May 24, 2023

Dear valued shareholders

Name of listed company: Toyo Construction Co., Ltd.
Representative: Kyoji Takezawa, President and Representative Director
(Code: 1890 Tokyo Stock Exchange Prime Market)
Contact for inquiries: Hisashi Tokimizu,
General Manager of Administration Dept., Business Administration Div.
TEL: 03-6361-5450

Notice Regarding Expression of Opinion (Opposition) Regarding the Application for a Tender Offer for Company Shares by Godo Kaisha Yamauchi-No. 10 Family Office (formerly Godo Kaisha Vpg) and Kabushiki Kaisha KITE

As was announced in the press release dated May 19, 2022, on May 18, 2022, the Company received from Godo Kaisha Yamauchi-No. 10 Family Office (formerly Godo Kaisha Vpg; "GK YFO") and Kabushiki Kaisha KITE (collectively with GK YFO, "GK YFO etc.") an application ("Application") to carry out a tender offer ("TOB") for the Company's ordinary shares ("Company Shares") having a per-share price of 1,000 yen for the Company Shares, subject to the precondition of support and recommendation to shareholders to tender shares by the Company's Board of Directors.

The Company's Board of Directors established the Special Committee on February 14, 2023 and has commissioned the Special Committee with a report regarding the consultation matters concerning the Application. Yesterday, the Company's Board of Directors received the report from the Special Committee. Based on that, on this day, **the Company's Board of Directors unanimously resolved to express an opinion of opposition to the Application, and the Company hereby gives notice of this**.

Please see section 3. (3) B. below for the contents and the summary of their reasons of the report that the Company's Board of Directors received from the Special Committee, and also see section 4. below for the reasons for the Company's Board of Director's opposition to the Application. The following is the contents of the report of the Special Committee and a summary of the reasons for the opposition to the Application by the Company's Board of Directors.

【The Contents of the Report of the Special Committee】

⇒ **The Application is not found to be reasonable or appropriate from the perspective of the medium-to-long-term corporate value of the Company and the interests of shareholders.**

【The reasons for the opposition to the Application by the Company's Board of Directors】

(1) **Implementing the Company's New Mid-Term Business Plan will maximize the Company's corporate value and the common interests of shareholders (more than the**

Application).

- ➢ The Company has formulated **a five-year New Mid-Term Business Plan** entitled the "Toyo Construction Group Mid-Term Business Plan (2023-2027)," **with the following numerical management targets**.

Sales	235.0 billion yen or more
Operating Income	15.0 billion yen or more
Annual Net Profit	9.0 billion yen or more
ROE	12.0% or more
D/E Ratio	Around 0.4
Shareholder Returns	The dividend ratio for the first year (FY2023) through third year (FY2025) of the plan will be 100% (minimum dividend:50 yen). From the fourth year (FY2026) onward, the Company will continue to proactively pay dividends with a target equity ratio of 40% (minimum dividend:50 yen)

- ✓ In light of a comparison with the range of the per-share value of Company Shares in the DCF analysis based on the financial projections on which the New Mid-Term Business Plan is based, the Company's Board of Directors has determined that the intrinsic value of the Company that can be realized by implementing the New Mid-Term Business Plan is relatively superior to the tender offer price of 1,000 yen
- ✓ The measures listed in the New Mid-Term Business Plan are measures that the Company, based on a deep understanding of its business and the construction industry, has determined to be fully feasible

⇒ The Company firmly believes that **implementing the Company's New Mid-Term Business Plan will maximize the Company's corporate value and the common interests of shareholders**.

(2) The tender offer price is insufficient, and the probability of the TOB is unclear

- ➢ **The tender offer price of 1,000 yen of the TOB does not reflect the intrinsic value of the Company**
  - ✓ Based on the Company Share price, which is thought to partly reflect expectations for enhancement in the Company's corporate value as a result of implementation of the New Mid-Term Business Plan, at the tender offer price of 1,000 yen, **the premium would be a mere 1.5 to 3.8%.**
- ➢ It is unclear whether YFO etc. has funds for purchase and the TOB cannot be deemed reliably feasible
  - ✓ No objective materials that corroborate the existence of YFO Group's assets have been provided, and the scale of the Group's assets and their liquidity have yet to be clarified

(3) Acquisition of the Company by YFO etc. is likely to significantly damage the corporate value of the Company

- ➢ It is obvious that **YFO etc.'s corporate value enhancement measures will not enhance**

the Company's corporate value.

- ✓ Many of the measures proposed by YFO etc. are based on a misunderstanding of the facts, and the Company already has addressed or currently is implementing a majority of those measures.
- ✓ The proposal of YFO etc. includes no specific or valid corporate value enhancement measures that take into consideration the conditions specific to the Company.

➢ The acquisition by YFO etc. will cause **the Company's business foundation to collapse**

⇒ The acquisition by YFO etc. is highly likely to have an **adverse impact on or a handicap to the Company's activities to win orders**

⇒ The acquisition by YFO etc. **has a negative impact on the Company's production organization and cost competitiveness.**

➢ If the Company is acquired by YFO etc., which is **suspected of violating laws and regulations** and **has repeatedly breached the agreement**, it is obvious that **the Company's corporate value will be damaged**.

➢ It is obvious that **the interest-bearing debt and loans to be incurred by the Company** as a result of the acquisition by YFO etc. could **have a material adverse effect on the Company's investment in growth**, which in turn **significantly damage the Company's corporate value.**

1. Specifics of the Opinion of the Company's Board of Directors

At the Board of Directors meeting held today, **the Company's Board of Directors resolved to express an opinion of opposition to the Application**.

2. Specifics of the Application etc.

(1) Specifics of the Application

With the objective of acquiring all Company Shares (excluding treasury shares), and subject to the fulfillment of the preconditions for commencement of the TOB set forth in (3) below, acquisition of all Company Shares through the TOB and the subsequent squeeze-out procedures.

(2) Main Conditions of the TOB

(i) Tender offer price: 1,000 yen per one ordinary share
(ii) Maximum number of shares planned to be purchased: none
(iii) Minimum number of shares planned to be purchased: shares representing two-thirds of the voting rights of issued and outstanding shares
(iv) Tender offer period: 30 business days (planned)

(3) Preconditions for Commencement of the TOB

That all of the following conditions are satisfied or, if (i) and/or (ii) below is not satisfied, that GK YFO etc. has waived the non-satisfied precondition (however, in their June 8, 2022 letter, YFO etc. promises that without the Company's prior consent, the precondition of (i) below will not be waived.).

(i) That a resolution of the Company's Board of Directors expressing an opinion in support of the TOB and recommending that shareholders tender their shares can be verified by GK YFO etc. through an announcement by the Company or a report by the Company (made in writing, orally, or otherwise); and

(ii) That no event has arisen at the Company that allows withdrawal of a tender offer as set forth in the proviso of Paragraph 1 of Article 27-11, of the Financial Instruments and Exchange Act (that in light of discussions with the Company or the content of documents disclosed by the Company, GK YFO etc. has determined that such an event has not arisen).

3. The Course of the Consideration of the Application

(1) System for Consideration by the Company's Board of Directors

On April 15, 2022, the Company received its first letter from Ippan Shadan Hojin Yamauchi-No. 10 Family Office ("ISH YFO"), which informed the Company that ISH YFO held Company Shares, through WK 1 Limited, WK 2 Limited, and WK 3 Limited (these three entities, collectively, "WK1-3"; ISH YFO, GK YFO etc., and WK1-3 are referred to collectively as "YFO etc."). Then, on April 22, 2022, the Company received from ISH YFO a letter that proposed a tender offer for Company Shares with the objective of taking the Company private ("Proposal"), and on May 18, 2022, the Company received the Application, which had the same conditions as the Proposal. Also on May 18, 2022, YFO etc. issued a press release relating to its plan to commence the TOB ("May 18, 2022 TOB Advance Notice Press Release").

The Company's Board of Directors, for the consideration of the Application, passed a resolution on July 26, 2022, delegating to the Company representative director and administration the authority to negotiate with YFO etc. regarding the Application.

Regarding outside advisors, in order to ensure a fair and appropriate decision-making process when considering the Application, the Company engaged Nishimura & Asahi, a third party independent from both the Company and YFO etc., as legal advisor and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., also a third party independent from both the Company and YFO etc., as financial advisor.

In this manner, **the Company's Board of Directors constructed an appropriate system for consideration of the Application, received in a timely manner** from the Company representative director and administration **materials provided by YFO etc. and briefings about discussions with YFO etc. and taking into account advice received from its advisors, has carried out consideration of the Application in a consistently appropriate manner**.

(2) State of Discussions with YFO etc. and Collection of Information Relating to the Application

After receiving the Proposal on April 22, 2022, the Company, by sending YFO etc. questions and holding meetings with YFO etc., asked YFO etc. questions regarding the basis for the calculation of the tender offer price in the Proposal (1,000 yen per share), the manner in which the purchase of Company Shares will be financed, and management policy, business plan, finance plan, funds plan, investment policy, capital policy, dividend policy, etc. following acquisition of Company Shares. On May 17, 2022, YFO etc. sent to the Company a document titled "Management Policy and Corporate Value Enhancement Measures for Toyo Construction (draft)" ("May 17 YFO Management Policy"). However, the answers by YFO etc. and the May 17 YFO Management Policy both **lacked specific measures having any superiority in regards to the individual business areas of the Company or the challenges the Company faced, nor did they have any quantitative analysis of the Company's corporate value**; thus, it was difficult for the Company to give sufficient consideration to the Application. For this reason, **on May 23, 2022, the Company asked YFO etc. to present the foregoing matters**, but YFO etc. indicated that in order to present these matters it would need to receive non-public information relating to the Company's business management and requested that the Company provide such information.

In light of the above request from YFO etc., and so that the Company and YFO etc. could provide each other information necessary and sufficient for mutual understanding, the Company executed non-disclosure agreement with YFO etc. dated August 26, 2022 ("NDA"). Between September 1 and October 6, 2022, **the Company administration held discussions with the YFO etc. administration continuously, including a total of nine meetings**, and moved forward with the presentation of the non-public information that YFO etc. requested from the Company. Subsequently, after repeated requests from YFO etc., between October 18 and December 5, 2022, the Company's President and Representative Director and the YFO etc. Representative Banjo Yamauchi ("Mr. Yamauchi") **held a total of five top-level meetings**. **The administration-level discussions were unilaterally cut off by Mr. Yamauchi** at the November 2, 2022 top-level meeting, and with this, **provision of information by the Company has been suspended**.

On January 10, 2023, **the Company's Board of Directors again passed a resolution to the effect that, with the presentation of the information that YFO etc. had requested, the Company requests that YFO etc. present measures for enhancing the Company's corporate value that includes more specific measures as well as a quantitative analysis concerning the Company's corporate value based on the same**, thus requesting that YFO etc. present the above corporate value enhancement measures and **quantitative** analysis (including, for each term in YFO etc.'s envisioned investment period, the projected (i) balance sheet, (ii) profit and loss statement, and (iii) cash flow statement reflecting procurement, repayment and recovery of funds for purchase, and investment such as capital investment and M&A with the investment plan and the financing). However, **YFO etc. never presented this information**.

Under these circumstances, the Company's Board of Directors attempted to implement to the greatest extent possible an analysis and evaluation of YFO etc.'s corporate value enhancement measures from a business perspective, but without the provision of the necessary information, it was not possible for the Company's Board of Directors to determine whether to support the Application. Meanwhile, given that notwithstanding repeated requests since May 23, 2022, YFO etc. had not provided the Company with the above information, **the Company's Board of Directors determined that** even though the consideration would be limited to the information received to such point in time from YFO etc., **moving forward with consideration of the Application based just on such information to the extent possible would contribute to securing and enhancing the Company's medium-to-long-term corporate value and the interests of shareholders**, and on February 14, 2023, **decided to move ahead with consideration of the Application to the extent possible**.

Please see **Exhibit 1** for details regarding the state of discussions with YFO etc. and collection of information relating to the Application.

(3) Consideration by the Special Committee

A. Establishment of the Special Committee

On February 14, 2023, in conjunction with the decision to move ahead with consideration of the Application to the extent possible, even though such consideration would be limited to the information received to such point in time from YFO etc., the Company's Board of Directors passed a **resolution establishing a Special Committee** for the purpose of eliminating any arbitrariness from the Company's decision-making concerning the Application and ensuring fairness, transparency, and objectivity in the decision-making process.

On that same day, the Company's Board of Directors also **passed a resolution making the following the consultation matters for the Special Committee**, commissioning the Special Committee with a report regarding such consultation matters, and **making its decision regarding the Application respecting the determination of the Special Committee**.

(i) To consider, evaluate, report or give an opinion on the reasonableness and appropriateness of the Application from the perspective of the Company's medium-to-long-term corporate value and the interests of shareholders. However, as regards the business-aspect evaluation of the corporate value enhancement measures of YFO etc. for the Company, because the Company operates a business with a high degree of specialization—a construction business that includes marine civil engineering—and any determination regarding that evaluation also requires a high degree of specialized knowledge and experience, the Special Committee will not directly make that evaluation, but the Company's Board of Directors will do so instead. The Special Committee will consider and evaluate the reasonableness and appropriateness of such evaluation by the Company's Board of Directors from the perspective of the medium-to-long-term corporate value of the Company and the interests of shareholders.

(ii) To consider, evaluate, and report or give opinion on matters in addition to the foregoing that the Company's Board of Directors submits to the Special Committee for consultation.

The Special Committee is composed of Mr. Yoshio Fukuda, Mr. Yutaka Yoshida, and Mr. Yasuyuki Fujitani, the independent outside directors properly appointed at the Company's General Meeting of Shareholders held in June 2022, and Mr. Tsuyoshi Nishimoto (an attorney with Hibiya Park Law Offices), an outside expert independent from the Company, and **is appropriately and sufficiently constituted for eliminating any arbitrariness from the Company's decision-making concerning the Application and ensuring fairness, transparency, and objectivity in the decision-making process**.

The Special Committee selected on Plutus Consulting Co., Ltd. ("Plutus") as its own financial advisor.

B. Consideration and Report by the Special Committee

With the above consultation matters referred by the Company's Board of Directors, the Special Committee has met 21 times, holding deliberations regarding the above consultation matters.

The Special Committee has held question and answer sessions and interviews with the Company regarding the Company's businesses, business environment, and business plan, in light of the proposal from YFO etc.

In addition, the Special Committee sent YFO etc. questions on March 6, 2023 and additional questions relating to state of preparations of the funds for purchase on March 23, 2023 but because the Special Committee received no reply from YFO etc. to the additional questions, on April 6, 2023, the Special Committee made public announcement of the additional questions. In response to this, on April 14, 2023, YFO etc. publicly announced that they did not plan to engage in consideration and discussion of the Application with the Company's Board of Directors or the Special Committee, and, as information disclosure directed to the Company's shareholders, disclosed information regarding YFO etc.'s financial strength including YFO etc.'s assets. The

Special Committee regarded YFO etc.'s disclosures to be replies to the additional questions and moved forward with the consideration and evaluation of the Application.

Further, the Special Committee received from Plutus reports regarding the method and results of the calculation of the equity value of the Company Shares, and asked questions and received answers regarding these.

Additionally, the Special Committee asked INFRONEER Holdings Co., Ltd. ("INFRONEER") questions in writing regarding the continuation of the transactional relationship and cooperative relationship based on the business alliance that the Company enjoys with Maeda Corporation ("Maeda") in the event that the Company is delisted by YFO etc. In the reply letter that INFRONEER submitted to the Special Committee, INFRONEER replied, "If the capital relationship between INFRONEER and Toyo Construction is ended, to both INFRONEER and Maeda, Toyo Construction will no longer be a priority collaboration partner, and for this reason, we believe that there will no longer be any necessity to provide the support that Maeda has given to Toyo Construction in priority to others (provision of overseas construction completion guarantees, introduction of cooperating companies, etc.). Regarding the joint implementation of construction by the consortium made by Maeda and Toyo Construction and the collaboration in research and development and personnel training, etc., we do not reject a cooperative relationship going forward, but there will no longer be any reason to give priority to Toyo Construction over other companies in the industry."

In light of the foregoing, yesterday, **the Special Committee reported** to the Company's Board of Directors **the unanimous opinion of its members, that the Application is not found to be reasonable or appropriate from the perspective of the medium-to-long-term corporate value of the Company or the interests of shareholders.** The following is a summary of the report.

Report of the Special Committee

⇒ **The Application is not found to be reasonable or appropriate from the perspective of the medium-to-long-term corporate value of the Company and the interests of shareholders.**

Reasons for the Opinion of the Special Committee

➢ **Framework for determination in the consideration by the Special Committee**

 ✓ (A) Consideration is made first of whether the Application is "a bona fide offer"; if it can be considered a bona fide offer, then, comprehensive consideration is given to (B) (a) purchase price and other transaction conditions, (b) whether there is an alternative proposal and if so, its details, (c) whether the corporate value enhancement measures of the proposer will contribute to enhancing the corporate value of the Company, and (d) the course of events and negotiation process leading to the acquisition proposal; and evaluation is made of whether the Application will contribute to medium-to-long-term corporate value and interests of shareholders.

- **<u>Consideration by the Special Committee</u>**

1. Whether the Application can be considered a "bona fide offer" (the consideration of (A))

- ✓ (i) In the Application, the purchase price and other transaction conditions are specifically presented, so the specificity of the acquisition proposal cannot be reasonably questioned. In addition, (ii) YFO etc. has presented post-acquisition managerial policy and corporate value enhancement measures (even if there is a dispute with the current management as to its significance and validity), so the legitimacy of the purpose cannot be reasonably questioned. Further, (iii) regarding the financial backing for the purchase, the Special Committee has been unable to confirm from the replies of YFO etc. whether the funds for purchases can be reliably prepared, so a certain doubt must be interjected here.
- ✓ Meanwhile, however, at the current point in time, with the feasibility of the Application reasonably doubted, the reasonableness and appropriateness of the Application cannot be denied without considering other circumstances.
- ✓ Given the foregoing, it cannot be said that the Application does not constitute a "bona fide offer."

2. The reasonableness and appropriateness of the price and other transaction conditions under the Application (consideration of (B)(a))

(1) Financial backing for the purchase

- ✓ Because YFO etc. have not submitted any certificate of investment, certificate of loan, or any other objective material and YFO etc. refuses to directly answer questions the Special Committee has regarding the YFO Group's finances, as of the current point in time, the Special Committee is unable to confirm on the basis of objective materials the state of YFO etc.'s preparation of the settlement funds.
- ✓ While this alone is insufficient to conclude that the feasibility of the Application is immediately rejected, given that YFO etc. did not even reveal the state of their assets and liabilities (which are described in the balance sheet), which should be easily explainable, in the Special Committee's evaluation, there is no choice but to interject doubt into the matter of the feasibility of the Application.

(2) Valuation results

- ✓ The Special Committee has confirmed that it found nothing unreasonable in the process of the Company's preparation of the New Mid-Term Business Plan, found it to be a plan with a high probability of success, and found its specifics to have a certain reasonableness; and the Special Committee approved use of financial projections based on this plan as the basis for Plutus's calculation of the share price.
- ✓ Plutus calculated the stock value using the DCF method and the comparable company method, and nothing unreasonable was found in the calculation method or

calculation results of Plutus.

- ✓ The purchase price of 1,000 yen per share under the Application is within the range of the Company's equity value according to the calculation results from both the DCF method and the comparable company method. Therefore, it can be said that the purchase price under the Application is found to have a certain reasonableness in relation to valuation calculation results when certain assumptions are applied.

