

Explanatory Material for the Board of Directors' Opinion Regarding Shareholder Proposals

 **TOYO CONSTRUCTION CO., LTD.**

- We apologize for any concern caused to our shareholders by various media reports stemming from the tender offer made to the Company in May 2022 by Godo Kaisha Yamauchi-No. 10 Family Office (“YFO”) and Kabushiki Kaisha KITE (collectively, “YFO etc.”), two of our shareholders, for 1,000 yen per share of our ordinary shares (the “Offer”).
- The Company’s Board of Directors constructed an appropriate system for consideration of the Offer, received in a timely manner from the Company’s 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 Offer in a consistently appropriate manner.
- Specifically, in order to ensure that the Company and YFO etc. could provide each other with necessary and sufficient information for mutual understanding, a non-disclosure agreement was executed with YFO etc. on August 26, 2022. Discussions, including a total of nine meetings, were held continuously between the Company’s administration and YFO etc.’ administration. Thereafter, at the repeated request of YFO etc., a total five meetings of top management were held between October 18, 2022 and December 5, 2022 with the Company’s President and Representative Director and Mr. Banjo Yamauchi, the representative of YFO etc. The inter-administration discussions were unilaterally terminated by Mr. Yamauchi at a meeting of top management on November 2, 2022. As a result, the provision of information from the Company also came to a halt. On January 10, 2023, although we again requested a presentation of corporate value enhancement measures and a quantitative analysis, no such presentation was made by YFO etc.



- In light of the fact that the Company's Board of Directors has not received any information from YFO etc. despite repeated requests, the Board of Directors determined that, even if limited to the information provided by YFO etc., proceeding as far as possible with the consideration of the Offer based on such information would contribute to securing and enhancing the Company's medium-to-long-term corporate value and the interests of all shareholders. Based on this decision, on February 14, 2023, the Company decided to proceed with the consideration of the Offer as far as possible and established a Special Committee.
- However, YFO has now submitted shareholder proposals for the election of nine directors (Proposal No. 7) and the election of one corporate auditor (Proposal No. 8), all of whom are backed by YFO, as well as revisions to amount of directors' compensation (Proposal No. 9), at the Company's Ordinary General Shareholders Meeting to be held in June 2023.
- In order to protect the interests of our shareholders, we hereby announce our opinion on YFO's shareholder proposals and various assertions and explain our Company's proposals.

On May 23, the Special Committee reported to our Board of Directors that, in the unanimous opinion of the Special Committee, the tender offer made by YFO etc. for our shares cannot be considered reasonable and appropriate from the standpoint of our medium-to-long-term corporate value and shareholder interests.

The Board of Directors of the Company respects this report and has unanimously expressed its opinion against the Offer.



Agenda

- I. Executive Summary**
- II. Our Steady Management Performance to Date**
- III. New Mid-Term Business Plan (2023-2027)**
- IV. Our Progressive Governance Structure**
- V. YFO's Shareholder Proposals Do Not Improve the Company's Corporate Value or Serve the Interests of All Shareholders**
- VI. Summary**



I. Executive Summary

The Company is **opposed** to all of YFO's shareholder proposals.

	Proposals		Details			Company's opinion
Company Proposal	Proposal No. 1:	Dividends of surplus	Dividends of surplus (25 yen per share)			Approve
Company Proposal	Proposal No. 2:	Partial amendment to the articles of incorporation	Adding a purpose statement to Article 2 of the current Articles of Incorporation - Planning full-scale entry into the offshore wind power business, which is a growth driver			Approve
Company Proposal	Proposal No. 3:	Election of eleven directors	Election of eleven directors 1: Haruhisa Obayashi 2: Hiromi Hirata 3: Mamoru Sato 4: Tatsuyoshi Nakamura	5: Atsushi Miyazaki 6: Yasuyuki Fujitani 7: Takashi Narusawa 8: Kazuo Ohtake	9: Akihiko Matsunaga 10: Taizo Nishikawa 11: Akiko Shigemoto	Approve
Company Proposal	Proposal No. 4:	Election of two corporate auditors	Election of two corporate auditors 1: Tetsu Otonari 2: Koichi Kawaguchi			Approve
Company Proposal	Proposal No. 5:	Revisions to amount of director's compensation	In order to increase the number of outside directors, the amount of compensation for directors shall be set at no more than 33 million yen per month. (Of which, the amount for outside directors shall be no more than 12 million yen per month.)			Approve
Company Proposal	Proposal No. 6:	Revision of amounts and contents of the stock compensation system for directors and executive officers	Partial revisions of the system content to clarify the linkage between the system and the Mid-Term Business Plan and to respond to future changes in the plan period of the Mid-Term Business Plan, etc. - Increase the period of coverage from three to five fiscal years - The maximum amount of compensation will be 565 million yen for five fiscal years. (The maximum amount of compensation per fiscal year after the revision will be maintained at the level before the revision.)			Approve
Shareholder Proposal	Proposal No. 7:	Appointment of nine (9) directors	Appointment of nine (9) directors 1: Shinya Yoshida 2: Akira Tousaka 3: Masato Uchiyama 4: Masaharu Okada	5: Shinichi Kato 6: Katsuya Natori 7: Toshiaki Yamaguchi 8: Kazumichi Matsuki	9: Tsuneko Murata	Oppose
Shareholder Proposal	Proposal No. 8:	Appointment of one (1) corporate auditor	Appointment of one (1) corporate auditor 1: Tomoko Nonaka			Oppose
Shareholder Proposal	Proposal No. 9:	Revisions to directors' remuneration	Subject to the approval of the election of all or part of the candidates, of the maximum amount of compensation for directors of 33 million yen per month, the amount for outside directors shall be no more than 10.5 million yen per month.			Oppose

YFO Assertion (1)

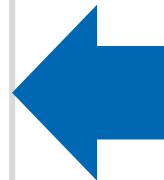
To ensure a system to enhance corporate value

- ? YFO presented detailed management measures and measures including value creation impact.
- ? YFO asserted that the Mid-Term Business Plan announced by the Company was a plan for management's self-preservation.
- ? YFO asserted that the contents of the Mid-Term Business Plan are only a superficial description of some of the YFO's measures to enhance corporate value.

