

General construction consulting firm with a strong background in urban planning

Committed to highest shareholder return policy in sector with 60% total shareholder return ratio

Summary

- Summary** | OHBA (hereafter, the Company) is a general construction consulting firm boasting a leading market share in the field of urban planning, with potential to reap the benefits of the long-term shift to compact and smart cities in rural areas. Since its establishment in 1922, the Company has been involved in various stages of public works projects preceding the construction phase, such as urban planning, land readjustment, surveying, and land development, in Japan, where the separation of design and construction is mandatory. This commenced with the development of Togoshi New Town (1932), which OHBA undertook in partnership with Mitsui Gomei (currently, Mitsui Fudosan) and Mitsui Trust (currently, Sumitomo Mitsui Trust Bank).
- Advantages** | OHBA's main advantage lies in its expertise and leadership capabilities gained through the planning and execution of numerous urban planning projects, standing between various stakeholders, such as governments, general contractors, developers, and landowners, including individuals. In the construction consulting industry, many companies focus on major market sectors such as river and erosion control, roads, and steel structures and concrete, but the Company has established a unique position in which it can collaborate rather than compete with industry peers by focusing on urban planning and building a track record in this field.
- Super-long-term performance** | OHBA's performance has generally been in line with domestic construction investment. During Japan's period of economic growth from the 1960s, earnings growth accelerated, with sales surpassing JPY 20 bn and operating profit reaching JPY 2 bn by the early 1990s. However, with the burst of the bubble, tighter budgets in the 2000s, and the financial crisis in 2008, the Company's sales halved and profitability slumped to barely breaking even. From the 2010s onward, there was a tailwinds such as special reconstruction demand following the Great East Japan Earthquake in 2011, the kickoff of Abenomics in 2013, and the 2020 Tokyo Olympics. Furthermore, the Company recorded 13 consecutive fiscal years of operating profit growth through FY2024/5 on the back of implementing a series of individual measures. In its medium-term management plan that ends in FY2028/5, the Company targets operating profit of JPY 2.4 bn, which would renew its record high for the first time in over 30 years, and its performance visibility is gradually improving.

FY	Net Sales	YoY	Oper. Profit	YoY	Profit ATOP	YoY	EPS (JPY)	DPS (JPY)
JPY mn, %								
2019/5	15,581	(3.1)	1,104	7.1	1,715	130.3	99.5	18.0
2020/5	15,203	(2.4)	1,145	3.6	824	(52.0)	49.3	14.0
2021/5	15,862	4.3	1,334	16.6	852	3.5	52.0	15.0
2022/5	15,933	0.4	1,583	18.6	1,086	27.3	67.0	23.0
2023/5	15,648	(1.8)	1,715	8.3	1,075	(0.9)	66.7	24.0
2024/5	16,486	5.4	1,843	7.4	1,339	24.6	83.7	37.0
2025/5 CE	17,500	6.1	1,950	5.8	1,400	4.5	87.5	40.0

Source: Compiled by SIR from the Company's IR materials. . Note: The FY25/5CE figures indicate the Company's forecast.

Full report

URBAN DEVELOPMENT & CIVIL ENGINEERING, CONSULTANTS
OHBA & CO.

Focus Points:

General construction consulting firm boasting a leading market share in the field of urban planning. The Company's solid business drive has resulted in 13 consecutive fiscal years of operating profit growth through FY2024/5, and its shareholder return policy, which is the highest in sector, are key points.

Key Indicators

Share price (10/8)	1,030
YH (4/12)	1,169
YL (8/5)	884
10YH (24/4/12)	1,169
10YL (16/2/17)	317
Shrs out. (mn shrs)	17.00
Mkt cap (¥ bn)	17.85
EV(¥ bn)	13.7
Shr equity ratio (24/5/31)	70.3%
25.5 P/E (CE)	11.8x
24.5 P/B (act)	1.38x
25.5 DY (CE)	3.8%

Share Price Chart 1Y



Source: TradingView

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- **Valuation:** The simple average P/E ratio of nearly 20 listed construction consulting companies is a little less than 12x. OHBA's forward P/E ratio based on its FY2025/5 EPS forecast is 11.8x (as of the closing on October 8, 2024), which is roughly on par with the sector average. Its shares were valued at a slight premium compared to the sector average over the past couple of years, but the gap in multiples has narrowed as the Company has steadily expanded profits while the majority of its peers reported lower profits. Given the Company's steady growth capabilities, demonstrated by 13 consecutive years of operating profit growth, its differentiated business domain and management capabilities, and its sector-leading shareholder return policy with a 60% total return ratio, investors should keep a close eye as the market may give the Company's shares a premium valuation once again.

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- **Peer comparison** | Operating margin improvement over last 10 years among highest in the industry

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- Working to solidify foundation in terms of human resources and technology with the aim of expanding into new markets and business areas
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Company Overview

Overview | General construction consulting firm with a leading market share in urban planning

OHBA is a general construction consulting firm boasting a leading market share in the field of urban planning. The Company operates under a single segment, and is engaged in the following business activities.

1. Geospatial information work | Providing geographical and topographical surveys, water supply, sewage and road management systems, and disaster prevention simulations.

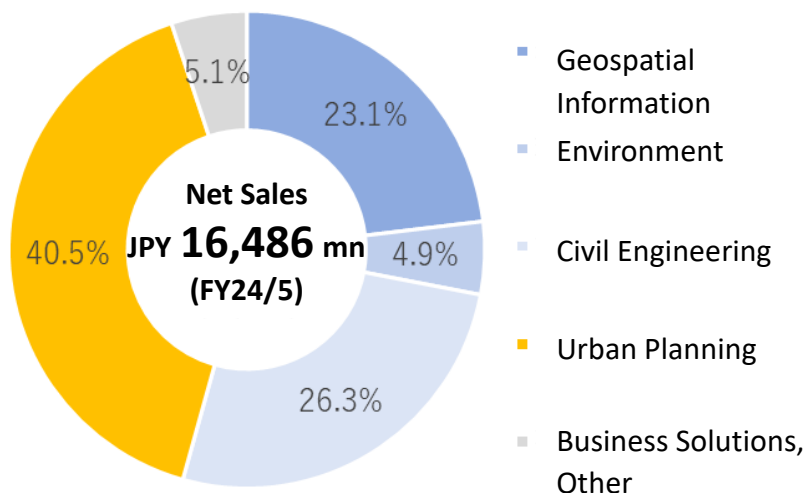
2. Environment-related work | Formulating environmental assessments, and facility planning that takes into consideration measures to prevent soil contamination, preserve water quality, and dispose of waste.

3. Design work | Conducting water supply and sewage facility design, hazard map creation, bridge and tunnel seismic reinforcement design, and landslide and slope collapse analysis.

4. Urban planning services | By organically combining these services, the Company aims to develop urban infrastructure with multifaceted appeal, such as welfare, crime prevention, disaster prevention, greenery, and livability.

Furthermore, the Company is also engaged in the business solutions business, which organizes landowners and carries out land readjustment and development activities on behalf of landowners, sometimes using its own cash. In addition to the parent company, there are four wholly-owned subsidiaries, Kinki toshi-seibi, Japan Urban Planning, Tohoku Toshiseibi, and Ohba Research and Land Surveys, all of which are engaged in similar businesses.

Composition of sales by business segment in FY24/5



Source: Compiled by SIR from the Company's IR materials.

Note: Lease rental income, etc. are included in Business Solutions and Other.

The construction consulting industry is comprised of nearly 60 companies with annual sales of JPY 5 bn or more and about 100 companies with annual sales of JPY 2 bn or more, led by major players such as Nippon Koei (TSE 9161: a subsidiary of ID&E HD) with annual sales over JPY 60 bn, and Pacific Consultants (unlisted) and Construction Technology Research Institute (9621) with annual sales of about JPY 50 bn. The public sector accounts for the majority of the market, and although there are barriers to entry, the field is well-diversified. The Company is a mid-sized player in the construction consultant market, ranking around 20th in terms of sales.

One of OHBA's unique features is its focus on urban planning and regional planning (urban planning). While most of the other major firms have a high sales composition in the areas of river and erosion control, roads, and steel structures and concrete, urban planning accounts for about half of the Company's total construction consulting sales, making it the largest firm in this field. The next largest companies are Nikken Sekkei (unlisted) and Nihon Koei Urban Space (formerly Tamano General Consultant, which joined the Nihon Koei Group in March 2005), but their annual sales in the field fall nearly JPY 2 bn short of the Company's. OHBA has the potential to benefit from the long-term trend toward compact and smart cities in rural areas.

Sales Composition of Major Construction Consultant by Domain

Item	Unit	OHBA	Nippon Koei	PACIFIC CONSULTANTS	CTI Engineering	Oriental Consultants	Eight-Japan Engineering Consultants	Yachiyo Engineering	IDEA	Nihon Suido	CHODAI
Sales	JPY mn	12,609	61,058	51,218	48,696	30,438	23,641	23,329	21,521	19,652	18,836
Sales Composition of Main Sectors											
Construction Consulting	%	81.7	73.2	91.5	92.4	99.6	83.6	86.5	96.5	99.1	90.3
River/Erosion Control	%	3.5	14.7	13.5	38.1	12.2	13.1	26.9	19.4	8.9	2.2
Port/Airport	%	-	7.2	9.4	0.4	1.7	3.0	3.4	3.8	-	0.6
Electric Power Civil Engineering	%	-	4.7	1.1	0.2	-	0.2	2.7	-	-	-
Roadway	%	4.6	5.8	14.1	13.7	24.1	10.6	12.7	6.3	-	29.0
Railway	%	-	7.4	7.4	0.2	1.5	0.5	3.5	-	-	0.4
Water/Industrial Water	%	1.5	1.9	0.9	0.7	0.1	0.7	1.3	-	37.3	-
Sewage	%	2.8	3.0	3.9	3.0	1.0	3.5	1.7	0.1	51.2	0.1
Agricultural Civil Engineering	%	-	4.0	0.1	0.3	-	1.4	-	2.0	0.1	-
Forest Civil Engineering	%	-	0.4	0.1	-	-	0.1	-	-	-	-
Fisheries Civil Engineering	%	-	0.1	0.2	0.4	-	2.0	0.1	1.5	-	-
L/scaping	%	5.8	0.5	1.1	0.2	0.2	2.1	0.3	-	-	-
Urban Planning	%	51.0	3.5	8.6	3.9	12.0	3.5	5.2	-	-	3.3
Geology	%	0.1	4.1	0.6	3.0	0.2	2.4	1.8	0.2	-	-
Soil and Foundation	%	1.3	3.2	2.9	0.5	-	6.2	0.9	0.4	-	0.3
Copper/concrete	%	6.8	5.2	11.8	9.5	24.1	24.3	12.8	9.1	0.1	41.8
Tunnel	%	-	0.7	5.8	1.9	6.4	5.1	1.2	-	0.1	0.2
Construction Planning	%	0.9	0.8	2.9	3.9	8.3	0.5	3.7	3.1	-	1.1
Construction/Environment	%	3.4	3.4	6.2	5.8	6.5	2.9	5.8	50.6	1.3	9.7
Electrical/Electronic	%	-	2.6	0.9	6.7	1.3	1.5	2.5	-	0.1	1.6
Others	%	18.3	26.8	8.5	7.6	0.4	16.4	13.5	3.5	0.9	9.7
Surveying	%	9.2	0.5	0.4	0.4	-	1.6	0.1	0.2	0.2	0.1
Geological Survey	%	1.3	1.3	0.8	0.4	-	2.1	2.6	0.5	0.1	-
Other	%	7.8	25.0	7.3	6.8	0.4	12.7	10.8	2.8	0.6	9.6
Number of Employees	Person	674	2,915	2,160	1,925	1,271	1,219	1,188	988	856	889
Certified Engineers	Person	195	1,461	1,287	1,362	664	541	577	473	509	344
RCCM	Person	176	394	76	235	138	212	212	121	89	84
TECRIS	Person	445	1,762	1,739	1,523	976	777	908	773	671	673
Number of Technicians	Person	385	1,883	1,739	1,431	1,105	864	928	789	671	695

Source: Compiled by SIR from "Nikkei Construction" materials.

Note: Figures are compiled and presented based on the 2023 survey data. Please note that (1) the figures are on a non-consolidated basis, (2) only sales related to construction consulting are included, and (3) there are some differences compared to the financial information due to the period of time for which the data was compiled.

History | Established reputation in urban planning over its 100-year history

In October 1922, about 100 years ago, the Company's founder, Munenori Ohba, an official of the Ministry of Railways who was engaged in surveying, started the business in Tokyo by taking over the management of Waji Corporation with the aim of providing surveying services mainly for mines, railroads, ports, and other facilities. In November 1930, the Company changed its name to Ohba Munenori Civil Engineering Office and expanded its business to civil engineering design and construction management.

In 1932, the Company became involved in the Togoshi New Town project (residential land development work), which became the root of its reputation in urban planning. The project was a joint venture between Mitsui Gomei (now Mitsui Fudosan Co., Ltd.) and Mitsui Trust (now Sumitomo Mitsui Trust Bank, Limited), with the Company handling everything from design to construction management. Since then, the Company has frequently worked with these companies, both of which are major shareholders of the Company, owning over 4% of the Company's shares.

After World War II, the Company was incorporated in October 1947 as a joint stock company and established a construction and civil engineering construction division, laying the foundation for rapid business expansion during the period of rapid economic growth that followed. It began regional expansion by establishing its Nagoya office in 1953 and its Osaka field office in 1962, then proceeded to enter the land readjustment business in earnest and undertook a series of major new towns and golf course development projects in the 1960s. In June 1972, the Company was listed on the then Second Section of the Tokyo Stock Exchange, and since then, it has expanded its business nationwide, starting with key locations such as Fukuoka, Sendai, Shizuoka, and Hiroshima, and worked to expand earnings.