(3) Transaction conditions other than price

- ✓ The TOB is an offer to purchase all Company Shares, with no maximum number set, and the minimum number is at a level enabling a squeeze-out through consolidation of shares (the level at which a special resolution can be passed at a general shareholders meeting). In the post-tender offer squeeze out, a cash out is planned at the same price as the tender offer price. This type of acquisition proposal is known as an "all-or-nothing" offer, and in such a purchase, it can be said the problem of coercion is eliminated.
- ✓ Otherwise, nothing inappropriate can be found in the transaction conditions under the Application.

(4) Summary

- ✓ Regarding the transaction conditions under the Application, including the purchase price, it can be said that there is a certain degree of reasonableness. However, considering the fact that even the status of YFO etc.'s assets and debts (which are described in the balance sheet) that can easily be explained has not been clarified despite the repeated questions from the Special Committee (because it is important), because the financial backing for the purpose cannot be confirmed, at the current point in time, a certain level of doubt must be interjected regarding the feasibility of the Application.

3. Whether there is an alternative proposal and if so, its details (consideration of (B) (b))

- ✓ If there is any alternative proposal better than the Application in terms of enhancement of the medium-to-long-term corporate value and the common interests of the shareholders, then the Application is not necessarily the best proposal and is neither reasonable nor appropriate for the shareholders.
- ✓ The current management team has released the New Mid-Term Business Plan (which includes a shareholder return policy) starting from FY 2023, and this can be said to present an alternative proposal to the Application from YFO etc.
- ✓ In light of this, the Special Committee has considered the contents of the New Mid-Term Business Plan and compared it to the Application
- ✓ In the New Mid-Term Business Plan, profit margins in the existing domestic civil engineering business, domestic construction business and overseas business are expected to be generally at the same level as the previous mid-term business plan,

and the growth rate of sales is within the range of a natural increase, so there is nothing particularly unusual. Regarding offshore wind power business, it is not an entry into an entirely new business area, but into an area where the Company can make the most of its extensive knowledge, know-how, technology and assets that the Company has developed over the years, and also, it is in line with the medium-to-long-term government policy. Considering these as well as the market growth potential, the numerical goal for the offshore wind power business expected in the New Mid-Term Business Plan has a considerable degree of feasibility. Therefore, the New Mid-Term Business Plan, against which the Application is compared, is found to be feasible

- ✓ In the calculation results from both the DCF method and the comparable company method, especially since the DCF method is considered to indicate a company's intrinsic value (i.e. a company's essential value that can be achieved by using the current management resources effectively under the effective corporate management), the price of 1,000 yen per share under the Application is far below the median price and is closer to the bottom end of the valuation range. The purchase price per share under the Application (1,000 yen) (although it is reasonable to some extent in the sense that it is within the range of the calculation results of both calculation methods), compared to the intrinsic value assuming the New Mid-Term Business Plan as an alternative proposal, cannot be said to exceed the valuation price assuming the New Mid-Term Business Plan. The intrinsic value based on the New Mid-Term Business Plan is relatively superior to the purchase price of the Application.

4. The relationship between the Application and corporate value and interests of shareholders (consideration of (B)(c))

- ✓ Regarding YFO etc,' corporate value enhancement measures, the evaluation of the Company's Board of Directors has nothing odd about it and can be considered reasonable: "In addition to inconsistencies with respect to the understanding of issues on which the measures are based and the fact that most of the measures are things the Company has already addressed, the measures that YFO etc. argues for are all general and abstract, and do not constitute a meaningful proposal that takes into account the conditions specific to the Company."
- ✓ Further, as far as the Special Committee is concerned, according to the track record of YFO etc., they have no experience of investing in construction business or participating in the management thereof, or of acquiring a controlling stake of a listed company and operating its business. Therefore, if YFO etc. obtains control of the Company, no business synergy with YFO etc. can be expected. This is a significant difference from the going-private transaction INFRONEER attempted in 2022.

- ✓ Additionally, in light of significant doubts regarding violations of laws and regulations as explained in section 5. below, while it is difficult to make a quantitative analysis of this, there is also the risk that if the acquisition under the Application is carried out, there will be a certain adverse impact (dis-synergy) in a variety of transactional relation, such as a decline in contracting competitiveness, decline in orders because of difficulties with JV businesses, decline in supply capacity because of difficulty in securing cooperating companies, greater difficulties in personnel hiring and training. There is a danger that if these risks materialize, the Company's corporate value will be damaged.
- ✓ Furthermore, although YFO etc. has not clarified the amount or terms of the financing that they stated they would obtain from outside financial institutions, depending on the amount and terms of such financing, there is a risk of damage to the Company's financial foundation and ultimately the Company's corporate value.

5. The appropriateness and fairness of the Application process (consideration of (B) (d))

- ✓ If there is a violation of laws and regulations in the course of the large-scale purchase of the Company Shares (Large-Scale Purchase), then the Application is based on illegal acts, and it is unclear whether it was possible to propose the Application, and accordingly, such proposal is not reasonable or appropriate. Therefore, the Special Committee discussed whether there was any illegal act in the course of the Large-Scale Purchase.

(1) Suspected violation of laws and regulations

- ✓ Regarding the Large-Scale Purchase, there are the following three suspected violations of the regulations on submission of a report of large volume holdings.
  - (i) In relation to the fact that WK 1-3, during the period from March 31 to May 17, 2022, submitted a report of large volume holdings and change reports stating that "pure investment" was its only purpose for holding Company Shares, it is seriously suspected that such submissions constituted submissions of large volume holdings reports and change reports that contained "a false statement about a material particular" (Article 27-23, Paragraph 1, Article 27-25, Paragraph 1, Article 172-8, Article 197-2, Item (6) of the FIEA).
  - (ii) There are serious suspicions that it constitutes a breach of the obligation to submit a change report within five business days after the change in the purpose of holding (Article 27-23, Paragraph 1, Article 27-25, Paragraph 1, Article 172-8, Article 197-2, Item (6) of the FIEA).
  - (iii) Although YFO etc. themselves admitted, in the May 18, 2022 TOB Advance Notice Press Release, that they had an "agreement to jointly acquire share certificates, etc." with WK1-3, they did not include this in the report of large

volume holdings and change reports. In this regard, there are serious suspicious that the submission of a report of large volume holdings and the change reports constitutes submissions of the report of large volume holdings and change reports that contain “a false statement about a material particular” (Article 27-23, Paragraph 1, Article 27-25, Paragraph 1, Article 172-8, Article 197-2, Item (6) of the FIEA)

- ✓ Relating to the Large-Scale Purchase, there are also suspicions of violation of prohibition of wrongful acts (Article 157, Item (1) of the FIEA) and violation of the prohibition against market manipulation (Article 159, Paragraph 3 of the FIEA), as well as suspicions of violation of the advance notification duty regarding acquisition of shares under the Foreign Exchange Act.
- ✓ These violations or suspected violations of FIEA have been pointed out by multiple legal scholars.
- ✓ Moreover, GK YFO and WK 1-3, while making disclosures indicating the purpose of holdings to be pure investment, and without making any disclosures whatsoever of such information as target acquisition price (up to what price acquisition will be made), planned number of shares for acquisition, or acquisition period, bought up shares on the market, using four corporate entities, including Cayman Island corporations. The general shareholder has not been given the information necessary to consider whether to tender their shares and the opportunity for consideration, and has no assurance of an opportunity to have their shares acquired under equal conditions with other shareholders or of an opportunity to receive equal distribution of the control premium.
- ✓ Furthermore, before YFO etc. disclosed their intention to implement the TOB, virtually every day, WK 1-3 submitted change reports; to a general shareholder in this situation, because it was completely unknown how many shares YFO etc. would buy up or what its policy regarding possession would be after acquisition (how general shareholders would be treated), it is possible there are some general shareholders who hurriedly sold their shares even though they may have thought that the price was insufficient (coercion through market purchases).
- ✓ In addition, while YFO etc. privately had the intention to carry out a tender offer at 1,000 yen per a share, it kept this secret, purchased shares at a far lower price (the acquisition price is estimated to have been a little more than 800 yen), up to 27.19% of outstanding Company Shares from general shareholders; it is possible that there are a considerable number of shareholders who, if they had known that there were plans to implement a tender offer at 1,000 yen a share, would not have sold their shares in March and April of 2022. In this sense, there is a possibility that the Large-Scale Purchase resulted in victims such as these.
- ✓ Legal scholars point out that while current tender offer regulations in principle do

not apply to market purchases, “the method of a two-stage acquisition” as under the Application, “combining large-volume market purchases and a tender offer, are markedly inappropriate from the perspective of the objectives of the tender offer regulations, and must be called something that markedly disregards the interests of general shareholders.”

(2) Breach of NDA

- ✓ YFO etc. made public announcement that, using quotation marks, cited content of letters from the Company that it received during the negotiation process, and there is suspicion that this breached the NDA

(3) Summary

- ✓ As discussed above, there are strong suspicions that the Application is an acquisition proposal that is built on these violations of laws and regulations and the victimization of general shareholders; the Special Committee, while acknowledging that there is a certain reasonableness in the acquisition price under the Application, is unable to ignore these suspicions of violations of laws and regulations and affirm the reasonableness and appropriateness of the Application.

6. Conclusion

- ✓ Taking all these circumstances into consideration, the Application is not found to be reasonable or appropriate from the perspective of the medium-to-long-term corporate value of the Company and the interests of shareholders.

Please also refer to Exhibit 3 of this press release disclosed on the Company’s website (https://www.toyo-const.co.jp/en/wp/wp-content/uploads/2023/05/20230529-1_E.pdf), as the Special Committee's report is premised on the facts described in **Exhibit 3** regarding the violation of laws and regulations and the breach of the NDA by YFO etc.

(4) Decision of the Company’s Board of Directors’ Opinion regarding the Application

On this day, the Company’s Board of Directors, respecting the Special Committee’s report of (3)B. above, **unanimously resolved to express an opinion of opposition to the Application**. It is noted that all four corporate auditors of the Company attended today’s Board of Directors meeting, and all indicated that they had no objection to the above resolution.

4. Reasons for Opposition to the Application

(1) Implementing the Company’s New Mid-Term Business Plan will maximize the Company’s

corporate value and the common interests of shareholders (more than the Application).

A. Overview of the New Mid-Term Business Plan

With regard to the business environment surrounding the Company, the government has unveiled the goal of reaching carbon neutrality by 2050 and offshore wind power generation is expected to play a large role in the realization of the goal. While there are a number of positive external factors for the Company such as construction and maintenance of important infrastructure facilities pursuant to the National Defense Strategy and the Fundamental Plan for National Resilience, it is incredibly important to address various changes in the business environment, including aggravation of labor shortages, working style reforms, lifestyle and working style changes, and the change in trend from "new construction" to "maintenance and refurbishment."

Meanwhile, since the tender offer for the Company Shares by INFRONEER Holdings Inc. ("INFRONEER TOB") ,with the goal of taking the Company private, ended unsuccessfully on May 19, 2022, the Company announced that the Company intended to maintain the capital and business alliance with Maeda, and enhance the corporate value of the Company group.

In light of this situation as well as the Company's business environment described above, the Company has come to believe that in order to truly enhance the corporate value, it is necessary to formulate a New Mid-Term Business Plan based on an "offensive" approach that differs from the Company's traditional "defensive" approach.

Therefore, on March 23, 2023, the Company **formulated a five-year Mid-Term Business Plan starting from FY2023, entitled the "Toyo Construction Group Mid-Term Business Plan (2023-2027)"** ("New Mid-Term Business Plan"). To evolve into a "resilient company," the period covered by the New Mid-Term Business Plan was extended to five years instead of the usual three years, and under such plan, the Company will make significant changes to management, with **(i) transformation "from defense to offense," (ii) transformation to a "high profit model," and (iii) transformation to "capital efficiency management" as the three core pillars**, and **set out the following numerical management targets**.

Consolidated Targets for FY2027 (ending March 2028)

Sales	235.0 billion yen or more
Operating Income	15.0 billion yen or more
Annual Net Profit	9.0 billion yen or more
ROE	12.0% or more
D/E ratio	Around 0.4
Shareholder Returns	The dividend ratio for the first year (FY2023) through third year (FY2025) of the plan will be 100% (minimum dividend:50 yen). From the fourth year (FY2026) onward, the Company will continue to proactively pay dividends with a target equity ratio of 40% (minimum dividend:50 yen)

By steadily implementing such major management changes over the following five years until FY2027 (ending March 2028) towards the 100th anniversary of the founding of the Company in 2029, the Company will respond flexibly to the ever-changing business environment, become a resilient company that directly takes on the challenges of a difficult environment, and seeks to be a company where "Everybody works together youthfully and with dreams, strives to serve customers and the public through new and productive technology, and contributes to the stable growth of the company and the improvement of the welfare of employees," which is the Company's management philosophy, and **achieves the numerical management targets by implementing the priority measures** described below in B.

B. Priority Measures

(i) Promoting Growth Drivers

a. Full-Scale Entry into the Offshore Wind Power generation market

The offshore wind power generation market in Japan is expected to expand significantly in the 2030s and beyond in order to achieve carbon neutrality by 2050. The government has set a power generation target of 10GW in 2030 and 30-45GW in 2040 (Note 1). In conjunction with this, there is a possibility of practical application of floating offshore wind power plant and significant expansion of feasible project areas into the EEZ through legal reforms.

The Company will differentiate itself by strengthening its competitiveness and profitability by spearheading technological development for both bottom fixed and floating. In the development of bottom fixed foundation technology, we will establish low-cost technologies for bottom fixed foundation construction through technical development such as suction bucket foundation in collaboration with Hitachi Zosen Corporation, aiming for commercialization around 2026. In the development of floating foundation technology, the Company will establish TLP floater mooring technology, the introduction of which is expected to expand, together with MODEC Inc., Furukawa Electric Co., Ltd., and JERA Co., Inc. in order to obtain an advantage in the volume of business for floating mooring foundation construction, and are aiming to commercialize TLP floater mooring foundation technology by the early 2030s. The Company has also been making growth-oriented investments in cable-laying vessels ahead of the Company's competitors.

Furthermore, by taking advantage of the Company's strengths in marine engineering (abundant knowledge, superior technology, and working vessels), and the strengths of Mitsui O.S.K. Lines, Ltd. (extensive experience and knowledge in building owing and operating vessels) in a collaborative relationship between the two companies, the Synergies between the two companies are created, the Company are planning to enter the offshore wind power business in various positions, and enter not just foundation construction work, but also submarine cable-laying work and O&M, for both bottom fixed and floating projects.

As described above, the Company **aims to achieve sales of 12.0 billion yen of offshore wind power business in FY2029** by considering and promoting all possible measures from a medium- to long-term perspective, including collaboration with different industries other than marine construction, in order to establish a firm position in the offshore wind-related service industry, including O&M, in addition to offshore construction work. The above priority measures relating to offshore wind power business during the period of the New Mid-Term Business Plan are priority measures that are indispensable for the Company to establish a firm position in this area and to make it a new pillar of the Company's earnings from FY2028.

(Note 1) "Offshore Wind Industry Vision (Phase 1)", a public-private consortium for enhancing the competitiveness of the offshore wind industry.

b. Accelerating Localization of Overseas Construction Business

The Company is accelerating business development mainly in the **Philippines**, where the Company has a strong existing track record and presence, and which is expected to continue to be a high-growth area, and in **Kenya, Africa and its neighboring countries**, which are expected to see market expansion in the future and where the Company is working to strengthen business scale based on localization.

The Company has extensive experience in ODA projects on port sector, such as high-quality project management backed by experience and know-how, and developing local precious human resources through construction and contributing broadly to local communities. In the Philippines in particular, the Company has a high presence especially in the private construction area, having promoted localization for about 50 years, and strengthen local precious human resource development in collaboration with domestic businesses.

Based on these strengths, in the Philippines, the Company will strengthen the foundation of CCT CONSTRUCTORS CORPORATION, a local consolidated subsidiary, and expand our clientele to include non-Japanese clients and private civil engineering clients in addition to Japanese-affiliated construction clients, and the Company will also promote the localization and stabilization of the Company's business by resource enhancement through hiring local precious human resources and M&A. Furthermore, we will promote localization in Kenya and neighboring countries by taking advantage our success in the Philippines, strengthening our foundation through the establishment of local subsidiaries and strengthening alliances, and steadily acquiring and securing revenue from ODA projects. Meanwhile, in Indonesia, Cambodia, Vietnam, and Myanmar, we will search for opportunities for local private projects and ODA projects, among other things.

Through these efforts, the Company **aims to achieve sales of 39.0 billion yen (consolidated) and operating income of 2.0 billion yen (consolidated) of overseas construction business in FY2027**.

(ii) Deepening Existing Businesses

a. Further Strengthening of Domestic Civil Engineering Business

The Company has built a solid revenue base, mainly in the field of government maritime sector, through the technological and commercial capabilities that we have acquired over more than 90 years of business and the good relationships we have built with various stakeholders. Furthermore, our strength lies in our know-how in the field of offshore engineering, backed by Japan's leading technological development capabilities, research facilities, and special working vessels, as well as in our ability to develop reliable construction methods and high construction management capabilities, which give us a competitive edge.

As for the business environment in the domestic civil engineering business, **it is expected that there will be steady demand for government construction pursuant to the Fundamental Plan for National Resilience, as well as increased defense-related construction due to the National Defense Strategy**. In the government construction works, including defense-related construction, there has been a review of order unit prices in accordance with the "Three Laws for a New Generation in Construction" and other factors, resulting in a favorable earnings environment. Additionally, sustained growth in private civil engineering is also expected due to investment needs for development, maintenance, and renewal, centered on the electrical, manufacturing, and transportation sectors.

Based on the Company's strengths and favorable business environment described above, we will (1) continue to maintain a stable revenue base in the government maritime construction business based on the Company's high competitiveness, (2) in the government land-based construction business, increase orders by taking on projects that leverage our strengths in each area and construction type, and by training personnel and improve profitability by strengthening organizational on-site support, and (3) in the private-sector construction business, increase orders and profits by increasing special orders through deepening our customer oriented sales and strengthening our efforts to become carbon neutral. Through this, the Company **aims to achieve sales of 99.0 billion yen (non-consolidated) and operating income of 7.5 billion yen (non-consolidated) of domestic civil engineering business in FY2027.**

b. Business Model Development of Domestic Construction Business

The Company is working on the domestic construction business as the second pillar of the Company's earnings, following the domestic civil engineering business.

Although the scale of the domestic construction business is currently in the 60.0 billion yen range in terms of sales, the Company has clearly defined the fields and areas to focus on, and has built a system that can ensure profitability through the relationships of trust the Company has built over the years with the Company's clients and thorough profitability management. This is evidenced by the fact that even during the period of the previous medium-term business plan, when other companies in the industry were struggling to secure earnings due to the sharp rise in the price of construction materials and other factors, we were able to steadily achieve the planned figures.

The Company has designated the following three areas as the focus areas of its domestic construction business: (1) the efficient operation areas (housing, government office buildings, and medical, welfare, and education, which the Company has focused on to date), (2) the focus areas (production facilities, environmental facilities, and med-size logistics facilities, which the Company is currently focusing on), and (3) the areas to be enhanced (offices and building repair and maintenance, which the Company will focus more on in the future).