Our Opinion

YFO's "proposals" did not include any unique proposals that could only be offered by YFO.

- i YFO's "proposals" are based on previous discussions with the Company and information disclosures.
- i The Company has continued to grow steadily, achieving the goals of its Mid-Term Business Plan for three consecutive fiscal years.
- i The New Mid-Term Business Plan aims at "From Defense to Offense: A Company that Takes on Challenges," and implements three major shifts, including a shift to capital efficiency management.



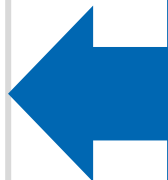
YFO Assertion (2)

To establish a sound governance structure



Governance issues:

1. Inappropriate endorsement of support for the tender offer by INFRONEER
2. Inappropriate response in consideration of a counterproposal
3. Existence of governance issues



Our Opinion

All of these “issues” that YFO asserts are factually incorrect.



YFO does not provide any specific evidence for the “issues,” but rather presents a one-sided list of parts of a lengthy oral communication between the Company and YFO etc. that are conveniently taken out of context and for their own purposes.



Meanwhile, YFO is suspected of violating laws and non-disclosure agreements.



YFO Assertion (3)

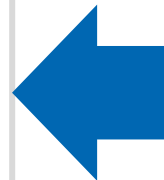
To ensure that a system is in place to appropriately consider takeover bids by YFO

? YFO believes that delisting the Company through a counterproposal by YFO at a tender offer price of 1,000 yen per share is the best way to maximize the Company's corporate value and shareholder value.

Our Opinion

We recognize that the Company's per-share value, based on the assumptions of the New Mid-Term Business Plan, exceeds 1,000 yen.

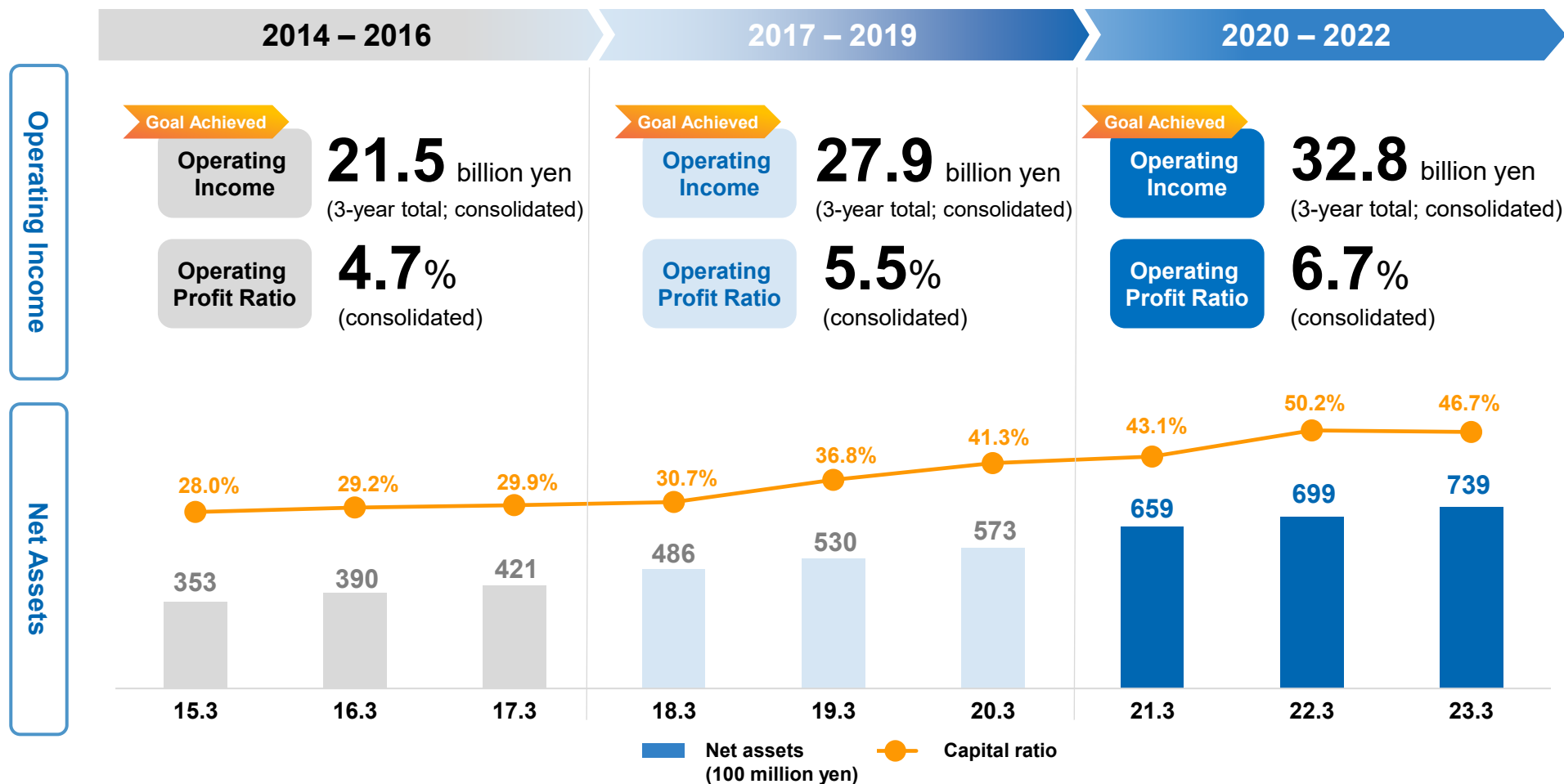
-  The Company's intrinsic value that can be realized by implementing the New Mid-Term Business Plan is relatively superior to the tender offer price of 1,000 yen.
-  We are engaged in work in areas where reliability and confidentiality are extremely important, such as critical infrastructure and defense. However, we are very concerned that going private under the umbrella of YFO, which has no experience in construction business management, is actively investing overseas, and is suspected of violating laws and regulations and breaching confidentiality obligations, will make the environment for receiving orders much more difficult, and as a result will have a negative impact on our production system, which will severely damage our corporate value.





