

# FY2025 1st Quarter Analyst and Investor Briefing (Web Conference) Summary of Q&A Session

August 6, 2025

**Q:** What factors contributed to the high profit margin in the civil engineering business in the first quarter?

**A:** Large-scale projects reaching their peak construction phase contributed to revenues and income beginning in the first quarter. Since few of these major projects are scheduled for completion in fiscal 2025, we expect profit increases from these project completions to occur in fiscal 2026 and afterward.

**Q:** What drove the year-on-year increase in building construction revenues and income in the first quarter? Will the trend of improving profit margins continue?

**A:** Steady construction progress on large projects scheduled for completion this fiscal year contributed to increased revenues and improved profit margins. While we were targeting a gross profit margin of 10% or higher for fiscal 2026, reaching this goal ahead of schedule in fiscal 2025 is now within sight. Although it's hard to predict the medium- to long-term outlook at this point, the provision for loss on construction projects in progress is steadily decreasing, and we are getting closer to a situation where we can set even higher targets.

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Q: How is contract profitability trending in the non-consolidated building construction business? Will improvements continue?

A: After dropping just over one percentage point during the COVID-19 pandemic, profitability has been recovering since fiscal 2022. It returned to pre-pandemic levels in fiscal 2023, and the upward trend has continued through fiscal 2024–2025. Achieving further significant improvements is becoming more challenging. We aim to maintain the current positive levels while making steady, incremental improvements.

Q: With some material costs like steel declining, could profit margins improve due to slowing inflation?

A: Although steel prices have fallen, transportation and labor costs for processing and installation have risen. As a result, overall steel frame construction costs haven't gone down, and we are not yet positioned to benefit from slowing inflation.

Q: What is the progress on property sales in the domestic real estate development business?

A: Property sales are planned for the second half, and we currently have no major concerns. Our private REIT is also a potential buyer, and we will continue to move forward with sales.

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Q: What are the sales trends and business environment for the U.S. distribution warehouse development business?

A: We aim to close about 15 property sales for the year as initially projected at the start of the fiscal year. We have signed purchase agreements for five properties in the first six months through June, with most revenues and income expected in the second half. Rents continue to trend upward, partly because of the limited new supply of distribution warehouses. Vacancy rates are also expected to decline. With the possibility of U.S. policy rate cuts increasing, we anticipate better sales conditions, such as lower cap rates, leading to higher gains on sales.

Q: Can you achieve the target of selling approximately 15 properties in the U.S. distribution warehouse development business?

A: Many of the properties under contract have been bought by end users for their own use, indicating a trend of securing properties before investors. As investor demand is expected to rise with falling interest rates, we believe approximately 15 sales is a realistic target. Additionally, the number of fully leased properties is gradually increasing, which should lead to more sales in the future.

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Q: What are the details and scale of the renewable energy facility development business in Europe?

A: We have 18 projects either under development or in planning, mainly solar power facilities, with a total generation capacity of 1,300 MW. We will move forward with selling projects under development. This is more of a real estate development business model where income is generated by developing and selling power generation facilities, rather than a power sales business.

Q: What drove the strong performance in the overseas construction business in the first quarter? Can this strength be maintained in the second quarter and beyond?

A: The overseas construction business benefited from income improvements due to securing more additional amended contracts than expected on projects scheduled for completion this fiscal year. While maintaining the high income levels of the first quarter will be challenging, we aim to surpass our full-year forecast.