OHBA's History

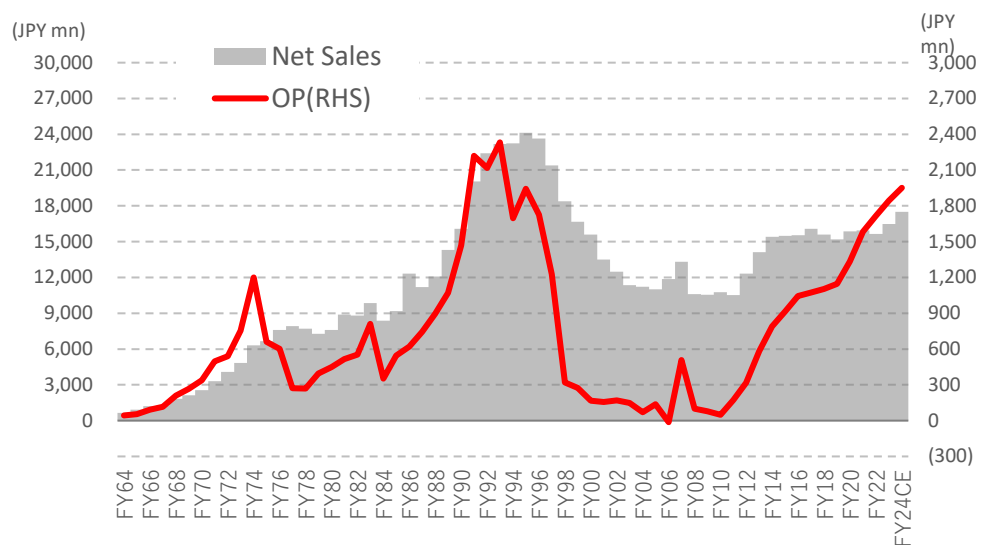
Year	Month	Event
1922	10	Took over the management of Waji Corporation and started a surveying business mainly for mines, railroads, ports, and other facilities
1930	11	Changed company name to Ohba Munenori Civil Engineering Office and established a civil engineering design and construction management division on top of the surveying business
1932	-	Began residential land development operations, handling everything from design to construction management for Togoshi New Town
1945	11	Changed company name to Ohba Civil Engineering & Architecture Office
1947	10	Incorporated as a joint-stock company, adding new architectural and civil engineering construction divisions.
1960s		Entered the land readjustment business in earnest, and began working on major new town, golf course, and other development projects
1971	12	Changed company name to Ohba Co., Ltd.
1972	6	Listed on the Second Section of the Tokyo Stock Exchange
1970s		Established a comprehensive system consulting organization that handles everything from survey planning to construction management
1970s		Began opening sales offices nationwide, starting with Fukuoka, Sendai, Shizuoka, and Hiroshima
1980		Orders surged mainly for resort and leisure-related projects
2015	8	Transferred to the First Section of the Tokyo Stock Exchange
2022	4	Transferred to the Prime Market following the revisions to the Tokyo Stock Exchange market segmentation
2023	5	Made Ohba Research and Land Surveys a wholly-owned subsidiary

Source: Compiled by SIR from the Company's IR materials.

In the early 1990s, OHBA expanded to JPY 20 bn in sales and JPY 2 bn in operating profit, but its performance subsequently deteriorated following the collapse of the bubble economy, which was accompanied by a drop in construction demand and fiscal spending cuts. In the 2000s, its earnings slumped to JPY 10 bn in sales, merely breaking even on the profit line. The recession that followed the 2008 financial crisis also added to the Company's strain.

However, operating profit has recovered substantially since the 2010s, thanks to a turnaround in the macro environment, including special reconstruction demand following the Great East Japan Earthquake in 2011 and increased fiscal spending under Abenomics in 2013, as well as steady internal improvement efforts to expand the number of qualified personnel and boost the ratio of value-added work by reviewing its evaluation system and bolstering training programs. In FY2024/5, the Company posted net sales of JPY 16.49 bn and operating profit of JPY 1.84 bn, marking the 13th consecutive year of operating profit growth. In FY2025/5, it projects net sales of JPY 17.50 bn and operating profit of JPY 1.95 bn. In its medium-term management plan that ends in FY2028/5, the Company is starting to see the possibility of breaking its operating profit record for the first time in 30 years.

Long-Term Sales and Operating Profit



Source: Compiled by SIR from the Company's IR materials.
 Note: Figures for FY1991 and FY2006 are not consistent owing to a change in the reporting period.

Strength | Accumulated expertise required for urban planning

OHBA, which has focused on urban planning, boasts expertise in urban planning and implementation, and has the ability to negotiate with the government, general contractors, other private companies, landowners, and other interested parties to create and implement urban plans. Since 1959, when the then Ministry of Construction announced the separation of design and construction, the responsibility for public works projects has been divided between construction consulting firms, who are responsible for project planning, surveying, and design, and general contractors, who handle the construction. The on-site capabilities that consulting firms have accumulated through their ongoing efforts to build social consensus and fulfill their responsibilities to provide explanations from the standpoint and perspective of consultants who are close to the local residents serve as a potential barrier to entry into the market.

One example is the expertise in police consultation for road development. In integrated urban planning, it is necessary to consider the width and shape of the road based on traffic volume, and to explain such rationale not only to the police station with jurisdiction, but also to the prefectural police headquarters to obtain their approval. The smooth implementation of urban planning proposals that take into account traffic safety and the perspective of the police organization is a feat that can only be accomplished by having accumulated experience from a wide variety of projects in the past.

Furthermore, there are times when dozens of individual landowners are involved in urban planning projects. The Company's ability to bridge the gap between individuals (sellers) with their own circumstances and the government or private developers (buyers), through its willingness to temporarily hold land and other assets on its balance sheet as an agent as needed, is the result of its sound balance sheet and accumulated experience.

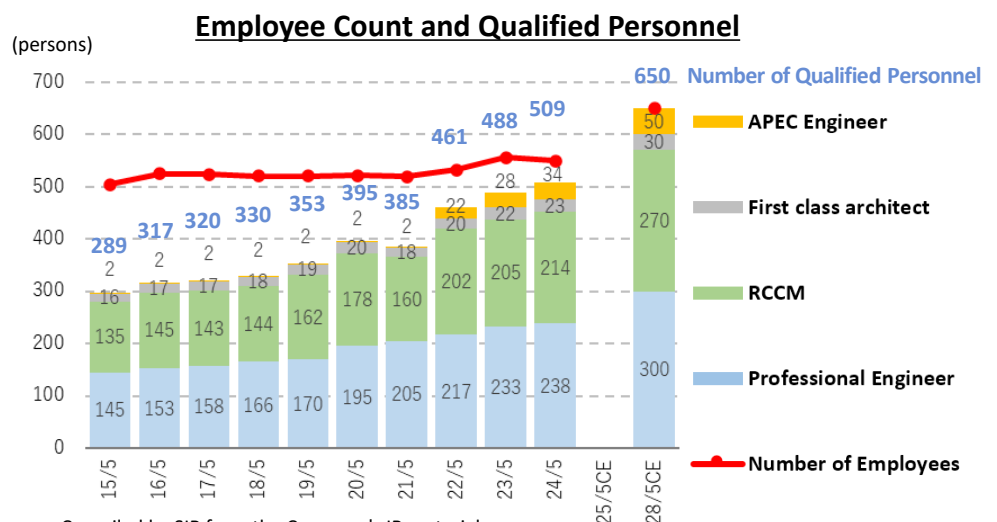
With this track record, the Company has earned the trust of not only government agencies but also major developers. For example, OHBA's involvement in one of its flagship projects, the Fujisawa Sustainable Smart Town Project in Fujisawa City, Kanagawa Prefecture, was decided upon when the Company was introduced by Mitsui Fudosan for the planning, development design, and construction management of the land readjustment project after Panasonic selected Mitsui Fudosan Residential and PanaHome (currently, Panasonic Homes) as developers to utilize its former factory site. For a better understanding of the Company's added value, please refer to the following website, which commemorates the 100th anniversary of the Company's founding.

URL : <http://www.k-ohba.co.jp/100th/>

It is also important to note that the Company has established itself as an earthquake reconstruction specialist by leveraging its expertise, knowledge, and experience accumulated in urban planning to take on reconstruction work following the Great East Japan Earthquake. At its peak, earthquake reconstruction-related work totaled JPY 4.5 bn in sales for a single year, with the cumulative total coming to around JPY 30 bn. With this experience, the Company often receives requests for assistance from government and administrative agencies in handling disaster-stricken areas, including the Kumamoto earthquake in 2016 and the Noto Peninsula earthquake in 2024. It is fair to say that the Company has been able to translate this into a strength that offers great social value.

Characteristics | Active investment in human capital built on a people-driven business

In recent years, OHBA has been focusing on a human capital strategy to enhance technical capabilities and employee engagement in order to bolster its strengths and secure and train high quality personnel. Since personnel costs in the broad sense, including outsourcing costs, account for roughly 70% of sales, this is an extremely important factor for the Company in terms of fortifying its organizational foundation. It has steadily expanded its number of qualified personnel, which drives earnings growth, by raising wages, continuously increasing starting salaries, accelerating promotions for younger employees, and enhancing benefits for qualified personnel.



Source: Compiled by SIR from the Company's IR materials.

To accumulate and improve know-how, the Company holds the OHBA Technology Presentation Conference, which is a day-long event held once a year and consists of about 15 programs, where representatives from branch offices nationwide present case studies and examples of the use of cutting-edge technologies to all employees. In addition, the Company encourages employees to make research contributions to academic societies and other external organizations. Both of these efforts are reflected in branch and individual performance evaluations, and help motivate employees and enhance the Company's technical capabilities.

Research contributions tied to performance evaluations are often a formality at other companies, but this is not the case with OHBA. As an example, the following is a list of awards given to the Company's employees in recent years by various associations, including the Japan Civil Engineering Consultants Association, Planning Consultants Association of Japan, and the Japan Society of Civil Engineers. These awards not only help to maintain and improve the Company's advanced technical capabilities but also highlight its efforts and accomplishments in enhancing its presence in the industry.

List of Major Research Papers Awarded in Recent Years

Award date	Award name	Award recipient (affiliation)	Awarding body	Award objectives and outline	Internal award
2022 Oct.	The 32nd Construction Consultant Technical Presentation [Grand Prize in Operations Category]	Nagoya Branch Urban Development Planning Department Member	Chubu Branch of the Japan Civil Engineering Consultants Association	Creating a lively and interactive space for the elderly around train stations	General Manager's Award
2022 Oct.	2022 Planning Consultants Association of Japan Practical Presentation, President's Award and Excellence Award	Nagoya Branch Urban Development Planning Department Member	Planning Consultants Association of Japan	Formulating a location optimization plan to guide urban functions and settlements in undivided urban planning areas based on the city's origins	Executive Director's Award
2022 Oct.	Rezoning and Urban Development Forum 2022 Excellence Award, Subcommittee 1	Nagoya Branch Urban Development Planning Department Member	Rezoning and Urban Development Forum Executive Committee	Sustainable urban development that promotes symbiosis among industry, people, and the natural environment	General Manager's Award
2022 Oct.	2022 Kinki Branch of the Japan Civil Engineering Consultants Association, 55th Research and Presentation Meeting, General Paper Presentation Division, Incentive Award	Osaka Branch Design Department Member	Kinki Branch of the Japan Civil Engineering Consultants Association	Study of repair measures for bridges where cracks were found along the sheathing	General Manager's Award
2022 Nov.	2022 Planning Consultants Association of Japan Practical Presentation, Excellence Award [October 21, 2022]	Tokyo Branch Urban Development Planning Department Member	Planning Consultants Association of Japan	Focusing on the contemporary significance and role of the Urban Planning Master Plan and the Location Optimization Plan	General Manager's Award
2023 Mar.	The 18th Landscape and Design Research and Presentation, Award for Outstanding Lecture	Kyushu Branch Urban Development Department Member	The Japan Society of Civil Engineers	Characteristics of intrinsic values and actual conditions of protection rules in important cultural landscapes, including selection criterion 6	General Manager's Award
2023 Mar.	Accepted for publication in the Japanese Journal of the JSCE	Osaka Branch Urban Development Business Department Member	The Japan Society of Civil Engineers	Examination of the impact of regional public transportation use on reducing medical costs	General Manager's Award
2023 May	Published in the Journal of the City Planning Institute of Japan and presented at national conference	Osaka Branch Urban Development Business Department Member	The City Planning Institute of Japan	Research on space management methods for disaster-prevention vacant land projects	General Manager's Award
2023 Aug.	Presented at the 21st Research and Presentation Meeting of the Kansai Branch of the City Planning Institute of Japan, Honorable Mention	Osaka Branch Urban Development Business Department Member	Kansai Branch of City Planning Institute of Japan	The potential of the outdoor space of Osaka Business Park as a workplace from the perspective of knowledge creation	General Manager's Award

Source: Compiled by SIR from the Company's IR materials.



President and Representative Director
Mr. Shigeru Tsujimoto

Management | Current representative has led the Company's performance recovery from the 2010s onward

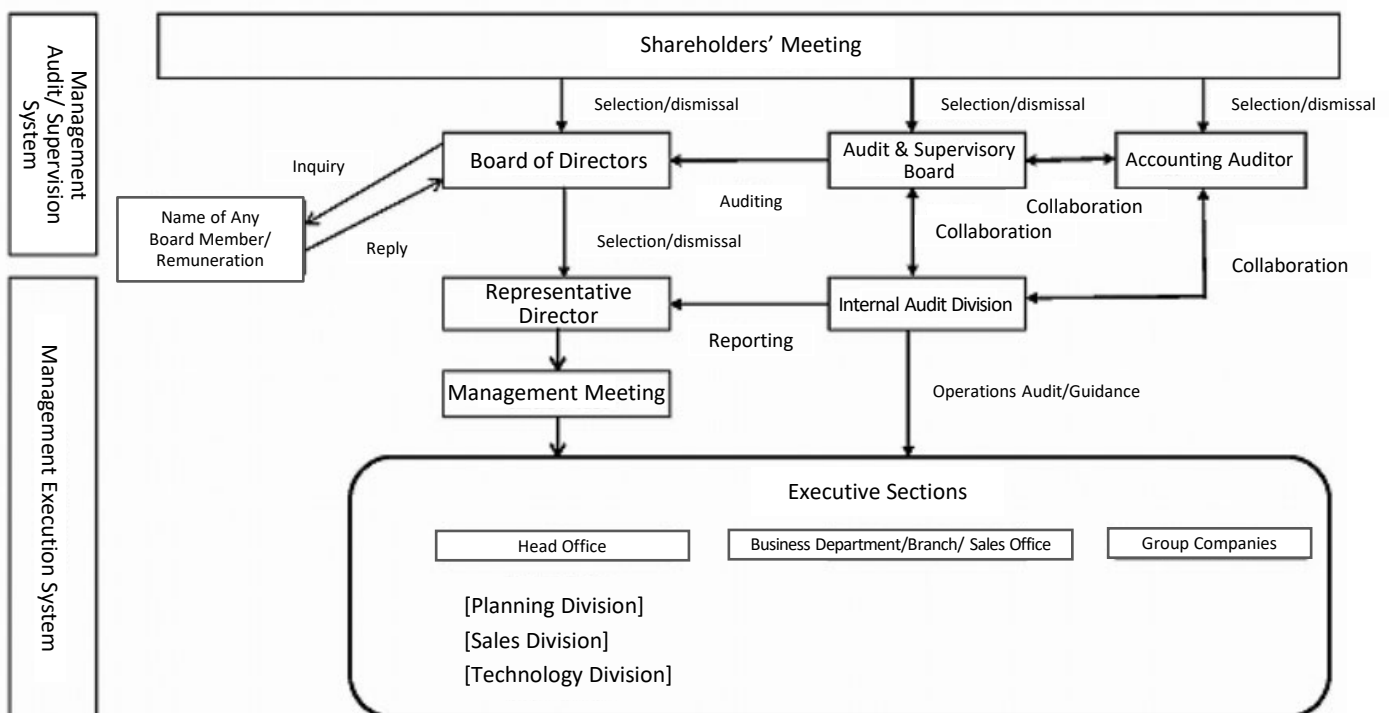
Mr. Shigeru Tsujimoto, the current President and Representative Director, is from the Company's founding family. After joining Overseas Oil Development Co., Ltd. (currently, INPEX) in 1979 and working in project finance for oil field development projects in North America, he joined Mitsui Trust Bank, Limited (now Sumitomo Mitsui Trust Bank, Limited) in 1987, where he worked in the Los Angeles, New York, and Osaka branches before joining OHBA in March 2003 as a permanent advisor. Since his appointment as executive officer, general manager of the finance department, and general manager of project development department in July 2005, he has been deeply committed to both the business and financial aspects of the Company, and he became a representative director in August 2013.

