

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.



June 19, 2023

Company: TODA CORPORATION

Representative: Seisuke Otani, President and Representative Director

(Securities Code: 1860 TSE Prime Market)

Contact: Kaname Miwa, Corporate Officer, General Manager, Financial & IR Div.

(Phone: 03-3535-1357)

TODA CORPORATION's Views on the ISS Report

TODA CORPORATION (the "Company") obtained information that Institutional Shareholder Services Inc. ("ISS"), a proxy voting advisory firm, has issued a report (the "ISS Report") recommending approval or disapproval of the proposals for the 100th Annual General Meeting of Shareholders of the Company to be held on June 29, 2023. The Company presents its views on the ISS Report as set out below.

We invite our shareholders to kindly review the Notice of Convocation for the Annual General Meeting of Shareholders together with our views and ask for understanding regarding the proposals.

1. Proposal No. 3 "Election of Seven (7) Directors"

Recommendation by ISS

ISS recommends a vote against a company's top executive if the company allocates 20% or more of its net assets to cross-shareholdings. Failing to meet the ISS threshold, ISS recommends a vote against the election of Masanori Imai, Chairperson and Representative Director, and a vote against Seisuke Otani, President and Representative Director, as top management is responsible for the company's capital misallocation.

The Company's Views

The Company's policy on cross-shareholdings:

Our basic policy is to reduce the balance of such holdings to mitigate risks of owning cross-shareholdings and improve capital efficiency. If we find no reasonableness in

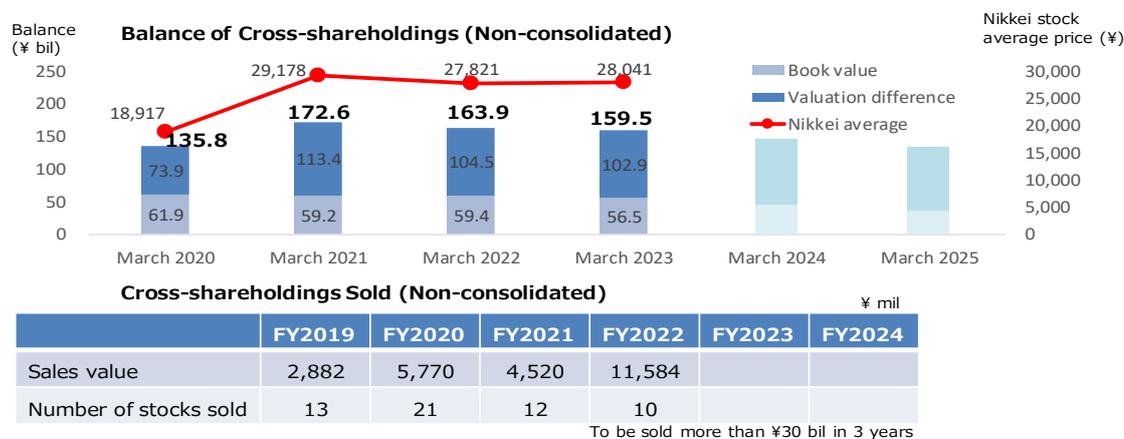
continuing to hold shares of a specific issue after verifying the meaning and economic rationality, we engage in sufficient dialogue with our partner company before proceeding with any sale.

Under the “Medium-Term Management Plan - 2024 Rolling Plan” (announced in May 2022, the “Medium-Term Management Plan”) from the perspective of securing financial resources for investments in growth while maintaining capital efficiency and financial soundness, it is our policy to sell at least ¥30 billion (market value basis) of cross-shareholdings over the three-year period from FY2022 to FY2024. Based on this policy, the Company sold 12 stocks with approximately ¥4.5 billion in FY2021, while we sold 10 stocks with approximately ¥11.6 billion in FY2022, significantly increasing the amount sold and accelerating the reduction. As a result, the ratio of cross-shareholdings to net assets declined from 51.4% as of March 31, 2022 to 49.4% as of March 31, 2023.

As described above, the Company has been steadily reducing such holdings in accordance with its policy on cross-shareholdings, giving due consideration to the appropriate allocation of capital.

