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[Title]

TOA CORPORATION achieves sales and profit growth for the second consecutive year, with record-high orders received, operating profit, and ordinary profit, driven by acceleration of national policy such as defense and National Resilience

[Lead]

This document provides a transcript of the financial results briefing of TOA CORPORATION for the fiscal year ended March 31, 2025 (FY2024).

[Speakers]

Takeshi Hayakawa, President and Representative Director, TOA CORPORATION

Takeshi Nakao, Senior Executive Officer and Representative Director, Head of Corporate Management General Headquarters, TOA CORPORATION

Akira Kimura, Executive Officer, Deputy Head of Corporate Management General Headquarters

## Summary of FY2024 Financial Results

### Summary of FY2024 Financial Results

- ✓ Increased in sales and profits for two consecutive terms.
- ✓ Orders received (non-consolidated), operating profit (consolidated), and ordinary profit (consolidated) reached new record highs.
- ✓ ROE increased along with net income growth.



\*All of the above percentages are comparisons with the same period of the previous year.

\*Profit attributable to owners of parent

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**Takeshi Nakao** (hereinafter **Nakao**): I am Takeshi Nakao, Representative Director and Head of Corporate Management General Headquarters. I will explain the FY2024 financial results and the outlook for FY2025.

Let me begin with a summary of the financial results. In FY2024, the Company recorded increases in both sales and profits for the second consecutive year, with orders received, operating profit, and ordinary profit reaching new record highs. In addition, ROE increased over the previous fiscal year to 14.7%.

## FY2024 Financial Results

### FY2024 Financial Results



- ✓ Orders received (non-consolidated) : Orders for Overseas were significantly higher than the previous year, resulting in a record-high overall.
- ✓ Net sales (consolidated) : Large projects progressed steadily in Domestic Civil Engineering, Domestic Building Construction, and Overseas, resulting in an increase over the previous year.
- ✓ Operating profit (consolidated) : Operating profit reached record-high level due to steady progress in highly profitable projects and an improvement in gross profit margin.

(Unit: billions of yen)

	[Consolidated] FY2023	[Consolidated] FY2024				[Non-consolidated] FY2023	[Non-consolidated] FY2024			
	Actual	Actual	% of net sales	YoY change %	YoY difference	Actual	Actual	% of net sales	YoY change %	YoY difference
Orders received	-	-	-	-	-	352.6	353.7	-	0.3%	1.1
Net sales	283.8	330.4	100.0%	16.4%	46.6	271.0	317.8	100.0%	17.3%	46.8
Gross profit	30.4	34.9	10.6%	14.9%	4.5	26.8	31.8	10.0%	18.6%	4.9
SG&A	13.2	14.3	4.3%	8.7%	1.1	12.2	13.2	4.2%	7.9%	0.9
Operating profit	17.2	20.6	6.2%	19.7%	3.3	14.5	18.5	5.9%	27.5%	4.0
Non-operating income	0.8	0.5	0.2%	(40.1%)	(0.3)	0.8	0.4	0.1%	(47.8%)	(0.4)
Non-operating expenses	1.4	1.0	0.3%	(27.2%)	(0.3)	0.7	1.0	0.3%	48.3%	0.3
Ordinary profit	16.6	20.0	6.1%	20.7%	3.4	14.6	17.9	5.6%	22.2%	3.2
Extraordinary income	0.2	1.1	0.4%	382.6%	0.9	0.2	1.1	0.4%	378.2%	0.8
Extraordinary losses	0.5	0.2	0.1%	(60.2%)	(0.3)	0.3	0.2	0.1%	(32.8%)	(0.1)
Profit before income taxes	16.2	20.9	6.4%	29.0%	4.7	14.5	18.8	5.9%	29.3%	4.2
Profit*	10.5	14.9	4.5%	41.8%	4.3	9.9	13.5	4.3%	36.6%	3.6
Net assets	96.7	107.6	-	11.6%	11.1	80.4	90.7	-	12.9%	10.3
ROE	11.4%	14.7%	-	-	3.3%	12.6%	15.8%	-	-	3.2%

\*Profit : profit attributable to owners of parent for consolidated P/L

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Let me now explain the FY 2024 financial results. Non-consolidated orders received reached a record high of ¥353.7 billion, driven by orders received from Overseas that were significantly higher than the previous fiscal year.

Consolidated net sales increased by 16.4% over the previous fiscal year to ¥330.4 billion, as large projects progressed steadily in Domestic Civil Engineering, Domestic Building Construction, and Overseas. Consolidated operating profit rose by 19.7% over the previous fiscal year to ¥20.6 billion, driven by increased sales and a high gross profit margin resulting from steady progress in highly profitable projects.

## [Non-consolidated] Breakdown of Orders Received by Business

## [Non-consolidated] Breakdown of Orders Received by Business



Orders received	FY2023	FY2024				
	Actual	Actual	YoY change %	YoY difference	Previous forecast (Feb. 2025)	Change vs. previous (Feb. 2025)
Public	128.7	101.7	(20.9%)	(26.9)	85.0	16.7
Private	24.7	35.4	43.1%	10.6	34.0	1.4
Total (domestic civil engineering)	153.4	137.2	(10.6%)	(16.2)	119.0	18.2
Public	12.3	16.9	37.6%	4.6	16.8	0.1
Private	105.5	73.9	(30.0%)	(31.6)	74.2	(0.2)
Total (domestic building construction)	117.8	90.8	(22.9%)	(27.0)	91.0	(0.1)
Total (domestic)	271.3	228.0	(16.0%)	(43.2)	210.0	18.0
Civil Engineering	89.3	120.4	73.7%	51.0	87.0	33.4
Building Construction	7.1	(0.9)	-	(8.0)	(1.0)	0.0
Total (overseas)	76.4	119.5	56.3%	43.0	86.0	33.5
Total (Civil Engineering)	222.8	257.6	15.6%	34.8	206.0	51.6
Total (Building Construction)	124.9	89.9	(28.0%)	(35.0)	90.0	(0.0)
Total (construction business)	347.8	347.6	(0.1%)	(0.2)	296.0	51.6
Development business and others	4.8	6.1	26.2%	1.3	5.0	1.1
Total	352.6	353.7	0.3%	1.1	301.0	52.7

### Factor for YoY change

#### Domestic civil engineering : 137.2billion yen (YoY -10.6%)

- ✓ Recorded orders received of over 130 billion yen although decreased due to the impact of large-scale orders received in the previous fiscal year.
- ✓ Orders from the private sector significantly exceeded those of the previous fiscal year due to large scale orders for energy-related projects.
- ✓ 18.2 billion yen higher than the February forecast due to design changes that exceeded our estimate.

#### Domestic building construction : 90.8billion yen (YoY -22.9%)

- ✓ Maintained high level orders received of over 90 billion yen. However, fell sort of record-high in the previous fiscal year.
- ✓ Expanded business domain by taking orders from hospitals and welfare facilities.

#### Overseas : 119.5 billion yen (YoY +56.3%)

- ✓ Increased YoY significantly due to several large projects in Southeast and South Asia.
- ✓ 33.5 billion yen higher than the forecast announced in February due to the receipt of a large project order in South Asia, etc.

Let me now explain the breakdown of orders received by business. Orders received in Domestic Civil Engineering declined by 10.6% year on year to ¥137.2 billion. Although this represents a decrease compared to the previous fiscal year, which included large-scale projects, the level remains high at over ¥130 billion. In particular, orders from the private sector significantly exceeded those of the previous fiscal year, due to large-scale orders for energy-related projects.

In addition, orders received were ¥18.2 billion higher than the February forecast, due to design changes that exceeded our estimate.

Orders received in Domestic Building Construction totaled ¥90.8 billion, down 22.9% year on year. While the figure remained at a high level above ¥90 billion, it fell short of the record-high orders received in the previous fiscal year. Nonetheless, we succeeded in expanding its business domain by securing orders for hospitals and welfare facilities.

Orders received in Overseas increased by 56.3% year on year to ¥119.5 billion, primarily due to the acquisition of several large projects in Southeast and South Asia. In addition, orders exceeded the forecast announced in February by ¥33.5 billion, primarily driven by a large project secured in South Asia.



## [Non-consolidated] Breakdown of Net Sales and Gross Profit by Business

### [Non-consolidated] Breakdown of Net Sales and Gross Profit by Business



(Unit: billions of yen)							
Net sales	FY2023		FY2024				
	Actual	% of total	Actual	% of total	YoY change %	YoY difference	Change vs. previous (Feb. 2025)
Domestic civil engineering	134.0	49.5%	137.3	43.2%	2.4%	3.2	135.0
Domestic building construction	82.9	30.6%	108.9	34.3%	31.4%	26.0	107.0
Total (domestic)	216.9	80.1%	246.2	77.5%	13.5%	29.2	242.0
Civil engineering	47.2	17.4%	59.7	18.8%	26.6%	12.5	57.0
Building construction	1.2	0.5%	5.9	1.9%	378.6%	4.7	6.0
Total (overseas)	48.4	17.9%	65.7	20.7%	35.6%	17.2	63.0
Total (civil engineering)	181.2	66.9%	197.0	62.0%	8.7%	15.7	192.0
Total (building construction)	84.1	31.0%	114.8	36.1%	36.5%	30.7	113.0
Total (construction business)	265.4	97.9%	311.9	98.1%	17.5%	46.5	305.0
Development business and others	4.6	1.7%	5.2	1.7%	12.7%	0.5	4.0
Real estate and others	0.8	0.3%	0.6	0.2%	(32.2%)	(0.2)	1.0
Total	271.0	100.0%	317.8	100.0%	17.3%	46.8	310.0

(Unit: billions of yen)							
Gross profit	FY2023		FY2024				
	Actual	GP %	Actual	GP %	YoY change %	YoY difference	Change vs. previous (Feb. 2025)
Domestic civil engineering	19.2	14.3%	19.4	14.2%	1.4%	0.2	19.0
Domestic building construction	6.1	7.4%	8.7	8.1%	43.0%	2.6	8.2
Total (domestic)	25.3	11.7%	28.2	11.5%	11.1%	2.9	27.2
Total (overseas)	3.5	7.4%	5.6	8.6%	57.7%	2.0	5.1
Cost variance, etc.	(3.2)	-	(3.5)	-	-	(0.3)	(3.2)
Total (construction business)	25.6	9.7%	30.3	9.7%	18.2%	4.6	29.2
Development business and others	0.8	17.3%	1.2	23.9%	55.2%	0.4	1.0
Real estate and others	0.3	41.3%	0.2	38.3%	(37.1%)	(0.1)	0.3
Total	26.8	9.9%	31.8	10.0%	18.6%	4.9	30.5

#### Net Sales: 317.8 billion yen (YoY +17.3%)

Domestic civil engineering: 137.3 billion yen (YoY +2.4%)

✓ Increased from the previous fiscal year due to steady progress in construction on hand, especially for large projects.