Mr. Tsujimoto has been a key board member in the Company's recovery from the early 2000s, when earnings fell sharply, to the current level. On the financial side, he pushed to reduce assets and interest-bearing debt by selling real estate holdings such as company-owned buildings, while on the business side, he has been working to break the internal culture of complacency toward earnings growth. As part of these efforts, Mr. Tsujimoto has worked to add technicians by expanding the employee training program, revising the evaluation system, and as a result, increased added value and improved profitability.

Furthermore, he has worked to strengthen OHBA's governance. In FY14/5, when Mr. Tsujimoto was appointed representative director, all four directors (excluding auditors) were internal personnel, but five of the nine directors were external personnel as of the end of August 2024.

In its current medium-term management plan that ends in FY2028/5, the Company targets a total return ratio of 60% (including a dividend payout ratio of 50%). SIR believes this is worth noting, as it is the highest level of shareholder returns among construction consulting companies.

Corporate Governance System

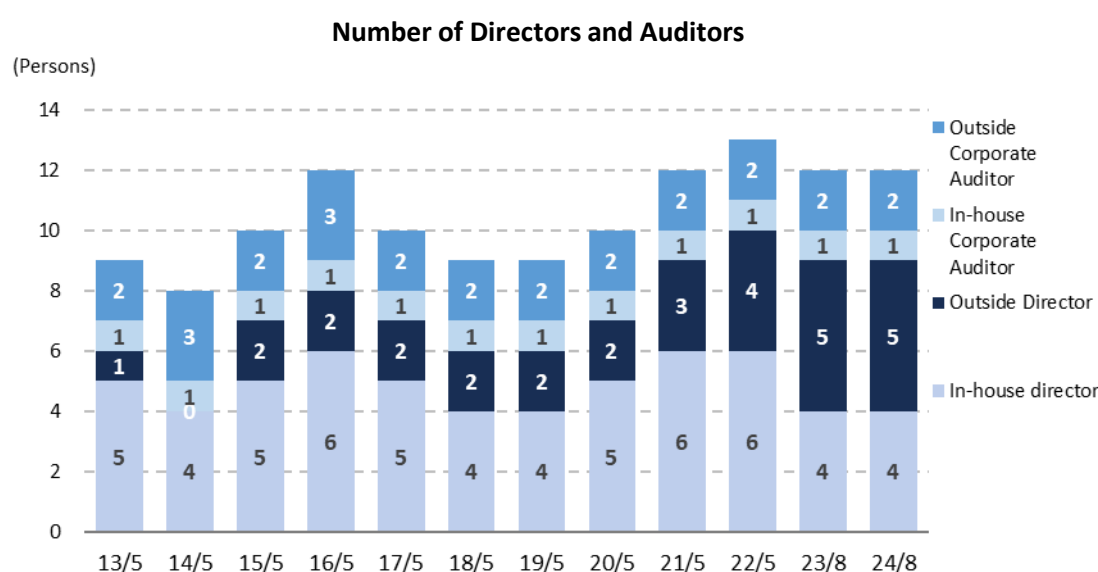


Source: Compiled by SIR from the Company's IR material.

Governance | Ratio of outside directors has been raised gradually in the past

Over the past 10 years, OHBA has strengthened its governance. The majority of directors and corporate auditors were appointed from outside the Company as of August 2023. While two of the Company's directors, including the representative director, are from the founding family, the Company has voluntarily increased the ratio of outside directors, thereby introducing diverse perspectives and increasing management transparency, which is a positive development. It also has one female director and is working to further diversify its board.

The founding family holds less than 10% of the Company shares. The Company's major shareholders include Mitsui Fudosan, Sumitomo Mitsui Trust Bank, and Pacific Consultants, with are important long-term business partners, but each of these companies hold less than 5% of the Company's shares, most of which are tradable shares held by institutional and individual investors.

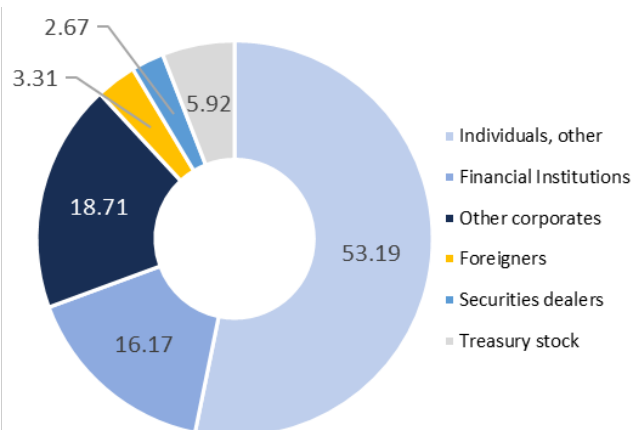


Source: Compiled by SIR from the Company's IR materials.
 Note: Each data refers to the end of May. One of the directors is female.

Major Shareholders and Shares by Type of Ownership (as of November 30, 2022)

Shareholder Name	Number of Shares (Thousands of Shares)	Shareholding Ratio (%)
Mitsui Fudosan	727,050	4.54
Sumitomo Mitsui Trust Bank	662,000	4.13
Sumitomo Mitsui Trust Bank	628,000	3.92
Shigenori Ohba	454,200	2.83
Akinori Ohba	452,600	2.82
Ohba Suppliers Shareholding Association	435,925	2.72
The Master Trust Bank of Japan (Trust A/C)	417,200	2.60
Mizuho Bank	332,162	2.07
Nippon Life Insurance	331,944	2.07
Dai-ichi Life Insurance	328,700	2.05

Source: Compiled by SIR from the Company's IR materials.



Industry Environment

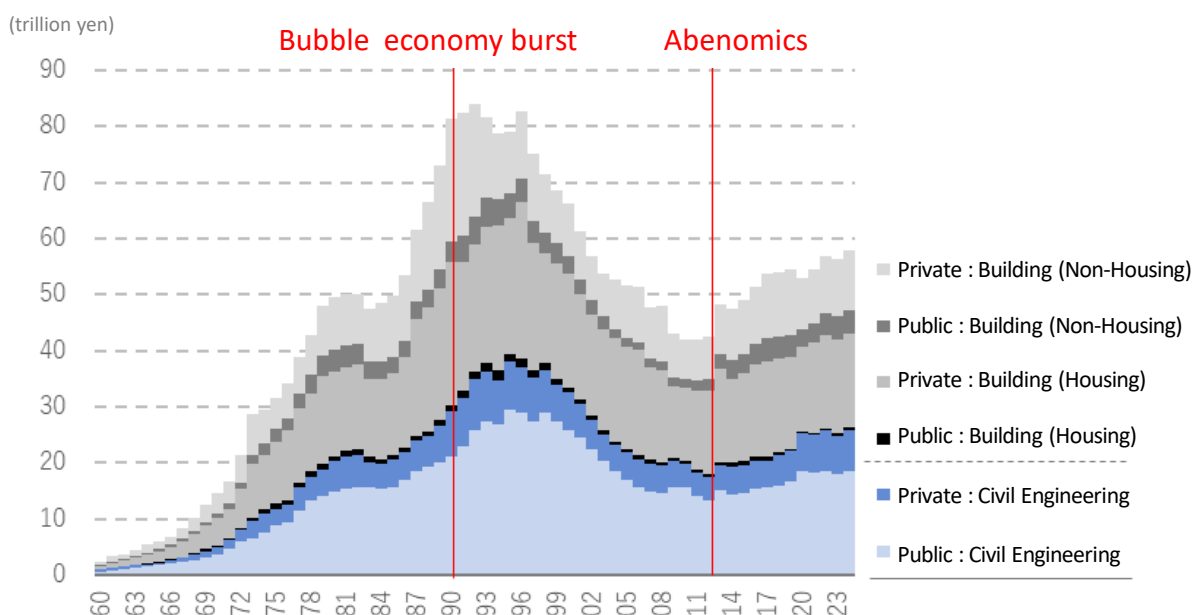
Construction investment | Halved following the burst of the bubble, but trending slightly upward since the introduction of Abenomics

Construction investment in Japan has experienced large swings over the very long term, expanding at an accelerated pace from the 1960s to the early 1990s and peaking at JPY 84 tn (total of public and private, civil engineering and construction), then halving to JPY 42 tn by the early 2010s due to the burst of the bubble economy, fiscal tightening in the 2000s, and the 2008 financial crisis. Subsequently, it has recovered to nearly JPY 60 tn on the back of special reconstruction demand following the Great East Japan Earthquake in 2011, increased fiscal spending and economic recovery associated with Abenomics in 2013, and heightened demand in preparation for the 2020 Tokyo Olympics.

Domestic construction investment is broadly classified into six, divided into civil engineering and construction (residential and nonresidential) for government and private sectors. OHBA's core business is construction consulting services for government civil engineering projects, which is a sector worth approximately JPY 18-19 tn per year, and private sector civil engineering projects, which is a sector worth approximately JPY 7 tn per year. Since a 1959 Ministry of Construction directive, design and construction work for public works projects have been separated as a general rule, and the Company is responsible for the design portion of these projects. Although the Company does not have a large market share, its performance is generally in line with the long-term trends in domestic construction investment shown in the table below, and it is competing in a sector where the macro environment, government policies, and budget decisions have a large impact on earnings.

Civil engineering investment by both the government and private sector in 2023 was down 3.7% YoY to JPY 24.8 tn, owing to a slowdown in reconstruction demand related to the Great East Japan Earthquake and a reactionary decline from the increase in construction investment for the 2020 Tokyo Olympics. However, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) expects this figure to rise by 4.1% YoY to JPY 25.8 tn in 2024, as the Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and National Land Resilience comes into full swing. In the short-to-medium term, it is safe to say that there is a stable and vast market.

Very Long-Term Trends in Domestic Construction Investment



Source: Compiled by SIR from Ministry of Land (MLIT): *Estimate of Construction Investment*

Note: Figures for 2020 and 2021 are estimates, while figures for 2022 are projections. In addition, building repairs (renovations and refurbishments) are excluded from the above table.

*In the construction industry, daily workload per head is a unit indicating the personnel and labor costs required for construction work, and refers to the amount of work that can be completed by one worker in one day (eight hours).

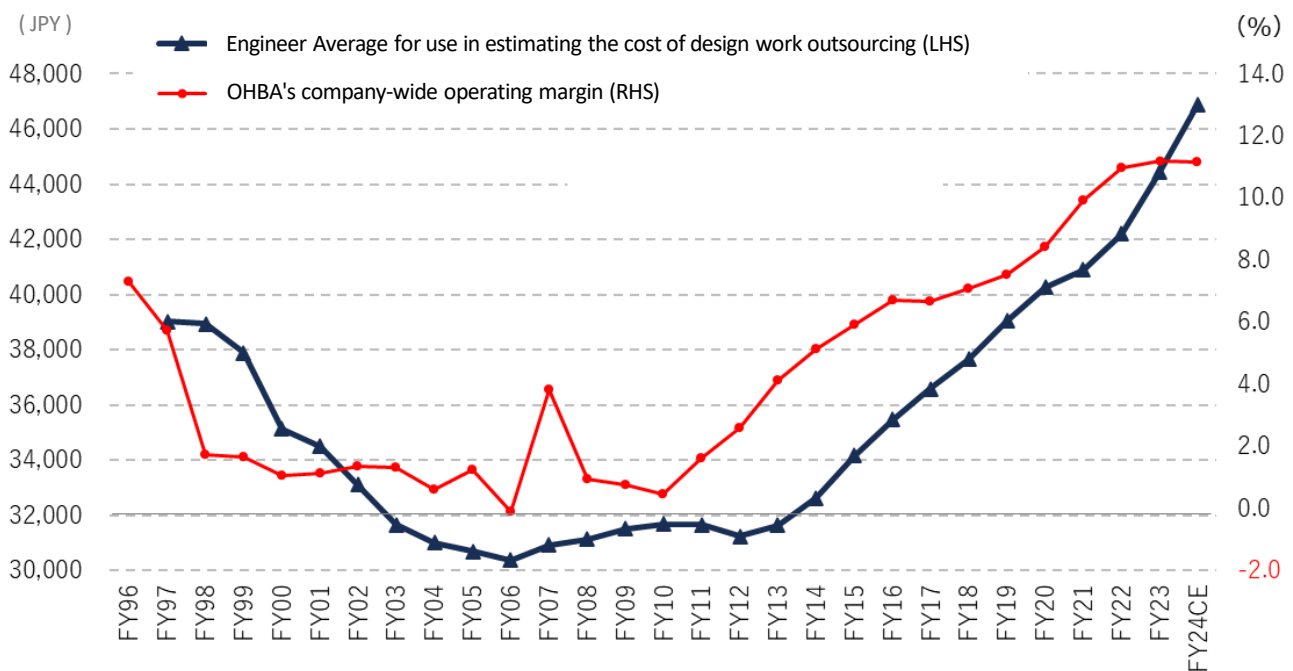
Technician price | MLIT's standard price has improved substantially since 2013

The "Engineer Average Price (standard daily rate) for use in estimating the cost of design work outsourcing", released every March by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), is another important indicator for forecasting trends in earnings. Although it directly defines daily workload* per head for public works projects undertaken by the MLIT, Transport and Tourism (MLIT), it can also be used as a standard for local governments and private-sector projects to determine prices based on the supply-demand balance.