II. Our Steady Management Performance to Date

For the third consecutive year, we have realized “steady achievement” of our Mid-Term Business Plan and continued to “grow steadfastly.”





III. New Mid-Term Business Plan (2023-2027)

From Defense to Offense: A Company that Takes on Challenges

Three major management shifts

Shift (1)

Shift from “Defense to Offense”

We have been striving to improve our financial soundness, but going forward, **we will actively invest in growth areas by making good use of our accumulated assets and external capital in a balanced way.**

Shift (2)

Shift to “High-Revenue Model”

While continuing to focus on strengthening the profitability of existing business, **we will shift to a business structure with higher revenue-generating capacity through full-scale entry into the offshore wind power business and expansion of the ReReC® business.**






*ReReC® : Our registered trademark collectively referring to **Renewal, **Renovation, and **Conversion.******

Shift (3)

Shift to “Capital Efficiency Management”

While continuing to focus on “(profit) earning power,” we will **shift to a management style that emphasizes capital efficiency** in light of active investment in the above growth areas and recent trends in corporate governance.

In order to realize the New Mid-Term Business Plan, the directors proposed by the Company, who have a deep understanding of our business, are essential.

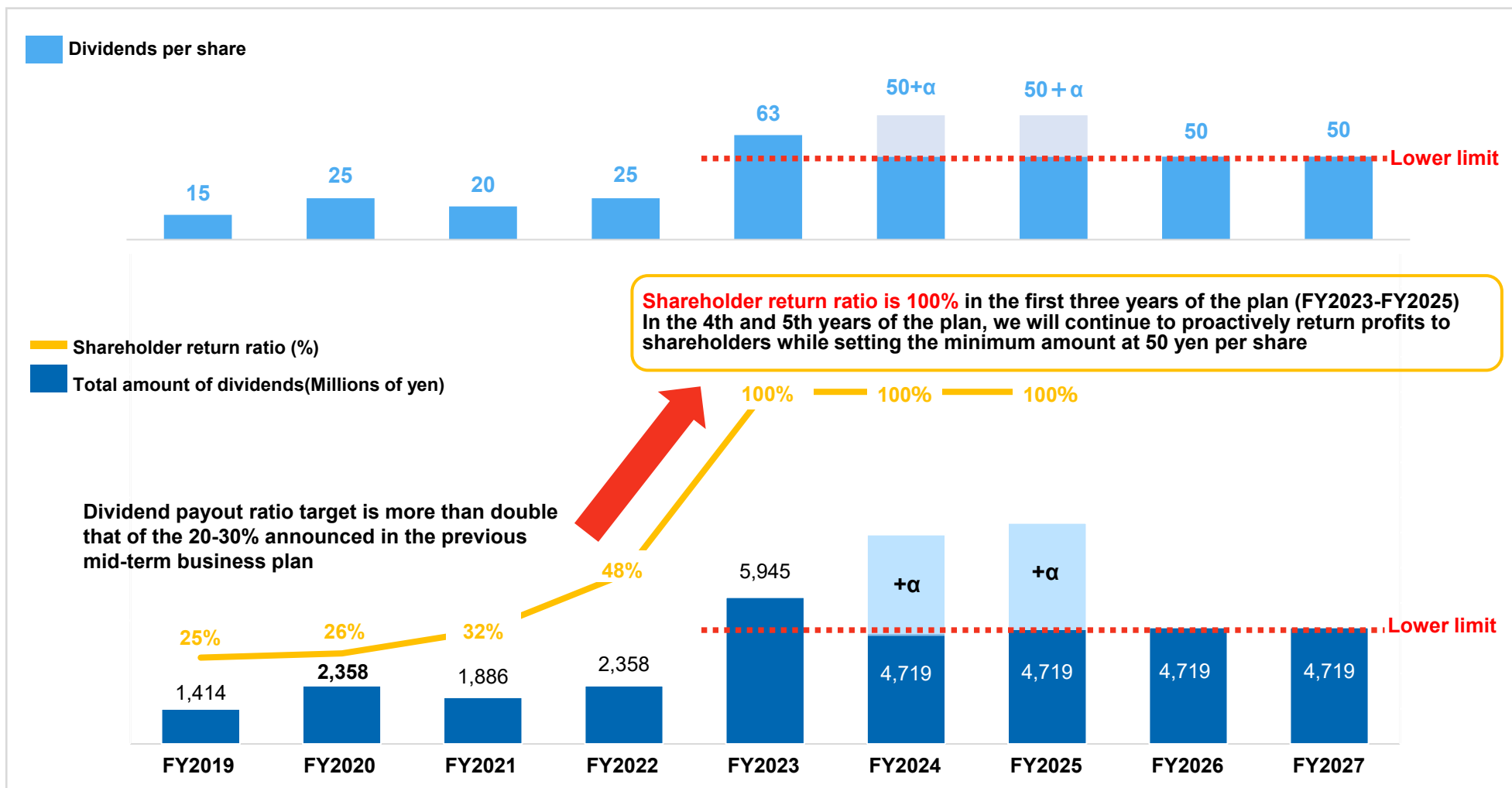
Current position	Role in the development and implementation of the New Mid-Term Business Plan
 <p>Haruhisa Obayashi Director, Senior Managing Executive Officer, General Manager of Civil Construction Div., in charge of Safety and Environments Dept.</p>	<ul style="list-style-type: none"> ■ Establishment of key measures for the core civil construction business and the new offshore wind power business ■ Driving the New Mid-Term Business Plan as the new President and Representative Director based on his many years of experience in leading the civil construction business
 <p>Hiromi Hirata Director, Executive Officer Vice President, General Manager of Architectural Construction Div. in charge of Safety and Environments Dept.</p>	<ul style="list-style-type: none"> ■ Establishment of key measures for the architectural construction business, which is expected to be further cultivated ■ Driving the New Mid-Term Business Plan as Representative Director and Vice President, based on his many years of experience in leading the architectural construction business
 <p>Mamoru Sato Director, Managing Executive Officer, Deputy General Manager of Business Administration Div.</p>	<ul style="list-style-type: none"> ■ Establishment of key measures such as personnel strategies that contribute to strengthening the management foundation, and coordination of the New Mid-Term Business Plan based on the measures in each business field ■ Involvement in management to achieve the goals of the New Mid-Term Business Plan as a director in charge of business execution
 <p>Tatsuyoshi Nakamura Managing Executive Officer, Deputy General Manager of Civil Engineering Div. in charge of Offshore Wind Power Dept.</p>	<ul style="list-style-type: none"> ■ As Deputy General Manager of the Civil Construction Division and person in charge of the Offshore Wind Department, establishment of key measures related to the civil construction business and offshore wind power field ■ Involvement in management to achieve the goals of New Mid-Term Business Plan as a director in charge of business execution
 <p>Atsushi Miyazaki General Manager of Legal Dept. of Business Administration Div.</p>	<ul style="list-style-type: none"> ■ Key to business management in the New Mid-Term Business Plan period, based on his extensive experience and wide-ranging knowledge of business management and familiarity with each business field