Domestic building construction: 108.9 billion yen (YoY +31.4%)

✓ Increased YoY significantly due to steady progress in construction work, especially for large-scale projects in the logistics field.

Overseas: 65.7 billion yen (YoY +35.6%)

✓ Increased from the previous fiscal year due to abundant construction work in hand, mainly in Africa, Southeast Asia, and South Asia.

#### Gross Profit: 31.8 billion yen (YoY +18.6%)

Domestic civil engineering: 19.4 billion yen (YoY +1.4%)

✓ Increased slightly from the previous year due to contribution of profit from large-scale construction projects.

Domestic building construction: 8.7 billion yen (YoY +43.0%)

✓ Increased from the previous fiscal year mainly due to steady progress of construction for several highly profitable logistics facilities.

Overseas: 5.6 billion yen (YoY +57.7%)

✓ Increased from the previous fiscal year due to sales increase and improvement in profitability of some construction projects.

Let me now explain the non-consolidated breakdown of net sales and gross profit by business. Total net sales increased by 17.3% year on year to ¥317.8 billion. Net sales in Domestic Civil Engineering rose by 2.4% year on year to ¥137.3 billion, primarily due to progress in construction on hand, especially for large projects.

Net sales in Domestic Building Construction increased by 31.4% year on year to ¥108.9 billion, due to steady progress in construction work, especially for large scale projects in the logistics field. Net sales in Overseas rose by 35.6% year on year to ¥65.7 billion, due to strong constructions on hand, mainly in Africa, Southeast Asia, and South Asia.

Gross profit increased by 18.6% year on year to ¥31.8 billion. In Domestic Civil Engineering, gross profit rose by 1.4% year on year to ¥19.4 billion, due to contribution of profit from large scale construction projects.

In Domestic Building Construction, gross profit increased significantly by 43.0% year on year to ¥8.7 billion, mainly due to steady progress of construction for several highly profitable logistics facilities. In Overseas, gross profit rose by 57.7% year on year to ¥5.6 billion, due to sales increase and improvement in profitability of certain construction projects.

## Analysis of Increase/Decrease in Gross Profit (Non-consolidated) for FY2024

### Analysis of Increase/Decrease in Gross Profit (Non-consolidated) for FY2024



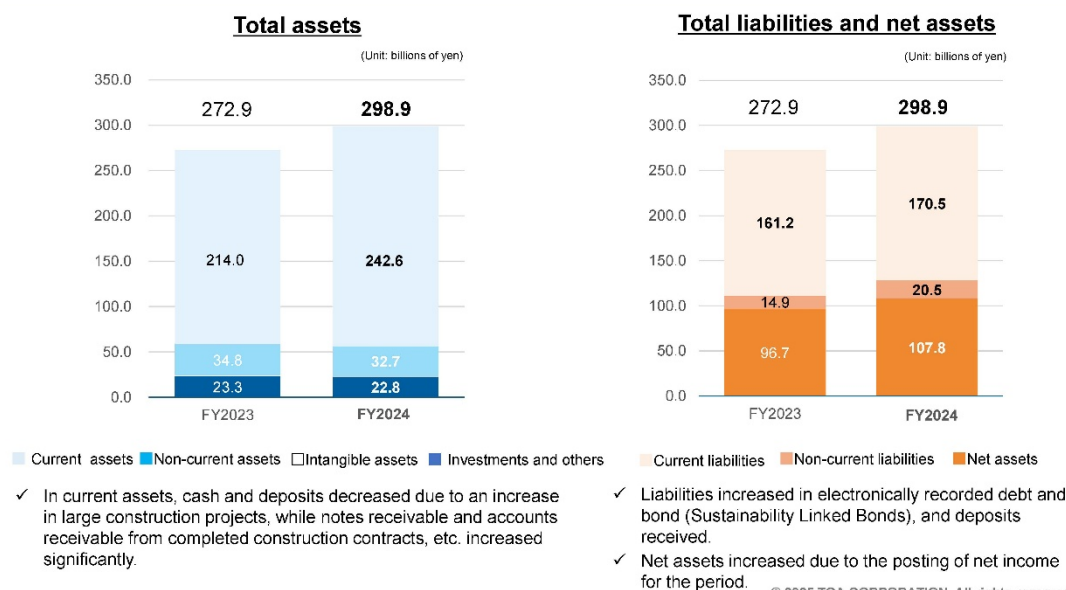
Let me now explain the year on year changes in non-consolidated gross profit. In Domestic Civil Engineering, gross profit increased by ¥0.2 billion year on year, primarily due to higher sales.

In Domestic Building Construction, gross profit rose by ¥2.6 billion year on year, with ¥1.9 billion attributable to increased sales and ¥0.7 billion to improved GP margins. In Overseas, gross profit increased by ¥2.0 billion, with ¥1.2 billion coming from increased sales and ¥0.7 billion from improved GP margins.

All business segments posted both sales and profit growth, and non-consolidated gross profit increased from ¥26.8 billion in the previous fiscal year to ¥31.8 billion.

## Consolidated Balance Sheets

### Consolidated Balance Sheets



This is the status of the consolidated balance sheets. Total assets increased to ¥298.9 billion. The primary factor behind this increase was a rise in current assets. In current assets, cash and deposits decreased due to an increase in large construction projects, while notes receivable and accounts receivable from completed construction contracts, etc. increased significantly.

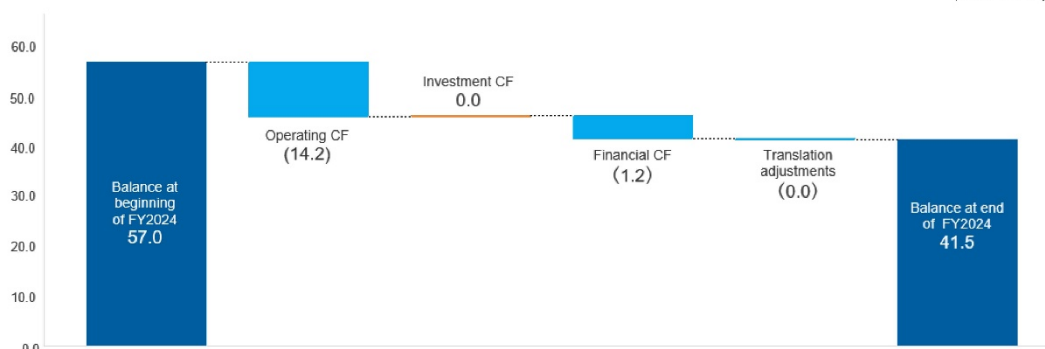
Liabilities increased due to increases in electronically recorded debt, bond, and deposits received.

## Consolidated Cash Flows

### Consolidated Cash Flows

- ✓ **Operating CF** : Decreased due to increase in trade receivables and decrease in advances received on construction contracts in progress, etc.
- ✓ **Investment CF** : Increased due to proceeds from sales of investment securities, despite purchase of property, plant and equipment, etc.
- ✓ **Financial CF** : Decreased due to decrease in commercial paper and increase in dividends paid, despite to proceeds from issuance of bonds.

(Unit: billions of yen)



Operating cash flow resulted in a cash outflow of ¥14.2 billion, mainly due to an increase in trade receivables and a decrease in advances received on construction contracts in progress.

Investment cash flow resulted in a cash inflow of ¥0.093 billion, due to proceeds from sale of short-term and long-term investment securities, partially offset by purchase of property, plant and equipment.

Financial cash flow resulted in a cash outflow due to a net decrease in commercial paper and dividends paid, partially offset by proceeds from issuance of bonds.

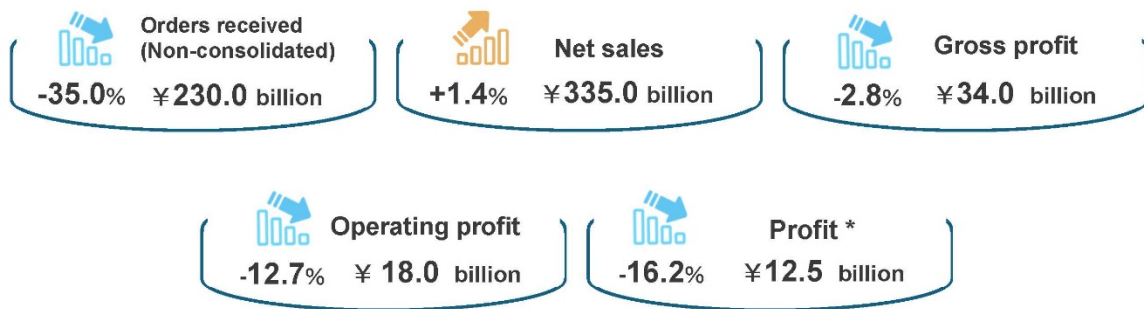
As a result of the above, cash and cash equivalents as of March 31, 2025 totaled ¥41.5 billion.



## Summary of FY2025 Forecasts

### Summary of FY2025 Forecasts

- ✓ Net sales are expected to increase slightly through steady progress of constructions on hand (non-consolidated) of 512.9 billion yen.
- ✓ Gross profit, operating profit, and profit are expected to decrease at the beginning of the term. However, we will work together to further improve profits by focusing on obtaining design changes, etc.



\*Profit attributable to owners of parent

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This is a summary of FY2025 earnings forecast. Net sales are expected to increase slightly through steady progress of constructions on hand (non-consolidated) of ¥512.9 billion.

Although a year-on-year decline in profits is forecast at the beginning of FY2025, we will make group-wide efforts to improve profitability further, including focusing on securing design changes.

## FY2025 Forecast

### FY2025 Forecast



- ✓ Orders received (non-consolidated) : Although the market environment is extremely favorable due to such factors as the initiatives to build up national resilience and increased in defense-related expenditure, orders received will decrease as priority is placed on completing abundant construction work on hands.
- ✓ Net sales (consolidated) : Will increase due to smooth completion of abundant on-hand construction work.
- ✓ Operating profit (consolidated) : Non-consolidated gross profit is expected to be almost the same as the previous year, but operating profit is expected to decrease due to proactive investment in human resources and system investment, etc.

