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May 15, 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)

## **Notice Concerning Opinion of the Company's Board of Directors on Shareholder Proposal**

TODA CORPORATION (the "Company") has received a shareholder's proposal dated April 18, 2023 (the "Shareholder's Proposal") from the Company's shareholder, LONGCHAMP SICAV (Dalton Investments Inc as a proxy), as an agenda item for the 100th Ordinary General Meeting of Shareholders to be held on June 29, 2023. The Company hereby announces that it resolved in its Board of Directors' Meeting held today that it opposes the Shareholder's Proposal.

1. Proposing Shareholder: LONGCHAMP SICAV (Dalton Investments Inc as a proxy)
2. Content of and reason for the Shareholder's Proposal
  - (1) Agenda item  
Acquisition of Treasury Stock
  - (2) Outline of the proposal  
Please refer to the Attachment. Please note that the Attachment presents the relevant portions of the Shareholder's Proposal letter submitted by the Proposing Shareholder in their original form and wording (in Japanese).
3. Opinion of the Board of Directors concerning the Shareholder's Proposal
  - (1) Acquisition of Treasury Stock
    - ① Opinion of the Board of Directors of the Company  
The Board of Directors of the Company opposes the Shareholder's Proposal.
    - ② Reasons for opposition  
To achieve medium- to long-term growth, the Company is proceeding with a business portfolio reform, which involves strengthening our core construction business, investing in

growth areas such as the new TODA BUILDING, overseas business, and floating offshore wind power generation business. The Company plans to prioritize allocating retained earnings towards growth investments. In the “Medium-Term Management Plan 2024 Rolling Plan” (the “Medium-Term Management Plan”) announced on May 17, 2022, the Company has planned to invest ¥225 billion over the three years from FY2022 to FY2024, with a focus on growth investments. While maintaining financial stability as a foundation for long-term development and securing active investment funds for sustainable growth, the Company is moving forward with investments that contribute to the enhancement of corporate value.

Individual investment projects are evaluated based on the internally set hurdle rate and internal rate of return (IRR), taking into account the risks involved, to determine the merits of the investments. Furthermore, in order to improve the efficiency of company-wide investments, the Company verifies whether the return on invested capital (ROIC) for each business segment exceeds its financing cost (WACC). In addition, in financing investments for growth, the Company seeks to generate cash through the sales of policy shareholdings and the sales of real estate holdings (including sales to private placement funds and private REITs).

Continuation of such capital efficiency-oriented management will ensure the Company’s profitability target of ROE of 8% or more and enhance our corporate value. The Company believes that developing businesses that are trusted and expected by our stakeholders will lead to higher P/B ratio.

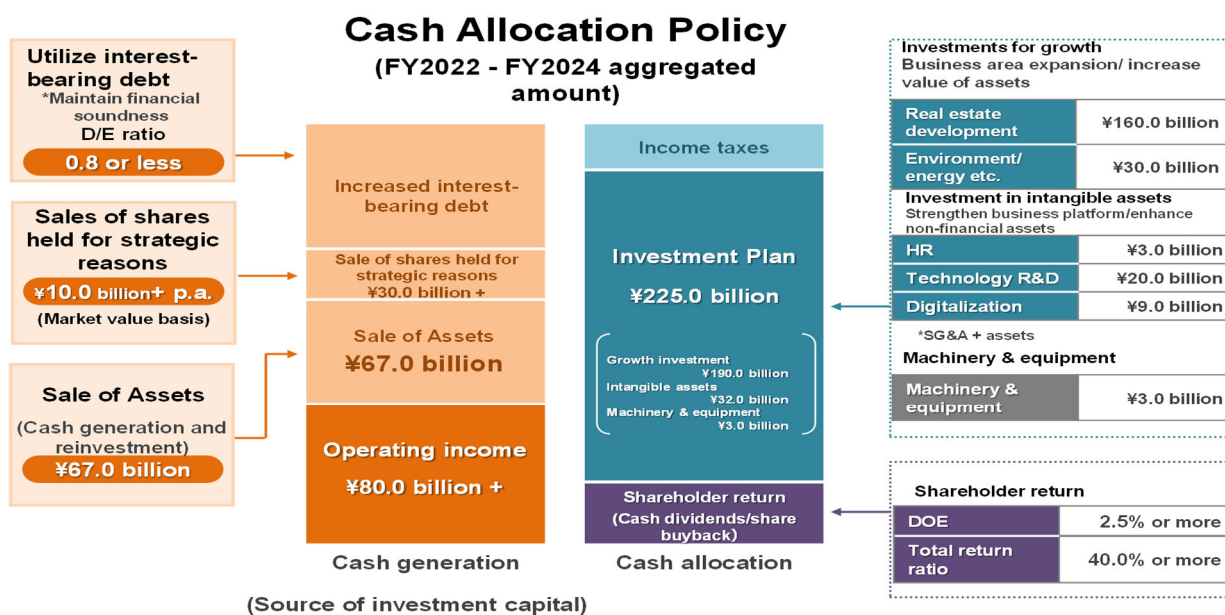
Regarding shareholder returns, the Company's basic policy is to implement a continuous and stable dividend payment to our valued shareholders in line with business performance and the business environment. In the Medium-Term Management Plan, the Company has set “DOE (dividend on equity) of 2.5% or more, with a total return ratio of 40% or more” as our shareholder return policy. As for the acquisition of treasury stock, the Company will flexibly implement it at appropriate timings and scale, taking into account investment needs, financial strength, business performance, stock price, and other factors comprehensively.

