



Financial Results Online Conference
for analysts and institutional investors
for the 3rd quarter of the fiscal year ending March 31, 2024
Main Q&A(Summary)

Date: February 9, 2024 (Fri) 15:30-16:30

Q. Is it difficult to achieve the full-year forecast for the current fiscal year?

A. We think that the full-year forecast of consolidated ordinary income of 83.0 billion yen is within the achievable range, even if the profit from completed construction contracts falls below initial forecasts, due to accumulated earnings from real estate and other sources.

Q. The gross profit margin of completed construction contracts keeps decreasing. Is this within the anticipated range?

A. We had expected the margin to recover to a certain extent in this period, but it is being affected by the unexpected surge in material prices and the increase in labor costs. Therefore, we think that it will be lower than the initial forecast for the full year.

Q. When will the gross profit margin of completed construction contracts turn to recovery?

A. We think that we cannot escape from the harsh situation next fiscal year.

Q. What is the current situation of the construction profitability upon receiving orders?

A. We have many projects with Board-shaped condominiums that ensure a profit margin of over 15% upon receiving orders. However, due to the influence of large high-rise condominiums, the total of it is 1-2 points lower than 15%.

Q. What is the future outlook for the construction profitability upon receiving orders?

A. We have not yet been able to fully pass on the increase in labor costs, and at present, we have not achieved an average of 15%. However, we will continue to negotiate tenaciously with project owners to increase the contract amount.

Q. There was talk about the cost of labor increases not being passed on to prices, but specifically, which type or category of labor?

A. We are struggling to gather the building frame-related labor due to an increase in order volume, which requires us to secure even more.

Q. I often hear that securing workers for equipment work is difficult at other general construction companies, how about HASEKO?

A. While the equipment used in our condominiums differ slightly from those used in offices, logistics, and factories, but we are also not unaffected by the labor shortage.

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Q. Is the failure to improve the gross profit margins of completed construction contracts due to an increase in labor costs because they are rising more than expected after work has started, or because price transfer to the project owner is not possible upon receiving order?

A. We have some projects that exceed the initial budget during construction, and not all of the increase can be passed on to the price upon receiving order.

Q. How is the progress of order received?

A. We have secured more than JPY500 billion as order pipeline for the full-year forecast. As a feature, the ratio of exclusive contracts through bringing in land is slightly decreasing, while exclusive contracts other than land bringing in are increasing. We are considering to receive orders while taking into account construction capacity and profitability.

Q. Can you expect positive effects for HASEKO due to other general contractors being less enthusiastic about condominium construction amid the harsh situation of construction gross profit in the general construction industry?

A. We think the increase in exclusive contracts other than land bringing is due to other general contractors not being able to secure labor or meet costs. However, we also have issues with our construction capacity, but we expect to be moving towards an environment where we can selectively accept orders in the future.

Q. The real estate sales has decreased in the third quarter compared to the previous period, are there any concerns?

A. The decrease in sales of land for orders by the Company compared to the previous term is the factor. We do not think that the real estate market is declining.

Q. Can the real estate business expect further increased profits for the next fiscal year?

A. The number of cases for each business – for-sale condominiums, income properties for sale of whole rental apartment, and sales to private REITs - is increasing, so I think that increased sales and profits depend on future sales trends and market conditions.

Q. Regarding shareholder returns, what are your thoughts on increasing dividends?

A. We have no plans at this time to change from the current 80 yen per share per year. Our policy on shareholders return under the current medium-term business plan remains unchanged, and we will consider as appropriate when we can foresee the final outcome of the entire plan.

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