

Financial Results Briefing for the Fiscal Year 2024

Message from the President and Summary in Q&A

Date and Time: Friday, May 16, 2025, 14:00 - 15:00

1. Opening remarks from President, Mr. Kumano

Although the condominium market has been steady over the past year, the economic environment is becoming increasingly uncertain due to the US fiscal and monetary policies, the outlook for the global economy and inflation concerns, etc.

In FY2024, consolidated ordinary profit posted 83.4 billion yen although construction business, the main business, struggled due to rising prices and labor costs, but profits in real estate business covered, exceeding the forecast of 80 billion yen in the beginning of the year.

Concerns about rising costs in the construction business continue, but thanks to the promotion of price pass-through, the non-consolidated order received for FY2024 reached a record high of 586.6 billion yen. In FY2025, we expect the order received to further increase to 620 billion yen.

In addition, we expect the profit margin of Completed construction contracts to begin to recover substantially from the second half of FY2025. The new mid-term business plan "HASEKO Evolution Plan" has set a target of consolidated ordinary profit of 100 billion yen in FY2027. To achieve this target, it is the key to continue to improve the profit margin of Completed construction contracts. We work on improving profitability at the time of receiving order and productivity through the DX promotion.

In FY2024, we recorded an extraordinary loss of approximately 23 billion yen, mainly from overseas business. In the new mid-term business plan, we consider overseas business as one of the growth sectors, but there are many uncertain factors such as the US tariff issue, so we manage risks carefully. Also we will try to complete the Hawaii business as soon as possible.

As for dividends, the forecast for the annual dividend per share for FY2025 is planned to be 90 yen, an increase of 5 yen year on year. We will continue to strive for stable dividend increases. At the same time, we also announced the acquisition of own shares of 20 billion yen to improve capital efficiency and enhance shareholder return.

Finally, I particularly emphasize "improving efficiency and productivity" to achieve the targets of the new medium-term business plan. By pursuing efficiency in our management resources - people, goods, money, and intelligence - and maximizing profits, I will strive for the growth of corporate value and the management in more conscious of capital efficiency through the maximum use of human capital.

I hope and thank you for your continuous support.

2. Q&A

Q. Although non-consolidated orders currently are favorable, how do you expect the sales of Completed construction contracts after FY2026?

A. We expect sales of non-consolidated Completed construction contracts to increase to some extent going forward. However, due to factors such as the “4-weeks-on, 8-days-off” work schedule, it will be difficult to expand significantly every year. Now, we are focusing more on increasing profits through margin rather than expanding sales.

Q. About the forecast for the profit margin of consolidated Completed construction contracts, it is 12.9% in 1H and 14.6% in 2H for FY2025. Why does it not improve significantly in 1H? Also, is it difficult to exceed 15% after FY2026?

A. In 1H for FY2025, there are still projects with poor profitability that were received during a difficult period, which are expected to push down the overall profit margin. In FY2025, we expect an increase in portion of projects with good profitability received in FY2024. We aim for 15% of profit margin at the time of receiving order, and if we keep it, we can expect the profit margin for completed construction contracts to exceed 15% in FY2026.

Q. Is there room to rise the volume of order received of Private sector condominiums in FY2025?

A. We would like to aim for further increases the volume of order received, but we need to balance this with our construction capacity and assess the order environment.

Although we believe there is room to exceed ¥620 billion of the non-consolidated order forecast in FY2025, we take a somewhat conservative stance, because we see signs of slower sales in some suburban condominium projects, especially those located far from train stations, and if such case increase, there is a risk to delay of the start construction of next property. We are preparing our construction capacity based on an order volume of around ¥600 billion. Regarding construction unit prices, we expect that other general contractors also have a lot of order back-log, so we do not think there will be excessive price competition. Regarding price hike transfer, sales prices and rents affect the construction unit price, so we will negotiate construction costs with developers while closely monitoring market trends.

Q. What is the current status of negotiations with developers, including room for improvement in profitability at the time of receiving order?

A. Against material and labor costs have risen significantly in recent years, it was hard to pass these costs on to receiving order prices, but over the past year, the situation has improved, and developers have been approving a certain level of cost pass-through accepted in negotiations. In the current condominium market, higher construction costs have been reflected in selling prices, which has contributed to improved profit margins. Going forward, it will be important to see how much room there is for increasing sales prices, and if it becomes difficult to raise prices, we will negotiate with developers

to reduce costs by reducing the area per unit or reviewing specifications, etc., in order to ensure profits.

Q. In the construction industry, design changes and additional work are factors that can cause profit margins to fluctuate at the end of a fiscal year. Do similar events occur in condominium construction?