(Unit: billions of yen)

	[Consolidated] FY2024	[Consolidated] FY2025				[Non-consolidated] FY2024	[Non-consolidated] FY2025			
	Actual	Forecast	% of net sales	YoY change %	YoY difference	Actual	Forecast	% of net sales	YoY change %	YoY difference
Orders received	-	-	-	-	-	353.7	230.0	-	(35.0%)	(123.7)
Net sales	330.4	335.0	100.0%	1.4%	4.5	317.8	320.0	100.0%	0.7%	2.1
Gross profit	34.9	34.0	10.1%	(2.8%)	(0.9)	31.8	31.7	9.9%	(0.3%)	(0.1)
SG&A	14.3	16.0	4.8%	11.5%	1.6	13.2	14.8	4.6%	11.9%	1.5
Operating profit	20.6	18.0	5.4%	(12.7%)	(2.6)	18.5	16.9	5.3%	(9.0%)	(1.6)
Non-operating income	0.5	0.5	0.1%	(3.1%)	0.0	0.4	0.4	0.1%	(8.4%)	0.0
Non-operating expenses	1.0	1.0	0.3%	(8.0%)	0.0	1.0	1.0	0.3%	(7.1%)	0.0
Ordinary profit	20.0	17.5	5.2%	(12.8%)	(2.5)	17.9	16.3	5.1%	(9.2%)	(1.6)
Extraordinary income	1.1	0.4	0.1%	(65.5%)	(0.7)	1.1	0.4	0.1%	(64.6%)	(0.7)
Extraordinary losses	0.2	0.1	0.0%	(58.0%)	(0.1)	0.2	0.1	0.0%	(57.9%)	(0.1)
Profit before income taxes	20.9	17.8	5.3%	(15.2%)	(3.1)	18.8	16.6	5.2%	(11.9%)	(2.2)
Profit*	14.9	12.5	3.7%	(16.2%)	(2.4)	13.5	11.7	3.7%	(13.7%)	(1.8)

\*Profit : profit attributable to owners of parent for consolidated P/L

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Non-consolidated orders received will decrease, as priority is placed on completing construction work on hands. Accordingly, net sales will increase, but consolidated operating profit is expected to decrease.

Non-consolidated gross profit is expected to be almost the same as the previous fiscal year, as an increase in SG&A is anticipated, due to proactive investment in human resources and system investment, etc.

## [Non-consolidated] Forecast of Orders Received by Business

### [Non-consolidated] Forecast of Orders Received by Business

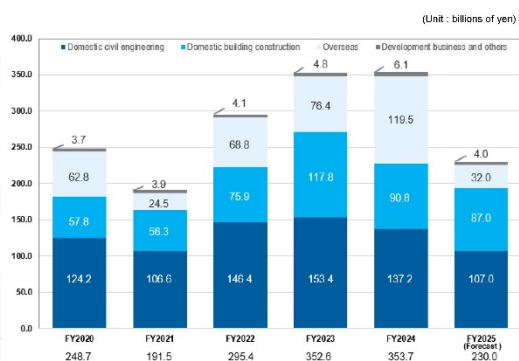


(Unit: billions of yen)

Orders received	FY2024	FY2025		
	Actual	Forecast	YoY change %	YoY difference
Public	101.7	69.0	(32.2%)	(32.7)
Private	35.4	38.0	7.2%	2.5
Total (domestic civil engineering)	137.2	107.0	(22.0%)	(30.2)
Public	16.9	7.0	(58.7%)	(9.9)
Private	73.9	80.0	8.2%	6.0
Total (domestic building construction)	90.8	87.0	(4.2%)	(3.8)
Total (domestic)	228.0	194.0	(14.9%)	(34.0)
Civil engineering	120.4	29.0	(75.9%)	(91.4)
Building construction	(0.9)	3.0	-	3.9
Total (overseas)	119.5	32.0	(73.2%)	(87.5)
Civil engineering	257.6	136.0	(47.2%)	(121.6)
Building construction	89.9	90.0	0.1%	0.0
Total (construction business)	347.6	226.0	(35.0%)	(121.6)
Development business and others	6.1	4.0	(35.0%)	(2.1)
Total	353.7	230.0	(35.0%)	(123.7)

Orders received: 230.0 billion yen (YoY -35.0%)

- ✓ Domestic Civil Engineering : 107.0 billion yen (YoY -22.0%)
- ✓ Domestic Building Construction : 87.0 billion yen (YoY -4.2%)
- ✓ Overseas : 32.0 billion yen (YoY -73.2%)



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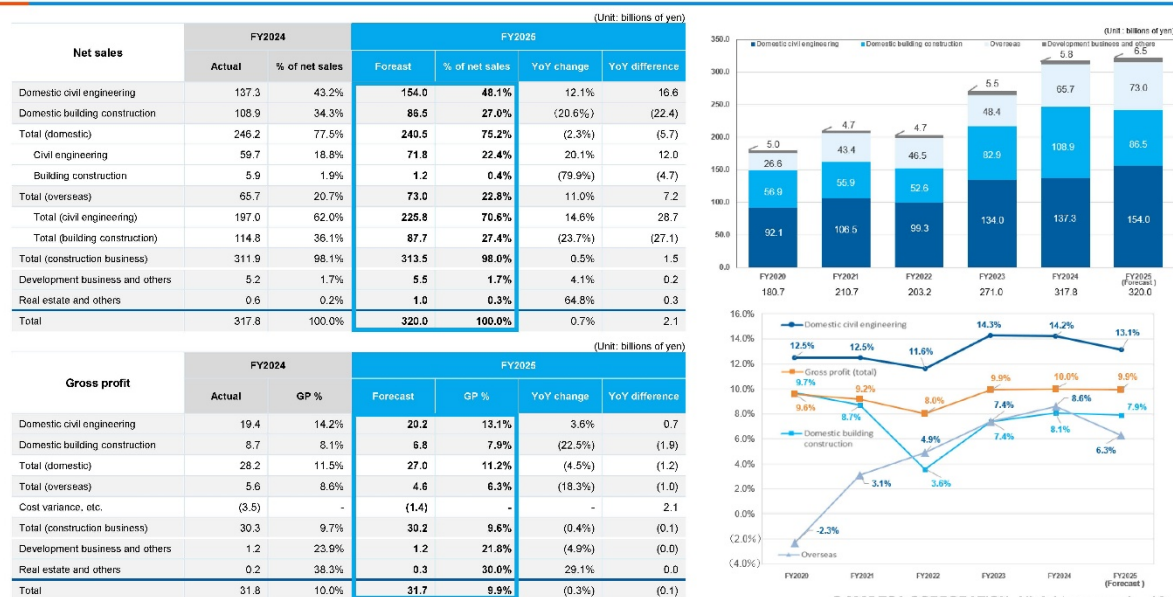
Let me now explain the non-consolidated forecast of orders received by business. While the order environment remains favorable, we will prioritize completing abundant construction work on hands. As the construction on hand carried over from the previous fiscal year totals ¥512.9 billion, we have intentionally capped the order forecast for the current fiscal year at ¥230.0 billion.

Net sales are expected to increase slightly year on year. By business segment, orders received are forecasted to decline year on year, by 22.0% to ¥107.0 billion in Domestic Civil Engineering, by 4.2% to ¥87.0 billion in Domestic Building Construction, and by 73.2% to ¥32.0 billion in Overseas.

In Overseas, where the decline is particularly significant, we have secured construction on hand totaling ¥219.1 billion carried over from the previous fiscal year—more than three times the expected net sales for FY2025.

## [Non-consolidated] Forecast of Net Sales and Gross Profit by Business

### [Non-consolidated] Forecast of Net Sales and Gross Profit by Business



Let me now explain the forecast of net sales and gross profit by business. Non-consolidated net sales are projected to total ¥320.0 billion, slightly exceeding the previous fiscal year. In Domestic Civil Engineering, net sales are forecasted to increase by 12.1% year on year to ¥154.0 billion, due to smooth progress of abundant on hand construction work.

In Domestic Building Construction, net sales are projected to decline by 20.6% year on year to ¥86.5 billion. This is due to the completion of several large-scale logistics facility projects in H1, resulting in a temporary lull before the next wave of major projects begins in earnest. In Overseas, net sales are expected to increase by 11.0% year on year to ¥73.0 billion, due to smooth progress of abundant on hand construction work.

Gross profit is projected to remain flat year on year at ¥31.7 billion. In Domestic Civil Engineering, gross profit is expected to increase by 3.6% to ¥20.2 billion, mainly due to higher net sales.

In Domestic Building Construction, gross profit is projected to decline by 22.5% year on year to ¥6.8 billion, reflecting a decrease in net sales. In Overseas, gross profit is forecasted to decline by 18.3% year on year to ¥4.6 billion, as a large high-margin project that significantly contributed to profit in the previous fiscal year is scheduled to be completed in H1.

In all business segments, we will continue working to further improve profitability through efforts such as securing design changes.



## Basic Policies of the Medium-Term Management Plan (Repeated)

### Basic Policies of the Medium-Term Management Plan (Repeated)

Along with advancing the existing business, accelerate the expansion of business domains and further strengthen the management base to realize our long-term vision.  
In addition, strengthen the management base to support business strategies.



**Takeshi Hayakawa** (hereinafter, **Hayakawa**): I am Takeshi Hayakawa, President and Representative Director. I will explain the progress of our Medium-term Management Plan. Thank you for your attention.

First, let me revisit the basic policy of the Medium-term Management Plan, using a previously shown slide. As indicated by the red frame on the slide, the basic policy of the plan is to "Integrate business strategy and human resources strategy to realize the Long-Term Vision."

We are advancing both environment, society and governance (ESG) management and human capital management in parallel. Through various initiatives, we have come to realize that the "S" and "G" elements of ESG are closely linked to human capital management. With this understanding, we are reaffirming our commitment to steadily investing in people.

## Progress of Integration of Business and Human Resource Strategies

### Progress of Integration of Business and Human Resource strategies

Improve ROE

Create Value, Build the Future  
TOA CORPORATION

- ✓ Acquisition of human resources steady progress beyond the plan.
- ✓ Steadily increase operating profit by enhancing construction capacity while further improving the quantity and quality of human resources.
- ✓ The target operating profit for FY2030, announced in March 2023, is 13.5 billion yen, but we are aiming for further improvement.

