

Financial Results Briefing for 2Q of the fiscal year ended March 31, 2026

President's Message and Q&A Summary

Date and Time: Monday, November 17, 2025, 14:00 - 15:00

1. Opening remarks from President, Mr. Kumano

Thank you for taking the time out of your busy schedule to attend today's financial results briefing.

This marks our first interim financial announcement under the medium-term business plan, the "HASEKO Evolution Plan," started in this April. My assessment is "so-so," because most companies in both the construction and real estate industries have reported strong results.

The key point in our financial results is that, in our core construction business, improvement in construction profit margins began earlier than expected, resulting in overall figures exceeding our initial forecasts. Accordingly, we have revised our full-year earnings forecast upward.

In addition, we have raised the full-year forecast for non-consolidated order received from the initial ¥620 billion to ¥700 billion.

I describe the "HASEKO Evolution Plan" as a combination of continuity and transformation—what we call "evolution." Since this April, we have also introduced a new brand message: "Omoi wo Haseru" ("We consider more."). We strive to enhance our ability to communicate with stakeholders in various ways under the brand message "we consider more". Furthermore, our new TV commercial started from this month, and please check it out.

This summer, I personally was mindful of our employees working outdoors in the severe heat and visited construction sites and sales, brokerage, and nursing care locations to encourage them. Furthermore, I have conveyed my thoughts to employees at regional hubs and overseas offices far from headquarters, as well as to our younger employees through town hall meetings, and I have actively listened to their perspectives.

We also launched an internal proposal system for new businesses and product development called the "SPARK Project." I firmly believe that revitalizing human resources—investing in people—is the key to sustainable corporate value enhancement. Going forward, we will vigorously pursue improvements in both human and capital productivity.

Finally, regarding the business environment surrounding our company: while the condominium market remains steady amid rising average selling prices, the global economy faces concerns such as U.S. tariff policies and slowdown risks. However, domestically, I expect growth strategies to gain traction under Prime Minister Takaichi—who happens to be my senior from high school and university.

Under our medium-term business plan, we have set a target of ¥100 billion in consolidated ordinary profit for the fiscal year ending March 2028, two years from now. We will continue striving for early achievement of this goal.

We will also keep "We consider more" in mind as we work to enhance corporate value for our investors and shareholders. We appreciate your continued support.

2. Q&A

Q. At the beginning of the President's address, he stated "We will strive for early achievement of consolidated Ordinary Profit of 100 billion yen." Does this mean the goal is to achieve it next fiscal year?

A. Our target is the fiscal year ending March 2028. It does not mean that we are likely to achieve it next fiscal year.

Q. The full-year outlook for non-consolidated order received is revised upward from 620 billion yen to 700 billion yen. What is the breakdown between "increase in number of projects" and "increase in order unit price"? Also, what is your outlook for future order unit prices?

A. The impact of an increase in the number of projects is limited, but the scale of each project has expanded, and the order unit price has also risen, which are the main factors behind the increase in order received. Over the past two to three years, construction costs have risen beyond our expectations, but property owners have become more understanding of this situation.

We hope the pace of increase in order unit prices will stabilize going forward. Considering the selling price to end-users, we expect the rate of increase will eventually moderate. However, since reducing costs is difficult, we need to find ways to keep condominium prices under control and make creative adjustments to product specifications.

Q. What is driving the increase in orders for large-scale condominiums?

A. The increase in orders received is mainly due to other general contractors focusing on fields such as office buildings and civil engineering. As a result, more large-scale condominium orders have been concentrated with us, and this trend is expected to continue.

Q. With the expansion in order size, how will profitability be affected?

A. Since competitive bidding is not increasing, we do not see a risk of margin deterioration due to larger scale.

Q. Do you expect order received above 700 billion yen to continue beyond next fiscal year? And will profit margins keep improving?

A. We expect to continue increasing order received beyond next fiscal year. Our current focus on "productivity improvement" is not just about increasing order value, but also expanding floor area and number of units per person. Construction capacity had been tight for several years, but the pressure has recently eased, and we are now promoting further productivity improvements. Regarding profit margins of order received, given the favorable order environment, we will continue to aim for better profitability.