By establishing the above focus areas, the Company is building a stable portfolio of orders, avoiding volatility in specific areas through diversification, and stabilizing earnings, as well as dividing its portfolio into stages based on future potential and strengthening its competitiveness in each area incrementally. In addition to the establishment of these focus areas, through the strengthening of planning and proposal of sales, etc., the Company has built a relationship of trust with customers to the point where we have received special orders relating to the construction of freezing and refrigerated warehouses and large-scale food factories in particular. Furthermore, in preparation for the anticipated decline in investment in new construction, the Company has **launched ReReC® (see note 2) as a new solution to secure the new earnings to respond to the changes in the market**, which is one of our strengths.

Based on these strengths, by cultivation of focus areas in new construction contracting (such as continuing to strengthen mainly logistics and production facilities etc.), strengthening the new client development through ReReC® (such as cultivating large-scale repairs and renovations of offices and factories, and strengthening ZEB (see note 3) proposals), and implementing measures related to non-contracting activities for the next stage of growth (such as promoting renewal/reconstruction with the Company's own property acquisitions), thereby strengthening the Company's business model through the interaction of new construction contracting, ReReC®, and non-contracting activities. Through these measures, **the Company aims to achieve sales of 81.5 billion yen (non-consolidated) and operating income of 5.5 billion yen (non-consolidated) in the domestic const ruction business in FY2027**.

(Note 2) ReReC®: The Company's registered trademark collectively referring to **Re**newal, **Re**novation, and **C**onversion.
(Note 3) ZEB: Abbreviation for Net Zero Energy Building; a building that aims to reduce the primary energy balance consumed by the building to zero.

c. Productivity Improvements through DX (TOYO DX)

Under the TOYO DX Vision of "Digitalizing the 'Toyo of Technology' -Everything starts onsite, for the benefit of society and the customer-", the Company is focused on (1) creating the customer experience (confirmation of deliverables and reflection of intentions from the design and construction phases, and improvement and enhancement of building life cycle management), (2) dramatic productivity improvements (efficiency through utilization of digital technology, and creating an environment that allows employees to focus on high-value-added work), (3) promoting visualization (pursuit of standardization and efficiency through business digitalization, and data centralization and utilization), and (4) sustainability contributions (realization of a carbon neutral society through offshore wind and ZEB, and reduction of environmental impact), and is promoting open innovation through collaboration with startups, industry-academia-government collaboration, and collaboration with other companies in the same industry.

Examples of major DX projects the Company has worked on include (1) creating the customer experience (marine digital twin), (2) dramatic productivity improvements (determining possibility of steel frame construction, autonomous drones remote construction supervision, automated caisson installation system, and construction management system using 360-degree VR images), and (3) promoting visualization (On-site digitalization, and digital management of operational processes).

The Company plans to further improve productivity by utilizing DX, and will **not only deepen the initiatives that it has already started, but will also develop its DX initiatives** based on the roadmap established in the New Mid-Term Business Plan.

(iii) Strengthening Management Foundation

a. Acquiring and Developing Precious Human Resources to Support Management Transformation

The Company will **acquire and cultivate diverse precious human resources to support the transformation to "offense", centered on the following five measures**.

(i) Create a foundation including personnel system that also enables women, foreign nationals and specialists to flourish
(ii) Provide competitive treatment through improvement in pay standards and offer of top-level benefits in the industry
(iii) Proactively hire new graduates and midcareer professionals to strengthen the HR foundation supporting growth (and promote hiring of specialists in growth fields in particular)
(iv) Strategically allocate HR and step up development to promote succession of technology and development of future managers through selective education and training system, etc.
(v) Routinely monitor employee engagement in the Company, and examine and implement engagement-enhancing measures

b. Enhancement of Business Management Systems

The Company will **enhance its business management systems centered on the following four measures**.

(i) Enhance company-wide strategic planning:
Carry out optimal resources allocation in accordance with business growth potential, establish financial framework with a long-term perspective, re-allocate resources based on monitoring results, examine and promote M&As, new businesses and other company-wide strategies.

(ii) Strictly Applying business investment standards:
Investment management featuring hurdle rates was adopted under the previous mid-term business plan, and the application of investment standards will continue.

(iii) Enhance monitoring and rolling:
Build framework for prompt information-sharing from employees to management using management dashboard, etc., strengthen investment return and capital efficiency monitoring, based on monitoring results and the analysis thereof, promptly adjust direction and craft new policies.

(iv) Promote proactive disclosure:
Enhance framework of disclosure for stakeholders in and outside of Japan, strengthen disclosure of non-financial indicators (human capital, efforts to fight climate change), enhance IR communications and framework.

c. Strengthening Governance Structure

The Company will **strengthen governance structure that "supports business", centered on the following three measures**.

(i) Continuing to strengthen company-wide governance structure anchored by the Board of Directors:
Build optimal governance system through measures such as enhancement of the Board's diversity including appointment of female directors, ensure that the Director Nominating/Compensation Committee where outside directors account for a majority choose optimal people for directors, consistently promote efforts to build and strengthen optimal governance structure, including separation of management and execution.

(ii) Further enhancing awareness about the importance of compliance:
Continue to ensure strict compliance with domestic and international laws and regulations, such as the Construction Business Act, Antitrust Law and various safety and health laws.

(iii) Strengthening risk management:
Continue strict monitoring of business and information security risks, etc. and address them at an early stage.

In order to optimize the composition of officers for the implementation of the above measures, the Company's Board of Directors today decided on the directors and corporate auditors candidates for the Company's Ordinary General Shareholders Meeting to be held in June of this year. For details of the names, CVs, etc. of the directors and corporate auditors candidates, please refer to the Company's "Notice of Decision on

Company Proposals Relating to Candidates for Directors and Corporate Auditors and Revision to Amount of Compensation and Board of Directors' Opinion Regarding Shareholder Proposals", also released today.

(iv) Transformation to capital efficiency management

a. Setting KPIs with emphasis on capital efficiency

The Company has a business structure that is dominated by domestic construction contract projects. Among this domestic construction contract business, the proportion of offshore wind power business, which have a strong equipment industry aspect with large investment in facilities, is expected to grow to a certain level of importance; thus, the Company is **transitioning from its past management having "profit" as key indicator, to a management having "capital efficiency" as key indicator**.

Specifically, the Company will continue to focus on profitability while placing the most emphasis on return on invested capital, and in addition, will pursue an optimal capital structure involving such matters as growth-oriented investment and shareholder returns, and equity capital and borrowings, and will conduct sales activities aimed at improving operating cash flow and operating income, contract negotiations, and business operations.

b. Strengthen allocation to growth investments

Under the policy of translation "from defense to offense", the Company will **make proactive investments of over 34.0 billion yen centered on the offshore wind business to build earnings-driving foundation for growth areas and further strengthen existing businesses**.

Specifically, the Company plans to invest over 26.0 billion yen in vessels including cable-laying vessels for the offshore wind power business, 2.0 billion yen as ZEB-related investments for domestic construction, 6.0 billion yen in DX/ICT, M&A, up-front investments in technology R&D, etc., and 4.0 billion yen as continued investment in existing assets.

c. Implementation of capital policy beneficial to interests of shareholders

The Company will proactively make growth-oriented investment, inject funds, including external loans at appropriate levels. In addition, by achieving the target values in the previous mid-term business plan, the Company was able to strengthen the financial foundation for execution of the growth investment discussed in b. above; accordingly, under the New Mid-Term Business Plan, the **dividend ratio from the first year of the plan**

(FY2023) to the third year of the plan (FY2025) will be 100% (minimum dividend: 50 yen). From the fourth year of the plan (FY2026) and onward, the Company will pay a much higher level of dividend (minimum dividend: 50 yen) than before, with a target equity ratio of 40%.

C. Assessment of share price calculation report premised upon the New Mid-Term Business Plan

The Company made a request to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., a financial advisor and third-party valuation institution that is independent of the Company and YFO etc., for a valuation of Company Shares premised upon the financial projections on which the New Mid-Term Business Plan released on March 23, 2023 is based, and obtained a share valuation report dated May 23, 2023 ("Share Valuation Report").

In light of a comparison with the range of the per-share value of Company Shares in the DCF analysis of the Share Valuation Report based on the financial projections on which the New Mid-Term Business Plan is based, the Company's Board of Directors has determined that the intrinsic value of the Company that can be realized by implementing the New Mid-Term Business Plan is relatively superior to the tender offer price of 1,000 yen, and that the implementation of the New Mid-Term Business Plan is what will maximize the Company's corporate value and the common interests of shareholders.

D. Summary

As discussed above, in formulating the New Mid-Term Business Plan, on the basis of a deep understanding of its business and the construction industry that the Company has grown over many years, the Company accurately analyzed its strengths and its challenges, and identified the individual and specific policies given in B. above as means of mobilizing its strengths to the utmost and overcoming its challenges. As a result, as detailed in C. above, in light of a comparison with the range of the per-share value of Company Shares in the DCF analysis based on the financial projections on which the New Mid-Term Business Plan including these policies is based, the Company's Board of Directors has determined that the intrinsic value of the Company that can be realized by implementing the New Mid-Term Business Plan is relatively superior to the tender offer price of 1,000 yen.

In addition, the policies of B. above are policies that the Company, based on a deep understanding of its business and the construction industry, has determined to be fully feasible. It should be noted that since FY2014, the Company has achieved three consecutive mid-term business plans and has an established reputation for its ability to achieve targets, and the Board of Directors has considerable confidence in this regard. The Company accordingly believes that implementation of the New Mid-Term Business Plan will enable it to realize the abovementioned per-share value of Company Shares.

For the reasons detailed above, **the Company firmly believes that implementing the Company's New Mid-Term Business Plan will maximize the Company's corporate value and the common interests of shareholders**.

(2) The tender offer price is insufficient, and the probability of the TOB is unclear

A. The tender offer price of 1,000 yen does not reflect the intrinsic value of the Company

As stated in (1) above, the Company formulated a New Mid-Term Business Plan on March 23, 2023, and given that it is fully feasible, **the Company's corporate value should be appraised on the assumption that the Company will implement the New Mid-Term Business Plan**. The Company's share price on and after March 24, 2023, the day after the Company announced the New Mid-Term Business Plan on March 23, 2023, is thought to partly reflect expectations for enhancement in the Company's corporate value as a result of implementation of the New Mid-Term Business Plan. (i)The closing price of Company Shares on the day before May 24, 2023, the day this Press Release was published, was 985 yen, and (ii) the average closing price of Company Shares during the period from March 24, 2023 to May 23, 2023 was 963 yen; based on these share prices, **Company shareholders who would tender their shares in the TOB having the tender offer price of 1,000 yen would obtain a premium of mere 1.5 to 3.8%**. the Company's Board of Directors has determined that **the tender offer price of the TOB of 1,000 yen does not reflect the intrinsic value of the Company**.

B. It is unclear whether YFO etc. has funds for purchase and the TOB cannot be deemed reliably feasible

Since receiving the Application from GK YFO etc., the Company has repeatedly asked YFO etc. through direct discussions and open questions to explain the state of procurement of funds for purchase. In response, in their press release dated April 14, 2023, YFO etc. announced that they planned to use funds disbursed by the YFO Group and loans from external financial institutions as funds for purchase, and that the Group owns the level of assets that enable it to easily prepare funds for purchase.

However, **no objective materials that corroborate the existence of YFO Group's assets have been provided, and the scale of the Group's assets and their liquidity have yet to be clarified**. Accordingly, it is uncertain whether YFO etc. indeed has the level of funds for purchase that would enable it to commence the TOB, and thus **the TOB cannot be deemed reliably feasible.**

(3) Acquisition of the Company by YFO etc. is likely to significantly damage the corporate

value of the Company

A. It is obvious that YFO etc.'s corporate value enhancement measures will not enhance the Company's corporate value.

The Company has received from YFO etc. the May 17 YFO Management Policy, the July 5, 2022 "Additional Explanation for 'Management Policy and Corporate Value Enhancement Measures for Toyo Construction (draft)'", the December 9, 2022 "Presentation of Additional Information for Management Policy and Corporate Value Enhancement Measures (draft)", the January 18, 2023 "Presentation of Additional Information for Management Policy and Corporate Value Enhancement Measures (draft) Version 2" and the January 24, 2023 "Management Policy and Corporate Value Enhancement Measures (draft): Strategic Measures Addressing Individual Challenges You Face and Envisioned Impact on Corporate Value from Value Creation Plan".

In these materials, YFO etc. proposes to the Company various measures on the basis of their own understanding of the Company's management issues. However, **many of the measures proposed by YFO etc. are based on a misunderstanding of the facts, and the Company has already addressed or is currently implementing a majority of those measures. The proposal of YFO etc. is nothing but general ideas from a perspective outside the construction industry, and includes no specific and valid corporate enhancement measures taking into consideration the conditions unique to the Company**. Consequently, the trial calculation asserted by YFO etc., "using only quantitative measures, an upside of up to 3.0 billion yen can be projected", is not feasible, and **it is obvious that YFO etc.'s corporate value enhancement measures will not enhance the Company's corporate value**.

Below are the Company's thoughts regarding YFO etc.'s misunderstanding of the issues and YFO etc.'s measures expected not to contribute to the enhancement of the Company's corporate value. Please see **Exhibit 2** ("The Company's Efforts against YFO's Value Enhancement Measures" dated today) for an overview of our thought.

(i) YFO etc.'s understanding of the issues and corporate value enhancement measures regarding the "vision and roadmap"

a. YFO etc.'s understanding of the issues

YFO etc. argue that the Company lacks a vision for structural change and an intent to transform.

However, the Company **has a management philosophy** that that executives and employees have come to understand over many years, to which is "Everybody works together youthfully and with dreams, strives to serve customers and the public through new and productive technology, and contributes to the stable growth of the company and the improvement of the welfare of employees"; the Company is proud of this, as the foundation for value judgments in management and operations. Looking towards its 100th anniversary, the Company has set a goal of transforming into a "resilient company" capable of flexibly adapting to any external environmental changes, and is **consistently promoting efforts through the formulation and implementation of strategies and action plans for each business department**.

The Company has **steadily achieved goals during the period covered by the past three mid-term business plans (2014-2016, 2017-2019, and 2020-2022)** with strong will in accordance with the Company's management philosophy and management policy, **successfully built a strong financial foundation, and established a solid foundation for a resilient company that does not yield to environmental changes**.

YFO etc. also argues that the Company lacks an overall picture or roadmap of a medium-to-long-term transformation program.

However, the Company's New Mid-Term Business Plan lists three management shifts with "from defense to offense: a company that takes on challenges" as a theme, and the Company has flexibility to appropriately carry on business in accordance with its growth stages and external environmental changes. The Company has been aware of the importance of adapting to environmental changes, and strengthening the business portfolio strategy from a long-term perspective. One example of the result is that even in the period covered by the previous mid-term business plan (2020-2022) in which dramatic external environmental changes exceeding expectations such as the pandemic and soaring prices of construction materials and machinery occurred, the Company achieved the numerical management target with its portfolio strategy. **The New Mid-Term Business Plan stipulates a change from a revenue structure centered on domestic construction contracting to a high-profit model by growing the offshore wind power and overseas construction businesses as the third and fourth earnings pillars**.

b. Measures proposed by YFO etc.

YFO etc. advocates a vision with dreams and an intent to grow regarding the management of the Company.

However, **the "vision with dreams" advocated by YFO etc. lacks feasibility, and the contents indicate that YFO etc. does not understand the Company's business areas**. For example, YFO etc. refers to "platformer for technologies and data in the marine areas", but technologies and data relating to marine construction, in particular various data relating to offshore wind power, are treated as an asset among industry players, and it is obvious to players engaging in marine construction that disclosing and making such data publicly available is unrealistic.

YFO etc. also states that a program to make the revenue and financial foundation strong by strengthening the Company's core business, and proactively invest in and make exploration in new growth areas.

However, the **"program" referred to by YFO etc. was made on the basis of discussions with the Company and information disclosed by the Company, and is not a roadmap distinctive to YFO etc**. For example, YFO etc.'s proposal appears similar to the Company's direction in terms of focusing on the offshore wind power business as a driving force for medium-to-long-term growth, but is not a brand new proposal for a roadmap for the Company, a marine contractor. The Company started considering entering the offshore wind power business around 2010, and is considering an entry approach and steadily proceeding with technical development, as well as drawing up a long-term strategy going forward. The proposal of YFO etc. is nothing but the information of such efforts disclosed by the Company and publicly available information, and lacks originality.

The Company also sees overseas construction and domestic civil engineering as growth areas, and is aiming to evolve into a resilient company through further diversification of its portfolio, to which YFO etc. does not refer at all.

(ii) YFO etc.'s understanding of the issues and corporate value enhancement measures regarding the "management system"

a. YFO etc.'s understanding of the issues

YFO etc. argues that the Company has a management system optimized to maintain the high profitability of the port public civil engineering business, but does not have a management system to grow the private construction business and the offshore wind power business.

However, the Company has almost 50 years of experience in the construction business since it entered such field in 1976. The Company introduced a business division system in 2009, and has **established to date a management system comprising three business divisions: civil engineering, construction, and management**. Under Architectural Construction Div., Architectural Planning and Administrative Dept. serve as the business planner, and based on a clear strategy, focuses on winning and pursuing highly profitable projects, as well as carrying advance activities in response to the external environment. The Company is also steadily making efforts to strengthen the system for the offshore wind power business, establishing an appropriate organization and a decision-making process in accordance with business phases. At present, the offshore wind power department in the civil construction division is playing a key role, comprising handpicked members because the offshore wind power business requires extremely specialized skills developed in the marine civil engineering business over the years. As obvious in the above, **YFO etc.'s notion of "management optimized for port civil engineering" is a complete misunderstanding of the facts**.

YFO etc. also argues that the Company does not have a framework to evaluate investment projects, taking capital expenses into consideration.

However, the Company has **put in place a system to evaluate and decide large investment projects, including the offshore wind power business, in accordance with strict standards, through a meeting body that includes knowledgeable independent outside directors**. The Company also sets, in light of capital expenses, investment evaluation standards and target payback periods in accordance with an "investment evaluation manual" that sets forth quantitative investment evaluation standards and hurdle rates, and otherwise **quantitatively evaluates investments; thus, YFO etc.'s argument is misplaced**.

Further, YFO etc. argues that the Company leaves the profitability of construction work to the discretion of the business division, and the business administration department or any other management department does not set hurdle rates. They also argue that the business department responsible for PL is solely in charge of the verification of profitability, and there are concerns about operational risk management.

However, at the Company, **the "Project Review Committee" and the "Executive Committee" strictly deliberate the profitability of projects exceeding a certain size,** and thus, **YFO etc.'s argument that the business division is solely responsible for the verification of profitability is a complete misunderstanding of the facts**. Projects are evaluated through "business", "legal", and "financial" due diligence, and the profitability of a project undergoes strict evaluation through "business due diligence" with "profit ratio at the time of receiving the order" and "annual profit per worker (productivity)" as quantitative standards, among other various standards. The fact that the Company has appropriate profitability management at the time of order receipt and construction is supported by the fact that the Company's accounting "allowance for losses" for possible future losses is considerably low at approximately 25 million yen, compared to an average of approximately 1 billion yen for six other companies in the industry of the same size (for the fiscal year ending March 31, 2023).

b. Measures proposed by YFO etc.

YFO etc. proposes the establishment and expansion of a management system and management personnel optimized for each business.