Promote the New Mid-Term Business Plan and realize the
 “maximization of corporate value and common interests of shareholders”

Maximization

	Company-Wide Performance (FY2022)	Company-Wide Goals (FY2023)	Company-Wide Goals (FY2027)
Sales	168.3 billion yen	192.5 billion yen or more	235.0 billion yen or more
Operating income	8.9 billion yen	10.1 billion yen	15.0 billion yen or more
Annual net profit	5.6 billion yen	6.0 billion yen	9.0 billion yen or more
ROE	8.1%	8.1%	12.0% or more
D/E ratio	0.06	Around 0.1	Around 0.4
Shareholder returns	25 yen per share	63 yen per share	Dividend payout ratio of 100% in the first three years/Minimum 50 yen Proactive dividends with a target equity ratio of 40%

Realize “proactive shareholder returns”



We are convinced that the implementation of our New Mid-Term Business Plan is the way to maximize our corporate value and the common interests of our shareholders.

- 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.
- In light of a comparison with the range of the per-share value of the Company's shares in the DCF analysis of the share valuation report based on the financial projections assumed in the New Mid-Term Business Plan, the Board of Directors of the Company has determined that **the intrinsic value of the Company that can be realized through the implementation of the New Mid-Term Business Plan is relatively superior to the 1,000 yen tender offer price. In addition, we have determined that the implementation of the New Mid-Term Business Plan is the way to maximize our corporate value and the common interests of shareholders.**
- Each of the measures in the New Mid-Term Business Plan is based on our deep understanding of the construction industry and our business, and we believe that we can fully expect to realize them. The Company has achieved all three of its mid-term business plans since FY2014, and the Company's Board of Directors has great confidence in our ability to achieve these plans. **Therefore, we believe that we will be able to achieve the above per-share value of the Company's shares by implementing the New Mid-Term Business Plan.**



IV. Our Progressive Governance Structure

We will further strengthen governance by retaining some members of the current Board of Directors to ensure continuity of management, selecting inside directors who can strongly promote the New Mid-Term Business Plan, and by having a majority of outside directors with diverse skills and experience who can provide appropriate supervision and advice.

Candidates for Inside Directors



Haruhisa Obayashi

Key skills
Business management, sales, technology and ICT, global, sustainability, new investment and business development



Hiromi Hirata

Key skills
Business management, sales, technology and ICT, sustainability, new investment and business development



Mamoru Sato

Key skills
Business management, sales, sustainability, finance and accounting, legal and risk management, new investment and business development



Tatsuyoshi Nakamura

Key skills
Business management, sales, technology and ICT, new investment and business development



Atsushi Miyazaki

Key skills
Business management, Global, finance and accounting, legal and risk management

- Reelection
- New election
- Independent
- Outside
- Female

Candidates for Outside Directors



Yasuyuki Fujitani

Key skills
Business management, sales, global, sustainability, finance and accounting, legal and risk management, new investment and business development



Takeshi Narisawa

Key skills
Business management, global, sustainability, finance and accounting, legal and risk management, new investment and business development



Kazuo Ohtake

Key skills
Global, finance and accounting, legal and risk management



Akihiko Matsunaga

Key skills
Business management, global, sustainability, finance and accounting, legal and risk management, new investment and business development



Taizo Nishikawa

Key skills
Business management, technology and ICT, global, sustainability, new investment and business development



Akiko Shigemoto

Key skills
Business management, global, sustainability, finance and accounting, legal and risk management

<The optimal composition of the Board of Directors is 11 members, not 15, the maximum number stated in the Articles of Incorporation>

- The Company believes that five inside directors, the same number as at present, are necessary to promote the New Mid-Term Business Plan, and that an 11-member board, including six outside directors, which would be a majority of members, would enable the most meaningful and substantive discussions in order to strengthen governance.
- Confirmed that the composition of the Board of Directors is appropriate in light of the size of the Board of Directors of listed companies of the same size.
 - Companies with a market capitalization between 50 and 100 billion yen: 8.8 (of which, an average of 5.4 were inside directors).
 - Companies with a market capitalization between 50 and 100 billion yen and a board of corporate auditors: 8.29 (of which, an average of 5.2 were inside directors).
 - Sales between 100 and 200 billion yen: 8.9 (of which, an average of 5.5 were inside directors).
 - Sales of 250 billion yen or more (sales target for the final year of the New Mid-Term Business Plan): 10.0 (of which, an average of 5.8 were inside directors)

