits of distribution warehouse business in the U.S., is my understanding correct that ROE will exceed 10% in fiscal 2025 and beyond?

A: There may be times when 10% is temporarily out of reach, but the Group's basic policy is always to aim for a return of 10% or more. We will establish and execute growth and financial strategies to achieve this goal.

Q: Based on the upward revision and future profit growth trends, there are strong prospects that net income for the three years will exceed 350 billion yen, announced in the Medium-Term Business Plan(FY2024-2026). Will there be a reexamination of shareholder returns?

A: We intend to indicate the direction of shareholder returns after assessing performance trends for fiscal 2025 and beyond. We announced the dividend increase in advance because we thought it was desirable to announce it before rights vested at the end of March.