The simple average for all occupations started at JPY 39,000 in the late 1990s and temporarily fell to around JPY 30,000 due to fiscal tightening, but has clearly been on the rise since 2013, reaching JPY 46,880 in May 2024, representing a 43.6% increase from 10 years ago, a 20.0% increase from 5 years ago, and a 5.5% increase year-on-year. Standard prices have been continuously rising as part of the government's top-priority efforts to raise wages, and this has led to an increase in labor costs to some extent owing to strong pressure to provide benefits to skilled workers, but at the same time it has helped improve profitability in the construction consulting industry to a certain degree.

There is considerable correlation when compared to OHBA's company-wide operating profit margin.

Long-term Trends in Engineer Average Price (Standard Daily Rate) for the Cost of Design Work Outsourcing

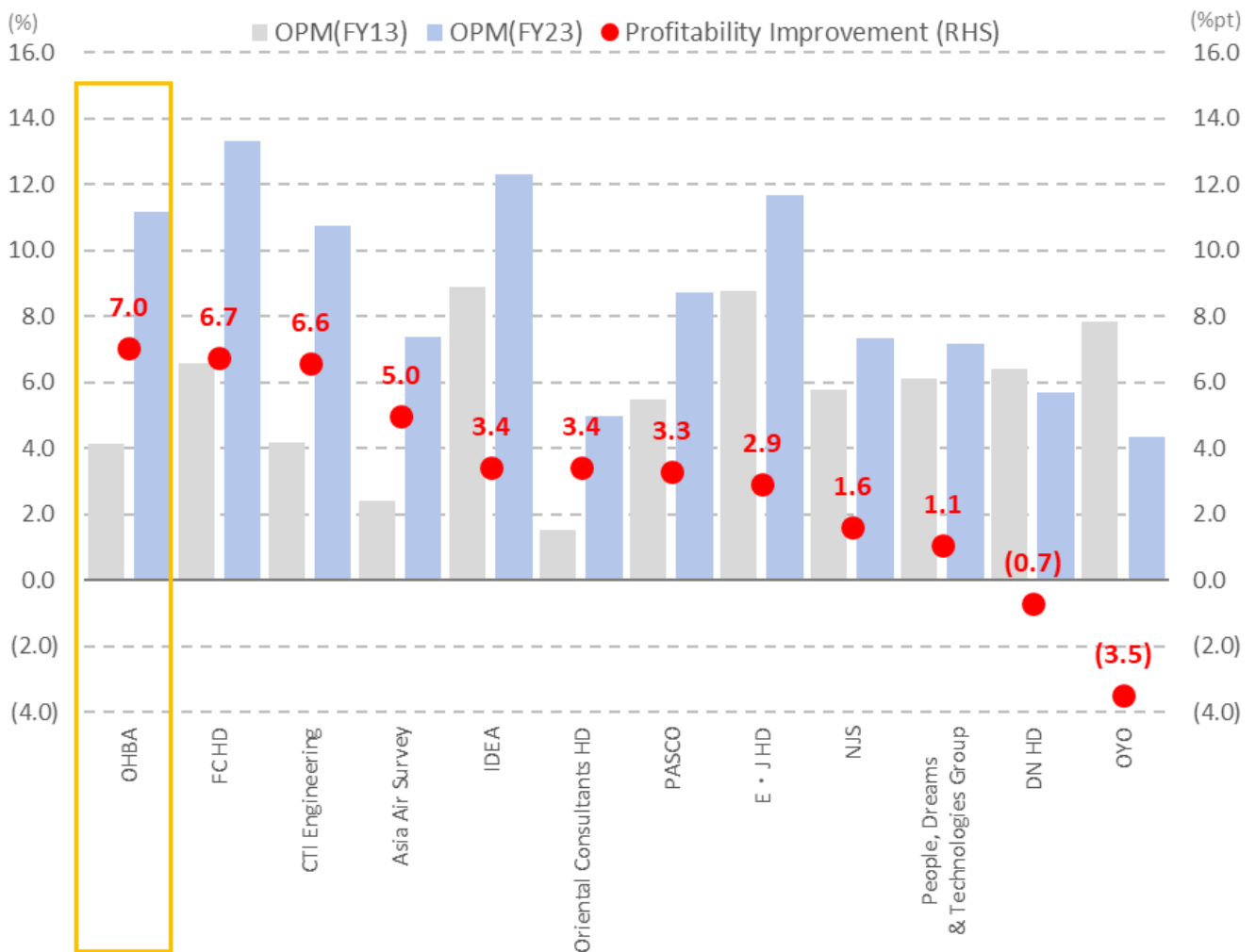


Source: Prepared by SIR based on the "Technician Price for Commissioned Design Work, etc." report by the Ministry of Land, Infrastructure, Transport and Tourism.
 Note: Figures refer to simple averages of standard daily rates for all occupations.

Peer comparison | Operating profit margin improvement over last 10 years among highest in the industry

Although the performance trends of construction consulting companies tend to be similar due to the correlation with macro construction investment demand and the existence of government-led standard prices, the improvement in profitability over the past 10 years has varied considerably. A population analysis of 12 listed construction consulting companies, chosen because their past performance can be consistently confirmed, shows that the operating profit margin improved from FY2013 to FY2023, with values ranging widely from -3.5% to 7.0%. OHBA reported a 7.0pp improvement, the largest among the group. The Company's operating profit margin for FY24/5 was 11.2%, a high level compared to its peers. One reason for this is that it was relatively easy for the Company to secure profitability compared to its competitors due to its focus on urban planning, where there is less competition compared to construction consulting in river and erosion control, roads and steel structures/concrete. However, it is fair to assume that the Company's internal efforts to boost profitability also contributed.

Improvement in Operating Profit Margins of Listed Construction Consulting Companies over the Past 10 Years



Source: Compiled by SIR from the Company's IR materials.

Note: Figures for E.J. Holdings include those of its predecessor Eight Consulting, FC Holdings include those of Fukuyama Consultant, and the Hito, Yume & Gijutsu Group includes those of Chodai. DN Holdings has only recently completed its merger, and the figures shown refer to Dainippon Consultant, one of the companies involved in the merger.

Long-Term Earnings Trends

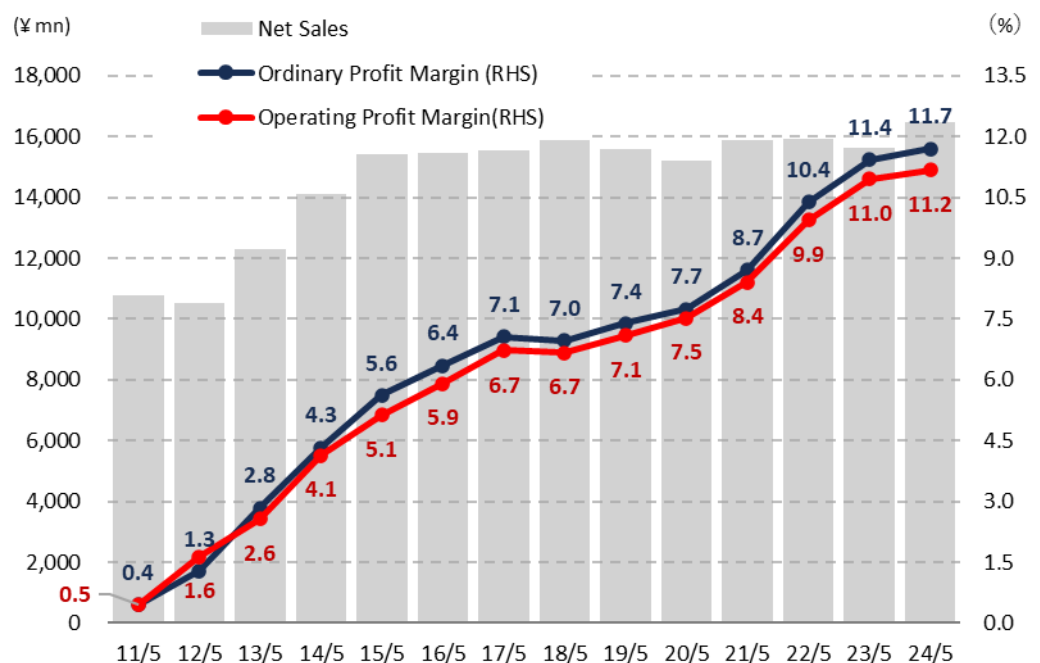
Overview | Profitability substantially improved over the past 10 years

Looking at earnings long-term trends, sales have remained generally flat at around JPY 15-16 bn per year since FY15/5, while profitability has continued to improve. Macroeconomically, an increase in technician prices is one factor behind the improved profitability, but other positive factors include:

1. A higher ratio of high-margin design work
2. Increased added value through personnel training and the addition of qualified personnel
3. Stabilized earthquake reconstruction-related work and an improved sales mix
4. Reduced interest-bearing debt and interest expenses

Many of these factors can be attributed to the business and financial strategies of the Company and can be appraised.

Long-term trends in sales and profitability

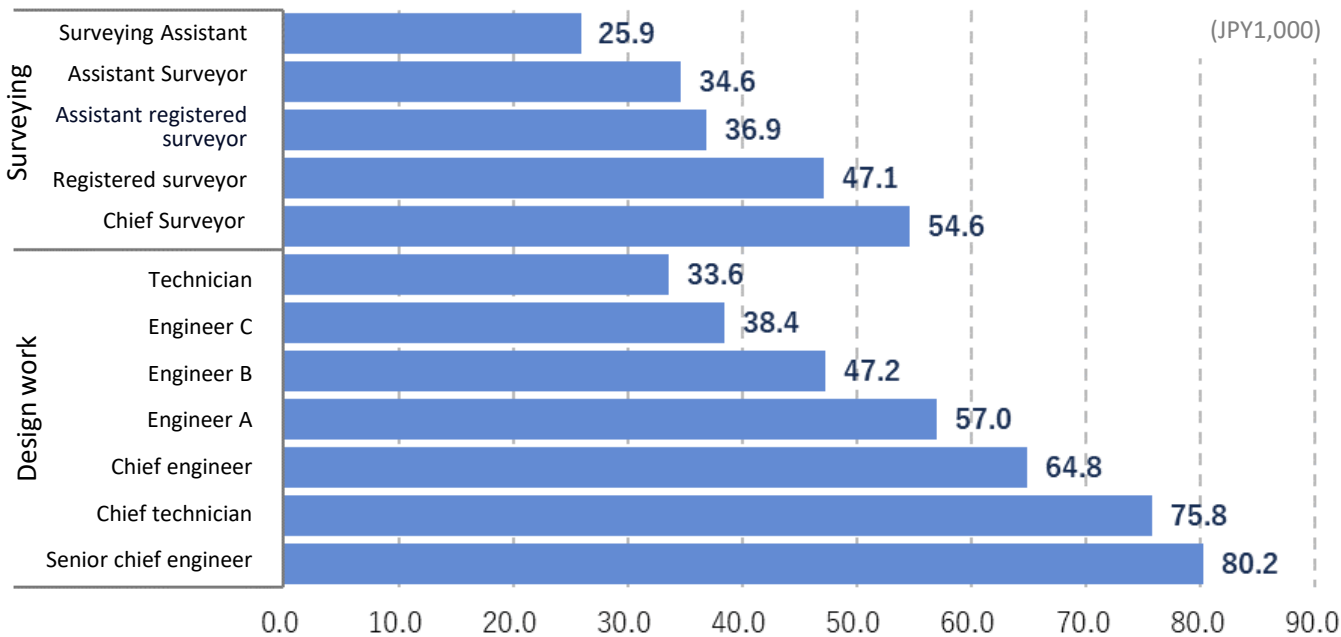


Source: Compiled by SIR from the Company's IR materials.

1. Higher ratio of high-margin design work

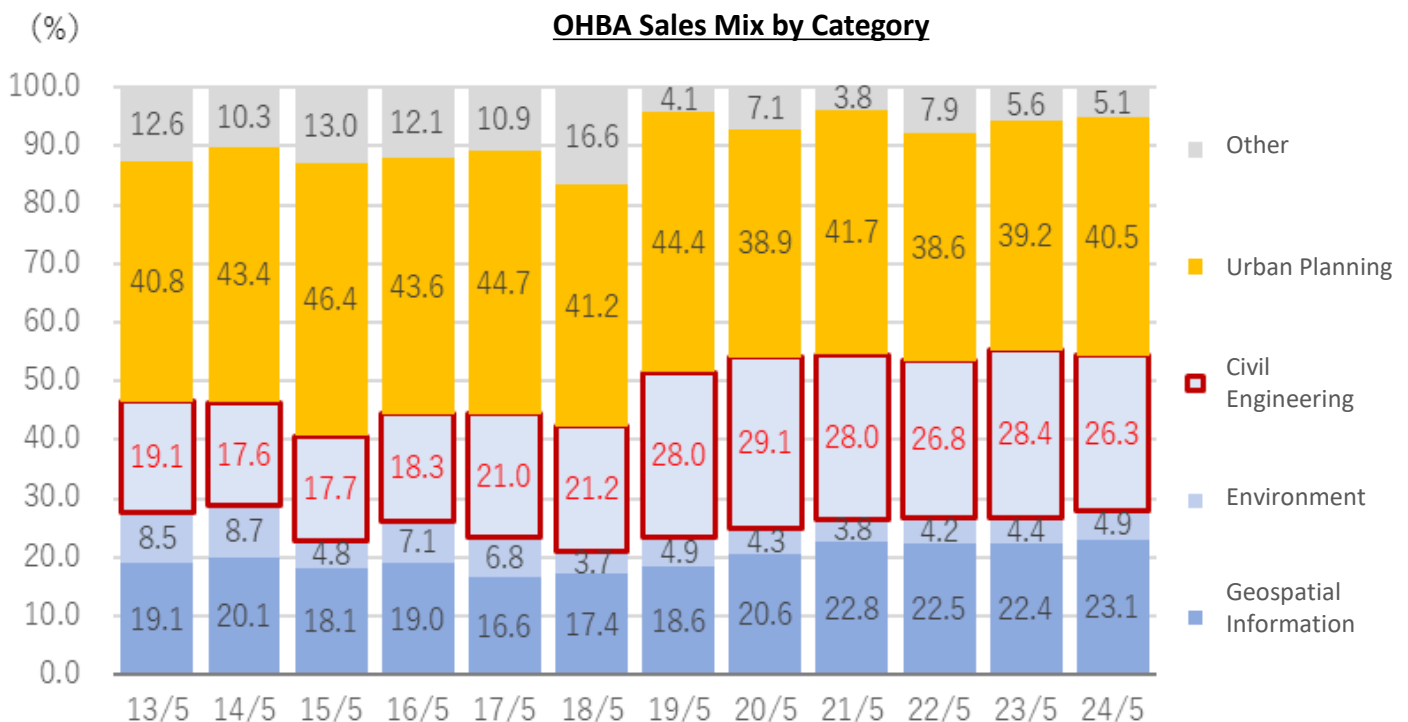
The first factor that helped improve profitability was an increase in the ratio of high-margin design work. For instance, when looking at price levels of technicians for commissioned design work, which were decided by the MLIT and Tourism and came into effect starting in March 2024, the standard daily rate for surveying work ranges from JPY 25,900/day for assistant surveyors to JPY 54,600/day for chief surveyors, while design work ranges from JPY 33,600/day for technicians to JPY 80,200/day for chief technicians, showing a premium.