Candidate for Inside Director

1



Reelection

Haruhisa Obayashi

(August 21, 1959)

- Apr. 1982 Joined the Company
- Apr. 2005 General Manager of Civil Construction Dept. of Kyushu Branch Office
- Apr. 2011 General Manager of Civil Construction Dept. of Kanto Branch Office
- Apr. 2015 General Manager of Civil Construction Dept. of Civil Construction Div.
- Apr. 2016 Executive Officer, General Manager of Civil Construction Dept. of Civil Construction Div.
- Aug. 2017 Executive Officer, Deputy General Manager of International Division, General Manager of Construction Dept.
- Apr. 2019 Managing Executive Officer, General Manager of Civil Construction Div., and in charge of Safety and Environment Dept.
- Jun. 2019 Director (current position)
- Apr. 2021 Senior Managing Executive Officer, General Manager of Civil Construction Div., and in charge of Safety and Environment Dept. (current position)

Reasons for nomination as candidate for Director :

Mr. Obayashi has engaged in civil engineering construction management, and is currently serving as Senior Managing Executive Officer and General Manager of Civil Construction Div. after serving as General Manager of Civil Construction Dept., and Deputy General Manager of International Division and General Manager of Construction Dept. With his strong leadership, he has promoted strengthened technical, onsite and organizational capabilities, secured a share of the government civil engineering business, which is a solid revenue base for the Company, and contributed to record earnings in in the term ended March 2021. He has also been involved in technical development in preparation for entering the offshore wind power business, which is the Company growth driver.

Given his track record, as well as his abundant experience and wide knowledge in Japan and abroad, the Company considers him appropriate for the role of promoting the Company's civil engineering business and has once again nominated him as a candidate for Director.

- Number of Company shares owned** : 27,900
- Number of years in office** : 4 years
- Attendance at Board of Directors meetings** : 30/30 meetings (100%)
- Existence of Special Interest** : Mr. Obayashi does not have any special interest in the Company.
- Key skills** : Business management, sales, technology and ICT, global, sustainability, new investment and business development

Candidate for Inside Director

2



Reelection

Hiromi Hirata

(March 11, 1957)

- Apr. 1979 Joined the Company
- Apr. 2006 General Manager of Architectural Construction Dept. of Architectural Construction Div.
- Apr. 2011 Executive Officer, Supervisor of Architectural Construction Business of Osaka Main Office
- Jan. 2013 Executive Officer, Deputy General Manager of Architectural Construction Div. and General Manager of Architectural Construction Dept.
- Apr. 2014 Managing Executive Officer, General Manager of Architectural Construction Div.
- Jun. 2014 Director (current position)
- Apr. 2016 Senior Managing Executive Officer, General Manager of Architectural Construction Div.
- Apr. 2018 Senior Managing Executive Officer, General Manager of Architectural Construction Div., and in charge of Safety and Environment Dept.
- Jul. 2022 Vice President Executive Officer, General Manager of Architectural Construction Div., and in charge of Safety and Environment Dept. (current position)

Reasons for nomination as candidate for Director :

Mr. Hirata has engaged in architectural construction management and is currently serving as Vice President Executive Officer and General Manager of Architectural Construction Div. after serving as General Manager of Architectural Construction Dept. and other roles. During his days as General Manager of Architectural Construction Div., he exercised strong leadership in the architecture business, which was in distress, and grew this business to be a revenue pillar comparable to the civil engineering business by improving its earning power and its flexibility to adapt to changing social needs, and by improving technical capabilities and cost competitiveness. He also materialized the strategy set forth in the previous mid-term business plan.

Given his track record as well as his abundant experience and wide knowledge, the Company considers him appropriate for the role of promoting the Company's architectural construction business and has once again nominated him as a candidate for Director.

- Number of Company shares owned** : 41,500
- Number of years in office** : 9 years
- Attendance at Board of Directors meetings** : 30/30 meetings (100%)
- Existence of Special Interest** : Mr. Hirata does not have any special interest in the Company.
- Key skills** : Business management, sales, technology and ICT, sustainability, new investment and business development

Candidate for Inside Director

3



Reelection

Mamoru Sato

(December 12, 1969)

- Apr. 1994 Joined the Company
- Feb. 2002 General Manager of Administration Dept. of Orient Ecology Co., Ltd. (seconded)
- Apr. 2011 Manager of Purchase Dept., Business of Administration Div.
- Jul. 2015 Manager of Corporate Strategy Office
- Apr. 2016 General Manager of Secretary Dept.
- Apr. 2020 General Manager of Administration Dept. of Business Administration Div. and General Manager of Secretary Dept.
- Apr. 2021 Executive Officer, Deputy General Manager of Business Administration Div., General Manager of Administration Dept., and General Manager of Secretary Dept.
- Apr. 2022 Managing Executive Officer, Deputy General Manager of Business Administration Div., General Manager of Administration Dept., and General Manager of Secretary Dept.
- Jun. 2022 Director (current position)
- Jul. 2022 Managing Executive Officer, Deputy General Manager of Business Administration Div. (current position)

Reasons for nomination as candidate for Director :

Mr. Sato has engaged in procurement and construction administration and is currently serving as Managing Executive Officer and Deputy General Manager of Business Administration Div. after serving as General Manager of Administration Dept. of a new business company, Manager of Corporate Strategy Office, General Manager of Administration Dept., and other roles. With his excellent knowledge, he has considered medium-to-long-term management strategies and capital policies and contributed to progress in the domestic civil engineering business, the domestic architectural construction business, and the overseas construction business. He worked on the materialization of the previous medium-term business plan and the formulation of the new mid-term business plan.

Given his track record as well as abundant and wide knowledge about overall business administration, the Company considers him appropriate for the role of enhancing the Company's corporate value and has once again nominated him as a candidate for Director.

