FY2025 First Half Analyst and Investor Briefing (Web Conference) Summary of Q&A Session

November 11, 2025

Q: What factors led to the upward revision of the full-year forecast for contract awards in the non-consolidated building construction business?

A: In the first half, we secured large-scale projects across various fields, including redevelopment, production facilities, and nuclear power-related projects. We revised the forecast for contract awards upward, based on the steady accumulation of pre-awarded and high-probability projects in the second half, as well.

Q: What is the outlook for profit margins on new contracts moving forward?

A: Civil engineering remains steady. Building construction has been improving, but further progress will be challenging. We will sustain and enhance profit margins on new contracts by leveraging our technical capabilities and proposal strengths.

Q: What factors contributed to higher profitability on more construction projects in Japan than usual?

A: In civil engineering, the main factor was the overlap of additional contracts and design changes in multiple large-scale projects that reached their peak construction phase. In building construction, in addition to steady improvements in profit margins for projects scheduled for completion in fiscal 2025, there was also an impact from better profit margins on new contracts.

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Q: Can the civil engineering business sustain a gross profit margin above 20% in the future?

A: We believe that a gross profit margin in the 20% range is quite high. While steadily advancing projects that are currently at their peak construction phase and securing upcoming projects that will be the next core projects, we aim to maintain a profit margin of at least 16% in fiscal 2026 and beyond.

Q: What is the medium- to long-term outlook for the gross profit margin in the building construction business?

A: We believe we can sustain a profit margin of at least 10% in the future by pursuing contract awards with a clear understanding of our construction capacity and effectively managing risks during construction.

Q: Isn't the full-year forecast for the overseas construction businesses conservative? What is the outlook for fiscal 2026 and beyond?

A: The profit margin rose sharply in the first half due to factors like gaining additional contracts and optimizing costs. We anticipate that the full-year profit margin will decrease compared to the first half, as those factors that boosted the margin will fade. We are now reviewing the profit outlook for fiscal 2026 and beyond.

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Q: Why did non-operating income deteriorate in the overseas real estate development business?

A: The factors were the postponement of sales of properties jointly developed with partners in the United States and Europe, as well as an increase in properties in the early stages of operation, which resulted in higher depreciation expenses and initial operating costs. For properties where depreciation has progressed, we can expect higher profits when these properties are sold in fiscal 2026 or later.

Q: What factors led to the postponement of property sales in the overseas real estate development business?

A: We decided to postpone sales, considering market conditions in each region. In fiscal 2025, leasing has slowed somewhat, and investors are also waiting for the market to pick up. Looking ahead, long-term interest rates are expected to fall, and we believe that holding off on property sales is a prudent decision.

Q: What is the progress toward the full-year plan for the U.S. logistics warehouse development business?

A: We plan to sell about 13 properties throughout the year, with six already under sales contracts. We started eight new projects by the end of the first half. Our risk management policy remains the same, and we are concentrating on regions where leasing is advancing.

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Q: What is the outlook for when overseas subsidiaries and affiliates will reach a net income of 30.0 billion yen?

A: When developing the Medium-Term Business Plan, we could not have predicted the disruption caused by U.S. trade policies or the sustained high interest rates. Reaching the Medium-Term Business Plan target of “a three-year average of 30.0 billion yen” has become challenging, but we believe we can still achieve net income of approximately 20.0 billion yen from real estate development and 10.0 billion yen from construction on a single-year basis.

Q: What is the basis for claiming that the earnings trend will continue to grow moving forward?

A: Domestically, profit margins on new contracts continue to improve, and we have a strong pipeline of prospective projects. By carefully managing risks at the time of order receipt and during construction, we can maintain and enhance the performance of the construction businesses. Additionally, considering the expected increase in property sales in the overseas real estate development business, we determined that the overall earnings trend remains on a growth path.