#### ■ Net sales, operating profit, and consolidated number of employees



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Let me now provide an update on the progress regarding the integration of our business and human resource strategies. As shown on the slide, when we formulated the Medium-term Management Plan, we set a target of ¥13.5 billion in operating profit for the fiscal year ending March 31, 2031 (FY2030).

As of the end of FY2024, which marks the second year of the plan, our consolidated number of employees stood at 2,032. This already exceeds the initial target of 2,000 employees set for FY2025 in the plan. We currently aim to increase the number of employees to 2,210 or more by FY2030, and we intend to further strengthen our efforts toward that goal.

Regarding the market, favorable market environment is continuing over the medium to long term. In our industry, sales tend to increase in proportion to the number of employees through strong on-site project management.

The orange line graph in the lower left of the slide shows net sales, and as you can see, net sales have steadily increased in line with workforce growth. The gray line indicates our operating profit target, while the blue line shows actual results, which have consistently outperformed the target.

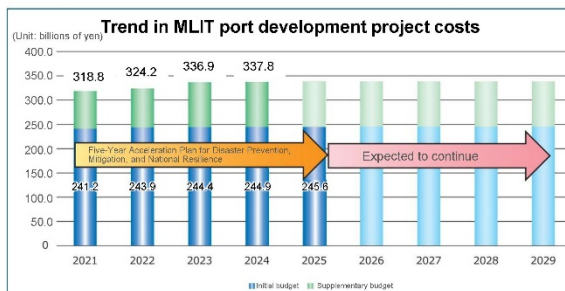
We intend to further enhance both the quantity and quality of our human resources, and aim further improvement of operating profit.

## Domestic Civil Engineering (1) Government Budget Trends

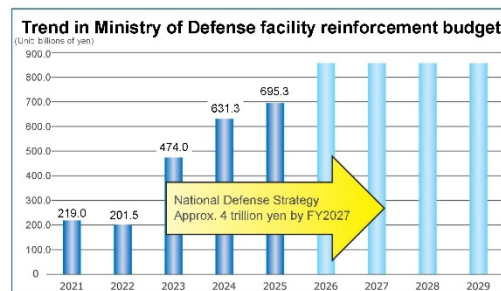
### Domestic Civil Engineering (1) Government Budget Trends



- ✓ The budget of the MLIT Ports and Harbours Bureau remained at a high level due to the Five-Year Acceleration Plan for Disaster Prevention, Mitigation, and National Resilience.
- ✓ Defense-related budgets have also increased significantly, indicating a continuing favorable market environment.
- ✓ We anticipate that this market environment will continue, including the increasing need for measures against aging infrastructure.



Estimated from national expenditures for port development projects in "MLIT Ports and Harbours Bureau Budget Overview"



FY2021 & FY2022: Estimated from "Japan's Defense and Budget" facility improvement costs, etc. (Expenditure + General property expenses)  
FY2023 onwards: Estimated from facility reinforcement in "Progress and Budget in Fundamental Reinforcement of Defense Capabilities"

Now, I will explain the market environment. First, I will discuss trends in government budgets for domestic civil engineering projects. The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) has a program called the Five Year Acceleration Plan for Disaster Prevention, Mitigation, and National Resilience. Currently, the budget of 15 trillion yen has been almost fully utilized, and new budgets and continued funding are expected in the future.

Specifically, the Mid-term Plan for the Implementation of National Resilience has been formulated, and there are reports that the budget scale will exceed the previous 15 trillion yen, reaching over 20 trillion yen. We also plan to tackle this as a major pillar with a strong commitment.

The right side of the slide shows the trend in the budget for the Ministry of Defense's facility reinforcement. The Ministry of Defense's budgets have also increased significantly. We have steadily increased our order intake for defense-related construction projects, ranking relatively high among our peers.

We intend to build on this track record and continue focusing on defense-related construction projects. In this sense, we expect the market environment to remain favorable, including the measures against aging infrastructure currently under discussion.

## Domestic Civil Engineering (2) Strengthening Initiatives in Offshore Wind Power

### Domestic Civil Engineering (2) Strengthening Initiatives in Offshore Wind Power



- ✓ Participating in offshore wind power construction projects, both fixed-bottom and floating types.
- ✓ With regard to floating type, our project was adopted as a Green Innovation Fund Project by the New Energy and Industrial Technology Development Organization (NEDO).
- ✓ We contribute to the realization of a decarbonized society, fulfill our social responsibilities, and expand the scope of our domestic civil engineering business.



SEP vessel "HAKKAKU"



Semi-submersible floating structure  
(Courtesy of the Japan Marine United Corporation)

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I will explain offshore wind power. Due to Japan's limited land area, not only fixed-bottom type but also floating type are expected to be extremely important.

Regarding the floating-type shown in the photo on the right side of the slide, the New Energy and Industrial Technology Development Organization (NEDO) has launched a demonstration experiment called the Green Innovation Fund Project. We were selected as one of several companies for Phase 2 and will work diligently on this project.

The photo on the left shows the SEP vessel HAKKAKU. Construction of it has already been completed. We have achieved some results through certain repair works. As a multi-purpose vessel, we plan to continue our business activities while considering general construction projects and making improvements as needed.



## Domestic Building Construction (1) Large-Scale Logistics Facilities with High Productivity

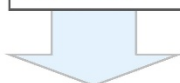
### Domestic Building Construction (1) Large-Scale Logistics Facilities with High Productivity



- ✓ Demand for large-scale logistics warehouse projects with high productivity (construction completed per person) is strong.
- ✓ By coordinating civil engineering and building construction for smooth progress, we rapidly expanded the scale of our building construction business, recording net sales of **108.9 billion yen** in FY2024.
- ✓ We will review the organizational structure of the Building Construction Business Unit and strengthen cooperation.

#### Example of conventional cooperation measures

Establishment of a "Foundation and Ground Measures Office" within the Building Construction Headquarters, assigning civil engineering experts whose support helps prevent ground-related troubles.



#### Further strengthening cooperation measures in FY2025

##### **Reorganization of the branch to integrate civil engineering and building construction**

Previously, the West Japan Building Construction Branch in Osaka provided construction support for a vast area in the West Japan region. However, the Osaka, Chugoku, and Kyushu branches will be reorganized into integrated civil engineering and building construction branches.

Large-scale logistics warehouse projects with high productivity



(Tentative name) UI Konan Logistics Center Phase I Plan New Construction Project

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This is about our domestic building construction business. We have been working hard on large-scale logistics facilities like the one pictured on the right side of the slide.

Due to the large size of these facilities, construction completed per person, or productivity, is very high. About 65% of our net sales in the previous fiscal year came from such large-scale logistics projects. As a result, net sales have expanded to over 100 billion yen.

In addition, when it comes to such large-scale structures, it is also very important to address foundations and grounds. To address this issue, we have established a Foundation Ground Countermeasure Office. By incorporating civil engineering experts and providing robust support, we aim to construct high-quality buildings.

Furthermore, starting this fiscal year, we will implement a reorganization to establish some branches with building construction and civil engineering function. By reorganizing the West Japan Architecture Branch into the Osaka, Chugoku, and Kyushu branches, we aim to expand our customer base and provide construction management that is more closely aligned with regional areas. This will allow us to deliver high-quality products and services.

## Domestic Building Construction (2) Government Budget Trends

### Domestic Building Construction (2) Government Budget Trends

- ✓ As defense-related facilities age, an increase in demand for renewal, new construction, and renovation of existing facilities is expected.
- ✓ We will promote the further diversification of business fields by targeting defense-related projects and increasing the ratio of government projects.

#### © Regarding optimization projects (Current status of protective performance provision)

Construction year	Buildings: 23,254 units		Seismic performance	Provision of protective performance	Construction method
Pre-war era (~1945)	589 units	9,875 units	Old seismic standards	None	Rebuild
1946–1982 (40–76 years old)	9,286 units				
1983–2002 (20+ years old)	9,142 units	New seismic standards	New seismic standards	None	Rebuild or Renovate
2003–2007 (Reaching 20 years in next 5 years)	1,786 units			Yes	Preventive maintenance
2008– (Preventive maintenance)	2,451 units				

From Ministry of Defense FY2023 Budget Request Materials

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This is an overview of the government budget trends related to domestic building construction projects. As indicated by the red frames in the slide, a significant number of defense-related facilities remain from the pre-war era. Since these facilities still adhere to the old seismic standards, the government has established a policy to rebuild them.

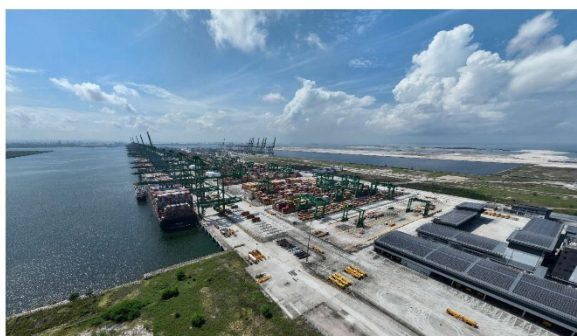
As a construction company involved in government projects, we aim to keep this trend firmly in mind. With 40% of facilities requiring rebuilding due to being over 40 years old, we believe the market environment is abundant.

## Overseas: Securing a Significant Amount of Business and Expanding Our Business Domain

### Overseas: Securing a Significant Amount of Business and Expanding Our Business Domain



- ✓ We will steadily secure the extensive civil engineering projects available in areas such as Singapore and through ODA.
- ✓ We are promoting localization to participate in building construction projects funded by local capital.
- ✓ Our Indonesian subsidiary (established in March 2023) has now reached the stage where it can begin planning to undertake local government projects.
- ✓ We consider establishing subsidiaries in other countries mainly in Southeast Asia.



Tuas Port Phase 1 Container Berths (5 Berths) Construction Project (Singapore)



Held a signing ceremony with a local partner of our Indonesian subsidiary

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I will explain our efforts to secure a significant amount of overseas business and expand our overseas business domain. The photo on the left side of the slide shows Tuas Port in Singapore. We have been building a track record there since the 1960s.

In Singapore, major ports are steadily moving westward. Tuas Port, located on the western side, has been constructed primarily by our company. We have heard that investment in Tuas Port will continue, so we anticipate continued order intake for the foreseeable future.