- Number of Company shares owned** : 2,800
- Number of years in office** : 1 year
- Attendance at Board of Directors meetings** : 18/18 meetings (100%) *Since taking office in June 2022
- Existence of Special Interest** : Mr. Sato does not have any special interest in the Company.
- Key skills** : Business management, sales, sustainability, finance and accounting, legal and risk management, new investment and business development

Candidate for Inside Director

4



New election

Tatsuyoshi Nakamura

(June 4, 1962)

- Apr. 1985 Joined the Company
- Apr. 2007 Director of Tokyo Sales Office
- Apr. 2012 General Manager of Civil Construction Business Dept. 1 of Kanto Branch Office
- Apr. 2016 Deputy Director of Kanto Branch Office, General Manager of Business Dept. 1
- Apr. 2018 Deputy Director of Kanto Branch Office
- Apr. 2019 Executive Officer, Director of Kanto Branch Office
- Apr. 2022 Managing Executive Officer, Deputy General Manager of Civil Construction Div. (in charge of sales) and Director of Kanto Branch Office
- Apr. 2023 Managing Executive Officer, Deputy General Manager of Civil Construction Div., and in charge of Offshore Wind Dept. (current position)

Reasons for nomination as candidate for Director :

Mr. Nakamura has engaged in civil construction management and sales and is currently serving as Managing Executive Officer, Deputy General Manager of Civil Construction Div. and Offshore Wind Dept. Manager after serving as General Manager of Business Dept. in charge of government civil construction as well as Director of the key branch office. He has expanded the industry share in the government construction field and improved sales power in civil construction. Mobilizing his knowledge acquired to date, he is focused on the implementation of business strategies to improve competitiveness and earning power as officer in charge of the offshore wind business, which is the Company growth driver.

Given his track record as well as abundant experience, wide knowledge and excellent judgment, the Company considers him appropriate for the role of promoting the Company's civil construction business and has nominated him as a candidate for Director.

- Number of Company shares owned** : 5,500
- Number of years in office** : —
- Attendance at Board of Directors meetings** : —
- Existence of Special Interest** : Mr. Nakamura does not have any special interest in the Company.
- Key skills** : Business management, sales, technology and ICT, new investment and business development

Candidate for Inside Director

5



New election

Atsushi Miyazaki

(July 8, 1960)

- Apr. 1984 Joined the Company
- Jun. 2002 General Manager of Administration Dept. and General Manager of Quality Assurance Office of Yokohama Branch Office
- Apr. 2008 General Manager of Audit Dept.
- Apr. 2009 General Manager of Administration Dept. of Administration Div.
- Apr. 2015 General Manager of Administration Dept. of International Division
- Apr. 2019 General Manager of Legal Dept. of Business Administration Div. (current position)

Reasons for nomination as candidate for Director :

Mr. Miyazaki has engaged in general affairs and legal administration and is currently serving as General Manager of Legal Dept. of Business Administration Div. after serving as General Manager of Administration Dept. of the branch, General Manager of Administration Dept. of the head office and other roles. He has promoted compliance and risk management. With experience of serving as General Manager of Administration Dept. of the International Division in charge of overseas work, he is familiar with the overseas construction business.

Given his track record as well as his abundant and wide knowledge about business administration in Japan and abroad, the Company considers him appropriate for the role of strengthening the governance and enhancing the corporate value of the Company as General Manager of the Business Administration Div. and has nominated him as a candidate for Director.

- Number of Company shares owned** : 600
- Number of years in office** : —
- Attendance at Board of Directors meetings** : —
- Existence of Special Interest** : Mr. Miyazaki does not have any special interest in the Company.
- Key skills** : Business management, Global, finance and accounting, legal and risk management

Candidate for Outside Director

6



Yasuyuki Fujitani

(March 26, 1958)

Apr. 1982	Joined MITSUI & CO., LTD.
Mar. 1996	General Manager Heavy Chemical Machinery Business Unit of MITSUI & CO. (U.S.A.), INC., New York Headquarters
Apr. 2006	General Manager of Project Development Dep. 3 (North, Central and South America) of Project Div. of MITSUI & CO., LTD.
Apr. 2008	General Manager of Electric Power Business of Project Div. of MITSUI & CO., LTD.
Apr. 2012	Deputy Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit of MITSUI & CO., LTD.
Apr. 2013	President of MITSUI & CO., MIDDLE EAST LTD.
Apr. 2015	Executive Officer of MITSUI & CO., LTD. Chief Operating Officer of Corporate Development Business Unit of MITSUI & CO., LTD., Member of the Investment and Loan Committee of MITSUI & CO., LTD., Outside Director of JA MITSUI LEASING, LTD.
Apr. 2016	Executive Managing Officer of MITSUI & CO., LTD.
Apr. 2018	Senior Executive Managing Officer, Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit of MITSUI & CO., LTD. President of MITSUI & CO. EUROPE PLC
Apr. 2020	Counselor of MITSUI & CO., LTD.
Jun. 2022	Director of the Company (current position)

Reelection
Independent
Outside

Reasons for nomination as candidate for Director :

Mr. Fujitani held multiple officer posts at MITSUI & CO., LTD., and has management experience in Japan and abroad including experience of serving as President of an overseas subsidiary. With his knowledge and abundant track record in the electric power business and the energy infrastructure business, he has supervised the progress of priority measures in the overseas construction business and the offshore wind power business, which is the Company growth driver, and proactively provided advice to the executive departments. Regarding the formulation of the new mid-term business plan, when basic strategies and priority measures were drafted for the businesses above, he provided advice to the executive departments from a global perspective.

The Company expects further growth for evolution into a resilient company with Mr. Fujitani who keeps supervising and providing advice to the Company's offshore wind power business and other business going forward and has once again nominated him as a candidate for Director.