On the other hand, if the Shareholder Proposal is implemented, it will undermine the financial resources for investment in growth and stall the Company's medium- to long-term growth and improvement in corporate value. The Company also recognizes that it will result in a loss of financial stability and, as a consequence, will impair the medium- to long-term interests of our shareholders. Furthermore, considering the need for flexible funding for strategic initiatives, M&A, and other growth investments, in addition to funding for core businesses, the Company believes that our current cash level is appropriate. Therefore, the Company considers it inappropriate for us to conduct the acquisition of treasury stock on the scale of the Shareholder’s Proposal within one year, as it would not facilitate smooth execution of growth investments.

For these reasons, the Board of Directors of the Company opposes the Shareholder’s Proposal.

END

## Investment Plan and Capital Allocation



\*Operating income after considering proceeds from real estate for sale, depreciation and amortization, etc.

## Attachment: Outline of the Shareholder's Proposal

※Please note that the relevant portions of the Shareholder's Proposal letter submitted by the Proposing Shareholder are presented in their original form and wording (in Japanese).

### 1. Proposed Agenda

#### 1. Acquisition of Treasury Stock

### 2. Outline of the Agenda and Reason for the Proposal

#### 1. Acquisition of Treasury Stock

#### (1) Outline of the Agenda

Pursuant to Article 156, Paragraph 1 of the Companies Act, the Company shall acquire up to 30,822,000 shares of its common stock at a total acquisition price of 21,575,400,000 yen by means of cash payment within one year from the conclusion of the Ordinary General Meeting of Shareholders.

#### (2) Reason for the Proposal

The Board of Directors of the Company resolved on April 28, 2017 to repurchase up to 3,000,000 shares, representing 0.98% of the total number of shares issued and outstanding (excluding treasury stock), for the period from June 29, 2017 to March 31, 2018, for a total maximum acquisition cost of 2.5 billion yen, and at the 99th Ordinary General Meeting of Shareholders held on June 8, 2022, the Company set a target of 2.5% or more in the ratio of dividends to net assets as well as 40% or more in the total return ratio. While the Company's implementation of measures to increase shareholder returns and improve capital efficiency is appreciated, the stock price remains less than P/B ratio 1, lower than the book value of net assets, which means that the stock price is valued by the stock market lower than the liquidation value. Therefore, in order to improve the situation where P/B ratio below 1 and implement management that is conscious of stock price, and to further increase shareholder returns and improve capital efficiency, we believe that the required cash level should be presented in a form that is easy for investors to understand, and that measures should be adopted to continuously purchase treasury stock in an amount considered to exceed this level. As stated in the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" released by Tokyo Stock Exchange on March 31, 2023, the reason for the continuous underperformance of P/B ratio is thought to be that the Company "has not achieved profitability that exceeds its cost of capital", or that "the balance sheet does not effectively contribute to value creation" due to cross-shareholdings policy and real estate assets. In order to further increase shareholder returns and improve capital efficiency, we believe that the Company should adopt a policy of repurchasing approximately 10% of the total number of shares issued and outstanding (excluding treasury stock) as treasury stock.

END