Commissioned Design Technician Price by Category and Role (Revised March 2024)



Source: Prepared by SIR based on "Technician Price for Commissioned Design Work Effective March 2024" report by the Ministry of Land, Infrastructure, Transport and Tourism

In the early 2010s, design services accounted for a percentage of sales in the upper-teens range, but by around 2020, it had increased to just under 30%. OHBA expanded its mix of design contracts to include not only roads, bridges, water supply, and sewerage facilities, but also urban planning and environmental projects. In addition, the Company's aggressive efforts in the field of disaster prevention measures, such as hazard mapping, seismic reinforcement design of bridges and tunnels and analysis of landslides and slope failures, appear to have paid off.

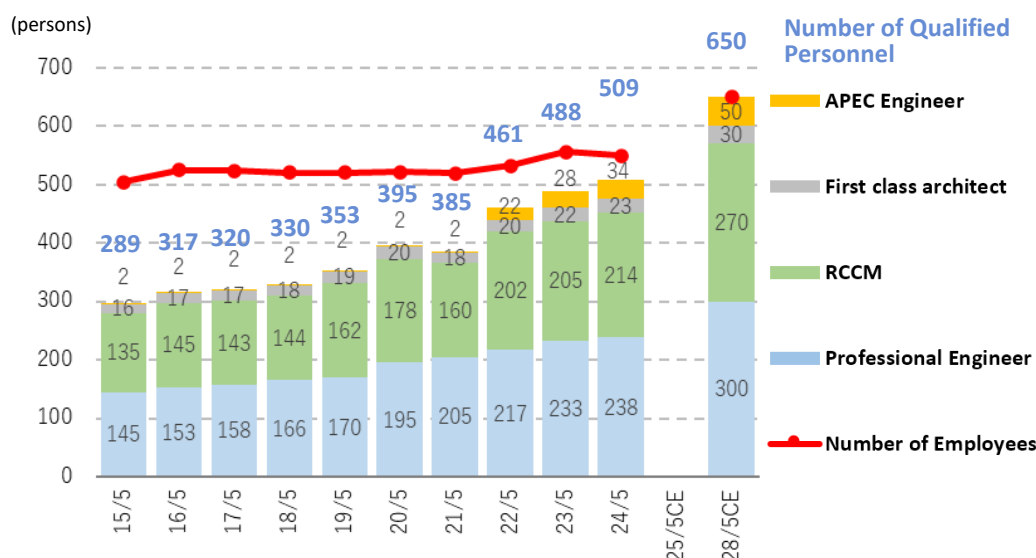


Source: Compiled by SIR from the company's IR materials. Note: "Other" includes business solutions and lease rental income.

2. Increased added value through personnel training and adding qualified personnel

Securing and adding qualified personnel is essential for taking on high-value-added projects and improving profitability. OHBA has been working to improve the quality of its personnel by training internal personnel, including new graduates, and by continuously enhancing benefits for qualified employees. The Company's employee count has remained stable at around 520-530 over the past 10 years, but the number of certified engineers and RCCMs (private certifications offered by the Construction Consultants Association of Japan) and other qualified personnel has increased from 300 to 500.

Employee Count and Qualified Personnel (Reprint)

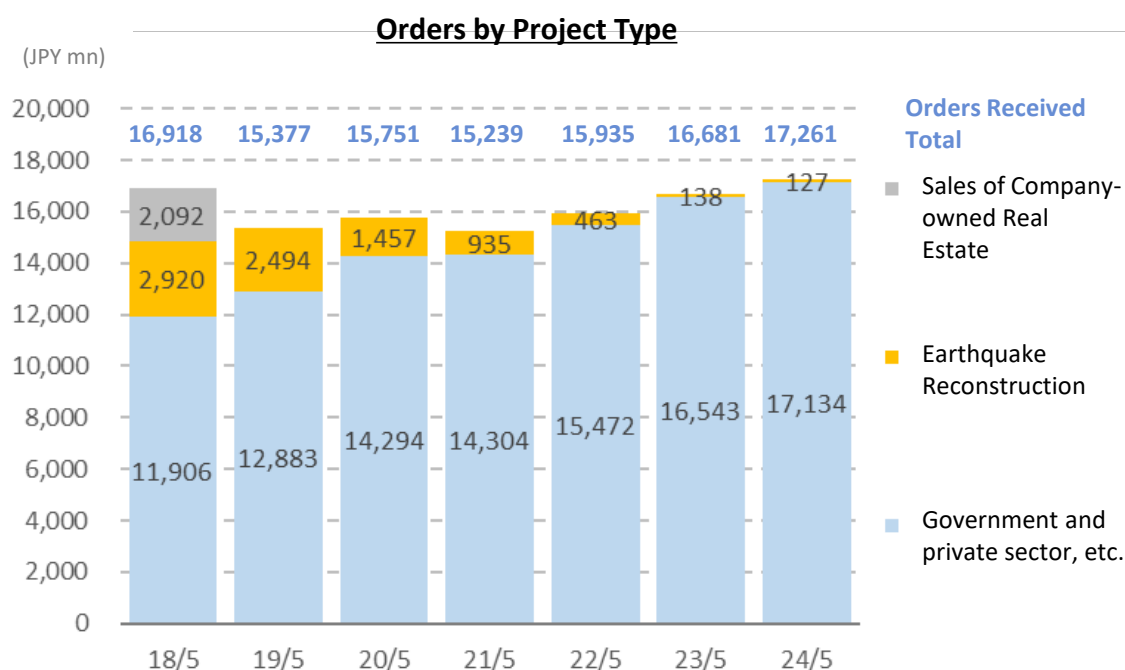


Source: Compiled by SIR from the Company's IR materials.

3. Stabilized earthquake reconstruction-related work and improved sales mix

With the relatively low-margin Great East Japan Earthquake reconstruction-related work almost being eliminated, the Company has been able to devote its limited human resources to more profitable projects, which has likely contributed to the improvement in profitability to a certain degree. While it is difficult to estimate long-term trends given the Company's limited disclosures, earthquake reconstruction-related orders, which had already started winding down, were JPY 2.92 bn in FY18/5. In comparison, earthquake reconstruction-related orders were only JPY 137 mn in FY24/5, and the sales mix likely changed by around JPY 2.5 bn over the past five years. The change in sales mix is more reactive in nature, but another way to look at it is that the Company was able to meaningfully boost sales by enough to offset the drop off in one-time reconstruction-related demand.

While the margins for the earthquake reconstruction work were lower, the Company was able to achieve a certain degree of success in terms of (1) accumulating expertise in compact city planning and (2) strengthening cooperation and mutual support with industry peers. The Company previously had some concerns over expanding its business beyond Urban planning, but the earthquake reconstruction work provided an opportunity for the Company to expand its business to other sectors, including by building relationships with companies such as Pacific Consultants (unlisted), one of the largest construction consulting firms in Japan, CTI Engineering (9621), the industry leader in river and erosion control, Asia Air Survey (9233), the largest surveying firm in Japan, and Idea Consultants (9768), the top construction environment firm in Japan.



Source: Compiled by SIR from the Company's IR materials.

Note: This disclosure can be found in the business report for the 88-90th fiscal year (Ending May 2022-2024) on OHBA's official YouTube channel.

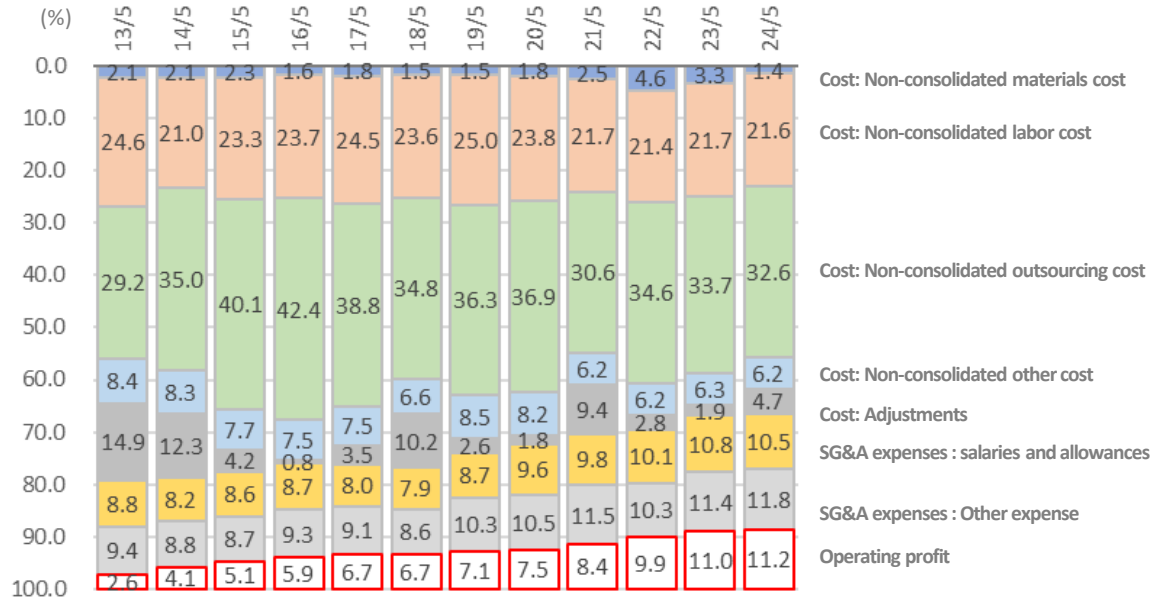
The factors behind the improved profitability up to the operating profit level discussed in Sections 1 through 3 are all related to sales mix and do not touch on streamlining costs. The Company's cost structure is such that personnel expenses in the broad sense, including outsourcing costs, account for more than 2/3 of sales. Accordingly, the most important factor for assessing profitability lies in how to systematically improve productivity, whereas other cost cutting measures have only limited benefits.

For example, in FY24/5, non-consolidated labor costs accounted for 21.6% of sales, non-consolidated outsourcing costs for 32.6% of sales, and consolidated SG&A payroll allowance for 10.5% of sales, collectively combining to represent 64.7% of sales. This figure exceeds 70% when including labor costs at subsidiaries, outsourcing costs and consolidated SG&A personnel expenses other than salaries and wages (e.g., bonuses, social insurance premiums, etc.), and other costs likely account for less than 20% of sales. Unless there is a major change in business format, 1) figuring out the amount of sales revenue the Company can obtain and 2) whether it can achieve a higher value-added sales mix or secure and train personnel to accomplish this will be crucial in projecting its future performance.

4. Reduced interest-bearing debt and interest expenses

Looking down to the recurring profit level, the rapid reduction of interest-bearing debt and lower interest expenses have also contributed to improved profitability to some degree. OHBA had over JPY 4 bn in interest-bearing debt at the end of FY13/5, but was debt-free in FY22/5. While the Company temporarily took on short-term debt during this period owing to the seasonal nature of its business, it has an extremely healthy balance sheet. This is mainly attributable to improved financial strength stemming from sustained profit growth since the 2010s, but also due to more vigorous financial restructuring through streamlining assets, including selling off the headquarters building (please refer to the sales of company-owned real estate in FY18/5 in the previous chart).

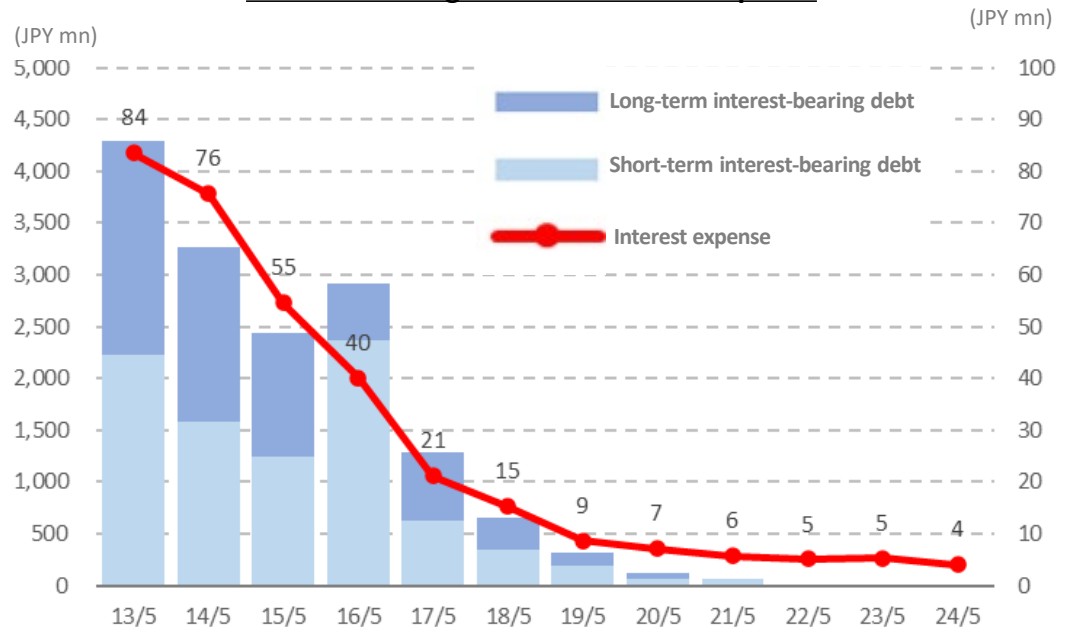
Changes in Earnings Structure



Source: Compiled by SIR from the Company's IR materials.