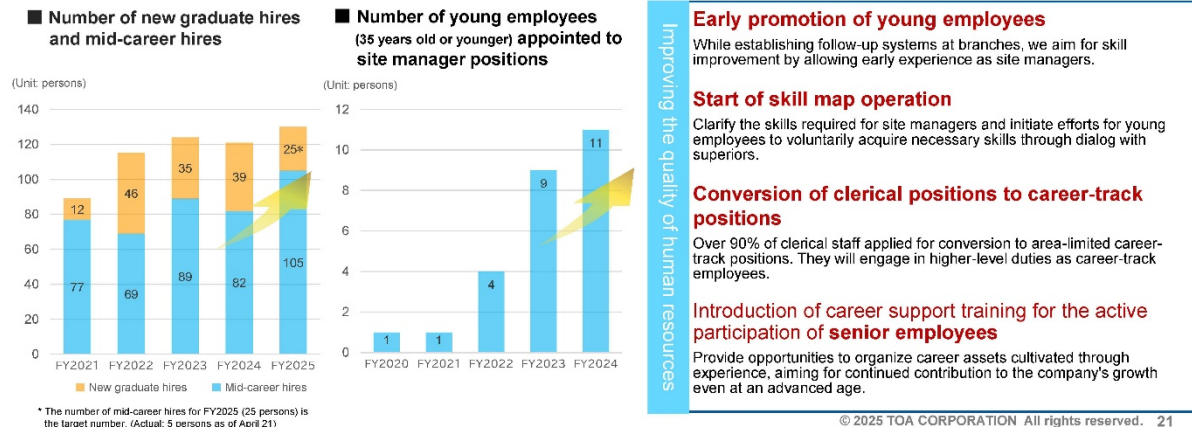
The photo on the right shows the signing ceremony for establishing a local subsidiary in Indonesia in 2023. By establishing a local subsidiary, we aim to secure orders not only for ODA projects but also for local government projects. Going forward, we plan to explore establishing additional local subsidiaries, with a focus on Southeast Asia.

## Enhancing the Quantity and Quality of Human Resources

### Enhancing the Quantity and Quality of Human Resources



- [Quantity secured] Both new graduates and mid-career hires are being recruited as planned. Furthermore, by suppressing turnover, we have been able to secure more employees than planned.
- [Quality improvement] **While employees in 20s currently account for 40% of the employees on construction site, early training has become an issue.** We are working on the early development of young employees to ensure the inheritance of the skills necessary for medium- to long-term growth. We are also engaged in improving quality through measures such as converting clerical positions to career-track positions and diversifying the roles of senior employees.



Now, I'm talking about enhancing the quantity and quality of our human resources. To secure a sufficient number of human resources, we will focus not only on recruiting new graduate but also on recruiting mid-career professionals. Additionally, we have secured more employees than planned by suppressing employee turnover.

The bar graph on the left side of the slide shows the trends in new graduates and mid-career hires. Light blue represents new graduates, and orange represents mid-career hires. In April 2025, we hired 105 new graduates, and we plan to hire an additional 25 mid-career professionals. This fiscal year, our focus is on achieving a target of 130 hires.

Next, I will talk about improving the quality of human resources. According to data from last fiscal year, employees in their 20s account for more than 40% of the workforce on construction sites. In this sense, the early training of young employees has become an issue. We are working on the early development of young employees to ensure the inheritance of the skills necessary for medium- to long-term growth.

As shown in the bar graph in the center of the slide, the number of young employees under the age of 35 appointed as site managers has increased significantly.

Specific efforts to improve the quality of human resources are described on the right side of the slide. In addition to early promotion of young employees, we have them begin with skill map operation. Since we already have a good understanding of the skills required for site managers, we educate young employees by enabling them to acquire the necessary skills through dialogue with superiors.

Regarding the conversion of clerical positions to career-track positions, we recruited for area-limited career-track positions, and over 90% of clerical staff applied. We will ensure they engage in higher level duties as career-track employees, thereby we will enhance our human resources.



At the same time, we will also provide career support for senior employees. As employees who joined the company during the Heisei era (1989–2019) will gradually become senior employees, we will improve their treatment and benefits so that those who are still healthy and able to work can continue contributing to the company.

## Integration of Business and Human Resource Strategies Current Investment Plan

### Integration of Business and Human Resource Strategies Current Investment Plan

Improve ROE



- ✓ During the period of this medium-term management plan, we are aiming for the integration of our business and human resource strategies to realize our long-term vision, focusing on expanding operating profit by enhancing the quantity and quality of human resources and **emphasizing investments that contribute to accelerating human capital management**.
- ✓ Business domain expansion is below the planned figures, but we are constantly considering **M&A and other measures to strengthen construction capabilities**.

Planned investment amount at the beginning of the medium-term management plan (3-year total)	Investment amount and use for FY2023~2024		Expected effects	Current planned investment amount (3-year total)
Technology development <b>4.0 billion yen</b>	2.7 billion yen	<ul style="list-style-type: none"> <li>Strengthening R&amp;D capabilities</li> <li>Technology development strategy leading to growth</li> </ul>	<ul style="list-style-type: none"> <li>Improved competitiveness by promoting technology development reflecting social needs in measures</li> </ul>	Technology development Approx. <b>4.0 billion yen</b>
Business domain expansion <b>5.0 billion yen</b>	0.6 billion yen	<ul style="list-style-type: none"> <li>Establishment of Indonesian subsidiary</li> <li>Launch of renewable energy smart city concept</li> </ul>	<ul style="list-style-type: none"> <li>Receipt of orders for locally financed construction projects and expansion of orders for building construction projects</li> <li>Contribution to the realization of a sustainable society through initiatives related to environmental technology</li> </ul>	Business domain expansion Approx. <b>10.0 billion yen</b>
Human resource development <b>3.0 billion yen</b>	3.7 billion yen	<ul style="list-style-type: none"> <li>Promotion of women's active participation</li> <li>Strengthening recruitment activities, wage increases</li> <li>Enhancement of education and training</li> </ul>	<ul style="list-style-type: none"> <li>Realization of organization building that promotes business expansion by securing professional human resources and promoting human resource growth (development)</li> </ul>	Human resource development Approx. <b>7.0 billion yen</b>
Capital investment, etc. <b>8.0 billion yen</b>	5.0 billion yen	<ul style="list-style-type: none"> <li>Capital investment related to work vessels (mainly maintenance and renewal)</li> <li>Introduction of software</li> <li>Securing of income-generating real estate</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening competitiveness by leveraging our strengths</li> <li>Improved productivity through operational efficiency</li> <li>Development of new business models through the construction and sale of income-generating properties, etc.</li> </ul>	Capital investment, etc. Approx. <b>9.0 billion yen</b>
<b>Total</b> <b>20.0 billion yen</b>	12.1 billion yen			<b>Total</b> Approx. <b>30.0 billion yen</b>

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I will now explain our investment plans. During the period of this medium term management plan, we are aiming for the integration of our business and human resource strategies to realize our long-term vision. To this end, we have focused on expanding operating profit by enhancing the quantity and quality of human resources and emphasizing investments that contribute to accelerating human capital management.

However, we fell short of our initial investment target of approximately 20.0 billion yen, achieving only approximately 12.1 billion yen. There are some areas that we were unable to achieve despite various challenges, and these will be carried over.

The current planned investment amount is set at 30.0 billion yen over the three years. We have increased the budget for business domain expansion to approximately 10.0 billion yen from the previous plan, and we are also planning to allocate approximately 7.0 billion yen for human resource development.

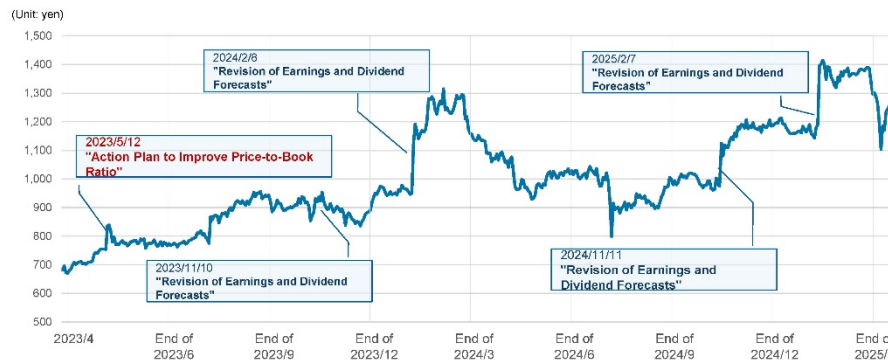
We understand that pursuing M&A quickly may be difficult, so we plan to start with collaboration and explore various options. A large amount of capital is required to establish a major initiative, so we have set a budget of 30.0 billion yen as a framework for now.

## Review (Stock Price Trend/PBR Trend)

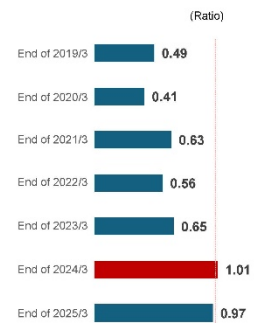
### Review (Stock Price Trend/PBR Trend)

- ✓ On May 12, 2023, we disclosed the “Action Plan to Improve Price-to-Book Ratio,” and although PBR exceeded 1:1 at the end of FY2023, it ended up slightly below 1:1 at the end of FY2024.
- ✓ In April 2025, our stock price also temporarily declined due to the impact of the overall market downturn.
- ✓ We will work to further improve PBR going forward.

#### ■ Stock price trend



#### ■ PBR trend



**Nakao:** I will explain the “Action Plan to Improve Price-to-Book Ratio 2025,” which was announced on May 13, 2025.

First, a brief review. Two years ago, we disclosed the “Action Plan to Improve Price-to-Book Ratio.” Although PBR temporarily exceeded 1:1 at the end of FY2023, it ended up slightly below 1:1 at the end of FY2024. Our stock price also temporarily declined due to the impact of the overall market downturn.

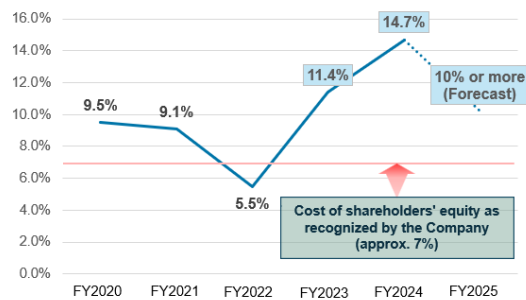
Going forward, we need to work to further improve PBR.