Number of Company shares owned	: 0
Number of years in office	: 1 year
Attendance at Board of Directors meetings	: 17/18 meetings (94%) *Since taking office in June 2022
Existence of Special Interest	: Mr. Fujitani does not have any special interest in the Company.
Key skills:	: Business management, sales, global, sustainability, finance and accounting, legal and risk management, new investment and business development

Candidate for Outside Director

7



Takashi Narusawa

(December 8, 1949)

Oct. 1973	Joined Nomura Research Institute, Ltd.
Nov. 1983	General Manager of Investment Investigation Dept. of Nomura Research Institute Europe Limited (U.K.) President of Nomura Research Institute Germany Limited (then)
Apr. 1990	Director, General Manager of Management System Consulting Dept. of said company
Jun. 1994	Director, General Manager of Consulting Div. of said company
Apr. 1997	Managing Director, General Manager of Consulting Depts. of said company
Apr. 2000	Representative Director, Senior Managing Executive Officer and General Manager of Consulting Depts. of said company
Apr. 2002	Representative Director, Senior Managing Executive Officer and Supervisor of Business Depts. of said company
Apr. 2004	Representative Director Vice President, Supervisor of Business Depts. of said company
Apr. 2007	Representative Director Deputy Chairperson of said company
Apr. 2008	Director Deputy Chairperson of said company
Apr. 2009	Outside Director of Tokyo Coca-Cola Bottling Inc. (current Coca-Cola Bottlers Japan Inc.)
Mar. 2009	Outside Director of The Nisshin Oillio Group, Ltd.
Jun. 2011	Senior Managing Executive Officer of Starts Corporation Inc.
Jul. 2012	Outside Corporate Auditor of Ricoh Company, Ltd.
Jun. 2016	Outside Director of Hirata Corporation
Jun. 2018	Director of Kamiyama Foundation (current position)
Jun. 2018	Outside Director of LOTTE CO., LTD. (current position)

New election
Independent
Outside

Significant concurrent positions outside the Company

Director of Kamiyama Foundation
Outside Director of LOTTE CO., LTD.

Reasons for nomination as candidate for Director :

Mr. Narusawa has expertise in corporate management and abundant experience in overseas business acquired through management consulting work in Japan and abroad over the years at Nomura Research Institute, Ltd. In fact, with such knowledge and experience, he is taking initiative at Starts Corporation Inc. as Senior Managing Executive Officer in the overseas development of said company. The Company believes that he will provide appropriate advice to and supervise the executive departments from a medium-to-long-term perspective while the Company is promoting the overseas construction business, which is the Company growth driver, and trying to strongly push localization and stabilize business foundations in countries where the Company rolls out operations, and has nominated him as a candidate for Outside Director.

Number of Company shares owned	: 0
Number of years in office	: —
Attendance at Board of Directors meetings	: —
Existence of Special Interest	: Mr. Narusawa does not have any special interest in the Company.
Key skills	: Business management, global, sustainability, finance and accounting, legal and risk management, new investment and business development

Candidate for Outside Director

8



Kazuo Ohtake

(November 27, 1952)

- Apr. 1978 Certified as attorney (Daiichi Tokyo Bar Association)
Joined Nagashima & Ohno (current Nagashima Ohno & Tsunematsu)
- Aug. 1983 Paul, Weiss, Rifkind, Wharton & Garrison (U.S.)
- Aug. 1984 Freshfields (current Freshfields Bruckhaus Deringer) (U.K.)
- Jul. 1986 Partner of Nagashima & Ohno (current Nagashima Ohno & Tsunematsu)
- Apr. 2016 Senior Counsel of said law firm
- Feb. 2018 Outside Corporate Auditor of Pfizer Japan Inc
- Mar. 2021 Outside Corporate Auditor of Nippon Hilton Co., Ltd. (current position)
- Jan. 2023 Representative of Ohtake Law Office (current position)

New election

Independent

Outside

Significant concurrent positions outside the Company

Representative of Ohtake Law Office
Outside Corporate Auditor of Nippon Hilton Co., Ltd.

Reasons for nomination as candidate for Director :

Mr. Ohtake has abundant experience and expertise in global corporate legal affairs through his years of experience as an attorney in Japan, the United States, and the United Kingdom. Given his experience and knowledge, the Company believes that he will provide advice on legal affairs and risk management in countries where the Company engages in operations as well as governance management to and supervise the executive departments from an impartial and fair perspective while the Company is promoting the overseas construction business, which is the Company growth driver, and has nominated him as a candidate for Outside Director. It should be noted that Mr. Ohtake does not have experience in corporate management other than as Outside Corporate Auditor in the past, but for the reasons above, the Company believes that he can appropriately execute the duties of Outside Director.

Number of Company shares owned : 0

Number of years in office : —

Attendance at Board of Directors meetings : —

Existence of Special Interest : Mr. Ohtake does not have any special interest in the Company.

Key skills : Global, finance and accounting, legal and risk management

Candidate for Outside Director

9



Akihiko Matsunaga

(August 8, 1954)

- Apr. 1978 Joined Kawasho Corporation (current JFE Shoji Corporation)
- Apr. 1986 Joined The Sumitomo Trust and Banking Co., Ltd. (current Sumitomo Mitsui Trust Bank, Inc.)
- July 1988 Corporate Finance of London Branch of said bank
- Jan. 2001 CFIB Partner of Corporate finance of PricewaterhouseCoopers Co., Ltd. (current PwC Advisory LLC)
- Mar. 2008 Oversight/Management Supervisory Committee Member of said company
- Aug. 2015 Partner of Oliver Wyman Group KK, Japan
- Dec. 2015 Outside Director of Financial Partners Group Co., Ltd.
- Jun. 2016 Representative Director of Premium Investment Advisory Co., Ltd. (current position)
- Jun. 2019 Senior Advisor of KPMG FAS Co., Ltd.

New election

Independent

Outside

Significant concurrent positions outside the Company

Representative Director of Premium Investment Advisory Co., Ltd.