Masanori Imai and Seisuke Otani, who are recommended against election by ISS, have served as Chairperson and Representative Director and President and Representative Director, respectively, and are indispensable in the continued and strong promotion of business portfolio reform through strengthening the competitiveness of the construction business and growth investments to build a new revenue base. The Company nominates them as candidates for the Board of Directors because it expects them to continue to contribute to the sustainable growth of the Group and the enhancement of the corporate value. Each candidate has been reviewed and evaluated by the Personnel and Compensation Committee (chaired by an outside director), which consists of four (4) outside directors and one (1) inside director. Please refer to the Notice of Convocation for the Annual General Meeting of Shareholders for the reasons for nomination of each director candidate and the skills of the Company's directors who will assume office after the Annual General Meeting of Shareholders.

[Reference]



2. Proposal No. 5 “Partial Amendments to and Continuation of Policy Regarding a Large-Scale Purchase of the Company’s Shares and Other Securities (Takeover Defense Measure)”

Recommendation by ISS

ISS recommends a vote against Proposal No. 5 on the grounds that the total duration of the Policy Regarding a Large-Scale Purchase of the Company's Shares and Other Securities (Takeover Defense Measures, the “Plan”) exceeds three (3) years and that the Company has management-friendly shareholders (the Company has other types of takeover defense).

The Company’s Views

- (i) The reasonableness of the total duration:

ISS limits the total duration from the time of its initial introduction of a takeover defense plan to no more than three (3) years, but the Company does not see any rationality in limiting the total duration to three (3) years.

The Plan stipulates that the effective period is three (3) years, and that every three (3) years, after considering the risk of abusive takeovers, the existence of the need for a takeover defense measure is confirmed and approved at a General Meeting of Shareholders, and that the shareholders’ intention is to be confirmed when actually implementing countermeasures. The Company, therefore, believes that the total duration of a takeover defense measure should not be an issue.

In the current stock market, we understand that there are cases in which shareholders do not always have sufficient information and consideration period to determine the appropriateness of a takeover, such as a share acquisition in a short period of time in an in-market purchase that is not subject to tender offer regulations. The situation may not change after three (3) years have passed since the introduction of the Plan, and we

believe that it is still necessary to establish a transparent framework for the transfer of control of the Company.

With respect to ensuring sufficient information and consideration period as stated above, the draft guideline presented by the “Fair Acquisition Study Group” of the Ministry of Economy, Trade and Industry (released on April 28, 2023) states that “although the information disclosure requirements under the tender offer system do not apply when a purchaser makes an in-market purchase, in a situation where a purchaser acquires control of a company through an in-market purchase within a short period of time, it is desirable to provide the same level of information as that contained in the Tender Offer Notification, such as the purpose of the purchase, the number of shares to be purchased, a summary of the purchaser, the basic management policy after the acquisition, and other important items, to the capital market and the target company in a voluntary manner so that shareholders can make a decision whether to accept the purchase after understanding the impact of the purchase on the corporate value of the target company”.

- (ii) The existence of major shareholders friendly to the Company’s management (the Company has other types of takeover defense):

The Company's largest shareholder, Daiichi Shokusan, and the founding family related shareholders together hold approximately 26% of the Company's shares. It is not certain whether the founding family related shareholders will continue to hold the Company's shares, and the Company recognizes the possibility that their shareholding ratio may decrease in the future. Therefore, we do not believe that the Company falls under the category of "having other types of takeover defense" as pointed out by ISS.

- (iii) Supplementary information on the necessity of the Plan and the amendments made in submitting the proposal:

Under these circumstances, the Company believes that in the event of a large-scale purchase that may damage our corporate value and the common interests of our shareholders, it may be difficult in some cases to take appropriate measures to ensure sufficient information and consideration period for our shareholders to determine the appropriateness of the acquisition, and we recognize that the continuation of the Plan is necessary from the perspective of enhancing corporate value.

In submitting the proposal for the continuation of the Plan, in addition to the majority of directors being independent outside directors at last year's Annual General Meeting of Shareholders, as a mechanism to eliminate arbitrary operation by the management,

the Company has made amendments to the Plan such as confirmation of shareholders' intention at a General Meeting of Shareholders is, in principle, mandatory when implementing countermeasures, setting the maximum period for the provision of information, and changing the composition of the Independent Committee members (from the current three (3) members to a five (5) member committee consisting of four (4) outside directors and one (1) outside corporate audit & supervisory board member).

