

Company name: TOA CORPORATION
 (Securities code: 1885; TSE Prime Market and SSE)

Introduced in “Case Studies of Companies’ Initiatives Toward Issue Resolution” Compiled by Tokyo Stock Exchange

TOA CORPORATION was introduced in " Case Studies of Companies' Initiatives Toward Issue Resolution" related to " Management That is Conscious of Cost of Capital and Stock Price" released by Tokyo Stock Exchange on December 26, 2025.

P13-P16 “Case #4 TOA CORPORATION (1885)”

Case #4: TOA CORPORATION (1885)

(1) Change in Mindset **(3) Capital Policy** **(4) Information Disclosure**

A “growth story” co-written with investors
 The company won the confidence and support of investors through the transparency and flexibility of its cash allocations

TOA CORPORATION
<https://www.toa-const.co.jp/eng/>

Est.: 1908
 Mkt.: Prime (1885)
 Industry: Construction
 Sub-Index: TOPIX Small
 No. of Employees: 1,772 (Parent)
 (As of Mar. 31, 2025)

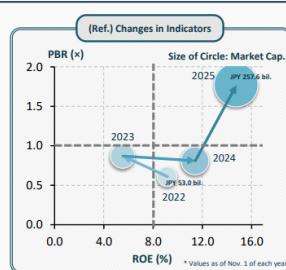
Background

Following its recovery from a crisis, the company's next problem became assuring investors of its growth potential

As the company gradually recovered from past scandals and aimed for a higher stock price level, it gained insights through dialogue with multiple investors and made the recovery of its earnings per share (EPS) its top priority and promoted share buybacks and other initiatives. Later, as its EPS slowly recovered, it began to receive an increase in feedback from investors regarding its PER and IR. So, the company announced its medium-term management plan in Mar. 2023 and, in May 2023, published an action plan for improving its PBR, taking into account TSE's request regarding “Management That is Conscious of Cost of Capital and Stock Price.”

Afterwards, as its stock price rose, and its PBR recovered to around 1x, a growing number of investors began to demand the disclosure of the company's goals over the medium- to long-term and of a clear growth strategy. So, in order to assure investors of its growth potential, it gathered investor feedback and began to update its action plan.

(Ref.) Changes in Indicators



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Initiatives

Through the market's reaction, the importance of dialogue was recognized, and the company began to beef up its IR system

Through the process of formulating its 2023 medium-term management plan and action plan and the market's reaction following their disclosure, the company keenly recognized that, in order to work on improving its corporate value while receiving the support of its shareholders and investors, it would be crucial to actually use investor feedback in the company's management and not merely discuss goals and initiatives internally.

So, the company decided to beef up its IR system. Through the hiring of experienced IR staff to share their technical know-how, participation at TSE-hosted study groups, and an increase in younger staff, the IR system was enhanced in terms of both quality and manpower.

In addition, a system was devised to regularly provide the company's executives and board of directors with feedback on key investor opinions obtained through IR and to incorporate such feedback into later management decisions and disclosures.

The company began to revise its action plan in order to meet investors' changing expectations

As the company actively expanded its IR activities, and its ROE, PBR, and other indicators improved, it recognized a shift in investors' interest/expectations toward its medium- to long-term growth. (<-> When its ROE and PBR were floundering, investors' interest was concentrated on its short-term earnings and shareholder returns.)

In addition, following earnings improvements that significantly exceeded what had been estimated at the time of the medium- to long-term management plan's formulation, a growing number of investors also became interested in the company's use of cash toward enhancing its corporate value.

Amid such investors' expectations and balance sheet changes, the management committee believed that it had not given investors a fully satisfactory explanation of the company's medium- to long-term growth strategy and the capital policy for its achievement in the company's 2023 action plan, so it began to consider the action plan's revision.

[Changes in the Questions Received from Investors]

Period of Flagging ROE & PBR

After Improvements in ROE & PBR

Increase in Questions Probing into Drivers of the Company's Future Growth and Room for Improving Its Profitability

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Initiatives

Through a flexible update that took investors' perspectives into account, the company gained their support

In order to incorporate investors' perspectives into the management committee's discussions, investor feedback as well as analyses of various indicators and the company's market value were presented as materials for consideration. After brainstorming the company's current issues, management held a series of discussions about the update's direction.

Corporate Rep's Remarks

Through our day-to-day IR activities, we learned that investors also recognized the importance of investing in "human capital" for our company's growth. In addition, since we regularly communicated with the related departments within the company as we held discussions on the balance sheet and growth investments after the formulation of our medium-term management plan, we were able to flexibly revise our cash allocation in response to current environmental changes.

[Updates That Took Investors' Perspectives into Account]

Current Issues

- The company is afraid that its capital efficiency will go down because its net assets grew beyond its expectations
- Investors may not know about the company's initiatives and growth potential or may assess the company poorly because even though it met its targets, its PBR and other indicators did not go up as much as expected

Investor Feedback

- The company should indicate an awareness of its cost of capital and how the cost of capital relates to the company's target ROE
- The company should indicate its cash use and how it will proceed on selling its cross-shareholdings

Updated Policy

- Clearly express a commitment to a level of ROE that stably exceeds the cost of shareholders' equity
- In order to achieve medium- to long-term growth, prioritize the allocation of management resources not only on shareholder returns but also on growth investments centered around "human resource development" and "the expansion of business fields."
- In order to gain investor confidence in the company's future initiatives, including its growth investments, present a clear policy on cash allocations
- Flexibly update the company's initiatives and disclosures without waiting until the end of the current medium-term management plan

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Initiatives

[The Company Clearly Expressed its Commitment to a Level of ROE That Stably Exceeded the Cost of Shareholders' Equity]

Assessment of current situation

Amid the favorable management environment, despite continuously achieving an ROE of 10% or more, which remains significantly higher than the cost of shareholders' equity as recognized by the Company (approx. 7%), 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 PBR through sustained profit growth and dialogue with the market.

ROE trend

ROE trend

ROE: 8.5% → 10.4% → 11.4% → 12.4% → 13.4% → 14.4%
Cost of Shareholders' Equity: 7%

Initiatives

- Steadily increase operating profit while enhancing the quantity and quality of capital efficiency
- Review the balance sheet and improve capital efficiency
- Stabilize the cost of shareholders' equity to improve PBR
- Further strengthen IR activities

[The Company Presented a Revised Policy on Cash Allocations That Took the Recent Situation into Account]

Review of the balance sheet, Review of cash flow allocation

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.

Cash flow allocation (planned for FY2026-FY2028)

Cash flow allocation (planned for FY2026-FY2028)

Operating profit → Investment plan → Shareholder returns → Cash balance

Source: TOA CORPORATION "Action Plan to Improve Price-to-Book Ratio 2025"

Results

- By clearly presenting its growth story and cash allocation policy, the company gained investor confidence in its initiatives and growth potential, and its market value improved
- The quality of its dialogue with investors improved, and there were increases in more constructive improvement proposals and in suggestions for future growth

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Also, TOA CORPORATION is continuously introduced in the third edition of "2025 Case Studies (Prime Market)" updated on the same date as Case 13.

We will continue to strive to enhance our corporate value through constructive dialogue with our stakeholders.

Reference

TSE Publishes "Case Studies of Companies' Initiatives Toward Issue Resolution" Related to Management That is Conscious of Cost of Capital and Stock Price (Tokyo Stock Exchange, Inc.)

URL: <https://www.jpx.co.jp/english/news/1020/20251226-01.html>

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