



Record Growth in Net Sales of 15.1% and Operating Profit of 31.9% for 1H

Earnings Result Summary

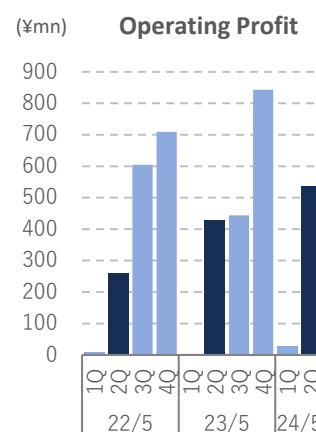
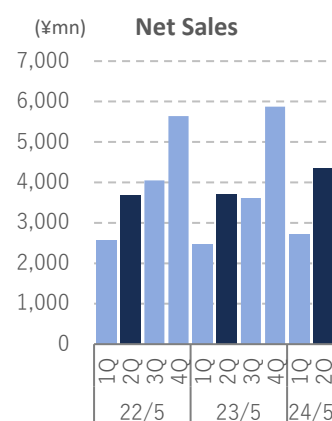
OHBA announced its 2Q results for FY24/5 on January 12. OHBA posted firm 2Q (Sept.–Nov. 2023) results, net sales of ¥4.36 bn (+18.0% YoY) and operating profit of ¥540 mn (+25.3% YoY). The company also recorded 1H (Jun.–Nov. 2023) net sales of ¥7.09 bn (+15.1% YoY) and operating profit of ¥560 mn (+31.9% YoY), revealing that it has made strong progress toward achieving its full-fiscal-year forecast of year-on-year growth in net sales of 8.6% (¥17.00 bn) and operating profit of 5.0% (¥1.80 bn). Because of seasonal factors, the company records a large percentage of its earnings in 4Q, and considering that as of the end of November, the company had an order backlog of ¥12.48 bn, it appears rather likely that it will achieve its earnings guidance. In its core fields of disaster prevention/mitigation and defense civil engineering, OHBA is steadily winning new projects.

OHBA has also been able to improve its operating profit margin, which rose to 12.3% in 2Q FY24/5 from 11.6% in the same period in the previous fiscal year. Although it's the business model does not boast a high marginal profit margin, the company is making progress in reducing its fixed-cost burden as its work volume grows. The company's gross profit margin, however, fell slightly from 31.5% to 31.0% over the same period, but according to an interview with the company, this was probably because of a fluctuation in short-term earnings, not for any particularly noteworthy reasons. The company's gross profit margin will continue to trend upward for a couple of reasons. (1) Increase in the unit price of engineers in parallel with continuous increases in the unit price of engineers for design work outsourcing, etc. set by the Ministry of Land, Infrastructure, Transport, and Tourism (MLIT), and (2) as a decrease in low-profit Great East Japan Earthquake reconstruction-related business coupled with an improving project mix from the increase in highly profitable primary government projects.

OHBA expressed a shareholder return policy that targets a total return ratio of 60% and dividend payout ratio of 50%. As for the share buyback conducted through the latter part of July, which was decided in January 2023, it is important to keep in the mind that shares purchased in June and July will count toward the FY24/5 total payout ratio, but the company will likely announce additional steps to boost the return at some point in time because it will not achieve a total return ratio of 60% with only the measures that it has already announced and implemented. Focus should be on related moves because this could be a catalyst for a rerating of the company's share price.

2Q Flash

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Item	Unit	23/5 1Q	2Q	3Q	4Q	24/5 1Q	2Q
Sales	¥mn	2,463	3,698	3,613	5,873	2,727	4,362
YoY	%	(4.1)	0.6	(10.8)	4.2	10.8	18.0
Construction Consultant	¥mn	2,294	3,505	3,347	5,619	2,431	4,167
YoY	%	(6.8)	3.7	(9.4)	9.5	5.9	18.9
Orders Received	¥mn	5,573	3,758	2,587	3,713	6,114	3,632
YoY	%	12.5	11.8	7.3	15.7	9.7	-3.3
Order Backlog	¥mn	10,035	10,286	9,526	7,622	11,309	10,770
YoY	%	(21.3)	(30.4)	(40.7)	12.8	12.7	4.7
Business Solutions	¥mn	143	167	242	92	273	171
YoY	%	78.7	(39.5)	(26.8)	(79.9)	91.7	2.6
Orders Received	¥mn	379	133	428	109	240	147
YoY	%	129.9	(91.3)	328.4	(44.8)	(36.6)	10.4
Order Backlog	¥mn	1,855	1,798	1,960	1,812	1,752	1,708
YoY	%	78.1	-23.1	-17.6	10.3	-5.5	-5.0
Lease rental income, etc.	¥mn	26	26	24	25	23	24
Cost of Sales	¥mn	1,734	2,532	2,449	3,753	1,864	3,012
sales ratio	%	70.4	68.5	67.8	63.9	68.4	69.0
Gross Profit	¥mn	728	1,167	1,164	2,121	863	1,351
sales ratio	%	29.6	31.5	32.2	36.1	31.6	31.0
SG&A Expenses	¥mn	728	739	721	1,278	835	815
sales ratio	%	29.6	20.0	19.9	21.8	30.6	18.7
Operating Profit	¥mn	0	428	444	843	29	536
sales ratio	%	0.0	11.6	12.3	14.4	1.0	12.3

Source: Compiled by SIR from the company's IR materials.

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