

(Title)

Top Interview

OHBA (9765)

Shigeru Tsujimoto, President and Representative Director

On track for 15 consecutive years of operating profit growth

Enhancing human capital to further improve margins

(Lead)

OHBA (9765) merits attention. A construction consulting firm founded in 1922. Leveraging know-how accumulated over more than a century in “urban development,” OHBA has a firm presence in the national policy domain of national resilience, which is an area that remains steadfast regardless of changes in administration.

(Main clause)

- Business performance has been strong.

In Q2 FY ending May 2026 (Jun–Nov), announced on January 9, net sales fell 11.9% YoY to ¥7,380mn, while operating profit rose 2.9% to ¥814mn.

Although revenue saw a decline as in Q1 (Jun–Aug), we were able to absorb the impact of the backlash of a one-off large project in the prior year, and operating profit swung back from -36.2% YoY in Q1 to growth. Operating margin also improved significantly to 11%, up from 5.9% in Q1 and 9.5% in Q2 a year earlier.

For the full year, we plan to achieve operating profit of ¥2,000mn (+3.3% YoY), marking the 15th consecutive year of growth. Our progress through Q2 was 40.7%, but as our earnings are second-half weighted, we view that our performance is on track.

- What is driving the margin improvement?

Project-level margins themselves are rising. For long-term projects, we are revising the contract terms and specifically migrating to structures that allow for unit price revisions each fiscal period.

Rising engineer unit rates are also a tailwind for our business. Engineer unit prices for design and related commissioned work, as announced by the Ministry of Land, Infrastructure, Transport and Tourism, are rising year by year: up 5.7% YoY in FY2025, after increases of 5.5% in FY2024 and 5.4% in FY2023. For reference, the FY2025 level is 58.6% higher than that seen in FY2012. Another increase is expected in FY2026, which should further support profitability across the construction consulting industry.

- There are many competitors in this field. What is your competitive edge?

Our history, traditions, and track record as a “century-old company” give us a competitive edge. In Japan’s construction sector, where the principle of separating design and construction is established, especially for government agencies, we handle the “upstream” phases preceding general contractors’ construction work, such as planning, surveys, and design.

Above all, we excel at “community development.” We undertake projects linked to large-scale infrastructure development that goes beyond single facilities, such as urban planning and land readjustment.

In this community development field, experience and technical prowess are essential, but the most indispensable capability is coordination toward consensus-building, and it is vital to achieve consensus among stakeholders such as local residents, government, and project owners. OHBA provides one-stop, high-level coordination to smoothly facilitate this process.

- What's next? What is OHBA's strategy to keep winning?

We will continue to actively invest in human capital and further strengthen our “technical capabilities.” We make this visible through “professional qualifications.” The number of credentialed professionals is critical, not only for raising unit prices but also for improving our standing in open competitive bidding by government agencies.

Holders of certifications such as Professional Engineers, First-class Architects, and internationally recognized APEC Engineers increased from 320 in the fiscal year ended May 2017 to 517 in the fiscal year ended May 2025. We aim to achieve a base of 650 certified professionals by FY2028.

- Let's review the market environment.

National resilience is a key government policy. The budget has been raised from around ¥15tn for Reiwa 3–7 (FY2021–FY2025) to just over ¥20tn for Reiwa 8–12 (FY2026–FY2030), an increase of a little over 30%.

Defense-related measures are also being strengthened year by year. In our core construction consulting business, alongside government work such as disaster reconstruction, we are building a track record in defense-related civil engineering (known as “military engineering”), such as formulating basic policies and master plans tied to optimization of Self-Defense Force bases.

The “Defense Buildup Program” specifies the target level of defense capabilities Japan

should maintain. Within this program, spending on “facility hardening” was quadrupled from about ¥1tn in the 2019–23 plan to ¥4tn for 2023–27.

Leveraging OHBA’s distinctive strengths in “community development,” we aim to help resolve social issues by pursuing new markets and services, including defense-related civil engineering as well as agricultural and forestry civil engineering.

- Lastly, a word on shareholder returns.

For the current fiscal year, we plan an annual dividend of ¥42 per share, the same as last year, and have repurchased ¥102mn of our own shares through January.

Under our medium-term plan with the financial year ending May 2028 as the final year, we are targeting a total shareholder return ratio of around 60% and a dividend payout ratio of around 50%. Last fiscal year, with share buybacks of ¥173mn, the total return ratio rose to 63%.

Assuming operating profit of ¥2,400mn in the final year (FY ending May 2028), we model an annual dividend of roughly ¥48 per share.