However, the **"management system optimized for each business" asserted by YFO**

etc. is nothing more than a general idea, and the proposal only includes ideas that the Company has already addressed or is currently implementing. There are no specific proposals based on any knowledge or experience that is unique to YFO etc. The proposal of YFO etc. **lacks specific proposal** on what type of management system would be appropriate for the Company, or what type of management system would be appropriate for the construction business. The proposal materials of YFO etc. include an "example of trading companies" irrelevant to the Company's business, and **only explain general ideas as in textbooks**. **The Company has already addressed the measures referred to by YFO etc. at a higher level, and is making a commitment to carry out three major management shifts under the New Mid-Term Business Plan for further evolution**.

(iii) YFO etc.'s understanding of the issues and corporate value enhancement measures regarding the "private construction business"

a. YFO etc.'s understanding of the issues

YFO etc. argues that there is a lack of strategic focus and a deconcentration of resources regarding the Company's management strategy. YFO etc. also argues that such structure hinders the improvement of business competitiveness as a small-scale player.

However, the Company **formulated a 10-year construction business plan in 2020**, and has achieved steady growth by defining focus areas in light of market trends and the state of its strength-building; thus, the YFO etc.'s assertion **"lack of strategic focus" is a total misapprehension**. The Company sets in its business strategy "areas where profits can be secured" and "areas that mobilize its strengths" to allocate management resources, while simultaneously pouring energy into the next pillars of growth in light of changing demands over the medium-to-long term. The Company identifies logistics facilities, production facilities, and environmental facilities as a primary focus, while engaging in "offices" and the "renewal business" as areas to be strengthened. Thus, resources are not "deconcentrated"; they are being "optimized". By combining not only new construction contracting but also the renewal business and the non-contracting business, the Company aims to strengthen proposal capabilities and create long-term customer contact points, while also seeking diversification of profit creation methods, increased profit margins, and strengthening its business competitiveness.

YFO etc. also argues that the Company's revenue structure is to boost profitability through post-order profit recovery, and there is concern that cost reductions at time of estimate are inadequate, and risks of loss of or downturn in contracting opportunities will arise.

However, the Company regards profits at time of order and profits at time of completion as essential indices, and **selects projects strategically**. At the same time, **without depending on post-order profit enhancement, the Company makes thoroughgoing efforts to ensure profits at time of order,** and **maintains a higher profit level than the competitors**. Specifically, at a pre-order meeting for each project, detailed cost analyses, technical concerns, competitors and other information are shared between the executives of the business division including General Manager of Architectural Construction Div. and the local business department, and bid amounts are decided through thorough discussion of such amounts in 1 yen increments. With such strict profitability control and business strategy, the Company has succeeded in maintaining profitability and growing the volume of business over the medium term. **The Company enjoys a 9.0% gross profit margin, compared to a 7.6% average for same-scale general contractors**.

b. Measures proposed by YFO etc.

YFO etc. proposes to promote sales and customer strategies, and account plans, and strengthen frameworks for profit-loss management.

However, the Company **has put in place account plan promotion and other such sales measures**, and is also accumulating experience in special-order projects through the planning and execution of customer-specific initiative policies based on sales strategy. The Company is also developing know-how in focus areas where the execution of construction is relatively difficult such as food plants and refrigerated/freezer warehouses. With a view to expanding design/construction projects, the Company established Technical Planning Dept. (currently called Solution Business Dept.) in 2014 to enhance a technical proposal sales, and the department is playing the key role in contributing to stronger proposal capabilities and increase in orders for design/construction projects. YFO etc. made a proposal that would considerably narrow the domain of Company initiatives, but **adopting the short-term perspective of narrowing efforts to only high-profit-margin areas carries grave risks of undermining business stability, and contradicts YFO's stated "long-term perspective"**.

Regarding profit-loss management, the Company is already engaged in initiatives to further enhance profit by creating Value Engineering (VE)/Cost Down (CD) data, building VE by consulting with clients during construction, and tapping ingenuity during construction etc.; thus, **the proposal of YFO etc. does not include anything novel**.

(iv) YFO etc.'s understanding of the issues and corporate value enhancement measures

regarding the "overseas construction business"

a. YFO etc.'s understanding of the issues

YFO etc. argues that while there is no clearly discernible competitive advantage, the Company is promoting a business plan to maintain and grow low-margin areas.

However, **the Company holds the No. 1 position in terms of sales among Japanese general contractors in the Philippines**, and also has **built a business foundation in Kenya, Africa** through port projects, one of the Company's strengths; thus, **the argument of YFO etc. that "there is no clearly discernible competitive advantage" is incorrect**. The Company is a leading player in port ODA, and has a robust track record in various countries. In particular in the Philippines, since the Company entered into the local market approximately 50 years ago, the Company has pursued localization centered on a consolidated local subsidiary CCT CONSTRUCTORS CORPORATION, and has a strong presence as the No. 1 in terms of sales among Japanese general contractors. In Kenya, Africa, the Company has been building production systems while securing profits, and focused on developing local personnel and scouting for cooperating companies for more than 10 years. The Company is proud that, in accordance with the Company's management philosophy, it has contributed to the development of the local communities through infrastructure development, and that it is accepted by local society. As seen in the example of the Company's success in the Philippines, **no construction business can succeed in entering an overseas market overnight, and the establishment of business foundation rooted in the local community is essential such as the development of employees etc. from a long-term perspective**, but **the argument of YFO etc. lacks such perspective**.

b. Measures proposed by YFO etc.

Regarding the Company's overseas construction business, YFO etc. proposes to "expand Japanese ordering in the Philippines" and to rebuild overseas area strategies.

However, as explained above, in the Philippines, the Company has already established its No. 1 position in terms of sales among Japanese general contractors with absolute trust from Japanese customers. For that reason, further growth cannot be expected by pursuing potentials among Japanese customers, and **rather, the Company is at a stage of pursuing expanded non-Japanese contracting**. The Company is participating in large-scale port ODA projects in Kenya, Africa and neighboring countries, while **advancing localization from a long-term perspective such as alliances with local companies and the establishment of local subsidiaries**.

(v) YFO etc.'s understanding of the issues and corporate value enhancement measures

the "offshore wind business"

a. YFO etc.'s understanding of the issues

Regarding the Company's offshore wind power business, YFO etc. argues that the Company lacks a growth strategy and investment decision-making framework.

However, the Company **constructs business strategies considering its strengths and implements strategic investment decisions based on a medium-to-long-term roadmap**; thus, **the argument of lack of a growth strategy and investment decision-making framework has no factual basis**. Mobilizing technologies distinguishing the Company from the competitors and its strength in marine engineering, the Company's offshore wind power business has already formulated a business strategy of entering both the bottom-fixed and floating offshore wind markets in a diversified positions. In order to realize such strategy, the Company has begun discussions for collaboration with Mitsui O.S.K. Lines, Ltd which has a strong track record and knowledge in building, owning, and operating vessels. Regarding investment decision-making, the Company has already constructed a mechanism for making decisions based on a comparison between IRR and Company hurdle rates computed through a detailed calculation of the anticipated business earnings.

b. Measures proposed by YFO etc.

YFO etc. proposes a variety of measures for establishment and promotion of growth strategy for the offshore wind business.

However, **the measures proposed by YFO etc. are nothing more than a presentation of very general perception of the business environment and examples of measures, not strategy proposals based on our unique strengths and technological superiority**. The "entry strategy development" proposed by YFO etc. is general and do not take into account the Company's unique circumstances, but the Company has already developed a growth strategy among various options taking into account its technological superiority and trends among other companies. Also, while claiming that a "technology development roadmap is needed", but the proposals do not include specific technology development roadmap. Meanwhile, the Company has formulated an "R&D roadmap", and is moving forward with its efforts in accordance with such roadmap. The Company recognizes that the restructuring of the personnel system for the purpose of securing precious human resources and the consideration of JVs, as indicated by YFO etc., are necessary initiatives for the Company, and the Company has already begun efforts to acquire and train precious human resources to establish business implementation systems, and is considering collaboration with overseas companies and others.

(vi) YFO etc.'s corporate value enhancement measures regarding "strengthening the business foundation"

YFO etc. proposes the acceleration of support and promotion of DX strategy development as part of strengthening the Company's business foundation.

However, **YFO etc.'s proposals are too general, and do not reflect the characteristics of the Company's business, and the Company cannot find any effective proposals**. The Company is **already working on various DX themes and is ahead of the competitors of the same size**. **With "Digitalizing the Toyo of Technology – Everything starts onsite, for the benefit of society and the customer –" as the Company's DX vision**, the Company has organized various efforts as a roadmap with an eye toward collaboration with other companies. As one example, the Company is involved in several initiatives that has been selected by Ministry of Land, Infrastructure and Tourism for model projects related to the use of BIM, including "remote construction supervision by autonomous drones".

YFO etc. also proposes the optimization of general and administrative expenses.

However, the Company is proud of its **higher level of productivity than its competitors**, and successfully suppresses head office costs. **YFO etc. does not mention where and to what extent there is room for "optimization" of general and administrative expenses, and only offer an "image proposal" that is extremely vague and lacking in specifics**.

B. It is obvious that the acquisition by YFO etc. will cause the Company's business foundation to collapse and damage its corporate value.

(i) The Company's business foundation

In marine construction, which is its main business, the Company has been stably and continuously winning public works contracts that involve a bidding process and works relating to ports and national defense; the reason for this is that the Company has established and is operating a system to comply with laws and a system to strictly control confidential information, which are indispensable in order to win orders for such works. The Company cannot carry out marine construction works alone. It is essential in carrying out such works to collaborate with cooperating companies, companies comprising consortiums, local stakeholders and other stakeholders. Winning absolute trust from such stakeholders and maintaining good relationships with them to date is another reason that the Company has been successful in winning such orders and carrying out such works. The Company believes that **(i) the establishment and operation of a legal compliance system and a system to**

strictly control confidential information, and (ii) winning trust from stakeholders and the maintenance of good relationships with them constitute the Company's "business foundation".

(ii) The acquisition by YFO etc. will cause the Company's business foundation to collapse.

a. YFO etc.'s fitness as a person to acquire the Company is doubtful.

The Company began having meetings with YFO etc. in April 2022, repeatedly explained to YFO etc. "the Company's business foundation" through administrative discussions and top-level meetings, and engaged in thoughtful communication. However, the Company **has yet to dispel distrust of and concerns about YFO etc**.

YFO etc. repeatedly made public announcements about the Company's business foundation including highly confidential information, and **asserts that the Company is using the risk of collapse of the Company's business foundation as a "false reason" to turn down the acquisition proposal of YFO etc**. **At the top meetings held on the basis of trust between both parties, regarding the letter sent by the Company's President and Representative Director to Mr. Yamauchi**, the Company's President and Representative Director explained that the Company cannot provide any decision that has gone through the third-party committee or the Board of Directors. But **YFO etc. made a public announcement distorting the facts, stating that the letter was delivered without making an organizational decision, and unilaterally disclosed the details of negotiations relating to the Application although such disclosure is prohibited under the NDA**. YFO etc. made a shareholder proposal objecting to the reappointment of the Company's directors, and are **repeatedly engaged in acts that no bona fide acquirer would do.**

As publicly announced in the Company's March 28, 2023 press release, because **the acquisition of Company Shares by YFO etc. is suspected to have violated the Financial Instruments and Exchange Act, the Foreign Exchange and Foreign Trade Act, and the Unfair Competition Prevention Act** (see C. below), the Company **provided information to the relevant authorities**.

Further, YFO etc. are **involved in investments in overseas companies, and there are concerns that confidential information of the Company and its related parties may be leaked to the overseas companies in which YFO etc. invests**. **Their experience in hands-on investment is unknown, which raises concerns about business continuation after the acquisition**. **The Company's customers, cooperating companies and other stakeholders are voicing their distrust and concern**.

b. It is obvious that the acquisition by YFO etc. will cause the Company's business

foundation to collapse.

The Company is involved in many projects such as social infrastructure and national defense-related works in which trust from stakeholders is essential. In the environment under which competitors are fiercely competing with each other, a concern or doubt about illegality is **highly likely to cause adverse impact on or a handicap to the Company's activities to win orders** as soon as it occurs, and **extensive damage to the corporate value is concerned**.

Specifically, because the port infrastructure development business, which is the core business of the Company, requires highly advanced port technologies that contribute to national interest, suspicions of compliance issues and concerns about leaks of port technology **are expected to lead to negative evaluations in areas other than price and technical prowess**, and there is a likelihood of a severe impact on winning contracts for port engineering projects. National defense projects holding an important position in the domestic civil engineering business in the New Mid-Term Business Plan are in particular highly confidential, and it is a strict requirement that contractors be reliable in information control based on past experiences. If the Company is placed under the umbrella of YFO etc., which have no experience in management of the construction business, have a short business history, and are aggressively investing in overseas companies, there is concern that the **trust built between clients and the Company may be impaired, and clients may avoid placing orders to the Company due to the risk of information divulgation**.

Further, the Company organizes joint ventures with other companies in the same industry to receive orders of large-scale port civil engineering projects and tunnel and other onshore works, but for the reasons above, there is a likelihood that **other companies will avoid organizing a joint venture with the Company, being concerned about a handicap at time of bidding**. In particular, **the partnership with Maeda that has a capital and business partnership with the Company will collapse if the capital relationship is dissolved, and winning contracts for large-scale onshore government works on the premise of collaboration with Maeda will no longer possible**.

If such an impact on activities to receive orders occurs, the volume of orders placed with cooperating companies will decrease, as a result of which there is a likelihood that **the cooperating companies will leave the Company, and it has negative impact on the Company's securing of production organization and cost competitiveness**.

There are also concerns about **the impact on the Company's precious human resources such as loss of precious human resources or adverse impact on new recruitment**. In fact, the number of people which decline the offers has increased when compared to before the Application, and recruitment of new graduates and mid-career workers has been affected thereby.

Additionally, the rating for the Company assigned by the external rating agencies had been designated as rating monitoring for upgrade, but **after YFO etc. announced TOB, the rating was downgraded from BBB (positive) to BBB (stable)**.

Given the above, **it is obvious that the acquisition of the Company by YFO etc. will cause the Company's business foundation to collapse**.

C. Suspected Violations of Laws and Regulations and Breach of NDA

WK 1-3 and GK YFO etc. carried out the Large-Scale Purchase from March to April of 2022, and together they hold 27.19% of Company Shares. As the Company stated in its March 28, 2023 press release "Provision of Information Regarding Violation of Laws and Regulations by the Yamauchi-No. 10 Family Office to Related Authorities", the Company **suspects that the Large-Scale Purchase by YFO etc. violates laws such as the Financial Instruments and Exchange Act, the Foreign Exchange and Foreign Trade Act, and the Unfair Competition Prevention Act.** In this regard, the Company provided information to the relevant authorities, and has received notice from some of them that the information from the Company has been received as fraud-related information, etc. Furthermore, YFO etc. **have repeatedly made public the details of the negotiations with the Company, which is prohibited by the NDA, thereby breaching the confidentiality duty under the NDA**. The suspected violations of laws and regulations by YFO etc. and the breach of the NDA are described in detail in **Exhibit 3** of this press release disclosed on the Company's website (https://www.toyo-const.co.jp/en/wp/wp-content/uploads/2023/05/20230529-1_E.pdf).

Regardless of the business foundation of each company, **it is clear that persons suspected of violating laws and regulations and those who repeatedly breach agreements are neither fit nor qualified to acquire a company or be a shareholder**. We also believe that if such a person becomes the wholly owning parent company of a company, there would be **a significant risk of scandals occurring in that company and a loss of trust from business partners, leading to deteriorating performance**.

Accordingly, we believe **it is clear that if the Company is acquired by YFO etc., which are suspected of violating laws and regulations and have repeatedly breached the NDA, the Company's corporate value will be harmed**.

D. It is obvious that the interest-bearing debt and loans to be incurred by the Company as a result of the acquisition by YFO etc. could have a material adverse effect on the Company's investment in growth, which in turn could significantly damage the Company's corporate value and the common interests of shareholders.

In the May 18, 2022 TOB Advance Notice Press Release, YFO etc. stated, as the breakdown of the funds to acquire for the Application, "At present, from the perspective of capital efficiency of our company and the optimal capital structure of the target company, we assume a loan amount of approximately 50 billion yen from financial institutions and an investment amount of approximately 44 billion yen by our company. However, the specific details will be determined by the commencement of the Tender Offer." The Company is expected to incur interest-bearing debt of approximately 50 billion yen in the event that the Company is acquired by YFO etc.

However, during the period of the new medium-term business plan it is essential to make large capital investments (of more than 24 billion yen), including the construction of new cable-laying vessels and other large working vessels, in the offshore wind power business, which is the Company's growth drivers. On the other hand, the Company believes that the large amount of interest-bearing debt incurred by the Company in connection with this Application and the deterioration of the Company's finances would have a negative impact on growth driver, as it would undermine the Company's flexibility in raising funds and could have a significant impact on the financing of such growth investments.

In addition, since orders and contracts for national defense projects, etc. based on the National Defense Strategy, for which the Company has high expectations, require the submission of a performance bond issued by a financial institution (i.e., insurance company) to the ordering party, even if YFO etc. were to secure funds for such growth investments from YFO etc.'s own funds through loans to the Company, it may be difficult for the Company to secure a sufficient performance bond from financial institutions (i.e., insurance companies) due to the Company's large balance of interest-bearing debt and other circumstances, which would in turn lead to a decrease in business volume and profits in the domestic civil engineering and construction business. In the case of public works, such as national defense projects, the results of orders received and construction work performed have a significant impact on subsequent orders received. It is clear that if the Company is unable to obtain the results of orders received and construction work performed due to the Company's inability to issue a performance bond during the period of the New Mid-Term Business Plan, it will have a negative impact on the Company's subsequent orders and may significantly damage the Company's corporate value.

5. There are no concrete grounds for the assertions of YFO etc. relating to the governance of the Company, and the assertions are entirely groundless.

In the process of the Company's Board of Directors' expression of support for the INFRONEER TOB, the process of raising proposals at the Company's 100th ordinary general shareholders meeting, and the Company's consideration and decision-making regarding the Application, YFO etc. have **<u>repeatedly asserted that there are "problems" and "suspicions" regarding the governance of the Company</u>**. Furthermore, YFO etc. has demanded that the Company call an extraordinary general shareholders meeting immediately prior to the ordinary general shareholders meeting scheduled for June of this year for the sole purpose of electing persons to investigate these matters, and are still seeking, through a petition for permission to call an extraordinary general shareholders meeting, permission to call an extraordinary general shareholders meeting for the purpose of electing such investigators.

However, as explained in the Company's March 28, 2023 press release, "The Facts About the "Problems" and "Suspicions" Regarding the Company's Governance Alleged by Yamauchi-No.10 Family Office", etc., the above assertions of YFO etc. **unilaterally distort the facts and cause misunderstandings**, and the **"problems" and "suspicions" asserted by YFO etc. do not exist**. **YFO etc. presents no specific or objective grounds for these assertions whatsoever, but merely lists portions of certain statements in the course of the oral give-and-take that has taken place over a long period of time between the Company and YFO etc., that it has taken out of context and trimmed in a manner that suits its own needs**.

Please refer to the above press release for the details of the actual facts.