Q. Will non-residential orders continue to increase? Which orders received will you focus on?

A. We have been working to receive non-residential orders since the previous medium-term business plan, and our efforts in the non-residential orders are beginning to show result. We have received the second data-center project in Fuchu. Data center demand is expected to keep growing and orders valued 30 to 50 billion yen for building-only contracts are now breaking ground one after another. Super general contractors had received these, but as they have faced resource shortages, we are able to receive more non-residential orders. We had targeted about one building per year, but we now believe there is potential to increase that. Beyond data centers, we are focusing on refrigerated and frozen warehouses. While dry warehouses face tight supply-demand and low profitability, refrigerated and frozen warehouses have higher rental levels and present business opportunities. We aim to build technical know-how and cost competitiveness to maintain profitability even if competition intensifies.

Q. Will redevelopment and rebuilding projects increase going forward? What impact will the amendment to the Act on Building Unit Ownership?

A. Redevelopment and rebuilding are long-term initiatives, and projects we have been engaged in are finally starting to deliver results. The biggest challenge is construction cost—whether rights holders and residents can accept cost increases during the planning period is key to project viability. As a construction company, it is essential to maintain proper cost awareness and explain carefully while staying close to rights holders and residents. The recent legal amendment is a positive factor but not a decisive driver.

Q. There is a gap between order received and net sale of completed construction contracts. Will net sale of completed construction contracts catch up rapidly at some point, or increase gradually?

A. Net sale of completed construction contracts is expected to catch up to order received in about two fiscal years, with a gradual increase.

Q. The target for non-consolidated construction profit margin is 15%. Is there room for further improvement?

A. First, we aim to achieve 15%, then surpass the previous profit margin of 17%. When we achieved consolidated Ordinary Profit of 100 billion yen in the past, construction profit margin exceeded 20%. Our current goal is to build a resilient organization that can consistently deliver consolidated Ordinary Profit of 100 billion yen—not relying solely on construction margins, but also accumulating profits from other divisions.

Q. Regarding the for-sale condominium business, why is the contract progress rate so high despite a large number of units in this fiscal year?

A. Last fiscal year, the proportion of regional projects was high. This fiscal year, in addition to regional projects, completed inventory in the Tokyo metropolitan area and Kansai region has also progressed due to rising surrounding prices, which we believe has boosted contract rates.

Q. For next fiscal year's planned 1,700 condominium units (as shown in the pie chart on page 10 of "Summary of Financial Statements"), what is the current contract progress rate? Also, what is your sales stance for the for-sale condominium business?

A. The contract progress rate for next fiscal year's 1,700 units is just under 20%, similar to this fiscal year. Regarding sales stance, under the current low-interest rate environment, we do not feel the need to rush sales. Our general goal is to sell out within about one year after completion, but even if it takes longer, we will not resort to fire sales.

Q. What is the current situation and outlook for the Hawaii business?

A. The project in the Ewa region of Hawaii is a critical management issue, and I (President Kumano) am determined to set a path to complete the projects during my tenure. For land for detached house, about 4,000 of the total 5,000 lots have been handed over, and there are no concerns about the next phase. Regarding remaining commercial and hotel land, the commercial project launched to attract customers to the area has not performed well, and we recorded an impairment in Q4 of last year. For the hotel land, we booked a valuation loss in Q2 this fiscal year in preparation for sale, but we believe we can make some progress. Our policy is to sell the commercial and hotel land without investing in developing buildings.

Q. What scheme do you think for selling the Hawaii land?

A. It is still under consideration and negotiation, so we cannot disclose details at this stage.

Q. Regarding development investment in mainland U.S., investment seems not to have increased much. What is the current progress on development and leasing? Also, under the medium-term business plan, a profit of 5 billion yen is expected in the fiscal year ending March 2028. Has this outlook changed?"

A. Development investment in mainland U.S. is proceeding at a steady pace, and leasing is going well. However, investment recovery has been slightly delayed due to interest rates, so we cannot yet confirm whether the 5 billion yen target for the fiscal year ending March 2028 will be achieved as planned.

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