



The new medium-term management plan includes a policy committing to capital efficiency

Raise total return ratio from 50% to 60% and dividend payout ratio from 35% to 50%

Results: In FY23/5, OHBA reported net sales of ¥15.65 bn (-1.8% YoY; forecast of ¥16.0 bn) and operating profit of ¥1.71 bn (+8.3% YoY; ¥1.60 bn). Net sales fell slightly short of plan, but the company exceeded its profit targets thanks to a 2.7ppt improvement in gross profit margin from 30.4% to 33.1%, reflecting higher unit prices for projects owing to macroeconomic factors and successful cost controls in areas such as outsourcing expenses. Considering that sales and profits were down through 3Q and that the order backlog at the end of 3Q was weak YoY, the company's results were positive.

Medium-Term Management Plan: Alongside its earnings announcement, OHBA announced a new five-year medium-term management plan ending in FY28/5, which it positions as its first stage of taking on challenges and leaping forward into the next 100 years, as the company marked its 100th anniversary in 2022. The plan's basic strategy calls for (1) further expanding qualified personnel and enhancing technical capabilities as a construction consulting firm with leading market share in urban planning (planned increase from 488 qualified personnel at end-FY23/5 to 650 in FY28/5), (2) investing in human capital to secure and enhance technical capabilities (continuous base salary increase, etc.), (3) developing new businesses to solve social issues such as disaster prevention/mitigation, defense civil engineering, and smart city/urban planning digital transformation. In addition, the company will leverage its healthy balance sheet to seek M&A opportunities involving competitors in the same industry and related industries, such as construction design firms. The quantitative targets call for a 5-year CAGR of 5.0% to ¥20.0 bn in net sales and a 7.0% CAGR to ¥2.4 bn in operating profit. Furthermore, the company newly established targets not set in the previous medium-term management plan that ended in FY23/5, calling for 12.0% operating profit margin (11.0% in FY25/5), 12.0% ROE (10.6%), and 12.0% ROIC (11.1%).

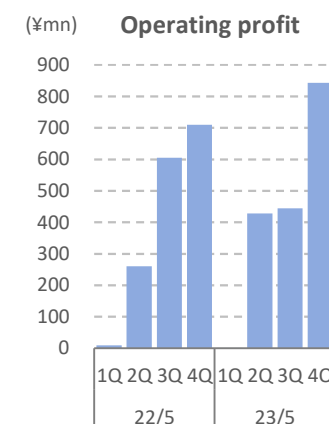
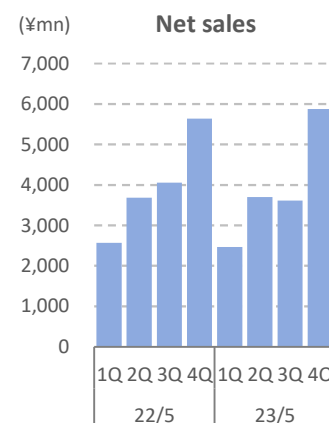
Shareholder Returns: OHBA enhanced its shareholder return policy. The total return ratio has been revised to 60%, up 10% from the previous 50%, and the dividend payout ratio has been revised to 50%, up 15% from the previous 35%. Combined with the quantitative targets set in the medium-term management plan, the company is now more committed to capital efficiency. Expectations are high as the company has continued to pay dividends and share buyback and retire shares. Another important point is that the dividend yield has become more attractive, rising to 4.56% when dividing the FY24/5 plan dividend forecast of ¥34.0 per share by the July 13, 2023 closing price of ¥745 per share.

FY	Net Sales (¥mn)	YoY (%)	Oper. profit (¥mn)	YoY (%)	Profit ATOP (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
19/5	15,581	-3.1	1,104	7.1	1,715	130.3	99.5	18.0
20/5	15,203	-2.4	1,145	3.6	824	-52.0	49.3	14.0
21/5	15,862	4.3	1,334	16.6	852	3.5	52.0	15.0
22/5	15,933	0.4	1,583	18.6	1,086	27.3	67.0	23.0
23/5 CE	16,000	0.4	1,600	1.1	1,100	1.3	68.7	24.0
23/5	15,648	-1.8	1,715	8.3	1,075	-0.9	66.7	24.0
24/5 CE	17,000	8.6	1,800	5.0	1,150	6.9	71.8	34.0

Source: compiled by SIR from the company IR material.

4Q Flash

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Guidance: For FY24/5, OHBA expects net sales to rise 8.6% YoY to ¥17.0 bn and operating profit to rise 5.0% YoY to ¥1.80 bn. The company aims to achieve steady growth in sales and profit by capturing demand in response to the Japanese government's "Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and National Land Resilience" and by promoting management measures in line with the above-mentioned medium-term management plan. The company will likely be off to a good start in FY24/5 as its order backlog was up 12.3% YoY to ¥9.44 bn as of end-May 2023.

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