End

Exhibit 1

Status of Discussions with YFO etc. and
Course of Collection of Information Relating to the Application

Date	Chronology
2022	
March 23	WK 1-3 begin purchasing Company Shares on the market.
March 31	WK 1-3 submit a report of large-volume holdings, designating the purpose of holding as “pure investment.”
April 15	The Company receives a letter from YFO etc. containing statements to the effect that ISH YFO holds Company Shares through WK 1-3.
April 18	GK YFO begins purchasing Company Shares on the market. The Company sends a questionnaire to YFO etc. relating to (i) violation of insider trading regulations and breach of duties under the advisory services agreement, (ii) the purpose of the purchase of Company Shares and the future holding policy, etc.
April 22	GK YFO and WK 1-3 come to own 27.19% of Company Shares. The Company receives from YFO etc. a written response to the Company’s questionnaire dated April 18, 2022, as well as the Proposal.
April 27	The first meeting with YFO etc. is held. The Company sends a questionnaire to YFO etc. relating to the basis for the calculation of the tender offer price, the method of its financing, the management policy after the acquisition of the Company’s shares, etc.
May 10	The Company receives a written response from YFO etc. to the Company’s questionnaire dated April 27, 2022.
May 11	The second meeting between the Company and YFO etc. is held.
May 13	The Company receives a questionnaire from YFO etc. regarding understanding of issues by the Company’s management, management measures, etc.
May 16	The Company sends to YFO etc. a written response to YFO etc.’s questionnaire dated May 13, 2022.
May 17	The Company receives a document from YFO etc. entitled “Management Policy and Corporate Value Enhancement Measures for Toyo Construction (draft)” (May 17 YFO Draft Management Policy). GK YFO and WK 1-3 submit Change Report No. 12, in which the purpose of holding was changed from “pure investment” to “pure investment and engaging in acts, which constitute the making of important suggestions, depending on the situation.”
May 18	The Company receives documents relating to the Application from YFO etc. YFO etc. publicly announce their plans to commence the TOB.
May 19	The third meeting between the Company and YFO etc. is held, and the Company proposes that YFO etc. agree not to acquire additional Company Shares for a certain period of time (“standstill”). The tender offer bid by INFRONEER ends unsuccessfully.
May 22	The Company receives a letter from YFO etc. stating that it would be difficult for them to agree not to acquire additional Company Shares beyond the end of June 2022, when the TOB is scheduled to commence.
May 23	The Company sends a questionnaire to YFO etc. relating to various conditions, including the preconditions for the Application, and matters that the Company considers insufficiently explained in the May 17 YFO management policy.
May 24	The Company’s Board of Directors passes a resolution regarding the “Notice Concerning Introduction of the Basic Policy on Company Control and the Response Policy regarding Large-Scale Purchase Activities of Company Shares Given the Specific Concern of a Large-Scale Purchase by Godo Kaisha Vpg etc. and WK 1 Limited etc. Targeting Company Shares (Measures for Securing an Environment for

	Good-Faith Discussions Regarding the Tender Offer Bid Application by Vpg etc. under Non-Coercive Circumstances)" ("Response Policy").
June 1	In response to the Company's questionnaire dated May 23, 2022, the Company receives a written response from YFO etc. containing statements to the effect that they would positively consider the establishment of a standstill period going beyond June 30, 2022.
June 6	The Company receives a letter from YFO etc. stating that in order to present the Company with more refined corporate value enhancement measures, including specific measures and specific figures, it is necessary for them to receive information relating to the Company's management that is not included in the publicly available information.
June 8	The Company receives a letter from YFO etc. pledging (i) not to commence the TOB unless the Company's Board of Directors support it and recommends tendering, and (ii) not to conduct any additional purchases or Large-Scale Purchases, whether through the market or otherwise, until May 24, 2023, without the Company's prior consent. The fourth meeting between the Company and YFO etc. is held.
June 11	The Company receives a letter from YFO etc. pledging to proactively provide the Company with the information necessary for the Company to consider the Application.
June 23	The Company's Board of Directors, having determined that the purpose of the Response Policy, which is to ensure an environment that enables the Company's Board of Directors to hold effective discussions with YFO etc. regarding the Application in a manner that ensures sufficient bargaining power, has been more or less achieved, passes a resolution to the effect that the Response Policy will not be proposed at the general shareholders meeting, and will be withdrawn.
July 5	The Company receives from YFO etc. a document entitled "Additional Explanation of the 'Additional Explanation for 'Management Policy and Corporate Value Enhancement Measures for Toyo Construction (draft).'"
July 7	The Company receives a letter from YFO etc. regarding how to proceed.
July 11- August 22	A total of five meetings are held between the Company and YFO etc. regarding how to proceed with discussions regarding the Application and the schedule etc.
July 25	The Company receives from YFO etc. a request that the Company's Board of Directors pass a resolution to formally commence consideration of the Application and that a special committee be established to deliberate on and consider the Application.
July 26	The Company's Board of Directors passes a resolution to begin a review to determine whether or not to support and recommend tender in response to the Application, and to delegate the authority to negotiate with YFO etc. relating to the Application to the Company's Representative Director and the Company's administration.
August 26	The Company and YFO etc. execute the NDA.
August 29	The Company receives a letter from YFO etc. regarding the schedule going forward.
September 1- October 6	The Company's administration and YFO etc.'s administration hold a total of nine discussions regarding the Application.
September 9	The Company sends its business plan (non-public information) to YFO etc.
September 11	The Company receives a letter from YFO etc. containing information relating to the YFO Group.
September 22	The Company receives from YFO etc. materials entitled "Data Request (with priority ranking)," and informational materials relating to YFO etc.
September 30- October 6	The Company provides YFO etc. with some of the information in the "Data Request (with priority ranking)" dated September 22, 2022 from YFO etc.
October 5	A letter from Mr. Yamauchi addressed to the Company's President and Representative Director and requesting top-level meetings is received.
October 11	The Company's President and Representative Director sends a letter to Mr. Yamauchi agreeing to top-level meetings.

October 18-December 5	A total of five top-level meetings are held by the Company's President and Representative Director and Mr. Yamauchi.
November 2	At the second top-level meeting, Mr. Yamauchi says, "unless I am persuaded, things will not move forward," and unilaterally cuts off the administration-level discussions. The Company also stops providing information.
November 14	At the third top-level meeting, Mr. Yamauchi strongly requests the Company's thoughts around the end of November 2022. Despite being informed by the Company's President and Representative Director that it was not possible to go through a third-party committee or the Board of Directors and make a determination by that deadline, Mr. Yamauchi repeatedly indicate his eagerness to receive submission, saying that a formal proposal undergoing such procedures was not necessary and that it would be fine just to communicate what the President and Representative Director and the working team in charge "felt" at that point in time.
November 25	At the fourth top-level meeting, the Company's President and Representative Director delivers a letter, as a "draft" of the Company's administration based on the current status of discussions, stating that the Company could not support the proposal by YFO etc. to acquire all of the Company's shares.
December 9	The Company receives a document from YFO etc. entitled "Presentation of Additional Information for Management Policy and Corporate Value Enhancement Measures (draft)."
December 11	The Company receives from YFO etc. a draft press release dated December 13, 2022 by YFO etc. pursuant to the provisions of the NDA. The draft contains facts that were prohibited from being made public under the NDA, such as the content of administration-level discussions and top-level management meetings.
December 12	The Company warns YFO etc. that the draft of the press release dated December 13, 2022 constituted a breach of the NDA, and requests the removal of information that would fall under a breach of the NDA.
December 13	YFO etc. issues the press release, including information breaching the NDA.
December 15	The Company receives a letter from YFO etc. including rebuttals regarding the breach of the NDA. The Company sends a letter of protest to YFO etc. regarding the breach of the NDA.
December 21	The Company receives a letter from YFO etc. rebutting the Company's letter of protest dated December 15, 2022.
2023	
January 10	The Company's Board of Directors passes a resolution to request YFO etc. to present measures for enhancing the Company's corporate value that includes more specific measures as well as a quantitative analysis concerning the Company's corporate value based on the same.
January 12	The Company receives a letter from YFO etc. requesting that the Application be considered as soon as possible.
January 13	The Company sends a letter to YFO etc. requesting specific measures for enhancing corporate value and quantitative analysis based on the same, and provides the information listed in the September 22, 2022 "Data Request (with priority ranking)" from YFO etc.
January 18	The Company receives a document from YFO etc. entitled "Presentation of Additional Information for Management Policy and Corporate Value Enhancement Measures (draft) Version2."
January 20-21	The Company provides YFO etc. with additional information.
January 23	The Company sends a letter to YFO etc. again requesting specific measures for enhancing corporate value and quantitative analysis based on the same. YFO etc. release a response policy to the effect that it will oppose the reappointment of three Company directors at the next ordinary general shareholders meeting of the Company.
January 24	The Company receives a document from YFO etc. entitled "Management Policy and

	Corporate Value Enhancement Measures (draft): Strategic Measures Addressing Individual Challenges You Face and Envisioned Impact on Corporate Value from Value Creation Plan.“
January 25	The Company receives a letter from YFO etc. stating that YFO etc. are aiming to achieve an optimal Board of Directors for the Company based on the response policy announced by YFO etc. on January 23, 2023.
January 27	The Company issues a press release relating to the fact that no corporate governance problems exist at the Company and the new response policy for dealing with YFO etc.
February 3	The Company sends a letter to YFO etc. again requesting specific measures for enhancing corporate value and quantitative analysis based on the same.
February 7	YFO etc. issues a press release to the effect that its goal is to reorganize the Company’s Board of Directors and Board of Auditors.
February 9	In response to the February 7, 2023 press release by YFO etc., the Company issues a press release to the effect that there are no corporate governance issues at the Company.
February 14	The Company Board of Directors, having determined that moving forward with consideration of the Application to the extent possible on the basis of even the limited information already provided by YFO etc. at that time would contribute to securing and enhancing the Company’s medium-to-long-term corporate value and interests of shareholders, passes a resolution to move forward with consideration of the Application to the extent possible and establish the Special Committee.
February 15	The Company announces the establishment of the Special Committee. The Company receives a letter from YFO etc. requesting an explanation regarding the Company’s request to disclose additional information in January 2023.
February 16	YFO issues a press release including the opinion that the Special Committee was established simply as a pretext for coming to the predetermined conclusion of not supporting the Application.
February 17	The Company issues a press release regarding the YFO etc. press release dated February 16, including statements that the sole reason that the establishment of the Special Committee occurred at this timing is that YFO etc. have not provided the necessary information.
February 20	The Company sends a letter to YFO etc. again requesting specific measures for enhancing corporate value and quantitative analysis based on the same.
March 6	YFO etc. makes a demand to call an extraordinary general shareholders meetings seeking the election of persons to investigate the status of the operations and property of the kabushiki kaisha who are stipulated in Article 316, Paragraph 2 of the Companies Act. The Special Committee sends a questionnaire to YFO etc.
March 9	The Company receives a letter from YFO etc. including multiple questions as preconditions for providing information to the Company.
March 10	The Company’s Board of Directors passes a resolution not to call an extraordinary general shareholders meeting based on the demand by YFO etc., notifies YFO etc. of the resolution, and announces this in a press release.
March 13	YFO etc. files a petition with the Osaka District Court for permission to call an extraordinary general shareholders meeting.
March 15	YFO etc. responds to the Special Committee’s questionnaire and issues a press release including the responses. The Company sends a letter to YFO etc. again requesting specific measures for enhancing corporate value and quantitative analysis based on the same.
March 23	The Special Committee sends an additional questionnaire to YFO etc. regarding the status of preparations for acquisition funds. The Company releases the New Mid-Term Business Plan.
March 28	The Company issues (i) a press release regarding specific facts that the Company is aware of concerning the “problems” and “suspicions” regarding the Company’s governance as alleged by YFO etc., and (ii) a press release relating to the provision of information to the relevant authorities regarding suspected violations of laws and

	regulations by YFO etc.
March 31	YFO etc. issue a press release including rebuttals regarding the suspected violations of laws and regulations.
April 4	The Company publishes (i) explanatory material to the press release regarding specific facts that the Company is aware of concerning the “problems” and “suspicions” regarding the Company’s governance as alleged by YFO etc., and (ii) explanatory material to the press release relating to the provision of information to the relevant authorities regarding suspected violations of laws and regulations by YFO etc. The Company’s Board of Directors passes a resolution approving the dividend forecast for the fiscal year ending March 31, 2024 and details of the shareholder return policy during the New Mid-Term Business Plan period, and announces them in a press release.
April 6	The Company releases an additional questions by the Special Committee.
April 14	YFO etc. announce that they do not expect to consider or discuss the Application with the Company’s Board of Directors or the Special Committee, and disclose information about YFO etc.’s resources, including YFO etc.’s assets, as information disclosure to the Company’s shareholders. The Company releases supplementary material for the New Mid-Term Business Plan.
April 17	The Company receives a shareholder proposal from YFO etc. to introduce proposals at the Company’s general shareholders meeting scheduled to be held in June 2023 to appoint nine directors, to appoint one corporate auditor, and to revise director’ compensation.
April 21	The Company requests that YFO etc. facilitate interviews between the Company’s Director Nominating/Compensation Committee and the directors and corporate auditor candidates under the YFO etc. shareholder proposal.
May 2	The Company receives a letter from Mr. Toshiaki Yamaguchi, one of the directors and corporate auditor candidates under the YFO etc. shareholder proposal, to the effect that the directors and corporate auditor candidates under the YFO etc. shareholder proposal unanimously decided not to comply with the requests for interviews.
May 9	The Company announces that the directors and corporate auditor candidates under the YFO etc. shareholder proposal refused to interview the Company’s Nominating/Compensation Committee.

End

Exhibit 2

TOYO CONSTRUCTION CO., LTD.

Toyo Construction Co., Ltd.

The Company's Efforts against YFO’s Value Enhancement Measures

May 24, 2023

YFO's Assertions and the Company's Efforts (summary)

YFO's Understanding of the Issues and the Status of the Company's Efforts (summary)

	A. YFO's Understanding of the Issues	B. Status of the Company's Efforts	Pages
1 Vision and Roadmap	1A ➢ Lack of presentation of a vision with dreams and goals ➢ No overall picture or roadmap of a medium-to-long-term transformation program	1B ➢ Advocated a vision with dreams and intend to grow ➢ Promoting a transformation program from the most previous mid-term business plan to proactively explore growth areas	pp. 5-7
2 Management System	2A ➢ Insufficient management system/governance framework for the realization of business growth	2B ➢ Established and expanded a management system/management personnel optimized for each business with different missions	pp. 9-12
Value Enhancement Measures for Each Business: 3 Private Construction Business	3A ➢ Structure hindering the improvement of business competitiveness due to lack of strategic focus and deconcentration of resources ➢ Lack of profit control capacity	3B ➢ Promoting deeply analyzed sales and customer strategies, and account plans ➢ Has a framework to strictly control losses and profits	pp. 14-16
Value Enhancement Measures for Each Business: 4 Overseas Business	4A ➢ Promotion of a business plan to maintain and grow a less profitable areas although no competitive advantage is in sight	4B ➢ Established overseas area strategies	pp. 17-18
Value Enhancement Measures for Each Business: 5 Offshore Wind Power Business	5A ➢ Lack of growth strategy and investment decision-making framework	5B ➢ Established and promoting a growth strategy	pp. 19-20
6 Strengthening the Management Foundation (DX and Administrative Expenses Optimization)	— *The issues are believed to be mentioned in ② Management System	6B ➢ Established and accelerating a DX strategy ➢ Always optimizing general and administrative expenses	pp. 22-23
7 Quantitative Impact	➢ Additional operating income of up to 3 billion yen ➢ In addition, room for something extra with offshore wind power/DX etc.	7B ➢ In the new mid-term business plan, aiming at 235 billion or greater in consolidated sales, and 15 billion or greater in operating income for Fiscal Year ending March 31, 2028	p. 25
8 Impact of Going Private under YFO	"Going private," which is mentioned by YFO in its press releases etc., is not included in the document published by YFO on March 1, 2023, but because it is a critical factor, the Company's view is included in this document.		pp. 27-31

Source: "Rebuild TOYO: Rebuilding the Governance of Toyo Construction (1. Background from the time of our Proposal to Acquire Toyo)" (March 1, 2023)

The Company's Efforts (summary)

As a result of a review of the Company's corporate value enhancement measures proposed by YFO, and the impact on the Company's businesses if it goes private under YFO, it is determined that YFO's proposal would not enhance the Company's medium-to-long-term corporate value.

1. YFO's "proposal" is made on the basis of discussions with the Company and information from the Company in the past; **no ideas distinctive to YFO can be found.**

2. Many individual items included in the proposal are based on an incorrect understanding of the facts in the first place, and **most of these are misunderstandings, or things that the Company has already addressed or is currently implementing**. The "proposal" is **nothing but general ideas from a perspective outside the construction industry**. **It includes no specific and valid corporate value enhancement measures** that take into consideration the conditions unique to the Company.
   (The Company has already initiated efforts at much higher levels on the basis of its deeper understanding of the industry which it has nurtured over the years.)

3. Regarding the management policy going forward, the Company **has prepared a concrete mid-term business plan with high feasibility based on past events, as well as current strengths and challenges**, and strongly believes that **its corporate value will be enhanced**.

4. **The Company is doing business in areas where reliability and confidentiality are extremely important, such as critical infrastructure, defense and the like, and there is a serious concern that going private under YFO, which is engaged in non-construction businesses and investment businesses, would make it very difficult for the Company to win orders**, and that the Company's **corporate value would be seriously damaged**.

❶ The Company's Efforts for “Vision and Roadmap”

1 The Company's Efforts for "Vision and Roadmap" 1/3

YFO's Assertions

1A YFO's Understanding of the Issues (1)

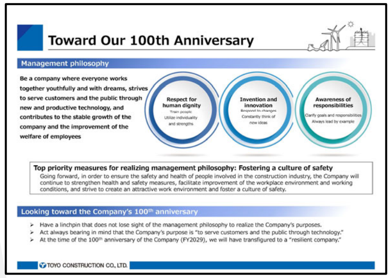
- **Lack of vision** for structural change and **intent to transform**

  ✓ While it advocates the management philosophy, of "Being a resilient company," there is a lack of presentation of a vision as a company with dreams and goals

  ✓ Not appealing to young and talented precious human resources (there has been a significant decline in the employment of new graduates over the last three years, and employment of female workers is also declining)

The Company's Efforts

The Company has a management philosophy that employees have come to understand over many years.
In order to keep up with changes in the business environment, the Company has also set and steadily implemented themes relating to efforts in mid-term business plans to date.

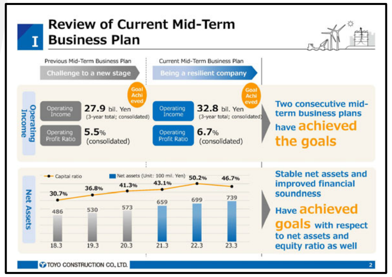


Management philosophy as an unshakable foundation

✓ The Company's management philosophy established in 1979 has been cherished by employees and deeply rooted among all employees over the years as an anchor for business decisions and operational value assessments.

Setting a goal toward the Company's 100th anniversary (FY2029)

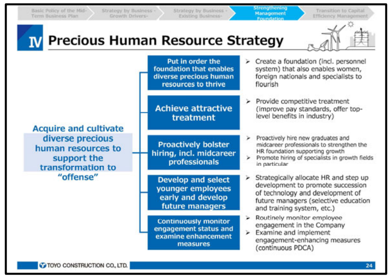
✓ In the current mid-term business plan and the new mid-term business plan, the Company is consistently promoting efforts to become a resilient company in anticipation of its 100th anniversary.



Steady realization of mid-term business plan goals for the past three terms

✓ Steady realization of mid-terms plan goals for the past three terms (2014-2016, 2017-2019, and 2020-2022)

✓ As a result, through the successful increase in net assets and improved financial health, the foundation for a resilient company that does not yield to environmental changes is established.



Precious human resources are the sources of the Company's competitiveness, and precious human resources efforts continue.