## Assessment of Current Situation

### Assessment of Current Situation

- ✓ Amid the favorable management environment, despite continuously achieving an ROE of 10% or more, which exceeds the cost of shareholders' equity as recognized by the Company (approx. 7%).
- ✓ However, there is a major gap between its capital efficiency and earning power and their evaluation by the market.
- ✓ We will work to further increase its PBR while striving to improve its PER through sustained profit growth and dialogue with the market.

■ ROE trend



Maintain and raise the level of **ROE**, which has been steadily exceeding **Cost of Shareholders' Equity**

#### Improve ROE

- ✓ Steadily increase operating profit while enhancing the quantity and quality of human Resources
- ✓ Review the balance sheet and improve capital efficiency


#### Reduce Cost of Shareholders' Equity = Improve PER

- ✓ Further strengthen IR activities

Amid the favorable market environment, ROE has remained above 10%. While this exceeds the cost of shareholders' equity as recognized by the Company, there is a major gap between its capital efficiency and earning power and their evaluation by the market.

We need to work to further increase its PBR while striving to improve its PER through sustained profit growth and dialogue with the market.

## Review of Action Plan for PBR Improvement

- 
1. Steadily improve operating profit while enhancing the quantity and quality of human resources
  2. Balance sheet review  
(further enhancement of shareholder returns, reduction of policy shareholdings)
  3. Further strengthening of IR activities

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Based on the above assessment of the current situation, we are implementing three measures and continue our efforts to further improve PBR.

The first measure is as explained by Hayakawa earlier. In addition, we plan to review our balance sheet and further strengthen our IR activities.

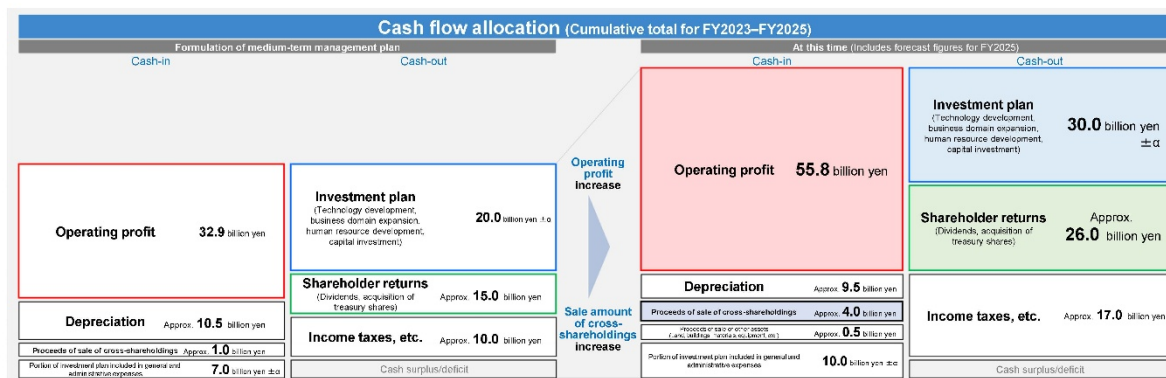
## Review of Cash Flow Allocation

### Review of Cash Flow Allocation

Improve ROE

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- ✓ Operating profit has grown significantly more than anticipated from when the medium-term management plan was formulated, and **we are reviewing the cash flow allocation**.
- ✓ We are planning to clearly state the balance between growth investment and shareholder returns from FY2026 onwards in the next medium-term management plan, which is scheduled for disclosure during FY2025.



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Since the formulation of the medium-term management plan, operating profit has grown significantly. We then decided to review the cash flow allocation. Over the three-year period from FY2023 to FY2025, we will increase investment by 10.0 billion yen to 30.0 billion yen and increase shareholder returns by 11.0 billion yen to approximately 26.0 billion yen.



## Shareholder Returns

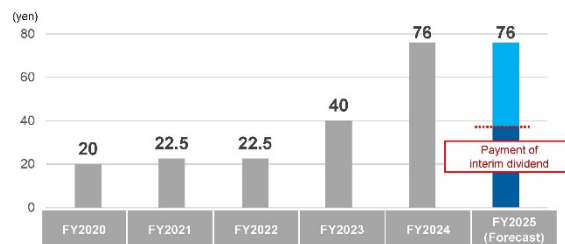
### Shareholder Returns

Improve ROE



- ✓ **Policy** : Ensure a dividend payout ratio of 40% or more. Also we aim to achieve a **total return ratio of approximately 70% for the three-year cumulative period from FY2023 to FY2025.**
- ✓ **Dividends** : For FY2025, **we plan a dividend of 76 yen per share.** We plan to introduce an interim dividend system to further ensure stable returns to shareholders\*.
- ✓ **Share buybacks** : **Plan to acquire 4.0 billion yen in treasury shares.**

#### □ Dividend per share



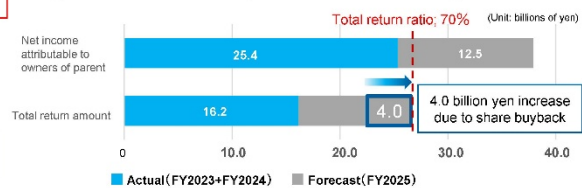
#### □ Dividend payout ratio

22.8%	23.5%	40.1%	31.3%	40.4%	Higher than 40%
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**Steady achievement of approximately 70% total return ratio through acquisition of 4.0 billion yen in treasury shares**  
**Total return will increase from approx. 15.0 billion yen to approx. 26.0 billion yen**

#### ■ Total return ratio

(Cumulative total for three years from FY2023 to FY2025)



\*The introduction of the interim dividend system is subject to approval of a proposal to amend the Articles of Incorporation at the 135th Ordinary General Meeting of Shareholders to be held on June 27, 2025.

\*On April 1, 2024, we conducted a 4-for-1 stock split of shares of common stock. All amounts above are after taking into account the effect of the stock split.

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I will now explain our shareholder return policy. For FY2025, we aim to ensure a dividend payout ratio of 40% or more, while steadily achieving a total return ratio of approximately 70% for the three-year cumulative period from FY2023 to FY2025.

For FY2025, we plan a dividend of 76 yen per share. Additionally, we plan to introduce an interim dividend system to further ensure stable returns to shareholders. At the same time, we plan to repurchase shares worth 4.0 billion yen.

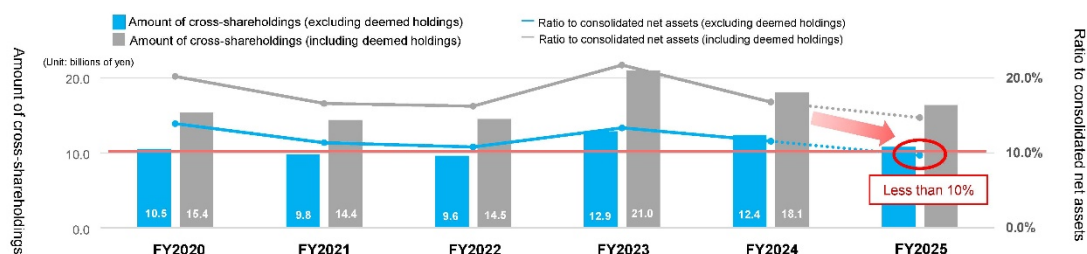
## Reduction of Cross Shareholdings

### Reduction of Cross-Shareholdings

Improve ROE

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- ✓ We will further advance the reduction of cross-shareholdings, aiming to reduce the amount of cross-shareholdings (excluding deemed holdings) to **less than 10% of consolidated net assets** by the end of FY2025 and thereby improve capital efficiency.



Consolidated net assets	76.1 billion yen	86.7 billion yen	89.3 billion yen	96.7 billion yen	107.8 billion yen	
Ratio to consolidated net assets (excluding deemed holdings)	13.9%	11.4%	10.8%	13.3%	11.6%	Less than 10%
Ratio to consolidated net assets (including deemed holdings)	20.2%	16.6%	16.2%	21.7%	16.8%	Further reduction

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We will also work to reduce cross-shareholdings. We have developed and are implementing a plan to reduce the amount of cross-shareholdings (excluding deemed holdings) to less than 10% of the balance of consolidated net assets by the end of FY2025.

## Organizational Restructuring to Strengthen IR Activities

### Organizational Restructuring to Strengthen IR Activities

Improve PER

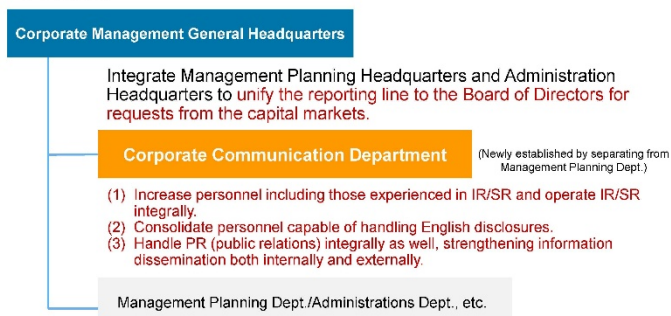


- ✓ We have newly established the Corporate Communication Department to further strengthen IR activities.
- ✓ The Corporate Communication Department will consolidate and increase personnel experienced in SR/IR and those capable of handling English disclosures with a view towards working to strengthen IR activities with overseas investors.
- ✓ The Corporate Management General Headquarters has been newly established by unifying the reporting line for investor opinions, etc. to the Board of Directors, making it easier to reflect requests from the capital markets in management measures.

#### FY2024



#### FY2025



I will explain our efforts to strengthen IR activities aimed at improving PER. First, we have unified the reporting lines for investor opinions, etc., and have newly established the Corporate Management General Headquarters, which is effective this fiscal year. We have built an organizational structure that makes it easier to reflect requests from the capital markets in management measures.

Furthermore, we have newly established the Corporate Communication Department to further strengthen IR activities in FY2025. The Corporate Communication Department will consolidate and increase personnel experienced in SR/IR and those capable of handling English disclosures. We will work to strengthen IR activities with a view to overseas investors.