Note: Adjustments=Change between consolidated and non-consolidated cost + change in inventory, and others

Interest-Bearing Debt and Interest Expense



Source: Compiled by SIR from the Company's IR materials.

Mid-term Management Plan

Working to solidify foundation in terms of human resources and technology with the aim of expanding into new markets and business areas

The Company is currently in the second year of its five-year medium-term management plan that ends in FY2028/5, which it announced on July 13, 2023. It positions as its first stage of taking on challenges and leaping forward into the next 100 years, as the Company marked its 100th anniversary in 2022. The Company's earnings targets call for a 5-year CAGR of 5.0% to JPY 20.0 bn in net sales and a 7.0% CAGR to JPY 2.4 bn in operating profit.

The first pillar of the plan is aimed at **1) further expanding qualified personnel and enhancing technical capabilities as a construction consulting firm with leading market share in urban planning** (planned increase from 488 qualified personnel at end-FY23/5 to 650 in FY28/5). In the previous medium-term management plan that ended in FY23/5, the Company set a target of 500 qualified personnel and pushed forward with internal measures such as increasing technician allowances, which helped boost the number of qualified personnel close to the target at 488. It is difficult to see from the outside, but since technician prices vary depending on the skill level of the technician, this likely played a role in improving profitability and securing more profitable projects in the past. The Company aims to boost its qualified personnel headcount to 650 people by end-FY28/5, and we believe that it has a good chance of achieving this target given its execution capabilities shown during the previous medium-term management plan period.

The second pillar of the plan involves **2) investing in human capital to secure and enhance technical capabilities** (continuous base salary increase, etc.). While the Company has some measures already in progress, such as announcing wage increases of at least 3% YoY for two consecutive terms, continuing to increase starting salaries, moving up the timing of promotions for younger employees, and raising technical allowances, it plans to introduce and implement a series of measures that will further enhance employee engagement. Personnel costs in the broad sense (including outsourcing costs) account for approximately 70% of the Company's sales, and for a company with an extremely labor-intensive business model, this is an essential factor for ensuring competitiveness relative to its competitors. Although employee count has remained flat at around 500 employees, the Company will need to expand its workforce to handle the increase in projects, requiring it to step up its new graduate and mid-career recruiting capabilities. These measures may reduce profitability in the short term, but they are essential to ensure the sustainability of the Company's operations, and we will be keeping a close eye on these trends. In recent years, in addition to the urban planning field, the Company has been adding technicians in the road and steel structure fields. It will be interesting to see if the Company can secure more prime contracts from government agencies, including from MLIT, which the Company has had little success with in the past, by stepping up its hiring of mid-career professionals with experience working on prime government contracts.

The third pillar of the plan is geared toward **3) developing new businesses to solve social issues such as disaster prevention/mitigation, defense civil engineering, and smart city/urban planning digital transformation**. The Company intends to step up expansion efforts into a broader range of fields, while leveraging its fundamental strength in urban planning. The new medium-term management plan includes the following seven themes. In addition to securing more projects under the government's ① "Five-Year Acceleration Measures for Disaster Prevention, Disaster Mitigation, and National Land Resilience" policy, ② the Company aims to provide survey and design services to strengthen Self Defense Force facilities (defense civil engineering), ③ develop industrial and logistics sites (urban planning) as production bases returning to Japan and foreign companies establishing factories in Japan, and

(Continued from the previous page)

④ redevelop urban areas (urban reconstruction), while also taking on ⑤ green infrastructure-related work aimed at achieving carbon neutrality (environment and decarbonization), ⑥ implementing smart city projects (smart city and urban planning DX), and ⑦ rebuilding aging condominiums and offering real estate utilization consulting services (business solutions and civil engineering management). While the Company currently has a rather broad target, it will be interesting to observe future developments and disclosures to see when and to what extent the Company will be able to achieve reproducible earnings growth in these areas.

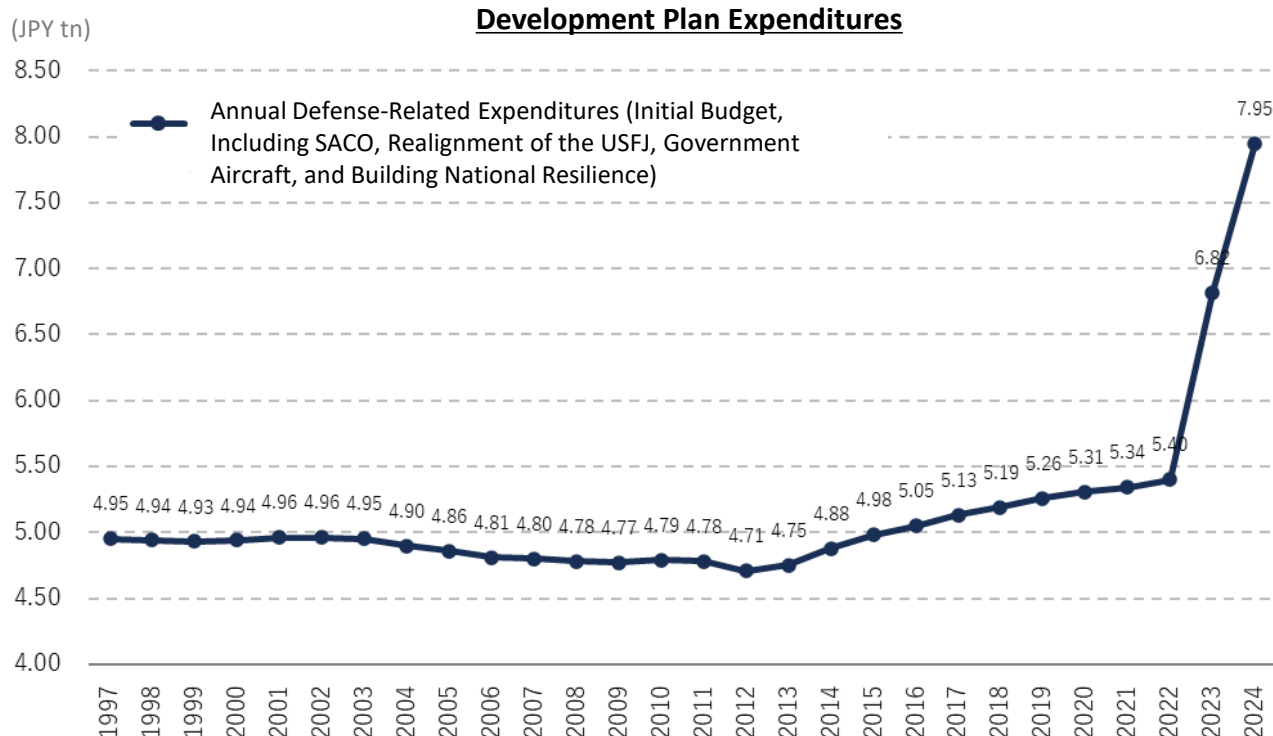
Quantitative Targets of the Medium-Term Management Plan ending in FY28/5

Item	Unit	FY23/5	CHG	FY28/5 CE
Net Sales	JPY mn	15,647	4,353	20,000
Operating Profit	JPY mn	1,714	686	2,400
OPM	%	11.0	1.0	12
ROE	%	10.6	1.4	12
ROIC	%	11.1	0.9	12
Payout Ratio	%	Aim to 35%	+ 15ppt	Aim to 50%
Total Return	%	Aim to 50%	+ 10ppt	Aim to 60%

Source: Compiled by SIR from the Company's IR materials.

From a macro perspective, there is reasonable potential for growth in defense civil engineering-related work. Defense-related expenditure (initial budget) has remained stable at around JPY 5 tn per year for more than 20 years through 2022, but is expected to grow rapidly to JPY 6.82 tn in 2023 and JPY 7.95 tn in 2024. A breakdown of the budget shows that approximately JPY 4 tn is budgeted for strengthening Self-Defense Force facilities over the five-year period starting in FY2023. The Company is directly involved in this area, and the five-year budget has quadrupled over the previous five-year period. The Company has already secured some Self-Defense Force base maintenance projects, but this will likely drive further earnings growth in the medium term.

Annual Defense-Related Expenditures (Initial Budget) and Breakdown of Medium-term Defense Force Development Plan Expenditures



Category	Defense Buildup Program (JPY tn /All approximate figures)		
	FY2019- FY2023	FY2023- FY2027	
Stand-off defense capabilities	0.2	5.0	
Integrated air and missile defense capabilities	1.0	3.0	
Unmanned defense capabilities	0.1	1.0	
Cross-domain operation capabilities (space/cyber/land, maritime, and air equipment)	3.0	8.0	
Command and control and intelligence-related functions	0.3	1.0	
Mobile deployment capabilities/Civil protection	0.3	2.0	
Sustainability and resiliency	Ammunition, guided missiles	1.0	2.0
	Maintenance expenses for equipment, etc., and ensuring operational availability	4.0	9.0
	Improving the resiliency of facilities	1.0	4.0
Reinforcing defense production base		0.4	
Research and development	1.0	1.0	
Others (Education and training expenses, fuel expenses, etc.)	4.4	6.6	

Source: Compiled by SIR from DEFENSE OF JAPAN 2024 (Annual White Paper)

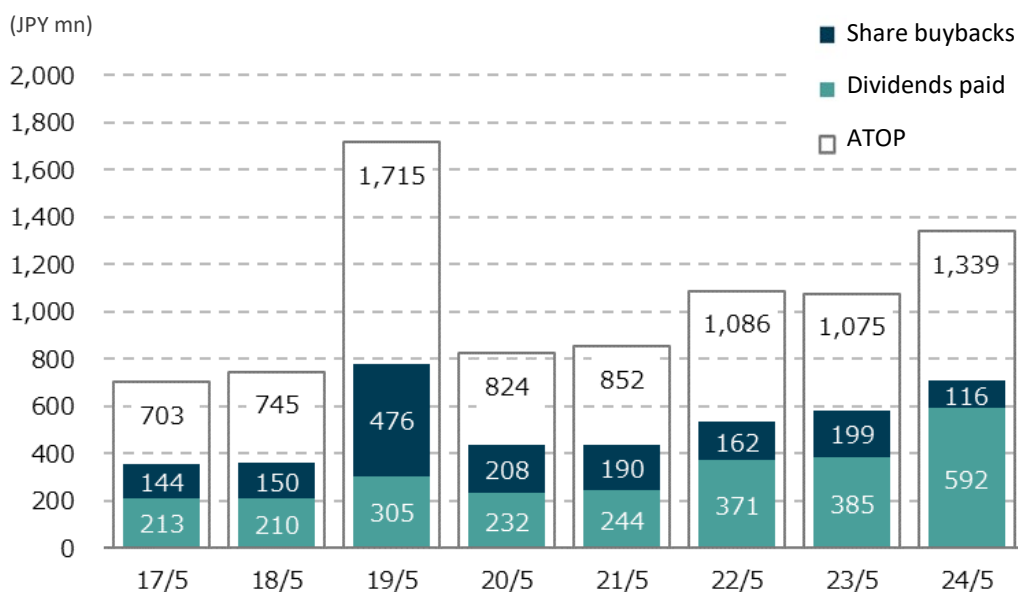
Capital efficiency indicators included in medium-term targets

OHBA introduced new quantitative targets of 12.0% operating profit margin, 12.0% ROE, and 12.0%, which were not included in the previous medium-term management plan that ended in FY23/5. Although the Company's P/B ratio is over 1.0x, which is unusual for a construction consulting firm, these targets can be seen as an indication of the Company's commitment to capital efficiency in light of calls from the Tokyo Stock Exchange. In addition to improving profitability, the Company will also focus on 1) strengthening shareholder returns and 2) clarifying its M&A policy.

The Company also strengthened its shareholder return policy with the announcement of its medium-term management plan. The target total return ratio is now 60%, a 10pt increase over the previous FY23/5 target of 50%, and the target dividend payout ratio is now 50%, a 15pt increase over the previous target of 35%. In FY2024/5, OHBA executed proactive shareholder return measures in line with this policy. In addition, the Company's appeal from a dividend yield perspective grew. Based on its FY2025/5 plan to pay out JPY 40.0 per share in dividends, its dividend yield comes out to around 4%. This DPS is calculated based on the FY25/5 plan, which calls for operating profit of JPY 1.95 bn and a bottom line of JPY 1.4 bn. If the Company were to secure operating profit of JPY 2.40 bn in the future, as laid out in the final year of the medium-term plan, investors can expect an even higher dividend yield.

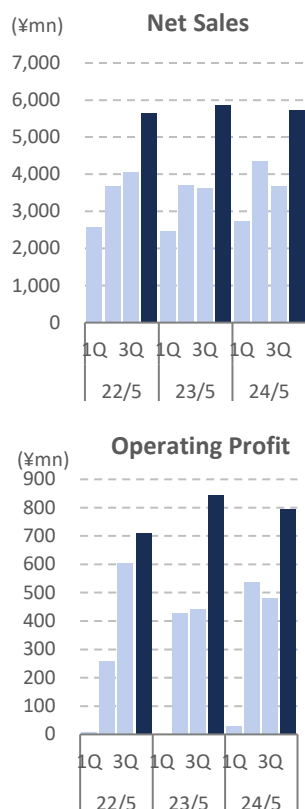
As of end-FY2024/5, OHBA had no debt, over JPY 3.0 bn in net cash, and over JPY 1.6 bn in investment securities. Combined with an equity ratio of 68.0%, the Company's balance sheet is extremely healthy, giving it ample capacity for investment. M&A opportunities can be an effective way to utilize this capital, and the Company is looking to discontinuously expand earnings, announcing policies to expand its scale through 1) M&A with other companies in the same industry as well as 2) to expand its business domain by strengthening alliances with architectural design companies and other related companies in different industries. In May 2023, the Company made Ohba Research and Land Surveys Co., Ltd., a leading land surveying company with numerous blue-chip clients, into a subsidiary once again.

OHBA Net Profit, Dividends, and Share Buyback



Source: Compiled by SIR from the Company's IR materials.
 Note: Share buybacks based on accumulated monthly purchase amounts, not on purchase commitment.

Recent Earnings Trend



FY2024/5 Full-year results | Four gross margin improvement factors drove above-target earnings

On July 11, 2024, OHBA announced its full-year results for FY2024/5. In the 4Q results, net sales increased to JPY 16.49 bn (+5.4% YoY), and operating profit rose to JPY 1.84 bn (+7.4% YoY). The previously disclosed company plan was JPY 17.0 bn in sales and JPY 1.8 bn in operating profit, and thus the results were broadly aligned with the plan.