✓ The decline in employment of new graduates pointed out by YFO was a temporary occurrence during the pandemic, and in 2023, 72 employees (+32 from the preceding year) were hired, which is at the level of a normal year.

✓ The previous mid-term business plan advocated the "cultivation of precious human resources who embody the corporate identity" as a basic strategy, and the Company is working on the cultivation of precious human resources through the 10-year program for the development of young engineers, training for each rank, and the like.

*For details, please refer to the Company's new mid-term business plan (published on March 23, 2023).

1 The Company's Efforts for "Vision and Roadmap" 2/3

YFO's Assertions

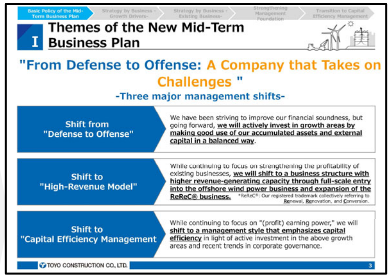
1A YFO's Understanding of the Issues (2)

- No **overall picture or roadmap of** a medium-to-long-term **transformation program**

  ✓ No anticipated business portfolios/roles for each business to keep up with structural changes in the future, company-wide transformation programs, or roadmaps

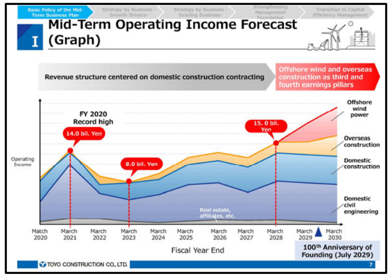
The Company's Efforts

The new mid-term plan lists three management shifts with "from defense to offense: a company that takes on challenges" as a theme. The Company is setting targets and plans and is consistently making efforts to review management and strengthen its business portfolio to keep up with changes in the environment.



The new mid-term business plan lists three major management shifts.

✓ In order to further evolve into a "resilient company," the term of the mid-term business plan was extended from three years to five years to carry out major management shifts, with ① shift "from defense to offense," ② shift to "high-revenue model," and ③ shift to "capital efficient management" as three pillars.



The previous mid-term business plan drew a medium-to-long-term roadmap leading to the Company's 100th anniversary (FY2029). It focused on diversification of the revenue base to become a resilient company.

✓ The Company is aiming to change the business portfolio from a revenue structure centered on domestic construction contracting to a high-revenue model by growing the offshore wind power and overseas construction as the third and fourth earnings pillars.

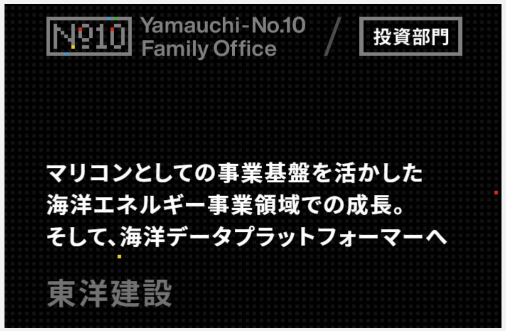
*For details, please refer to the Company's new mid-term business plan (published on March 23, 2023).

1 The Company's Efforts for "Vision and Roadmap" 3/3

YFO's Assertions

1B Measures Proposed by YFO

- Advocate a **vision with dreams** and **an intent to grow**
- A **program** to strengthen the core business and consolidate the **revenue/financial base**, and then, to **proactively invest in and explore new growth areas**



The Company's Efforts

The proposal is based on discussions with the Company and information from the Company and is not a roadmap distinctive to YFO. The "vision with dreams" lacks feasibility, and YFO does not fully understand the Company's business areas.

Roadmap

YFO's proposal appears similar to the Company's direction in terms of focusing on the offshore wind power business as a driving force for medium-to-long-term growth but is not a brand new "proposal."

- ✓ The Company started considering entering the offshore wind power business around 2010 and is considering a careful expansion approach and proceeding with technical development, as well as drawing a long-term strategy going forward. YFO is merely making "proposals" on the basis of the disclosed information on such activities.

The Company also sees the overseas construction and domestic civil engineering as growth areas and is aiming to diversify its portfolio and evolve into a resilient company.

- ✓ Contrary to YFO's understanding, the Company is aware that the overseas construction and domestic private civil engineering have growth potential. A plan is being prepared to further diversify the portfolio and advocate the "intent to grow."

Future vision (tentative)

YFO's proposal is merely a sales pitch and is inappropriate as a vision for the construction business because its linkage to the roadmap is unclear and it is baseless.

- ✓ There is a reference to "Platformer for technologies and data in the marine areas," but there is no explanation as to how to create a database in the offshore wind power industry, a path to become a "platformer" from the Company's marine civil engineering business and offshore wind power business, or regarding the business model or revenue.
- ✓ Because data relating to offshore wind power is treated as an asset among industry players and is not anticipated to be disclosed or become publicly available at the present time, the use of such data cannot be a business model.

Source: Extracted from the YFO website

❷ The Company's Efforts for a “Management System”

2 The Company's Efforts for a "Management System" 1/4

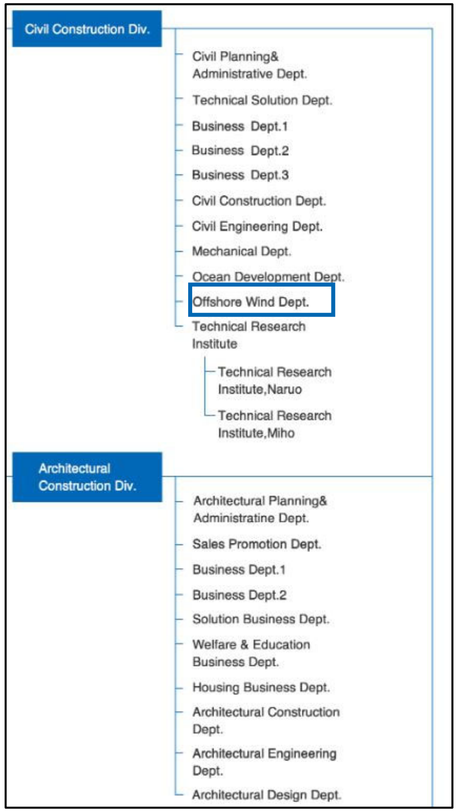
YFO's Assertions

2A YFO's Understanding of the Issues

- **Lack of management system/governance framework** to grow business
  - ✓ In the development of a management system optimized to maintain the high profitability of port public civil engineering business, management systems to grow the private construction business and the offshore wind power business have not been established.
  - ✓ A framework to evaluate investment projects taking capital expenses into consideration has not been established.
  - ✓ The business division is solely in charge of the profitability of construction work, and no hurdle rates for the business administration department or any other management department have been set. The business department responsible for PL is solely in charge of the verification of profitability, and there are concerns about operational risk management.

The Company's Efforts

Taking the business division system from 2009, a system for appropriate management consisting of three business divisions (civil engineering, construction, and management) was established. The system for the offshore wind power business is also being steadily strengthened, and the notion that "management is optimized for port civil engineering" is a complete misunderstanding of the facts.



The Company's construction business developed a system as the "Architectural Construction Div." in 2009, and has been steadily building business profits since.

- ✓ YFO thinks that the Company is a company that is specialized in port civil engineering, but the Company entered the construction business in 1976, and has almost 50 years of experience in that field.
- ✓ The Architectural Planning & Administrative Dept. serves as the business planner, and based on a clear strategy, focuses on winning and pursuing highly profitable projects. A system of allocating and promoting roles in accordance with project themes has been established.
- ✓ By setting the DX design group in the Architectural Design Dept., DX promotion efforts are being enhanced and are ranked top of medium-sized general contractors.

For the offshore wind power business, an appropriate organization and a decision-making process have been established as the business expands.

- ✓ The Company has positioned the offshore wind power business as a driver for growth and started its examination of the business in 2010.
- ✓ That department is composed of members with extremely high professional skills nurtured in the marine civil engineering business over many years (from the perspective of offshore construction + working vessels, very similar to the offshore civil engineering business).
- ✓ The offshore wind power business requires large-scale investment and is subject to a strict screening process to ensure proper decision-making.

2 The Company's Efforts for a “Management System” 2/4

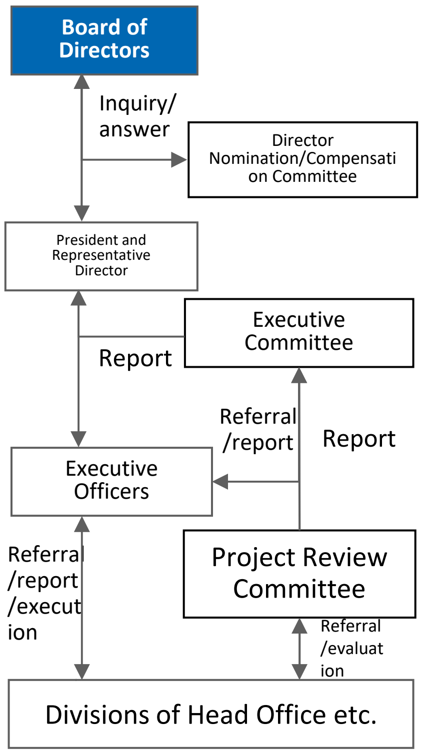
YFO's Assertions

2A YFO's Understanding of the Issues

- **Lack of management system/governance framework** to grow business
  - ✓ In the development of a management system optimized to maintain the high profitability of port public civil engineering business, management systems to grow the private construction business and the offshore wind power business have not been established.
  - ✓ A framework to evaluate investment projects taking capital expenses into consideration has not been established.
  - ✓ The business division is solely in charge of the profitability of construction work, and no hurdle rates for the business administration department or any other management department have been set. The business department responsible for PL is solely in charge of the verification of profitability, and there are concerns about operational risk management.

The Company's Efforts

The Company has put in place a system to evaluate and decide large investment projects including offshore wind power projects in accordance with strict standards through a meeting body that includes knowledgeable independent outside directors; thus, YFO’s remarks are misplaced.



Large investment projects and other important matters are evaluated and decided by meetings of the board of directors consisting of all directors and auditors etc.

- ✓ Large investment projects and other important matters are evaluated and decided at meetings of the board of directors.
- ✓ The independent outside directors who are members of the meeting body are from Teijin, IHI, Mitsui & Co. etc., have abundant management experience in making large capital investment decisions etc., and on the basis of their knowledge, review and provide advice to large investments relating to offshore wind power projects.

Evaluation and decision-making in accordance with an investment evaluation manual that specifies quantitative investment evaluation standards and hurdle rates

- ✓ The Company has prepared an investment evaluation manual that specifies investment evaluation standards and target payback periods based on capital expenses etc., and quantitatively evaluates investments.
- ✓ Investments exceeding a certain amount require the preparation of future FCF for evaluation.
- ✓ Even after the evaluation, progress is controlled, and risks are assessed.

② The Company's Efforts for a "Management System" 3/4

YFO's Assertions

2A YFO's Understanding of the Issues

■ **Lack of management system/governance framework** to grow business

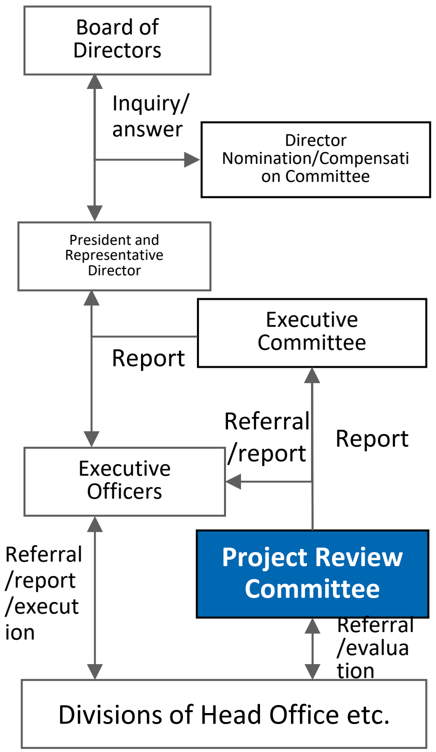
✓ In the development of a management system optimized to maintain the high profitability of port public civil engineering business, management systems to grow the private construction business and the offshore wind power business have not been established.

✓ A framework to evaluate investment projects taking capital expenses into consideration has not been established.

✓ The business division is solely in charge of the profitability of construction work, and no hurdle rates for the business administration department or any other management department have been set. The business department responsible for PL is solely in charge of the verification of profitability, and there are concerns about operational risk management.

The Company's Efforts

The profitability of construction projects exceeding a certain size is also strictly evaluated by the Project Review Committee, and YFO's assertion that a business division is solely in charge of profitability is a complete misunderstanding of the facts.



A system has been established whereby the profitability etc. of developments and projects for which orders have been received that exceed a certain size is evaluated by the Project Review Committee.

✓ The Project Review Committee was established as an advisory body for the Executive Committee, and at a stage prior to an executive decision being made, evaluates projects for which orders has been received.

✓ The Committee carries out evaluations on the basis of various materials including check sheets submitted by key departments and reports the results of its evaluations to the Executive Committee.

✓ If a project does not meet the requirements for accepting an order, in principle, it is returned to the relevant business division, and the original proposal will not be implemented as is (substantially, the project will be rejected).

Strict evaluation standards

✓ Evaluations are performed in advance mainly through business, legal, and financial due diligence. Strict due diligence is performed with "profit at the time of receiving the order" and "annual profit per worker" as quantitative standards, among other various other standards.

Appropriate monitoring by the Head Office after evaluation

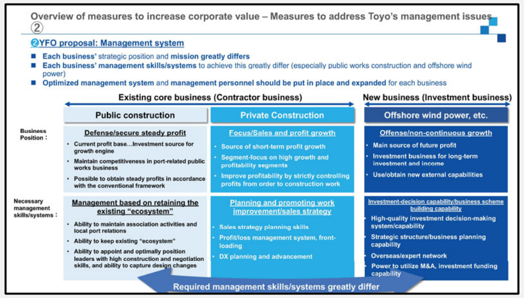
✓ Each business division etc. reports the state of progress, and if profitability declines below a certain level, the board of directors will be informed.

② The Company's Efforts for a "Management System" 4/4

YFO's Assertions

2B Measures Proposed by YFO

➢ **Establishment and expansion of a management system/management personnel optimized** for each business
- ✓ Strategic positionings and missions vary greatly by business.
- ✓ Management skills/systems required for feasibility vary greatly by business (especially, between public civil engineering and offshore wind power)
- ✓ A management system/management personnel optimized for each business should be established and expanded.



The Company's Efforts

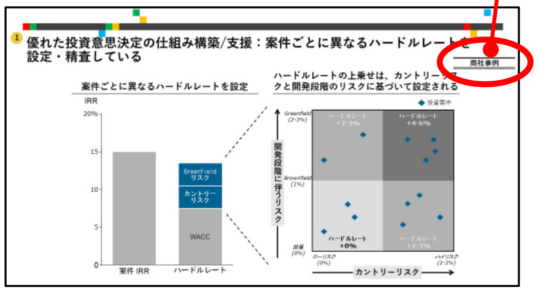
"Management system optimized for each business" asserted by YFO is nothing more than a general idea, and the proposal only includes ideas that the Company has already addressed or is currently implementing. There are no specific proposals based on any knowledge or experience that is unique to YFO.

YFO's "proposal"

The proposal consists of nothing but general ideas, and there is no specific proposal as to how the Company's management system should be changed (the issue pointed out by YFO is a misunderstanding of the facts as explained above).

Example of YFO's "proposal"

"Examples of trading companies"



- ✓ YFO's proposal materials include a paper entitled "examples of trading companies," and only explain general ideas as in textbooks.
- ✓ There is no specific proposal (based on a fair understanding of the problems) on what type of management system would be appropriate for the Company, or what type of management system would be appropriate for the construction business.

The Company's efforts

The Company has already addressed the issues and measures referred to by YFO at a high level, and three major management shifts will be carried out under the new mid-term business plan for further evolution.
- ✓ The Company agrees that management skills/systems required for each business vary, and a system appropriate to each business needs to be established, and as explained above, has proceeded with activities on the basis of such understanding.
- ✓ In view of the characteristics of the anticipated offshore wind power business, the capital efficiency index will be emphasized more than ever, and the business administration system will continue to be strengthened.

Source: "Rebuild TOYO : Rebuilding the Governance of Toyo Construction (1. Background from the time of our Proposal to Acquire Toyo)" (March 01, 2023)

The Company's Efforts for “Value Enhancement Measures for Each Business”

❸ Private Construction

❹ Overseas Construction

❺ Offshore Wind Power

The Company's Efforts for "Value Enhancement Measures for Each Business": ③ Private Construction 1/3

YFO's Assertions

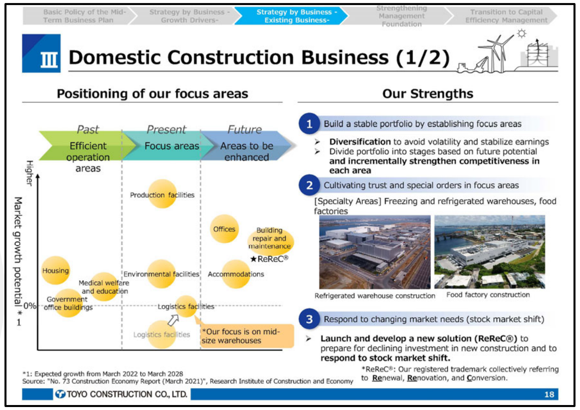
3A YFO's Understanding of the Issues (1)

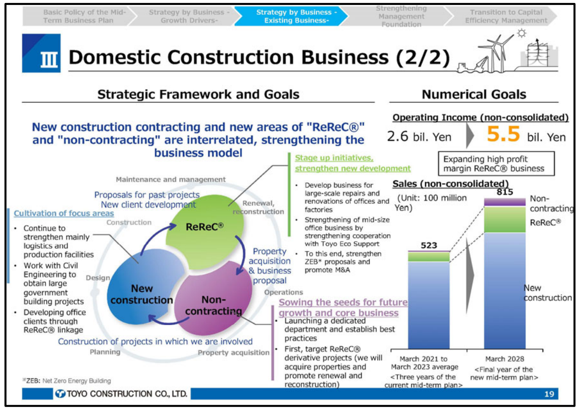
■ **Lack of sales strategy and profit control capacity in the construction business**

- ✓ In private construction businesses, there is a lack of strategic focus and a deconcentration of resources. Structure hinders the improvement of business competitiveness as a small-scale player.
- ✓ Mechanisms that boost profitability through post-order profit recovery. Concern that cost reductions at time of estimate are inadequate, and that risks of loss or downturn in contracting opportunities will arise.

The Company's Efforts

The Company formulated a 10-year construction business plan in 2020, and has achieved steady growth by defining focus areas in light of market trends and the state of our strength-building; YFO's assertion of "a lack of strategic focus" is a total misapprehension.





"Focus Areas" is further divided into "efficient operation areas," "primary focus areas," and "areas to be enhanced" for the formulation of a sales strategy

- ✓ The Company has been in the domestic construction business for nearly 50 years and has engaged in a practice of repeated trial-and-error to expand businesses efficiently.
- ✓ Guided by its reflections on the difficult period precipitated by overemphasis on apartment complexes, the Company has made concerted efforts in formulating its business strategy and has adopted a policy of narrowing its efforts to areas where profits can be secured and areas that mobilize its strengths, while simultaneously pouring energy into the next pillars of growth in light of changing demands over the medium-to-long term.
- ✓ The new mid-term business plan identifies logistics facilities, production facilities, and environmental facilities as a primary focus, while listing offices and ReReC* as areas to be strengthened. Resources are not "deconcentrated"; they are being "optimized."