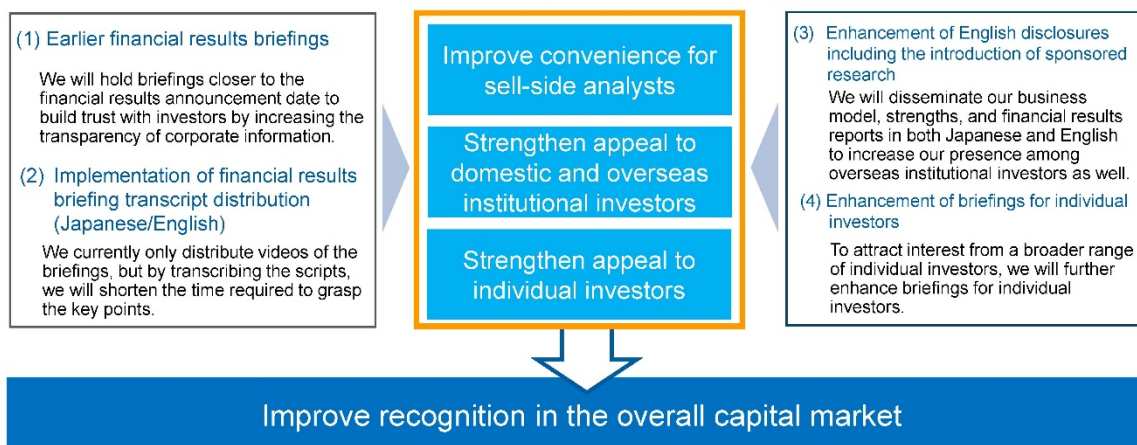
## Initiatives to Improve Recognition Among Domestic and Overseas Investors

Initiatives to Improve Recognition Among Domestic and Overseas Investors

Improve PER



- ✓ The background to our PER remaining at a sluggish, single-digit level is considered to be influenced not only by doubts about future growth potential but also by the low recognition level among domestic and overseas investors.
- ✓ We will implement the following initiatives to improve recognition:



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Our PER remains at a sluggish, single-digit level. We believe this is due not only to doubts about future growth potential, but also to the low recognition among domestic and overseas investors.

To improve our visibility in the overall capital markets, we will hold financial results briefings earlier and distribute their transcripts online. We will also enhance English disclosures, including the introduction of sponsored research, and enhance briefings for individual investors.

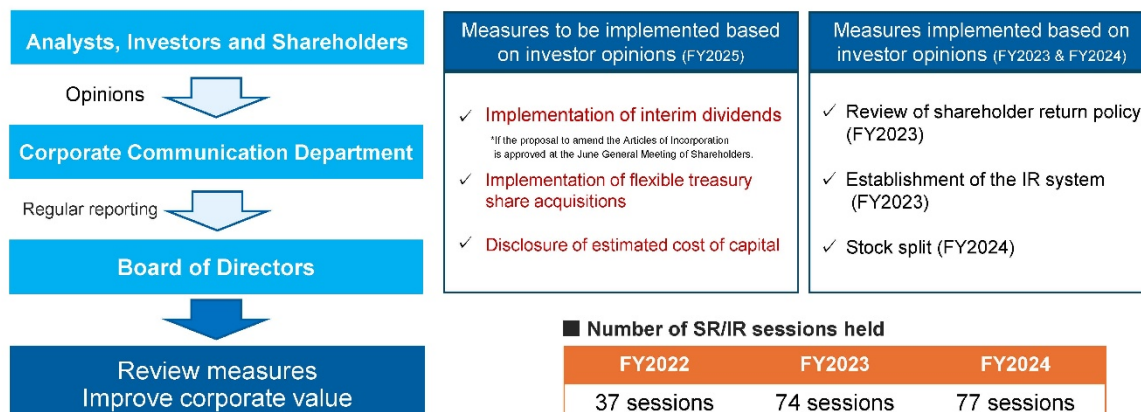
## Review of Measures Through Constructive Dialog with Capital Markets

### Review of Measures Through Constructive Dialog With Capital Markets

Improve PER



- ✓ In FY2024, we held 77 dialogs with shareholders and investors.
- ✓ Although this number has steadily increased compared to FY2022 and FY2023, we have newly established the Corporate Communication Department with increased IR personnel. This fiscal year, we will not only further increase the number of dialogs but also **reflect the opinions obtained through constructive dialog in management measures and work to further improve corporate value.**



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In FY2024, we held 77 dialogues with shareholders and investors. We have steadily increased the number of dialogues. With the establishment of the Corporate Communication Department with increased IR personnel, we will further increase the number of dialogues in this fiscal year.

In addition, we plan to review our measures based on investor opinions this fiscal year, including implementing interim dividends.

We are committed to reflecting the opinions obtained through constructive dialogue with the capital market in our management measures and working to further improve corporate value. We greatly appreciate your straightforward feedback today. That concludes our presentation. Thank you for your attention.

## **Q&A Session: Transition of the gross profit margin on completed construction contracts**

**Questioner:** The gross profit margin on completed construction contracts on a non-consolidated basis is around 10 percent, which has been the case for two consecutive fiscal years, including the current year's plan. This is due to various factors specific to each division. Since your company does not include any additions or changes this fiscal year as well, there is a possibility that this figure will improve at the end of this fiscal year. How do you see the room for future increases in overall construction profit over the medium term?

Especially when construction costs are rising, I think that SG&A expenses will also continue to increase in the future, although the profit margin itself has been maintained due to the higher order prices. In order to offset the increase in SG&A expenses, don't you think you need to raise the gross profit margin by raising the profitability and other factors a little more when receiving orders? Please tell us how this is likely to transition in the future.

**Hayakawa:** Exactly as you have indicated, it is particularly important to secure profit margins while keeping an eye on the current economic situation. We recognize that this fiscal year it will be necessary to carry out business activities while incorporating price pass-on measures in each of orders received.

As the industry as a whole, we have also declared that we will pass on prices and pay our partners properly, so we will work on this while exchanging opinions about this with our clients. We would like to maintain and further increase our profit margin.

## **Q&A Session: Approach to industry reorganization**

**Questioner:** Recently, INFRONEER Holdings announced that it will acquire Sumitomo Mitsui Construction. What are your company's thoughts on such industry reorganization?

There are only a limited number of companies with strong expertise in marine civil engineering, so there are many companies that would like to work with your company, which places you in a relatively strong position. On the other hand, since you are listed on the capital market, there is a possibility that you may be subject to aggressive approaches that are not entirely in line with your intentions. I believe that various measures will need to be taken in response to this. What are your thoughts on this matter?

**Hayakawa:** Since Sumitomo Mitsui Construction is remarkably close to our company in terms of corporate scale, we feel that the news was quite exciting. But I do believe that proposals of this kind will emerge at a certain point.

Since our strength is in marine civil engineering and overseas businesses, there is a possibility that this kind of offer may come up in anticipation of synergy effects, but we would still like to do our best on a stand-alone basis. In fact, there have been no cases of marine civil engineering companies



and on-land civil engineering companies merging together, and I am sure there are a variety of issues that need to be addressed.

For example, I think there might be concerns that “the characteristics will even be lost” or “the synergy will not actually take the form that was originally envisioned.”

In order to increase our corporate value, we will also focus on building construction other than port and overseas construction, which is our strong areas, while listening to the opinions of various shareholders and investors. In civil engineering, we aim to establish an integrated construction style as a single entity by taking a comprehensive approach that includes land-based construction.

We will continue to respond to each of the various proposals sincerely as they emerge.

## Q&A Session: Investment plans for the expansion of business domains

Integration of Business and Human Resource Strategies Current Investment Plan				Improve ROE	Create Value, Build the Future TOA CORPORATION
<p>✓ During the period of this medium-term management plan, we are aiming for the integration of our business and human resource strategies to realize our long-term vision, focusing on expanding operating profit by enhancing the quantity and quality of human resources and <b>emphasizing investments that contribute to accelerating human capital management.</b></p> <p>✓ Business domain expansion is below the planned figures, but we are constantly considering <b>M&amp;A and other measures to strengthen construction capabilities.</b></p>					
Planned investment amount at the beginning of the medium-term management plan (3-year total)	Investment amount and use for FY2023~2024		Expected effects		Current planned investment amount (3-year total)
Technology development <b>4.0 billion yen</b>	2.7 billion yen	<ul style="list-style-type: none"> <li>Strengthening R&amp;D capabilities</li> <li>Technology development strategy leading to growth</li> </ul>	<ul style="list-style-type: none"> <li>Improved competitiveness by promoting technology development reflecting social needs in measures</li> </ul>		Technology development Approx. <b>4.0 billion yen</b>
Business domain expansion <b>5.0 billion yen</b>	0.6 billion yen	<ul style="list-style-type: none"> <li>Establishment of Indonesian subsidiary</li> <li>Launch of renewable energy smart city concept</li> </ul>	<ul style="list-style-type: none"> <li>Receipt of orders for locally financed construction projects and expansion of orders for building construction projects</li> <li>Contribution to the realization of a sustainable society through initiatives related to environmental technology</li> </ul>		<b>Business domain expansion</b> Approx. <b>10.0 billion yen</b> ↑
Human resource development <b>3.0 billion yen</b>	3.7 billion yen	<ul style="list-style-type: none"> <li>Promotion of women's active participation</li> <li>Strengthening recruitment activities, wage increases</li> <li>Enhancement of education and training</li> </ul>	<ul style="list-style-type: none"> <li>Realization of organization building that promotes business expansion by securing professional human resources and promoting human resource growth (development)</li> </ul>		<b>Human resource development</b> Approx. <b>7.0 billion yen</b> ↑
Capital investment, etc. <b>8.0 billion yen</b>	5.0 billion yen	<ul style="list-style-type: none"> <li>Capital investment related to work vessels (mainly maintenance and renewal)</li> <li>Introduction of software</li> <li>Securing of income-generating real estate</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening competitiveness by leveraging our strengths</li> <li>Improved productivity through operational efficiency</li> <li>Development of new business models through the construction and sale of income-generating properties, etc.</li> </ul>		Capital investment, etc. Approx. <b>9.0 billion yen</b>
<b>Total</b> <b>20.0 billion yen</b>	12.1 billion yen				<b>Total</b> Approx. <b>30.0 billion yen</b>

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**Questioner:** In this investment plan, you have set approximately 10.0 billion yen for the expansion of business domains. You have already established an Indonesian subsidiary. I would like to know what kind of investment plans you have in mind for the future if you do not mind me asking.

**Kimura:** I will answer the question. The amount of money that has already been shown in the actual results is the amount of investment that was spent to establish the Indonesian subsidiary.

As for other plans, as Hayakawa explained earlier, we have considered M&A several times. In the course of these efforts, we have begun to get the impression that we may not be able to purchase the kind of company we would like to buy with the previously planned amount of 5.0 billion yen.

