



Key Q&A from the Results Briefing for the Six Months Ended September 30, 2025

Date & Time: Tuesday, November 18, 2025, 9:00am – 9:45am

Speakers: Seisuke Otani, President and Representative Director
Toshihiro Yamazaki, Group General Manager of Corporate Administration Group
Kaname Miwa, Corporate Officer

1. Profit Margins in the Architectural Construction Business

Q: What were the key factors behind the improvement in profit margins for the domestic architectural construction business in the first half, and is there further room for improvement in the second half and beyond?

A: The profit margin for our domestic architectural construction business improved significantly to 14.3% in the FY2025 interim period, compared to 10.7% for the previous fiscal year, an increase of 3.6 percentage points. This improvement is attributed to effective measures taken against persistently high construction material prices and rising labor costs, as well as the results of selective order-taking. By incorporating inflation escalation clauses into contract terms and enhancing the accuracy of cost estimates, we have been able to mitigate the risks associated with price increases. Furthermore, the robust order environment has enabled us to pursue selective orders that contribute to profitability and enhance our brand value.

Looking ahead to the second half and beyond, we aim to further improve profit margins by continuing our inflation countermeasures and selective order-taking, while also pursuing additional and design-change work. We will also work to recover profitability in projects for which we have recorded provisions for loss on construction contracts.

As for the order volume, we are currently exercising a degree of restraint, taking into account the balance between the volume of carried-over and new orders and our construction resources. We will continue to implement initiatives to achieve the performance targets outlined in our Medium-Term Management Plan 2027.

Q: The profit margin for the domestic architectural construction business was 14.3% in the first half, yet the full-year forecast is 12.7%. What accounts for this decline? Is it due to the inclusion of less profitable projects in future, or is the forecast simply conservative?

A: Some of the large-scale projects among our carried-over and newly awarded contracts are not necessarily highly profitable, which is expected to weigh on overall margins. At the same time, we are not currently assuming that upcoming new orders will significantly boost profitability.

That said, the profit margin targets outlined in our Medium-Term Management Plan 2027 are based on the assumption that new, more profitable projects will emerge, and we believe those targets remain achievable on that basis.

Q: What are the factors behind the decline in profit margins for the civil engineering business in the first half, and is there potential for significant improvement in the second half or next fiscal year?

A: The profit margin for the civil engineering business is in line with our initial plan. For the current

fiscal year, we had anticipated a period of limited progress on a certain highly profitable large-scale project. As such, the decline in both revenue and profit margin compared to the previous year was incorporated into our original projections. Looking ahead to the next fiscal year, we are actively negotiating with the client to accelerate progress on this project, and we expect profit margins to recover accordingly.

Additionally, a large-scale overseas project that was originally scheduled to be recorded as an order in this fiscal year has been deferred to the next. From FY2027 onward, we also anticipate receiving construction orders for bottom-mounted offshore wind power facilities as part of our renewable energy and offshore wind power generation initiatives. Taking all of these factors into account, we expect profit margins in the civil engineering business, both domestic and overseas, to improve from the next fiscal year onward. We remain confident in achieving the net sales target of ¥150 billion and operating profit of ¥9 billion outlined in our Medium-Term Management Plan 2027.

2. Real Estate Development Business

Q: In the real estate development area of the investment and development business, has the sale of the U.S. property, which was originally scheduled for the previous fiscal year but was deferred, been completed? Additionally, is there any expected negative impact on performance from the next fiscal year onward due to this transaction, and are there other projects in place to offset that impact?

A: The U.S. property held by our U.S. subsidiary was sold as scheduled. While there are currently no specific new investment projects utilizing the proceeds from the sale, the subsidiary has announced its participation in a construction project for logistics-related facilities in Colorado, USA (announced on August 26, 2024: “Participation in Real Estate Development Project in Colorado, USA”). Should new investment opportunities arise, we intend to pursue them under a circular investment model, reinvesting and recovering capital accordingly.

Q: Regarding overseas real estate development in the next fiscal year, will it enter the investment phase, and is it correct to assume that there will be no large-scale property sales compared to the current fiscal year?

A: No large-scale sales are planned at this time.

Q: What are the sales plans and associated costs for domestic real estate development under the investment and development business in the next fiscal year?

A: In domestic real estate development, we will continue property sales in accordance with the private REIT portfolio-building policy of the Toda Corporation Private REIT Investment Corporation (see page 40 of the reference materials), while continuing to acquire new properties. A specific new investment project includes the demolition and redevelopment of the former Tokyo Kensetsukaikan in Hatchobori, Chuo Ward. We will continue committed to advancing a circular investment model.

3. Shareholder Returns

Q: In light of the upward revision to earnings forecasts, will shareholder returns remain unchanged? Is there a possibility of revising shareholder returns going forward?

A: As outlined in the Medium-Term Management Plan 2027, we continue to uphold our dividend policy of maintaining a DOE (Dividend on Equity) of 3.5% or higher and a total return ratio of approximately 70% (see page 24 of the reference materials). While we considered revising shareholder returns during this interim period, no changes have been made. However, depending on the full-year financial results, adjustments may be considered as appropriate. We remain committed to our shareholder return policy of maintaining a DOE of 3.5% or higher and a total return ratio of approximately 70%.

4. Sale of Cross-Shareholdings

Q: Regarding the policy to sell over ¥50 billion of cross-shareholdings by the end of FY2027, does this imply a commitment to exceed ¥50 billion? Also, based on negotiations with investee companies, is there potential to accelerate the pace of sales?

A: We recognize that the ratio of cross-shareholdings to net assets is excessive and are actively pursuing divestments. Given the current strength of the equity market, our policy to sell over ¥50 billion allows for the possibility of exceeding that amount. At the time of formulating the Medium-Term Management Plan 2027, it was difficult to foresee such strong market conditions. Going forward, we will continue to monitor the equity market closely and remain committed to our pledge to divest over ¥50 billion in cross-shareholdings.