New construction contracting and new areas of ReReC and non-contracting are interrelated, strengthening the business model

- ✓ By combining not only new construction contracting but also ReReC and non-contracting(real estate solutions), the Company aims to strengthen proposal capabilities and create long-term customer contact points, while also seeking diversification of profit creation methods and increased profit margins.

*ReReC: Company registered trademark referring, collectively, to "Renewal, Renovation, and Conversion."

*For more information, please refer to the Company's new mid-term business plan (published on March 23, 2023).

The Company's Efforts for “Value Enhancement Measures for Each Business”: 3 Private Construction 2/3

YFO's Assertions

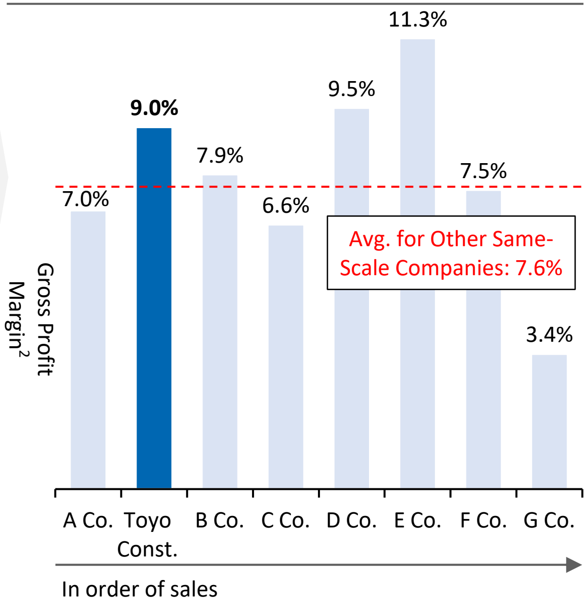
3A YFO's Understanding of the Issues (2)

- **Lack of sales strategy and profit control capacity in the construction business**
  - ✓ In private construction businesses, there is a lack of strategic focus and a deconcentration of resources. Structure hinders the improvement of business competitiveness as a small-scale player.
  - ✓ Mechanisms that boost profitability through post-order profit recovery. Concern that cost reductions at time of estimate are inadequate, and that risks of loss of or downturn in contracting opportunities will arise.

The Company's Efforts

The Company regards profits at time of order and profits at time of completion as essential indices, selects projects strategically, and has a higher profit standard than other companies. Initiatives for avoiding YFO’s claimed “risks of loss of or downturn in contracting opportunities will arise” are already in place.

Profit Margin Comparison with Other Same-Scale Companies[1]



1) Companies with sales on same scale as the Company were selected (consolidated sales of 70-200 billion yen and construction business sales of 25-100 billion yen (avg. for March 2020-March 2022))
2) Gross profit margin for construction business (avg. for March 2020-March 2022)

The Company is not dependent on post-order profit enhancement and makes thoroughgoing efforts to ensure profits at time of order. Profit controls are strictly enforced.

- ✓ Strict profitability controls are in place; two indices of profits are clearly defined and managed (profit at time of order and post-order profit enhancements)
- ✓ The approach of offering strategic pricing in the face of competition while upholding specific profitability standards and pursuing post-order profit margin enhancements through VE/CD is a common process in private construction, and the Company is engaged in such efforts as a matter of course.

There is no loss of contracting opportunities and projects are selected strategically. As a result, the Company has higher profit margins than same-scale general contractors.

- ✓ The Company selects projects strategically having ascertained areas where high profits and growth are obtainable; no loss of contracting opportunities has been occurring.
- ✓ Pre-bid conferences are held, and individual project costs, construction status, competitor information, etc. are shared with the leadership of branch offices and the construction business division. Bid amounts are chosen in 1 yen increments.
- ✓ In light of the recent rise in materials prices, the Company has been making painstaking efforts to make requests to clients regarding indexation provisions, and profit deterioration has been kept to a minimum.
- ✓ The above system has already taken hold organizationally, and post-order profits are expanding, so there is little risk of a decline.
- ✓ As a result, the Company enjoys a 9.0% gross profit margin in the construction business, compared to a 7.6% average for same-scale general contractors.

The Company's Efforts for "Value Enhancement Measures for Each Business": 3 Private Construction 3/3

YFO's Assertions

3B Measures Proposed by YFO

- **Promotion of sales and customer strategies, and account plans**
  - ✓ Strategically narrow activities to high-growth / high-profit-margin focus fields
  - ✓ Make resource-oriented investments, accelerate knowhow acquisition
  - ✓ Promote account plans
  - ✓ Achieve expanded plan offerings and design/construction orders

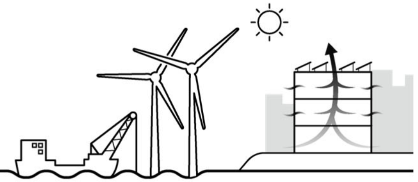
- **Strengthening of profit-loss management frameworks**
  - ✓ Profit-loss management that reflects VE/CD, optimizes hurdle rate settings at time of order, and is based on working budgets / profit targets
  - ✓ Strengthen / establish cost planning / control functions
  - ✓ Introduce manager support tools / mechanisms

The Company's Efforts

YFO's "proposals" are merely general ideas as in textbooks, most of which are already in place in the Company; they are not meaningful or attractive proposals from the Company's perspective (the Company is already pursuing initiatives at a much higher level).

Promotion of sales and customer strategies, and account plans	**Account plan promotion and other such sales measures are already in place. YFO's proposals are extremely general, and their content is not reflective of the level at which the Company currently operates.** ✓ As detailed previously, the Company defines sales strategies and plans and executes customer-specific initiative policies in accordance therewith; as a result, special-order projects have increased correspondingly as well. ✓ From the perspective of knowhow acquisition in focus areas, the Company's success in acquiring knowhow in areas where executing construction is relatively difficult, such as food plants and refrigerating/freezing warehouses, is a strength. ✓ With a view to expanding design/construction, the Company established the Solution Business Dept. (formerly: Technical Planning Dept.) in 2014 to create robust technical offerings team; the Company thus has been devoting energy for some time to strengthening proposal capabilities and expanding project offerings and design/construction business. **Excessively limiting efforts to immediate high-profit-margin areas risks undermining medium-to-long-term stability, and YFO's proposal is a contradiction of YFO's stated "long-term perspective."** ✓ Further, YFO's proposals to the Company offer up policies that would considerably narrow the domain of Company initiatives, but, as detailed previously, the Company highly values portfolio management in focus areas, and adopting the short-term perspective of narrowing efforts to only high-profit-margin areas carries grave risks of undermining business stability.
Strengthening of profit-loss management frameworks	**The Company has already established frameworks for profit-loss management for the construction business at a far higher level than that presented; these frameworks are not novel ideas.** ✓ As detailed previously, the Company is already engaged as a matter of course in initiatives to enhance profit at time of order by creating VE/CD data, building VE by consulting with clients during construction, and tapping ingenuity during construction etc. ✓ The Company sets hurdle rates and KPIs, such as "profit (margin) at time of order" and "annual amount of profit per employee needed for construction." Organizational initiatives to cultivate potential managers are in place as well.

The Company's Efforts for “Value Enhancement Measures for Each Business”:
4 Overseas Construction 1/2



YFO's Assertions

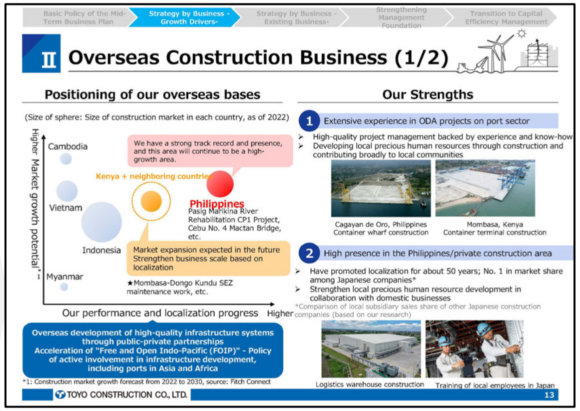
4A YFO's Understanding of the Issues

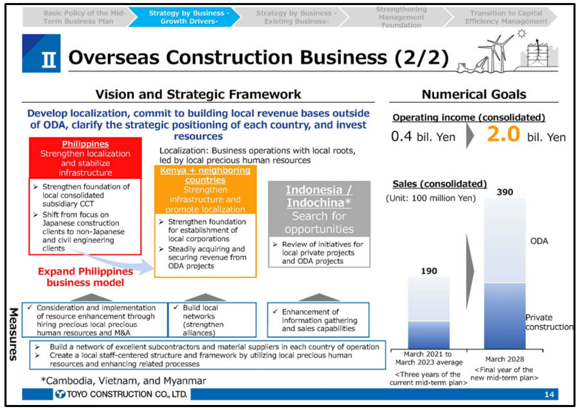
■ **Inadequate sales strategy and profit control capacity in construction business**

✓ Although no clear competitive advantage is in sight, the Company is promoting a business plan to maintain and grow less profitable areas

The Company's Efforts

The Company has anchored its plan around the Philippines, where it holds the No. 1 position among Japanese companies, and Kenya, where it has built a business foundation through port projects, one of its strengths; YFO’s assertion that “there is no clearly discernible competitive advantage” is incorrect.





The Company is a leading player in port ODA, and has a strong presence in the private construction sector in the Philippines

✓ In the port ODA area, the Company has a robust track record in many countries and boasts a high successful bid rate.

✓ Furthermore, the Company entered the Philippines approximately 50 years ago, has pursued localization centered on local subsidiary CCT, and enjoys its presence as the No.1 Japanese general contractor.

Each country’s priority level and primary focus areas are clearly defined, so YFO’s assertion that, “While there is no clearly discernible competitive advantage, the Company is promoting a business plan to maintain and grow low-margin areas” is a complete misunderstanding of facts.

✓ In Kenya, the Company has been focused for more than 10 years on building production systems, developing local personnel, and scouting for partner companies, and it has contributed to local communities through infrastructure development. The Company will make efforts while securing substantial profit margins in large anticipated projects.

✓ Each country’s priority level is clear in the new mid-term business plan. In addition, because the ODA commitments are project-based and the amount of business in any given country is subject to fluctuation, the Company is committed to advancing localization in countries where it maintains local offices, and to building local earnings foundations other than ODA.

*For more information, please refer to the Company's new mid-term business plan (published on March 23, 2023).

The Company's Efforts for “Value Enhancement Measures for Each Business”: 4 Overseas Construction 2/2

YFO's Assertions

4B Measures Proposed by YFO

- **Rebuild overseas area strategies**

✓ Reassess regional strategies
✓ Strict profitability controls, including withdrawal, for low-profitability regions
✓ Pursue full potential for Japanese companies with CCT/the Philippines

The Company's Efforts

YFO's proposal is to “expand Japanese ordering in the Philippines,” but this is a serious misunderstanding and would not be an effective strategy. The Company’s view is that it is important to expand non-Japanese ordering in the Philippines and promote localization in Kenya.

Reassess regional strategies / Profitability controls

The Company’s view is that current prioritization of countries where it has operated is clear and that this is an appropriate regional strategy.

✓ The Company has a track record of working across 14 countries in the past, but in consideration of the business environments, etc. in those countries, this currently has been narrowed to three countries (the Philippines, Kenya, and Indonesia).
✓ The Company regards the Philippines and Kenya as its countries of primary focus and is exploring project opportunities in other countries where it has operated.

The advisability of withdrawal requires careful decision-making, because it is difficult to re-enter a market once a company has withdrawn local offices.

✓ YFO easily proposes withdrawal, but it is extremely difficult for a company to re-enter a market once it has withdrawn local offices, so such decisions must be made carefully, having clearly ascertained each country’s circumstances.
✓ The Company is conducting efficient business operations by adopting a policy of keeping local offices in place to gather information in the relevant countries and provide back-end support in its countries of primary focus.

Strengthen contracting with Japanese companies in the Philippines

The Company has already established its position as the No. 1 Japanese contractor in the Philippines, and it is at the stage of pursuing expanded non-Japanese contracting to help grow local communities. YFO does not understand this business environment.

✓ Among the top 5 local subsidiaries of Japanese general contractors, we enjoy an approximately 40% market share and have already built a robust business foundation.
✓ The track record in the Philippines has fostered strong trust in CCT, and expansion of business area, including civil engineering, is being pursued.

Policy of pursuing localization in Kenya and surrounding countries while there are still large ODA projects.

✓ During the period of the new mid-term business plan, large ODA projects are expected in Kenya.
✓ While these ODA projects are still active, the Company will advance localization, including forming alliances with local companies and establishing local subsidiaries, and will work to make those countries one of the most stable business foundations after the Philippines.

The Company's Efforts for “Value Enhancement Measures for Each Business”:
5 Offshore Wind 1/2

YFO's Assertions

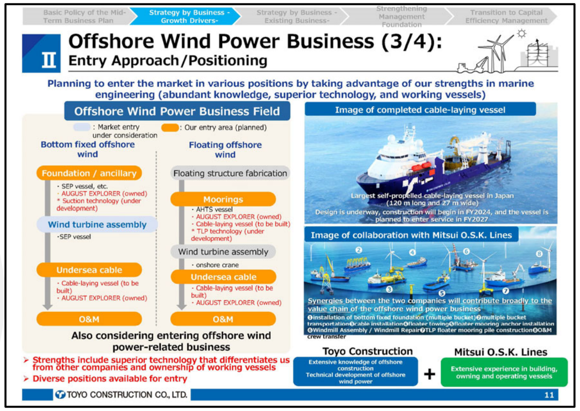
5A YFO's Understanding of the Issues

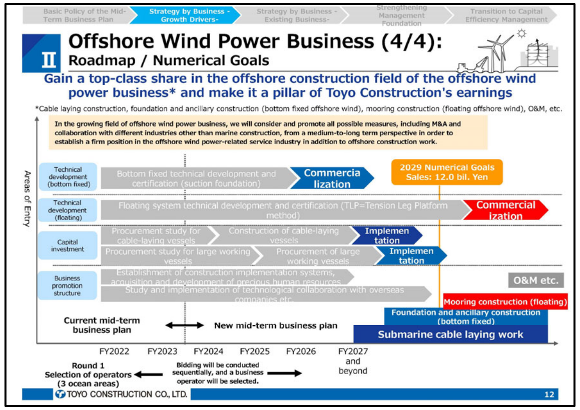
■ **Lack of a growth strategy and investment decision-making framework**

- ✓ Businesses that offer major potential growth opportunities, but require the formation of business models that differ from conventional construction businesses
- ✓ Problems in investment decision-making frameworks and risk management, such as the decision to invest in cable laying vessels without a growth strategy

The Company's Efforts

The Company constructs business strategies considering its strengths and implements strategic investment decisions based on a medium-to-long-term roadmap. The “issue of investment decision-making and risk management without a growth strategy” as claimed by YFO has no factual basis, and this has been addressed.





Formulation of a business strategy that mobilizes differentiated technologies and our strengths in marine engineering, and that pursues market entry in a diversified position.

- ✓ The Company is capable of handling both bottom-fixed and floating offshore wind, making use of its abundant knowledge and superior technology in marine engineering, and of the working vessels it owns.
- ✓ Our aim is to mobilize these strengths in pursuit of market entry in a diversified position that can differentiate us from other companies.
- ✓ To achieve this aim, we have begun discussions (already publicly announced) for collaboration with Mitsui O.S.K. Lines, which has a strong track record in building, owning, and operating vessels.

Strategic investments are made following a formal internal decision-making process based on a clear roadmap.

- ✓ A medium-to-long-term roadmap looking ahead to 2027 and beyond has been formulated, which defines market entry areas and necessary actions.
- ✓ On the basis of this roadmap, following the Executive Committee, a company-wide decision on vessel investment was made by the Board of Directors.
- ✓ When vessel investments are actually made, the decision is made based on comparison between IRR and Company hurdle rates computed through a detailed calculation of the anticipated business earnings and expenditures. Mechanisms that ensure thorough risk management via monitoring have been constructed as well.

*For more information, please refer to the Company's new mid-term business plan (published on March 23, 2023).

The Company's Efforts for “Value Enhancement Measures for Each Business”: 5 Offshore Wind 2/2

YFO's Assertions

5B Measures Proposed by YFO

■ **Growth strategy establishment/promotion**

- ✓ Entry strategy development (selection of strategy options based on capability mapping of the offshore wind supply chain)
- ✓ Vessel investment (investment based on the above strategy)
- ✓ Technical development investment (technology development roadmap based on the above strategy)
- ✓ Capability acquisition/JV implementation

The Company's Efforts

YFO’ s assertions are nothing more than a presentation of very general perception of the business environment and examples of measures, not strategy proposals based on our unique strengths and technological superiority, so they have nothing that can be added to our strategy.

Entry strategy development	**The proposals we have received so far only offer generalities and are not based on our past efforts or technological superiority.** ✓ The strategies presented so far are general and do not take into account the Company’s unique circumstances. ✓ Among various strategic options, the Company is developing the growth strategy set forth in the new mid-term business plan, taking into account its technological superiority and the trends among other companies.
Vessel investment	**The proposals fail to take into account the market environment in Japan.** ✓ The Company is already considering making investment decisions regarding vessels, taking into account the characteristics of various types of vessels, the Japanese market environment, and risks.
Technical development investment	**The proposals do not include a technology development roadmap.** ✓ The proposals do not include a specific technology development roadmap (while claiming that a technology development roadmap is needed), nor do they include anything that demonstrates an understanding of the Company's technology development policy. ✓ Since the period for the previous mid-term business plan, the Company has formulated an R&D roadmap and is moving forward with its efforts.
Capability acquisition/JV implementation	**The proposals merely list the obvious.** ✓ The Company recognizes that the restructuring of the personnel system for the purpose of securing human resources and the consideration of JVs, as indicated by YFO, are naturally necessary initiatives for the Company, and the Company has already begun efforts to acquire and train human resources to establish construction implementation systems, and are considering technical collaboration with overseas companies and others.

❻ The Company's Efforts for “Strengthening the Management Foundation”

6 The Company's Efforts for “Strengthening of the Management Base” 1/2

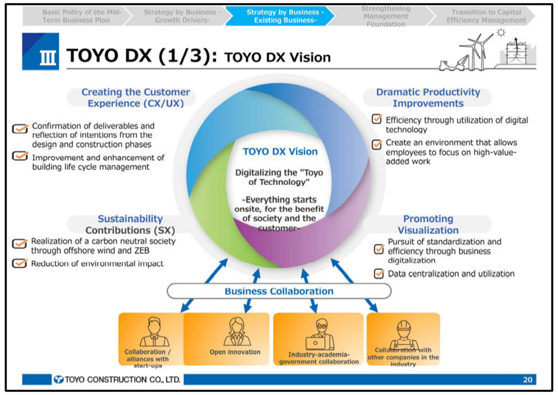
YFO's Assertions

6B Measures Proposed by YFO (1)

- **DX promotion development support and acceleration**
  - ✓ Development of DX promotion infrastructure
  - ✓ Strengthening of DX human resources

The Company's Efforts

YFO’s proposals are too general and do not reflect the characteristics of the Company’s business, and we cannot find any effective proposals. Further, the Company is already working on various DX themes and is ahead of other companies in the same industry of the same size.



The Company set forth its DX vision in the new mid-term business plan and is moving forward with its efforts based on the roadmap, centered on a dedicated department.