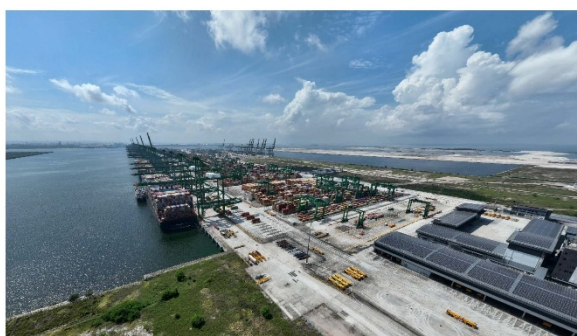
Of course, we strictly examine all projects, but we estimate that if an M&A is actually implemented, it will cost close to 10.0 billion yen, so we have presented the current planned amount of approximately 10.0 billion yen.

## Q&A Session: Progress of the Indonesian subsidiary

Overseas: Securing a Significant Amount of Business and Expanding Our Business Domain



- ✓ We will steadily secure the extensive civil engineering projects available in areas such as Singapore and through ODA.
- ✓ We are promoting localization to participate in building construction projects funded by local capital.
- ✓ Our Indonesian subsidiary (established in March 2023) has now reached the stage where it can begin planning to undertake local government projects.
- ✓ We consider establishing subsidiaries in other countries mainly in Southeast Asia.



Tuas Port Phase 1 Container Berths (5 Berths) Construction Project (Singapore)



Held a signing ceremony with a local partner of our Indonesian subsidiary

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**Questioner:** Regarding your Indonesian subsidiary, you mentioned earlier that you have progressed to the stage where you are able to plan for capturing the country's government projects. I would like to get some more specific comments on this as far as you can tell us about it.

**Hayakawa:** At present, there are projects for which we are planning to participate in bids in Indonesia. These projects are based on work which is the area of strength with proven record of achievements of our partner, TUNAS JAYA, and are slightly larger in scale.

Because TUNAS JAYA knows the various local conditions, we are working on this project, first of all, based on their achievements. I cannot give you the names of specific projects, but we already have some projects that we are planning to take part in the bidding process. We would like to expand the project while taking advantage of TUNAS JAYA's strengths.

## Q&A Session: Outlook for future operating profit

**Questioner:** Your operating profit for the fiscal year ended March 31, 2025 was a record high of 20.6 billion yen, is there any prospect that it will surpass the 20.6 billion yen for FY2024 again? If so, please tell us at what point in time.

**Hayakawa:** As for operating profit, we basically set a “certain amount of profit” at the time of bidding and then take on the work. If, in the course of construction, nature and other conditions prevent us from following the original design, we will discuss design changes. If the design change is successful in the form of replacing the content with particularly good ones, the profit will increase.

With regard to government construction projects, it is possible for the client to respond more flexibly to design changes in line with local conditions. Furthermore, we expect a slight increase in profits as a result of improved efficiency and responsiveness. Our works to date have shown that these improvements are reflected in our profits.

Therefore, while we expected a certain degree of success, we achieved an operating profit of 20.6 billion yen in the previous fiscal year as a result of various factors working on the positive side to a considerable extent. We do not necessarily expect to reach the same level in the future. Although we would like to aim for the same level, we are still in a situation where we cannot make a clear statement yet.

Recently, however, prospective orders for government projects have become established, so we can expect changes in profits to some extent during the year. As the term progresses, we believe it will be necessary to make revised announcements that take these factors into account.

#### **Q&A Session: Defense-related targets as a percentage of net sales**

**Questioner:** Regarding the defense-related budget, there are optimization projects in the building construction business, and there are also various projects in the civil engineering business, too. As future initiatives for these projects, do you have any guidelines or targets, such as “how much of net sales should be derived from defense-related business”?

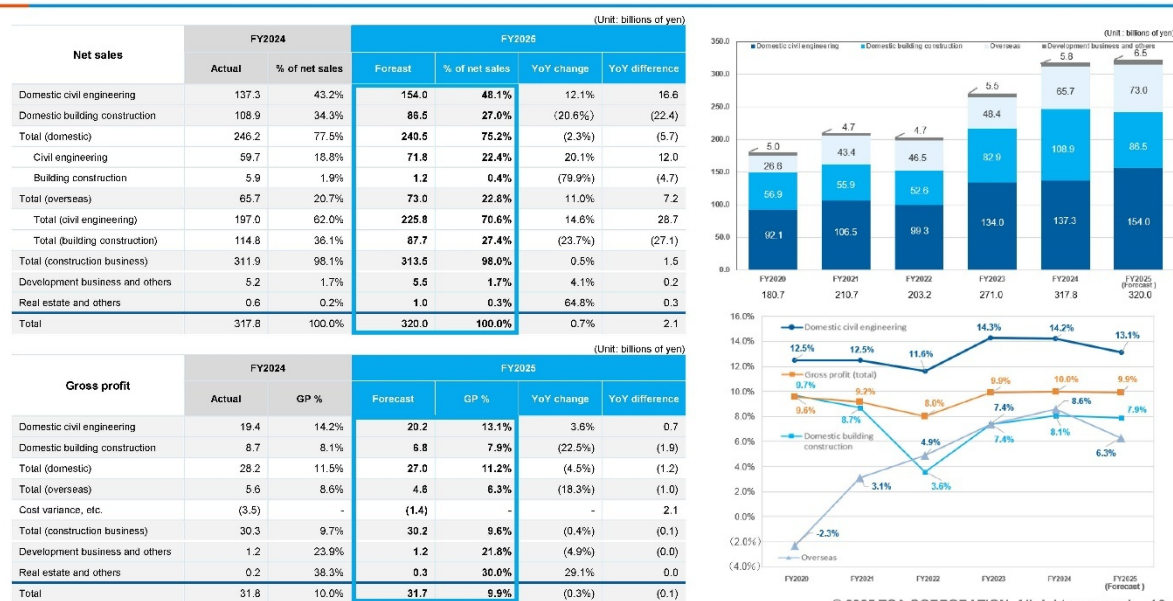
**Hayakawa:** As for the optimization project, we have already started; the first round did not result in an order, but we would like to select an area and work on the project based on the degree of our penetration in that area, our past works, the relationship with the members to form the JV, and local advantages.

At the beginning, the project will not be started immediately due to the design period, but the scale of the project is between 40.0 billion yen and 50.0 billion yen. The period of two years is quite tight, and realistically we expect it to take a little longer, about three to four years. Therefore, on average, we expect to record sales of about 10.0 billion yen per year in the year following the year in which the order is received.

This is an area that we have not worked on before, so we believe sales will increase, and the content of the project is similar to civil engineering work, even though it is primarily building construction. I imagine that sales will be recorded in a way that is a little more diversified between civil engineering and building construction.

## Q&A Session: Transition of profit margins in overseas businesses

### [Non-consolidated] Forecast of Net Sales and Gross Profit by Business



**Questioner:** I understand that you will be establishing local subsidiaries in your overseas business, and that you will be taking on projects not only those of ODA, but also those of local governments and local subsidiaries. In this context, what kind of image should we have regarding the transition of profit margin?

The slides also show the profit margins for each business, and Overseas has been maintaining a profit margin of around 6% recently. I would appreciate it if you could advise me on whether this margin will be maintained or if there is a risk of slight deterioration due to changes in the business mix.

**Hayakawa:** As for our overseas business, each of our overseas operations has an exceptionally long span of time. We have been focusing on Africa and Southeast Asia as well. I cannot give you extremely specific details, but each area has been seeing construction projects with a certain degree of high profitability for the past several years.

We need to secure some profit margin for future construction projects as well, but it is true that it is difficult to read the situation due to various fluctuations in world affairs and the impact of foreign exchange rates.

Under such circumstances, I think we must negotiate firmly with the government while avoiding risks, especially in Southeast Asia, where we have a track record of works. It is difficult to give specific figures, but we would like to keep in mind a certain level so that the profit margin will not get very bad even if it falls somewhat.

We would like to respond to this issue company-wide by assigning experienced personnel to back up negotiations for change from Japan, and in some cases, receiving support from outside organizations such as the OECD. We believe that, in this process, we must once again respond firmly in order to remain profitable.

## Q&A Session: Target operating profit for fiscal 2030

### Progress of Integration of Business and Human Resource strategies

Improve ROE

Create Value, Build the Future  
TOA CORPORATION

- ✓ Acquisition of human resources steady progress beyond the plan.
- ✓ Steadily increase operating profit by enhancing construction capacity while further improving the quantity and quality of human resources.
- ✓ The target operating profit for FY2030, announced in March 2023, is 13.5 billion yen, but we are aiming for further improvement.

#### ■ Net sales, operating profit, and consolidated number of employees



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**Questioner:** In the “Action Plan to Improve Price-to-Book Ratio 2025,” there is a statement that “the target operating profit for FY2030 is 13.5 billion yen, but we are aiming for further improvement.” You mentioned that the details will be disclosed in the next medium-term management plan, but what is the assumed range and the direction of revision at this time?

**Nakao:** The operating profit forecast for 2030 was created based on our current medium-term management plan. At the time it was formulated, we were in a difficult situation with a slight drop in profit levels, but since then our business environment has changed for the better, and we have already exceeded the net sales and operating profit levels we had targeted for 2030.

On the other hand, we honestly believe that we will be discussing what figures to aim for five years from now, in 2030 or even further into the future. However, we believe that this growth trajectory is particularly important and that we must aim to improve PER and corporate value to meet the expectations of our investors.

The graph on the slide shows a slightly jumped up arrow. We are planning to set future goals along with what measures should be taken to move in this direction.

I cannot answer the specific monetary level at this time, but as a stage to begin discussions, we would like to aim for a higher goal.

## **Q&A Session: The Impact of U.S. Tariff Policies**

**Questioner:** How will you be affected by the tariff policy of the U.S. in the future? What is your outlook at this time?

**Nakao:** Since we are not engaged in construction business in the U.S., we are unlikely to be directly affected. However, it is assumed that client companies will lose sales and profit levels due to U.S. tariff policies.

At present, however, we do not expect any specific construction inquiries or plans to be cancelled. Therefore, we have not specifically factored this into our business forecast. We will continue to monitor future developments and, if necessary, will incorporate them into our plans.

**Hayakawa:** To add a few comments, we are currently in the midst of ongoing discussions with our clients. We've also heard encouraging remarks such as "Japanese corporations have deep underlying strength," and we intend to stay focused and committed, without letting up, as we move forward with confidence.