

Interview with the President

OHBA

Interview with Shigeru Tsujimoto, Representative Director & President

(Lead)

We will be paying attention to OHBA (9765・P), a comprehensive construction consultancy firm that boasts the leading market share in the “urban development” field. The results for the fiscal year ended May 2025 are scheduled to be announced on July 10.

(Main text)

OHBA conducts business across a wide variety of areas, from inspections of infrastructure facilities such as bridges and roads, to developmental and civil engineering designs for industrial sites such as manufacturing and distribution centers, as well as surveys aimed at optimizing SDF facilities. As many of these businesses involve “concrete measures to solve social issues,” the scope for active participation is expected to expand further in the future.

Results remain strong.

Over the 12-year period from Fiscal Year 5/2012 to Fiscal Year 5/2024, OHBA has grown its sales by more than 1.5 times, its operating profit by more than 10 times, its operating profit margin by around 7 times, and its net profit by 35 times. For Fiscal Year 5/2025, which is the fourteenth consecutive year of operating profit growth, OHBA has confirmed favorable progress with Third Quarter net sales increasing 11.6% year on year to 12.001 billion yen, and operating income increasing 16.1% year on year to 1.214 billion yen.

What is the reason for this strong performance?

In addition to the steady performance of the construction consulting business as a whole, OHBA has also generated agency revenue from large-scale projects in the land readjustment business. For government agencies, so-called “military engineering (defense civil engineering)” work is steadily accumulating, such as surveying and design in conjunction with the optimization of SDF bases.

Sales to the private sector are also strong. Due to the yen’s depreciation and geopolitical risks, Japanese companies are returning production bases and

manufacturing to Japan, and inbound investors are increasingly willing to enter the market, which has led to increases in development and licensing. We have high expectations that the escape from deflation will greatly stimulate the animal spirits of Japanese companies, which have been suppressed for the last 30 years.

In addition to the increase in orders, the increase in unit prices is also a tailwind.

The national unit price used to calculate “design outsourcing expenses,” such as design and surveying work ordered by the Ministry of Land, Infrastructure, Transport and Tourism, is increasing year by year. In the last three years up to Fiscal Year 2025, the rate of such increase has been 5.4%, 5.5%, and 5.7%, a cumulative total of 16.6% (+58.6% compared to Fiscal Year 2012). This trend is expected to continue and will drive improved profitability for OHBA.

Shareholder returns are also generous.

In March, OHBA announced an increase in its dividend forecast and an expansion of its shareholder benefit program, and in April, OHBA announced a share buyback of up to 200 million yen. At the end of April, we cancelled 250,000 treasury shares. OHBA’s dividend payout ratio is 44.2% (actual results in the previous fiscal year), which is substantially higher than the industry average of 33.2% and the listed company average of 32.6%. ROE of 11.8% is also higher than the industry average of 10.7% and the TSE prime average of 9.6%.

OHBA is engaged in a wide range of businesses, and among them, “defense” is expected to grow. Due to geopolitical risks and global trends, an increase in defense spending is expected in the future.

The Government is aiming to achieve a defense budget in the amount of 2% of GDP for Fiscal Year 2027. Among such spending, Military Engineering (defensive civil engineering) is the area that OHBA is involved in. Regarding “strengthening of facilities,” which includes investigation and design work for SDF facilities that have already been received as orders, the defense budget has greatly expanded from 1 trillion yen over the five years from Fiscal Year 2023, to 4 trillion yen over the five years from Fiscal Year 2023 to Fiscal Year 2027. Similar to civil engineering, OHBA believes that military engineering is an area where it can leverage its civil engineering capabilities.

This year is the final year of the government's “5-year acceleration measures” for national resilience, but what do you expect to happen in the future?

We believe that efforts to strengthen national land resilience will see further, seamless strengthening. In recent years, public works-related expenditures in the government budget have continued to add to the “disaster risk reduction, disaster mitigation, and national resilience” fields. In the “First Medium-Term Plan for National Resilience Implementation” approved by the Cabinet on June 6, 2025, it was stated that the project size for the five years from Fiscal Year 2026 would be “approximately 20 trillion yen, and the impact of rising material and personnel costs, etc. in the future will be appropriately reflected in the budget formulation process.” The project size of the “5-Year Acceleration Measures (R3~R7)” up to the present fiscal year was approximately 15 trillion yen, so this new amount sees a significant jump in this spending (1.33 times).

“People” are indispensable for OHBA’s expansion.

In order to achieve sustainable corporate growth, we recognize the strengthening of our intangible assets, which are based on our creditworthiness and technological capabilities, as our most important issue. In addition to strengthening recruitment, we will continue to raise wages by at least 3% year-on-year, and invest in human capital, including accelerating the timing of promotion of young employees, improving treatment for second career employees, and increasing allowances for qualified employees. OHBA aims to establish a system of 650 qualified personnel by Fiscal Year 5/2028, up from 488 in Fiscal Year 5/2023, 509 in Fiscal Year 5/2024, and 517 in Fiscal Year 5/2025.

Translation

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