3. Proposal No. 6 “Acquisition of Treasury Stock”, a shareholder proposal

Recommendation by ISS

ISS recommends a vote for the shareholder proposal for acquisition of treasury stock, on the grounds that the authorization would not bind the Company to actually repurchase any shares and the vote is rather symbolic and can be used as a tool to raise concern over capital efficiency.

The Company’s Views

In the Company’s growth and financial strategies, we recognize the importance of securing funds for proactive investments for sustainable growth, which we are implementing based on our Medium-Term Management Plan, and maintaining financial soundness as the foundation for long-term development.

If the shareholder proposal were to be implemented, it would not only hinder the execution of proactive growth investment, which is the core of the Medium-Term Management Plan, but would also lead to damage to the financial stability of the Company, and as a result, would be detrimental to the medium- to long-term interests of shareholders.

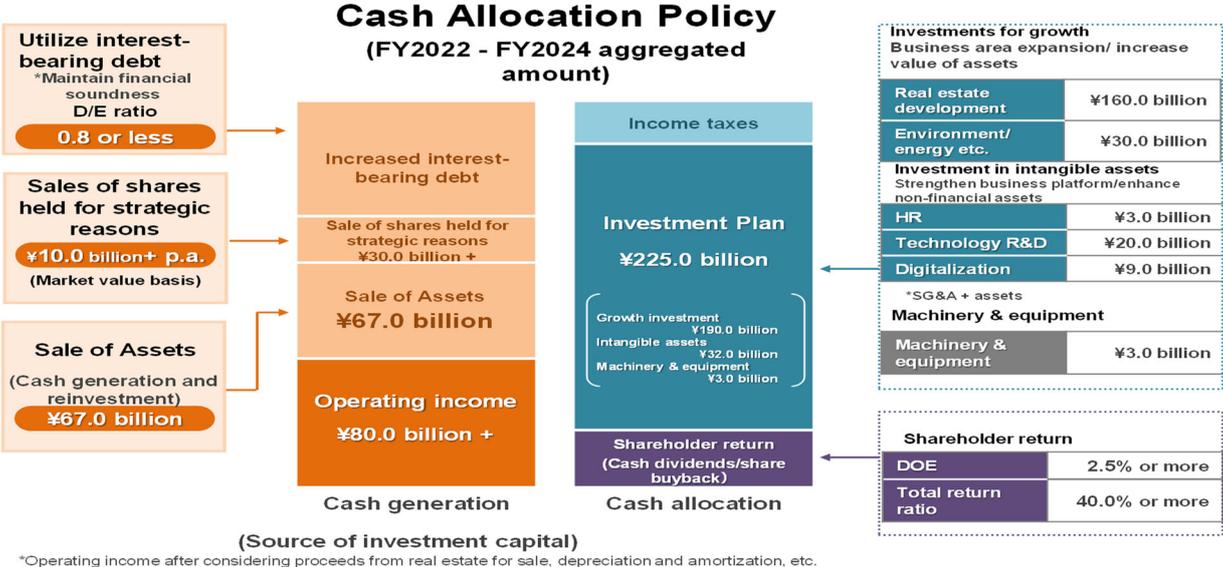
The Company is proceeding with a business portfolio reform, which involves strengthening its core construction business and investing in growth areas such as the new TODA BUILDING, overseas business, and floating offshore wind power generation business. We aim to achieve our profitability target of ROE of 8% or more and improve P/B ratio by prioritizing the use of retained earnings for investments in growth and by continuing to emphasize capital efficiency through measures such as verifying that return on invested capital (ROIC) for each business segment exceeds the cost of capital.

With respect to shareholder returns, the Company’s Medium-Term Management Plan calls for “DOE (dividend on equity) of 2.5% or more, with a total return ratio of 40% or more”, while paying attention to securing funds for proactive investments and to maintaining

financial soundness as the foundation for long-term development. The Company is committed to actively return profits to shareholders and we believe that the acquisition of treasury stock should be implemented flexibly at appropriate timings and scale. We view that the shareholder proposal to initiate a large scale repurchase program of approximately ¥21.6 billion in one year will hinder the execution of the growth strategy based on the Medium-Term Management Plan and will not contribute to the enhancement of corporate value over the medium- to long-term. The Company concludes that the shareholder proposal is inappropriate in light of our shareholder return policy.

[Reference]

Investment Plan and Capital Allocation



END