- ✓ With “Digitalizing the ‘Toyo of Technology’ -Everything starts onsite, for the benefit of society and the customer-” as our DX vision, various efforts have been organized as a roadmap with an eye toward collaboration with other companies.
- ✓ Dedicated DX teams have been formed in both the civil construction and architectural construction divisions and they collaborate to promote DX from a company-wide perspective.

The Company is also working on themes that utilize cutting-edge technology, and we are proud to be ahead of other companies in the same industry of the same size.

- ✓ The Company is involved in several initiatives that have been selected by MLIT for model projects related to the use of BIM, including “Judgement of the possibility of steel frame construction” and “Remote construction supervision by autonomous drones.”
- ✓ External recognition is also being won, such as the “Tsuruga Port (Mariyama South Area) Quay Wall (-14m) Construction (No. 3)” winning the MLIT Infrastructure DX Award for Excellence on March 17, 2023.
- ✓ The Company is promoting site digitalization and digital management of business processes, as well as cutting-edge initiatives such as the marine construction digital twin, to enhance productivity improvement and customer experience creation.

*For more information, please refer to the Company's new mid-term business plan (published on March 23, 2023).

6 The Company's Efforts for "Strengthening of the Management Base" 2/2

YFO's Assertions

6B Measures Proposed by YFO (1)

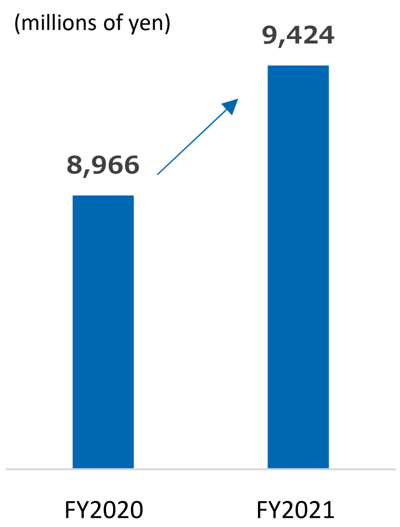
- **Optimization of general and administrative expenses**
  - ✓ While actively investing the costs necessary for growth, move forward with the elimination of waste

The Company's Efforts

Based on the Company's history, we have higher productivity and lower head office costs than our competitors. YFO did not mention where and to what extent there is room for "optimization" at all, and only offered an "image proposal" that was extremely vague and lacking in specifics.

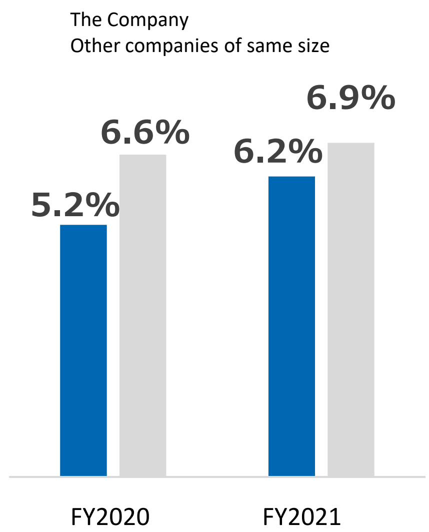
Company's SG&A expenses

The increase in SG&A expenses was due to investment in human resources and R&D expenses related to offshore wind, which are considered necessary investments



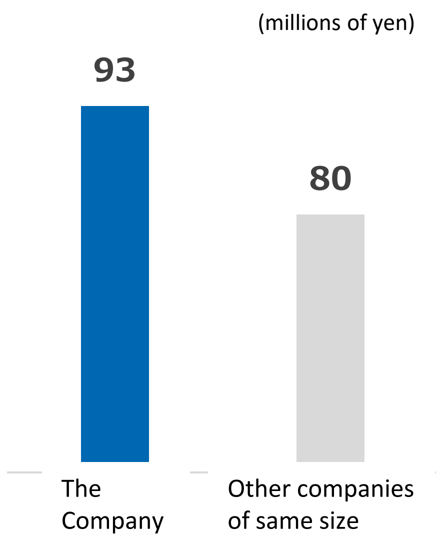
Average ratio of other companies of the same size [*1]

The average SG&A ratio of other companies of the same size is 6.9%, so the Company's ratio is lower than that of other companies



(Reference) Sales per employee in FY2021

Sales per employee in FY2021 are high compared to other companies of the same size, and productivity is relatively high



*1 Average of 21 construction companies listed on the Tokyo Stock Exchange with sales of at least 100 billion yen and less than 200 billion yen (SPEEDA)

⑦ The Company's Efforts for “Quantitative Impact”

7 The Company's Efforts for "Quantitative Impact"

YFO's assertions

7B YFO's proposal

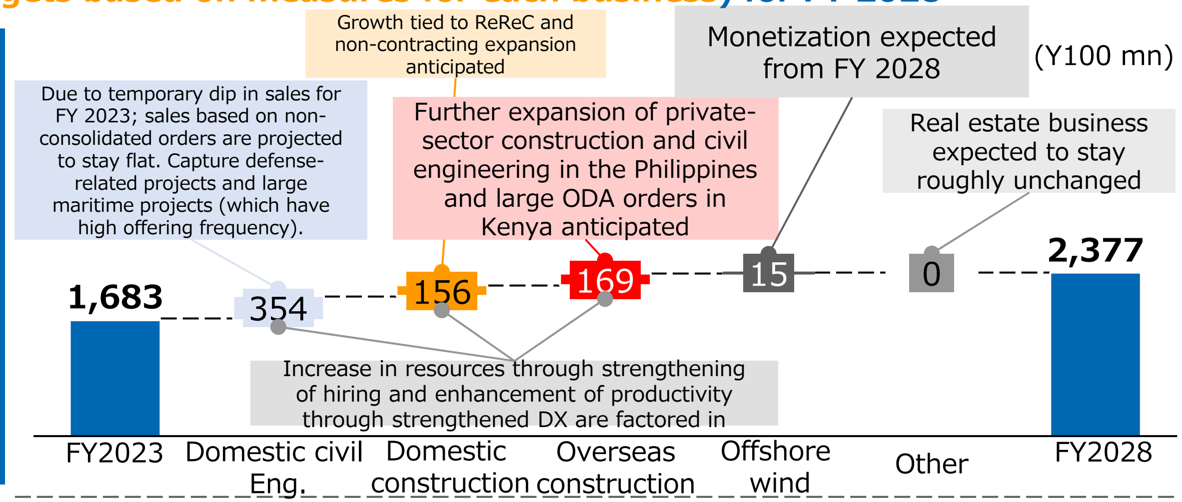
- **Upside of up to 3 billion yen on an operating income basis**
- **Room for additional growth with offshore wind power/DX etc.**

✓ Using only quantitative measures, projects an upside of up to 3 billion yen above Toyo Construction's business plan
✓ In addition, recognizes that although quantification is difficult, there are measures to be taken in the long term that provide significant room for enhancing potential value
✓ Prior investment for future growth may reduce cash flow temporarily for the next several years

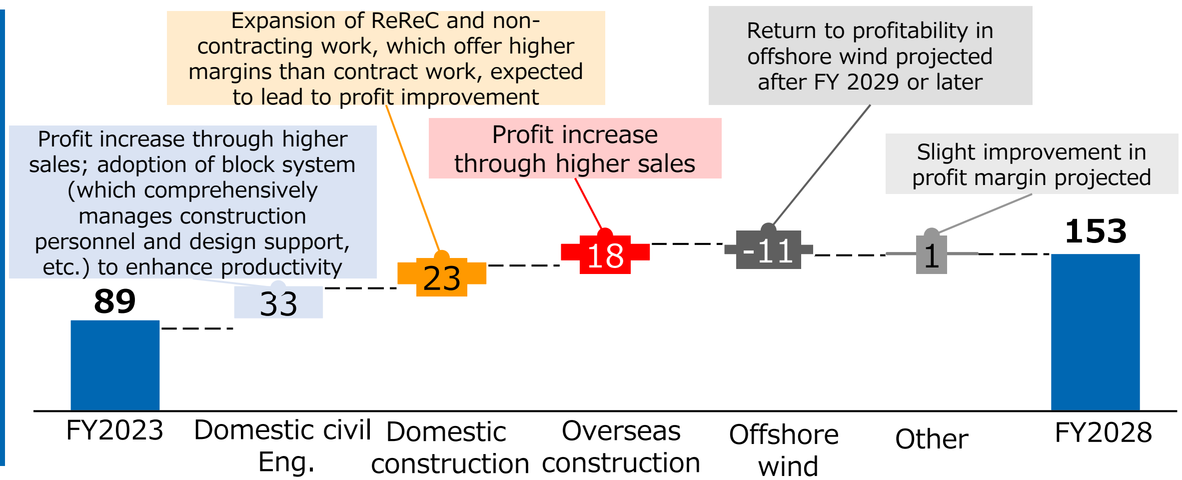
The Company's Efforts

The Company's new mid-term business plan sets consolidated sales of 235 billion yen or greater, and operating income of 15 billion yen or greater (with detailed targets based on measures for each business) for FY 2028

Sales bridge: FY 2023 vs FY 2028



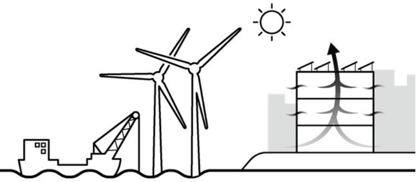
Operating income bridge: FY 2023 vs FY 2028



❽ The Company’s View on Going Private under YFO’s Umbrella

“Going private,” which is mentioned by YFO in its press releases etc., is not included in the document published by YFO on March 1, 2023, but because it is a critical factor, the Company’s view is included in this document.

8 The Company's View on Going Private under YFO's Umbrella: First and Foremost, Distrust of and Concerns about YFO



Meetings with YFO had been held since April 2022. The Company has engaged in thoughtful communication, but still has strong distrust of and concerns about YFO. YFO unexpectedly and unilaterally disclosed specifics of negotiations while discussions were still ongoing and repeatedly engaged in other acts that no serious acquirer would do.

Distrust about the events leading to share acquisition

- ✓ YFO has engaged in **a series of acts that are suspicious from the viewpoint of legal compliance**, such as violation of regulation concerning submission of report of large-volume holdings, insider trading regulation, and other breaches of the Financial Instruments and Exchange Act (FIEA), as well as failure to submit prior notification of share acquisition and other breaches of the Foreign Exchange and Foreign Trade Act (FEFTA).
- ✓ Presently, the Company is providing information to relevant authorities.

Distrust of the need for going private

- ✓ YFO insists on "going private for the purpose of medium-to-long-term reform", but the Company believes going private under the umbrella of YFO has more disadvantages than advantages.
- ✓ YFO has made a proposal premised upon going private that it says will enable "commitment to long-term business reform," but **has not provided a convincing explanation as to why it is necessary to go private.**

Distrust and concerns about management skill after acquisition

- ✓ The Company has repeatedly asked YFO to disclose its investment track record but has received extremely limited concrete information, and **YFO's track record is unknown in terms of improvement of management for companies in which it is a majority investor.**
- ✓ In addition, **YFO has no experience of investing in Japan's construction industry**, and **it is unclear "who" at YFO has concrete knowledge.**

8 The Company's View on Going Private under YFO's Umbrella: Risk of Damage to Corporate Value associated with Going Private under YFO's Umbrella

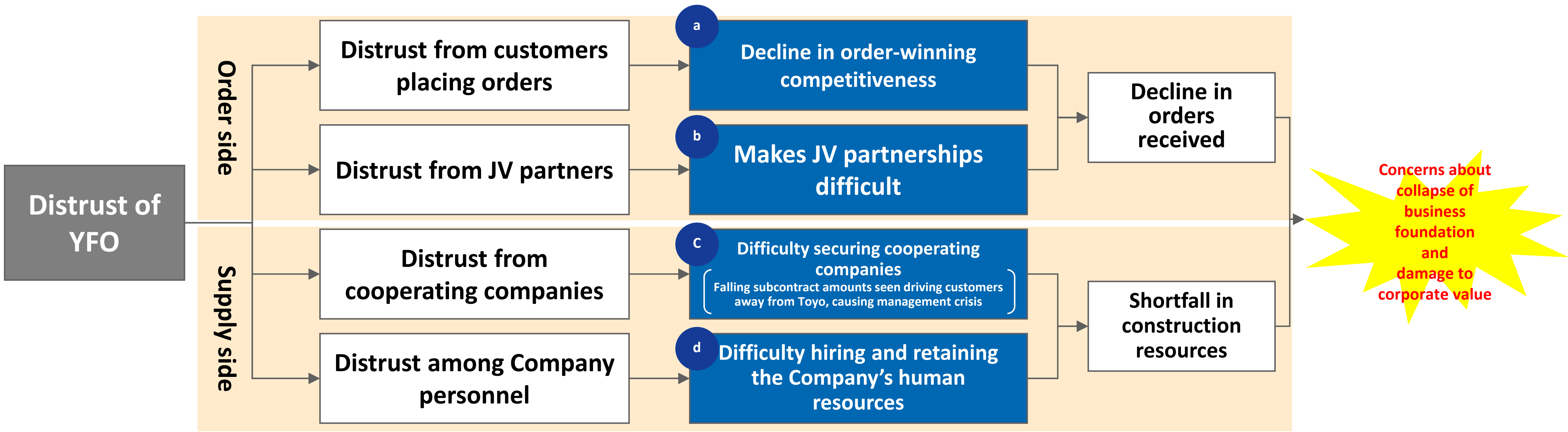
Going under the umbrella of YFO, which is tied to suspicions about legal compliance and engages in foreign investment, sparks concerns about a substantial decline in orders placed and a shortfall in supply capabilities in the public-sector civil engineering business, which is the Company's foundation, resulting in an extensive adverse impact on corporate value.

Distrust of YFO

As announced previously, **suspicions of breaches of FIEA and FEFTA have arisen** in regard to events leading to the Share Acquisition (see the March 28, 2023 press release for more details). Moreover, the fact that YFO **invests in foreign companies** and that the **uncertain track record of hands-on investments poses a risk to the post-acquisition continuation of business** has sparked **distrust and concerns among the Company's stakeholders including customers and cooperating companies.**

Characteristics of business where nothing is more important than trust

The Company is engaged in areas of **businesses where trust is immensely important**, such as social infrastructure and defense-related construction; with fierce competition with other companies, **even if violations of law are not found, once concerns and suspicions about compliance arise, there will likely be an adverse impact on and handicap for winning orders, leading to concerns about significant damage to the corporate value**.



8 The Company's View on Going Private under YFO's Umbrella: Decline in Order-Winning Capabilities

Going under the umbrella of YFO, which is tied to suspicions about legal compliance and engages in foreign investment, would destroy the relationship of trust that has been built with customers over the years. This fuels concerns that it would lead to a decline in orders for public works (port engineering and defense-related projects) which rely on the relationship of trust, and damage to corporate value.

	Impact on orders for port engineering projects	Impact on orders for defense-related projects
Characteristics	➢ Among civil engineering businesses, in particular the **port infrastructure business** requires **advanced port technology that serves national interests** ➢ The Company has solidified its position as a top three marine contractor, but competition among the top three firms is fierce and it is **a cut-throat field where any slight difference determines who wins orders and who loses**	➢ From the viewpoint of national security, defense-related projects **involve a particularly high level of confidentiality and** require **contractors to have trustworthiness based on track record** ➢ The Company has carried out multiple defense-related projects and built a track record and trust from government officials.

But going under YFO's umbrella would mean…

	Impact on orders for port engineering projects	Impact on orders for defense-related projects
Anticipated impact	Suspicions of compliance issues, concerns about continuation of business foundation (after-sales maintenance service etc.), and concerns about leaks of port technology would **hurt the Company's reputation in areas other than price and technological prowess**	Going under the umbrella of YFO, a young company that makes overseas investments and has unclear exit plans, would **generate concerns about the risk of information leaks from the viewpoint of national security, keeping orders from being placed with the Company**
	↓	↓
	This would sharply reduce orders for port engineering projects, which are the Company's core business	**This would make it difficult to win orders for defense-related projects which the Company consider as a growth area market** in the new mid-term business plan

8 The Company's View on Going Private under YFO's Umbrella: Difficulty with JV Partnerships

For large-scale port and tunnel projects, the Company has formed JVs with peer companies in an effort to win orders; but going under the umbrella of YFO which is suspected of compliance violations would stir concerns that this would be disadvantageous at bidding, likely prompting others to avoid forming JVs with the Company. As a result, orders the Company wins would decrease, undermining its corporate value.

	Difficulty forming JVs with peer marine contractors for port engineering projects	Difficulty maintaining JVs with Maeda
Characteristics	➢ **Industry practice, mainly for large projects, is to form JVs with marine contractors, win projects and carry out construction.** ➢ As a leader in offshore construction, the Company has also formed JVs with other marine contractors when engaging in large projects, which build up our track record and technological prowess.	➢ For tunnels and other large government land-based constructions, the Company forms JVs mainly with business partner Maeda. ➢ Maeda often supplements the technological prowess and knowhow the Company lacks, and **continued cooperation is essential to win orders in this field**.

But going under YFO's umbrella would mean…

Anticipated impact	**Distrust among peers which are potential JV partners** (the Company has already received letters from several companies expressing concerns about the matter at hand and withdrawal from participation in a JV)	Maeda would also become concerned about the disadvantages in winning orders, **preventing the formation of partnerships**
	↓	↓
	Inability to form a JV and win large projects will lead to **a decrease in orders and decline in track record and technological prowess**	This would **make it impossible to win large government land-based constructions**, which had been premised on the partnership with Maeda

8 The Company's View on Going Private under YFO's Umbrella: Difficulty Securing Cooperating Companies and Hiring/Retaining the Company's Human Resources

The aforementioned impact on our order-winning activities would decrease subcontracting orders at Toyo-Kai companies, prompting them to leave the Company and in turn threatening the Company's finances, likely resulting in an impact on the Company's securing of resources and its cost competitiveness. A broad impact is also expected on the Company's human resources, such as loss of current human resources and an adverse impact on new recruitment. In fact, a possible upgrade on the Company's external rating, which was notified of unofficially, has been suspended.

Characteristics

Impact on Toyo-Kai group (cooperating companies) and construction structure

- If the aforementioned "decline in order-winning capabilities" and "difficulty with JV partnerships" reduce the Company's orders, there would also be a decrease in orders Toyo-Kai companies receive
- Currently, Toyo-Kai companies re
- eceive a big proportion of orders from the Company; **a decline in orders the Company wins would cause a financial crisis for them**

Impact on hiring and retaining the Company's human resources

- In light of the industry-wide labor shortage, the race to acquire human resources is heating up in the construction industry, and **concerns about the Company's business foundation could lead to a huge handicap in recruitment and a loss of human resources**.
- In particular, **marine contractor personnel have advanced expertise and are highly valued in the mid-career recruitment market**.

But going under YFO's umbrella would mean…

Anticipated impact

Reduced work from the Company would **prevent** Toyo-Kai companies **from securing a stable volume of work and would threaten their future**

↓

Toyo-Kai companies would leave Toyo or fail to stay financially sound, **having an impact on** the Company's **securing of the resources and cost competitiveness**

Concerns about the stability of business foundation could **lead to a loss of current human resources and a handicap in new recruitment**

↓

This would make it challenging to secure human resources, an essential element of business operation, leading to a decrease in orders

Contact for Inquiries

TOYO CONSTRUCTION CO., LTD.

Administration Department,

Business Administration Division

Phone: 03-6361-5450

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