As the growth rate for the first three-quarters of FY24/5 was stronger than in previous years, some investors may be concerned that sales in the peak season of March-May 2024 fell 2.5% YoY to JPY 5.73 bn and operating profit fell 5.6% YoY to JPY 800 mn. However, momentum has not worsened, with orders for the period Mar-May 2024 up 7.3% YoY to JPY 4.10 bn and order backlogs up 8.2% YoY to JPY 10.21bn.

The results were likely attributed to the Company gaining better visibility in achieving its plan for each profit line but operating smoothly without going out of its way to deliberately accelerate order fulfillment (sales recognition). With a large order backlog, the Company will be able to start FY25/5 on a high note. Looking at a breakdown of the backlog, orders in the urban planning domain grew substantially, up 45.7% YoY to JPY 2.53 bn, indicating that the Company is steadily expanding its business in domains where it has a competitive advantage.

In FY24/5, ROE rose 1.2 pts YoY to 11.8%, approaching the 12.0% target set in the medium-term management plan that ends in FY28/5. The main reason for this was margin of Profit ATOP rising 1.25 pts YoY to 8.12%, driven by productivity improvements on the back of higher technician prices and an improved sales mix. Another factor was that the implementation of shareholder return measures targeting a total return ratio of around 60% and a dividend payout ratio of around 50% ensured that asset turnover and financial leverage metrics did not deteriorate significantly.

Quarterly Trends in Sales and Orders Received

Item	Unit	2023/5				2024/5			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sales	JPY mn	2,463	3,698	3,613	5,873	2,727	4,362	3,669	5,727
YoY	%	(4.1)	0.6	-10.8	4.2	10.8	18.0	1.6	-2.5
Construction Consultant	JPY mn	2,294	3,505	3,347	5,619	2,431	4,167	3,462	5,580
YoY	%	(6.8)	3.7	(9.4)	9.5	5.9	18.9	3.4	(0.7)
Geospatial Information	JPY mn	574	791	834	1,308	662	1,075	832	1,240
YoY	%	(12.7)	(9.5)	(3.5)	10.8	15.4	35.9	(0.2)	(5.2)
Environment	JPY mn	105	184	151	243	125	204	200	283
YoY	%	11.6	22.9	12.9	(17.1)	19.0	11.1	32.7	16.1
Urban Planning	JPY mn	964	1,460	1,352	2,350	1,017	1,665	1,375	2,626
YoY	%	(14.2)	6.8	(12.9)	11.7	5.5	14.0	1.7	11.7
Civil Engineering	JPY mn	652	1,070	1,010	1,717	627	1,223	1,055	1,431
YoY	%	11.2	8.3	(11.7)	10.6	(3.8)	14.2	4.4	(16.6)
Orders Received	JPY mn	5,573	3,758	2,587	3,713	6,114	3,632	2,489	4,028
YoY	%	12.5	11.8	7.3	15.7	9.7	(3.3)	(3.8)	8.5
Order Backlog	JPY mn	10,035	10,286	9,526	7,622	11,309	10,770	9,796	8,244
YoY	%	(21.3)	(30.4)	(40.7)	12.8	12.7	4.7	2.8	8.2
Business Solutions	JPY mn	143	167	242	229	273	171	182	123
YoY	%	78.7	(39.5)	(26.8)	(49.9)	91.7	2.6	(24.9)	(46.3)
Lease Rental Income, etc.	JPY mn	26	26	24	25	23	24	24	24
Cost of Sales	JPY mn	1,734	2,532	2,449	3,753	1,864	3,012	2,413	3,674
sales ratio	%	70.4	68.5	67.8	63.9	68.4	69.0	65.8	64.2
Gross Profit	JPY mn	728	1,167	1,164	2,121	863	1,351	1,257	2,053
sales ratio	%	29.6	31.5	32.2	36.1	31.6	31.0	34.2	35.8
SG&A Expenses	JPY mn	728	739	721	1,278	835	815	774	1,257
sales ratio	%	29.6	20.0	19.9	21.8	30.6	18.7	21.1	22.0
Operating Profit	JPY mn	0	428	444	843	29	536	482	796
sales ratio	%	0.0	11.6	12.3	14.4	1.0	12.3	13.1	13.9

Source: Compiled by SIR from the Company's IR materials.

FY2025/5 Plan | OHBA Projects a Fourteenth Consecutive Year of Operating Profit Growth

The Company's FY2025/5 forecast announced simultaneously with FY2024/5 full-year results, calls for a 6.1% YoY increase in sales to JPY 17.50 bn and a 5.8% YoY increase in operating profit to JPY 1.95 bn, indicating that the Company aims to achieve its 14th consecutive year of operating profit growth. As mentioned above, the order situation is favorable. Furthermore, SIR believes that this guidance is realistic in view of the improved profitability resulting from the continuous increase in design unit prices and the promotion of business in focused domains such as disaster prevention/mitigation and defense engineering.

It is also worth noting from the perspective of securing and expanding earnings sustainably, that OHBA has secured a series of notable projects that are likely to help ensure earnings over the medium term. With regard to public sector projects, in addition to 1) basic policy formulation work, and 2) master plan preparation work [Hokkaido (No.1) and North Kanto (No.6)] the Company had already secured and begun providing services for, the Company newly received orders for 3) comprehensive facility optimization design work [Sapporo (Hokkaido Defense Bureau) and Hyakuri (North Kanto Defense Bureau)]. The Company has steadily captured follow-on phases, starting with phase 1, and moving on to phases 2 and 3, and is beginning to establish a stable earnings base.

One public-private partnership project that is worth mentioning is the Miyagi Prefecture Senen City Planning project. As a new urban land zoning and agency project triggered by the incorporation of a new urbanization zone, OHBA has been selected to handle much of the target area. The order value that the Company has already recorded is only part of the overall project, which will be carried out over the next three to five years, and the Company will likely receive additional orders worth several billion yen over the course of several years.

Another stabilizing factor in projecting performance is that the Company has a number of projects in the pipeline where it expects to receive follow-on orders in the medium term from FY25/5 onward. This includes restoration and recovery-related work for the Noto Peninsula Earthquake that struck in January 2024, as well as the former Kamiseya Telecommunications Facility (former US base in Yokohama City) zoning and development project in preparation of the GREEN x EXPO 2027. SIR believes that the Company's continued operating profit growth is rooted in its ability to establish a model that leverages its extensive experience and expertise in urban planning to secure distinctive public and private sector projects that extend over the medium to long term, while also building up its earnings base by securing additional and spot projects, including smaller projects.

On August 9, 2024, OHBA released a notice regarding a business alliance with Pacific Consultants Co., Ltd. (private), a major construction consulting firm. Since the two companies began working together on reconstruction projects following the Great East Japan Earthquake, they have collaborated on various infrastructure projects, and have now decided to form a more comprehensive alliance to deepen their partnership. The two companies have different areas of expertise, so it is relatively easy to build a mutually complementary relationship without being in competition. Investors should take note of this alliance as it may allow further opportunities to win medium- to long-term projects may open up by being able to provide more comprehensive solutions.

The dividend per share forecast for FY25/5 is JPY 40.0 (interim JPY 20.0, year-end JPY 20.0).

The disclosed payout ratio will be 45.7%, but as the Company has a return policy that aims for a payout ratio of 50% and a total return ratio of 60%, additional returns may be announced at some point, in SIR's view. It is important to note that, of the share buyback of up to JPY 150 mn (up to 200,000 shares) announced on April 11, 2024, those acquired on or after June 1, 2024 will be included in the total shareholder return ratio calculation for FY25/5. However, this can also serve as an upside catalyst likely to come to fruition during FY25/5.

Valuation | Multiple beginning to look attractive

In recent years, OHBA's shares have been given a premium valuation compared to the sub-sector average in terms of both P/E and P/B ratios, reflecting its leading shareholder return policy among construction consulting firms, high profitability, and ROE of over 10%. However, as a result of consecutive profit growth and steady increases in both profit levels and shareholder equity, its valuation multiples have begun to look even more attractive following the full-year earnings announcement.

In particular, the P/E ratio of OHBA shares in FY24E (based on the 9/20 closing price and company projections) is 11.5x, nearly the same as the sub-sector simple average P/E ratio of 11.7x. This likely reflects the increase in OHBA's EPS, thanks to the consecutive years of profit growth driven by its established niche leader position amid the current macroeconomic environment, where the industry as a whole is not necessarily able to secure profit growth. Among the 17 other construction consulting stocks, 10 saw a decline in ordinary profit in FY23, with seven projecting a drop in ordinary profit in FY24. In the medium term, it is likely that OHBA's underlying ability to continue growing profits will prompt a further rerate, and SIR believes that investors should keep a close eye on the Company.

Valuation Table of Construction Consultant Companies

Code	Company	EoFY	Stock price	Market Caps.	P/E			PBR	Net Cash	Ord. Profit	Ord. Profit margin		
			(9/20)	(9/20)	FY22	FY23	FY24E	Most recent FY	Most recent FY	FY22	FY22	FY23	FY24E
			yen	JPY mn			X	X	JPY mn				%
9765	OHBA	May	1,005	17,085	14.9	11.9	11.4	1.30	3,116	1,788	8.1	7.9	3.7
-	Construction Consultants Average		-	-	11.7	13.4	11.0	0.89	-	-	-	-	-
9161	ID&E Holdings (Nippon Koei)	Jun.	4,155	62,704	16.8	7.3	-	0.64	(24,970)	6,080	(32.9)	82.6	-
2153	E-J Holdings	May	1,810	29,103	8.4	8.5	7.7	0.79	18,993	4,636	(1.5)	(0.8)	7.7
2325	NJS	Dec.	3,480	34,967	19.4	16.7	21.6	1.37	17,188	2,012	(29.6)	(15.3)	37.9
2498	Oriental Consultants HD	Sep.	4,470	27,514	6.6	6.6	7.3	0.86	(3,445)	4,336	24.7	(1.8)	(6.1)
4707	KITAC CORPORATION	Oct.	403	2,406	24.1	12.6	14.8	0.72	(1,977)	137	280.6	35.0	20.5
4840	Triis Incorporated	Dec.	315	2,614	4.7	21.4	17.0	0.43	2,797	-209	SR	TB	(19.4)
6091	Wesco Holdings	Jul.	543	7,783	10.8	12.4	11.9	0.53	7,130	1,245	17.8	(8.7)	0.0
6542	FC Holdings	Jun.	854	5,858	6.1	8.2	6.5	0.73	1,557	1,202	3.5	(5.6)	5.7
7369	Meiho Holdings	Jun.	2,137	3,345	11.9	64.1	-	1.51	784	496	24.9	(53.6)	-
7377	DN Holdings	Jun.	1,581	13,312	6.8	7.8	7.0	1.22	137	2,353	6.9	(15.5)	25.8
9232	PASCO	Mar.	2,136	30,797	5.7	4.6	7.6	0.86	(8,033)	6,525	65.8	(16.7)	(15.3)
9233	Asia Air Survey	Sep.	1,132	21,071	11.9	11.1	10.9	1.03	5,666	2,744	7.1	8.2	(2.0)
9248	People, Dreams & Technologies Group	Sep.	1,762	16,591	6.4	12.5	8.9	0.72	3,953	3,891	-	(17.8)	(9.1)
9621	CTI Engineering	Dec.	4,550	64,424	10.8	8.3	10.2	1.13	16,776	8,235	15.7	23.3	(16.3)
9647	KYOWA ENGINEERING CONSULTANTS	Nov.	4,980	2,919	8.2	6.6	6.5	0.81	2,182	549	18.6	19.5	3.7
9755	OYO	Dec.	2,609	66,958	28.9	13.0	19.7	0.70	15,257	3,033	(27.4)	18.5	11.3
9768	IDEA Consultants	Dec.	2,294	17,203	7.7	8.3	7.8	0.62	867	3,278	55.6	(8.8)	8.7

Code	Company	EoFY	ROE		Ord. Profit Margin		Asset Turnover		Equity Ratio		Payout Ratio		Dividend Yield
			FY22	FY23E	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	Current Period
				%		%		Times		%		%	%
9765	OHBA	May	10.6	11.8	11.4	11.7	1.02	0.97	65.4	68.0	36.0	44.2	3.98
-	Construction Consultants Average		10.8	10.3	9.1	8.5	1.06	1.00	60.6	64.7	27.5	28.2	3.01
9161	ID&E Holdings (Nippon Koei)	Jun.	3.9	-	4.3	7.1	0.77	-	41.4	-	60.9	26.5	4.21
2153	E-J Holdings	May	10.7	9.7	12.4	12.4	0.96	0.92	76.2	78.7	25.5	28.4	3.59
2325	NJS	Dec.	7.8	8.4	10.5	7.7	0.69	0.76	81.7	83.2	41.4	40.6	2.59
2498	Oriental Consultants HD	Sep.	16.6	13.9	5.6	5.4	1.47	1.33	33.9	35.3	15.4	21.1	2.24
4707	KITAC CORPORATION	Oct.	3.3	5.9	5.1	6.7	0.48	0.47	49.5	50.6	30.9	16.2	1.24
4840	Triis Incorporated	Dec.	10.1	2.0	(29.0)	35.7	0.11	0.11	84.4	90.7	0.0	0.0	TBD
6091	Wesco Holdings	Jul.	5.2	4.4	7.9	7.3	0.79	0.78	75.1	78.7	30.4	35.0	3.68
6542	FC Holdings	Jun.	12.5	9.3	14.0	13.3	0.95	0.93	76.1	81.1	19.3	28.6	3.51
7369	Meiho Holdings	Jun.	13.6	-	6.7	2.2	1.88	-	51.2	-	0.0	0.0	0.00
7377	DN Holdings	Jun.	16.1	12.3	7.2	5.8	1.60	1.51	56.3	56.0	32.0	33.7	4.43
9232	PASCO	Mar.	16.1	17.1	10.5	8.9	0.88	0.84	38.3	43.5	15.8	21.2	2.57
9233	Asia Air Survey	Sep.	9.8	9.7	8.1	8.0	1.11	1.14	57.7	58.7	29.3	30.3	3.27
9248	People, Dreams & Technologies Group	Sep.	11.8	6.0	10.3	8.0	1.12	1.14	59.0	56.9	25.2	52.0	3.97
9621	CTI Engineering	Dec.	13.6	14.7	9.9	10.9	1.15	1.21	64.8	68.7	24.1	27.7	3.30
9647	KYOWA ENGINEERING CONSULTANTS	Nov.	12.2	13.0	7.1	8.5	1.09	1.08	40.8	46.6	5.4	4.4	0.60
9755	OYO	Dec.	2.7	5.6	5.1	5.5	0.67	0.69	78.3	73.9	63.7	34.7	2.22
9768	IDEA Consultants	Dec.	9.5	7.8	14.2	13.2	0.75	0.66	72.7	76.9	14.9	23.3	3.92

Source: Compiled by SIR from the Company's IR materials. Note: Operating profit is shown in place of ordinary profit for ID&E Holdings (Nippon Koei), which uses IFRS accounting. RS= Red shrink. TB=Turn black. TBD=To be determined.