A. When it comes to design changes, HASEKO has a highly accurate estimation system that can instantly calculate the cost difference due to specification changes. Even after the basic design, during the detailed design, and during construction, we respond flexibly to requests from developers, negotiate each time, and accept orders for additional work. We believe that this system is a unique strength that other general contractors do not have.

Q. Regarding the forecast for “Real estate brokerage” and “Resale of refurbished condominium” on page 10 of Summary of Financial Statements, is this ambitious?

A. For the resale of refurbished condominium business, our plan is based on how we can sell our existing inventory. This business is expected to grow as a separate market from new condominiums, and we continue to see it as a growth sector.

Q. Regarding “Sale of Income property” on page 10 of Summary of Financial Statements, the sale was ¥112.7 billion in FY2024, but the forecast for FY2025 is ¥95 billion. Do you expect the sale of income properties to continue over ¥95 billion after FY2025?

A. Our basic strategy is to increase asset turnover while continuing to invest. Currently, the HASEKO group has been focused on investment, so it will take a bit more time to establish a structure for steadily accumulating profits.

Q. HASEKO has offset declining profits in the construction business by expanding the real estate business. Will you aim to pursue growth in the domestic real estate business even if construction profits recover?

A. While improving profit margins in the construction business is a top priority, the expansion of the real estate business is flexible by monitoring market conditions carefully. The real estate business includes a wide range of areas such as for-sale condominium business, rental property securitization, and data center-related projects. We aim to actively expand in areas where we can leverage our strengths. As for the condominium business, we will proceed to expand it if the market remains strong, but if signs of instability emerge, we will take appropriate measures to manage risk.

Q. Regarding “ Breakdown of Real estate and Overseas investment by use” on page 13 of Summary of Financial Statements, what is the outlook for the balances of Overseas business(US. Mainland etc.) and Overseas business (Hawaii) in 2-3 years? If you finish Hawaii projects too quickly, you may incur losses, how will you proceed it?

A. We don't have a specific target, but we plan to reduce the balance in Hawaii as much as possible, and hope to bring it close to zero in 2-3 years. However, we will proceed it cautiously, considering the potential for losses. In the mainland US, we initially planned to gain profits from FY2025, but this has been pushed back slightly. In addition, we are also closely monitoring how the economic trends due to the change of president in the US will affect the real estate market. As for our overseas business, we will seek out our strengths' fields, including markets in other countries as well as the mainland US. Therefore, rather than significantly reducing our overall overseas investment, we would like to continue to take on new challenges.

Q. In your opening remarks, you mentioned "improving efficiency and productivity" as priority issue, what specific initiatives are you planning to take?

A. I plan to implement the appropriate analysis to manage real estate balances and improve turnover ratio. Currently, we are closely monitoring the investment and recovery status of real estate held by each group company. Additionally, we are promoting “visualization” efforts to enhance human capital productivity, and we plan to incorporate this as a metric in executive evaluations.

Q. How much progress has been made in improving productivity through DX over the past five years? Also, are there any targets for the next five years?

A. During five-year in the previous medium-term business plan, we set a target to improve productivity at construction sites by 20%. As a result, construction capacity improved by 8%. While this is still insufficient, we will continue striving toward the 20% target. Various factors such as the 4-day/8-closure workweek, overtime restrictions, labor shortages, and longer construction periods are putting pressure on productivity, but we are beginning to see positive effects. In service-related businesses, we are also promoting operational efficiency through DX, which has led to reduced working hours and other benefits. Since labor shortages are expected to persist, we must continue improving efficiency and productivity. In the next stage, we are approaching this from two angles: how many personnel can be reduced with the current workload, and how much workload can be increased with the current personnel. Additionally, PCa factory is scheduled to begin operations in the Tokyo district this fall, and we are promoting the install of industrialized construction methods. To certainly reach 600 billion yen in orders, we think productivity improvement remains our top priority.

Q. Regarding financial leverage, the D/E ratio is below 0.8, and enough room to your approximate standard of 1.0. Do you plan to increase the ratio for investments or share buybacks in the future?

A. We have consistently prioritized financial soundness, targeting a D/E ratio below 1.0. For investments, we plan to operate within the investment framework under our medium-term business plan. In real estate and overseas investments, investment and funding plans are developed according to the asset turnover ratio. Going forward, we will continue to balance financial soundness with necessary borrowings and share buybacks.

Q. Regarding shareholder returns, HASEKO announced a 20 billion yen share buyback, taking capital efficiency into consideration. The current medium-term business plan targets a total return ratio of 50%, but it is expected to reach around 80% in FY2025. Does this mean the likelihood of share buybacks next fiscal year is low, or could it continue depending on capital efficiency?

A. We have always taken a flexible approach to share buybacks, and this buyback was based on the same approach. In addition, we strive to achieve our ROE target. We will continue to consider share buybacks in the future, depending on the situation, and taking into account the opinions of investors and shareholders.

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