Income Statement (Quarterly)

Item	Unit	22/5				23/5				24/5			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Sales	JPY mn	2,569	3,677	4,049	5,638	2,463	3,698	3,613	5,873	2,727	4,362	3,669	5,727
YoY	%	59.0	39.7	188.5	(44.8)	(4.1)	0.6	(10.8)	4.2	10.8	18.0	1.6	(2.5)
Construction Consultant	JPY mn	2,461	3,379	3,696	5,132	2,294	3,505	3,347	5,619	2,431	4,167	3,462	5,580
YoY	%	56.9	35.7	214.6	(48.9)	(6.8)	3.7	(9.4)	9.5	5.9	18.9	3.4	(0.7)
Geospatial Information	JPY mn	657	874	865	1,181	574	791	834	1,308	662	1,075	832	1,240
YoY	%	175.5	15.1	150.9	(48.1)	(12.7)	(9.5)	(3.5)	10.8	15.4	35.9	(0.2)	(5.2)
Environment	JPY mn	94	150	133	294	105	184	151	243	125	204	200	283
YoY	%	71.8	62.1	37.6	(16.6)	11.6	22.9	12.9	(17.1)	19.0	11.1	32.7	16.1
Urban Planning	JPY mn	1,124	1,367	1,553	2,104	964	1,460	1,352	2,350	1,017	1,665	1,375	2,626
YoY	%	96.9	57.8	423.7	(56.8)	(14.2)	6.8	(12.9)	11.7	5.5	14.0	1.7	11.7
Civil Engineering	JPY mn	587	988	1,145	1,552	652	1,070	1,010	1,717	627	1,223	1,055	1,431
YoY	%	(16.7)	27.9	162.1	(38.6)	11.2	8.3	(11.7)	10.6	(3.8)	14.2	4.4	(16.6)
Orders Received	JPY mn	4,952	3,361	2,412	3,209	5,573	3,758	2,587	3,713	6,114	3,632	2,489	4,028
YoY	%	(7.9)	3.8	(4.1)	(9.0)	12.5	11.8	7.3	15.7	9.7	(3.3)	(3.8)	8.5
Geospatial Information	JPY mn	983	787	588	898	1,344	952	714	940	1,123	915	787	797
Environment	JPY mn	280	154	170	205	208	151	276	238	381	135	236	255
Urban Planning	JPY mn	2,063	1,271	779	1,284	2,599	1,555	682	1,734	2,800	1,478	718	2,526
Civil Engineering	JPY mn	1,626	1,150	875	823	1,422	1,101	915	802	1,809	1,104	749	450
Order Backlog	JPY mn	12,747	14,771	16,074	6,758	10,035	10,286	9,526	7,622	11,309	10,770	9,796	8,244
YoY	%	(2.0)	7.4	6.5	(21.4)	(21.3)	(30.4)	(40.7)	12.8	12.7	4.7	2.8	8.2
Geospatial Information	JPY mn	2,830	3,262	3,598	1,476	2,242	2,417	2,288	1,917	2,380	2,217	2,171	1,694
Environment	JPY mn	644	725	844	480	583	550	675	669	926	857	893	865
Urban Planning	JPY mn	6,022	6,744	7,194	3,070	4,689	4,766	4,129	3,512	5,270	5,077	4,420	4,352
Civil Engineering	JPY mn	3,251	4,040	4,438	1,732	2,521	2,554	2,434	1,524	2,733	2,619	2,312	1,333
Business Solutions	JPY mn	80	276	331	458	143	167	242	229	273	171	182	123
YoY	%	68.9	95.4	44.8	156.9	78.7	(39.5)	(26.8)	(49.9)	91.7	2.6	(24.9)	(46.3)
Orders Received	JPY mn	165	1,539	100	197	379	133	428	109	240	147	539	72
YoY	%	50.8	557.4	37.6	18.9	129.9	(91.3)	328.4	(44.8)	(36.6)	10.4	25.9	(34.2)
Order Backlog	JPY mn	1,042	2,338	2,380	1,644	1,855	1,798	1,960	1,812	1,752	1,708	2,041	1,966
YoY	%	3.9	113.6	153.5	77.4	78.1	(23.1)	(17.6)	10.3	(5.5)	(5.0)	4.1	8.5
Lease Rental Income, etc.	JPY mn	28	22	22	49	26	26	24	25	23	24	24	24
Cost of Sales	JPY mn	1,862	2,691	2,746	3,797	1,734	2,532	2,449	3,753	1,864	3,012	2,413	3,674
sales ratio	%	72.5	73.2	67.8	67.3	70.4	68.5	67.8	63.9	68.4	69.0	65.8	64.2
Gross Profit	JPY mn	707	986	1,303	1,842	728	1,167	1,164	2,121	863	1,351	1,257	2,053
sales ratio	%	27.5	26.8	32.2	32.7	29.6	31.5	32.2	36.1	31.6	31.0	34.2	35.8
SG&A Expenses	JPY mn	698	727	698	1,132	728	739	721	1,278	835	815	774	1,257
sales ratio	%	27.2	19.8	17.2	20.1	29.6	20.0	19.9	21.8	30.6	18.7	21.1	22.0
Operating Profit	JPY mn	9	260	605	710	0	428	444	843	29	536	482	796
sales ratio	%	0.3	7.1	14.9	12.6	0.0	11.6	12.3	14.4	1.0	12.3	13.1	13.9

Source: Compiled by SIR from the Company's IR materials.

KPI / Balance Sheet

Item	Unit	Act												CE	CE
		14/5	15/5	16/5	17/5	18/5	19/5	20/5	21/5	22/5	23/5	24/5	24/5	25/5	
EPS	JPY	28.5	45.1	41.4	39.2	42.1	99.5	49.3	52	67	66.7	83.7	71.8	87.5	
Diluted EPS	JPY	28.2	44.4	40.7	38.6	41.4	97.4	47.9	50.2	64.2	63.9	80.0	-	-	
BPS	JPY	261.1	334.3	333	358.7	390.7	460.1	487.6	551.5	610.3	657.9	763.4	-	-	
DPS	JPY	7	12	12	12	12	18	14	15	23	24	37.0	37.0	40.0	
Payout Ratio	%	24.6	26.6	29	30.6	28.5	18.1	28.4	28.8	34.3	36	44.2	51.6	45.7	
ROE	%	11.2	15.1	12.4	11.4	11.3	23.5	10.4	10	11.5	10.6	11.8	-	-	
ROA (Operating Profit)	%	4.9	6.7	7.5	8.8	9.6	9.3	9	10	11.3	11.2	10.8	-	-	
Operating Profit Margin	%	4.1	5.1	5.9	6.7	6.7	7.1	7.5	8.4	9.9	11	11.2	10.6	11.1	
Asset Turnover	times	1.18	1.31	1.28	1.31	1.43	1.32	1.2	1.19	1.13	1.02	0.97	-	-	
Equity Ratio	%	39.5	52.3	46.9	57.5	60.4	62.8	62.1	65.7	68.2	65.4	68.0	-	-	
EBITDA	JPY mn	750	1,014	1,155	1,245	1,249	1,308	1,398	1,601	1,839	1,934	2,062	-	-	
sales ratio	%	5.3	6.6	7.5	8	7.8	8.4	9.2	10.1	11.5	12.4	12.5	-	-	
Capital Expenditures	JPY mn	477	160	426	115	220	2,071	345	707	136	135	-	-	-	
Total Assets	JPY mn	11,900	11,550	12,703	11,085	11,353	12,332	12,979	13,675	14,427	16,117	17,967	-	-	
Current Assets	JPY mn	7,890	7,451	8,405	7,013	6,918	6,928	7,525	6,894	7,623	9,643	9,973	-	-	
Cash and Deposits	JPY mn	1,443	864	771	1,101	1,610	2,007	2,337	3,002	1,956	4,205	3,116	-	-	
Notes and Accounts Receivable	JPY mn	2,532	3,005	3,909	2,220	3,129	2,847	2,879	2,764	4,833	4,803	6,198	-	-	
Inventory	JPY mn	1,847	1,494	1,614	3,403	2,059	1,952	2,132	1,008	258	509	526	-	-	
Other	JPY mn	2,068	2,088	2,111	289	120	121	177	119	576	126	133	-	-	
Non-Current Assets	JPY mn	3,990	4,088	4,292	4,070	4,435	5,404	5,454	6,781	6,804	6,475	7,994	-	-	
Property, Plant and Equipment	JPY mn	2,577	2,655	2,809	2,721	2,783	3,913	3,925	4,368	4,266	3,312	3,204	-	-	
Intangible Assets	JPY mn	68	52	42	37	52	42	141	139	113	82	97	-	-	
Investments and Other Assets	JPY mn	1,345	1,381	1,441	1,312	1,600	1,450	1,388	2,274	2,425	3,081	4,693	-	-	
Total Liabilities	JPY mn	7,169	5,448	6,652	4,637	4,402	4,439	4,693	4,375	4,197	5,186	5,343	-	-	
Current Liabilities	JPY mn	4,319	3,912	5,560	3,429	3,523	3,348	3,800	3,672	3,489	4,272	4,022	-	-	
Trade Payables	JPY mn	953	721	925	773	816	862	944	869	1,027	1,257	1,110	-	-	
Short-Term Interest-Bearing Debt	JPY mn	1,588	1,240	2,370	626	346	192	60	60	0	0	0	-	-	
Income Taxes Payable	JPY mn	60	263	172	245	84	293	138	462	330	93	396	-	-	
Other	JPY mn	1,717	1,689	2,093	1,784	2,277	2,000	2,658	2,281	2,132	2,922	2,516	-	-	
Non-Current Liabilities	JPY mn	2,850	1,535	1,093	1,208	879	1,091	893	703	708	915	1,321	-	-	
Long-Term Interest-Bearing Debt	JPY mn	1,677	1,198	548	665	312	120	60	0	0	0	0	-	-	
Other	JPY mn	1,173	337	544	543	567	971	833	703	708	915	1,321	-	-	
Total Net Assets	JPY mn	4,731	6,103	6,050	6,448	6,950	7,893	8,286	9,300	10,230	10,931	12,624	-	-	
Shareholders' Equity	JPY mn	4,702	5,546	5,994	6,388	6,776	7,701	7,999	8,440	9,316	9,859	10,662	-	-	
Accumulated Other Comprehensive Income	JPY mn	0	499	-38	-9	77	38	56	545	524	686	1,546	-	-	
Share Acquisition Rights	JPY mn	25	58	95	69	98	154	231	316	391	386	416	-	-	
Non-Controlling Interests	JPY mn	3	0	0	0	0	0	0	0	0	0	0	-	-	

Source: Compiled by SIR from the Company's IR materials.

Cash Flow Statement

Item	Unit	Act 14/5	15/5	16/5	17/5	18/5	19/5	20/5	21/5	22/5	23/5	24/5	CE 24/5	CE 25/5
Cash Flows from Operating Activities	JPY mn	1,767	263	369	2,304	1,697	1,500	1,260	1,994	(346)	2,295	(346)	-	-
Pretax Profit	JPY mn	615	881	932	977	1,115	2,426	1,168	1,361	1,594	1,501	1,899	-	-
Depreciation	JPY mn	166	224	239	200	176	204	253	267	256	220	204	-	-
Increase (Decrease) in Working Capital	JPY mn	719	(790)	(429)	1,375	957	76	218	546	(760)	359	(1,759)	-	-
Other, Net	JPY mn	353	38	18	54	(182)	(1,032)	64	68	(727)	797	(462)	-	-
Income Taxes	JPY mn	(87)	(89)	(391)	(301)	(369)	(174)	(443)	(247)	(710)	(581)	(228)	-	-
Cash Flows from Investing Activities	JPY mn	(662)	93	(641)	13	(191)	39	(212)	(848)	(179)	574	(164)	-	-
Increase (Decrease) of Property, Plant and Equipment	JPY mn	(421)	(116)	(407)	(118)	(7)	54	(140)	(765)	(128)	445	(152)	-	-
Increase (Decrease) of Intangible Assets	JPY mn	(24)	(12)	(19)	(10)	(33)	(7)	(121)	(30)	(29)	-	(53)	-	-
Other, Net	JPY mn	(217)	220	(216)	141	(151)	(8)	49	(52)	(22)	129	41	-	-
Free Cash Flows	JPY mn	1,105	356	(272)	2,317	1,506	1,539	1,047	1,147	(525)	2,869	(511)	-	-
Cash Flows From Financing Activities	JPY mn	(1,111)	(945)	182	(1,986)	(997)	(1,135)	(718)	(481)	(521)	(619)	(578)	-	-
Increase (Decrease) of Interest-Bearing Debt	JPY mn	(1,021)	(828)	480	(1,626)	(633)	(346)	(192)	(60)	(60)	-	-	-	-
Cash Dividends Paid	JPY mn	(89)	(125)	(217)	(216)	(213)	(312)	(318)	(231)	(261)	(420)	(478)	-	-
Increase (Decrease) in Equity	JPY mn	0	8	(82)	(144)	(150)	(476)	(208)	(190)	(200)	(200)	(100)	-	-
Other, Net	JPY mn	0	0	0	0	0	0	0	0	0	0	0	-	-
Effect of Exchange Rate Change on Cash and Cash Equivalents	JPY mn	2	10	(2)	(1)	0	0	0	0	0	0	0	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	JPY mn	(4)	(579)	(93)	330	509	397	329	665	(1,046)	2,249	(1,089)	-	-
Cash and Cash Equivalents at Beginning of Period	JPY mn	1,447	1,443	864	771	1,101	1,610	2,007	2,337	3,002	1,956	4,205	-	-
Cash and Cash Equivalents at End of Period	JPY mn	1,443	864	771	1,101	1,610	2,007	2,337	3,002	1,956	4,205	3,116	-	-

Source: Compiled by SIR from the Company's IR materials.

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