Reasons for nomination as candidate for Director :

Mr. Matsunaga has engaged in M&A work in Japan and abroad over the years at The Sumitomo Trust and Banking Co., Ltd. (current Sumitomo Mitsui Trust Bank, Limited) and has abundant experience and expertise in corporate finance. At PricewaterhouseCoopers Co., Ltd. (current PwC Advisory LLC), as one of the founding members of the Japanese subsidiary, he built the investment banking and M&A department from the ground up and engaged in business administration. The Company believes that he will provide appropriate advice to and supervise the executive departments from a medium-to-long-term perspective in the Company's promotion of the offshore wind power business, which is the Company growth driver, and is expecting proactive investment strategies such as M&A and collaboration with different types of businesses, and has nominated him as a candidate for Outside Director.

Number of Company shares owned : 0

Number of years in office : —

Attendance at Board of Directors meetings : —

Existence of Special Interest : Mr. Matsunaga does not have any special interest in the Company.

Key skills : Business management, global, sustainability, finance and accounting, legal and risk management, new investment and business development

Candidate for Outside Director

10



Taizo Nishikawa

(March 18, 1955)

- Apr. 1979 Joined Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry)
- Jul. 1999 Manager of International Certification Section of Agency of Industrial Science and Technology of said ministry
- Jul. 2001 Manager of Certification Section of Industrial Science and Technology Policy and Environment Bureau of said ministry
- Oct. 2003 General Manager of Electronic and Information Technology Development Dept. of New Energy and Industrial Technology Development Organization (NEDO)
- Nov. 2005 Deputy General, Commerce and Information Policy Bureau of Ministry of Economy, Trade and Industry
- Jul. 2007 Deputy General of Cabinet Office (in charge of Science Technology and Innovation Policies) and Deputy Director of Cabinet Nuclear Energy Policy Office
- Jul. 2009 Representative of Tokyo Office of United Nations Industrial Development Organization (UNIDO)
- Jan. 2012 Acting Secretary-General and Senior Managing Director/Deputy Managing Director of said organization
- Jan. 2020 Representative Director of Kabushiki Kaisha UNSDGs Consulting Co., Ltd. (current position)
- Dec. 2022 Director and Vice Chairman of Machinery and Information Industry Roundtable (current position)

New election

Independent

Outside

Significant concurrent positions outside the Company

Representative Director of Kabushiki Kaisha UNSDGs Consulting Co., Ltd.
Director and Vice Chairman of Machinery and Information Industry Roundtable

Reasons for nomination as candidate for Director :

Mr. Nishikawa has engaged in policies in various fields including machinery and industries, electronic and information technologies, and renewable energy at the Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry) and the New Energy and Industrial Technology Development Organization (NEDO), and in science, technologies, and innovation policies as Deputy General of Cabinet Office. After he retired from the government office, he participated in negotiations of SDGs as Deputy Managing Director of the United Nations Industrial Development Organization (UNIDO). He has abundant experience and advanced expertise in industry policies and development policies in Japan and abroad. The Company believes that he will provide appropriate advice to and supervise the executive departments from a medium-to-long-term perspective while the Company promotes the offshore wind power business, which is the Company growth driver, and anticipates various technological developments, and has nominated him as a candidate for Outside Director. It should be noted that Mr. Nishikawa does not have experience in corporate management, but for the reasons above, the Company believes that he can appropriately execute the duties of Outside Director.

- Number of Company shares owned : 0
- Number of years in office : —
- Attendance at Board of Directors meetings : —
- Existence of Special Interest : Mr. Nishikawa does not have any special interest in the Company.
- Key skills : Business management, technology and ICT, global, sustainability, new investment and business development

Candidate for Outside Director

11



Akiko Shigemoto

(February 26, 1971)

- Jun. 1996 Joined Smith Barney Securities (current Citigroup Global Markets Japan Inc.)
- Jun. 1999 Joined Moody's Japan K.K.
- May 2005 Joined Financial Services Agency, Securities and Exchange Surveillance Commission
- May 2013 Lecturer at Rutgers University Business School (U.S.)
- Jan. 2016 Japan Advisor of Permanent Mission of Japan to the United Nations
- Sep. 2019 Associate Professor of Waseda University Graduate School of Business and Finance (Waseda Business School)
- Sep. 2020 Lecturer of Waseda University Institute for Business and Finance (current position)
- Mar. 2021 Outside Director of RS Technologies Co., Ltd.
- Jun. 2022 Outside Director of Shindengen Electric Manufacturing Co., Ltd.

New election

Independent

Outside

Female

Significant concurrent positions outside the Company

Lecturer of Waseda University Institute for Business and Finance

Reasons for nomination as candidate for Director :

Ms. Shigemoto has abundant experience and expertise in corporate governance, corporate ethics, ESG management, SDGs etc. through a wide range of operational experience and research in Japanese and U.S. industries, governments and academia, as a member of the Securities and Exchange Surveillance Commission, a lecturer at Rutgers University Business School (U.S.) and Waseda University Institute for Business and Finance, and an Outside Director of listed companies. The Company believes that Ms. Shigemoto will provide appropriate advice to and supervise the executive departments from the perspective of stakeholder engagement while the Company is pursuing the sophistication of the management foundation as a sustainable company, and has nominated him as a candidate for outside director. It should be noted that Ms. Shigemoto does not have experience in corporate management other than as an outside director in the past, but for the reasons above, the Company believes that she can appropriately execute the duties of Outside Director.

- Number of Company shares owned : 0
- Number of years in office : —
- Attendance at Board of Directors meetings : —
- Existence of Special Interest : Ms. Shigemoto does not have any special interest in the Company.
- Key skills : Business management, global, sustainability, finance and accounting, legal and risk management

Candidate for Auditor

1



Satoshi Otonari

(November 27, 1963)

- Apr. 1986 Joined the Company
- Nov. 2006 Manager of Human Section of Personnel Dept. of Administration Div.
- Jun. 2014 General Manager of Accounting Dept. of Business Administration Div.
- Jun. 2021 Full-time Corporate Auditor (current position)

Reelection

Reasons for nomination as candidate for Director :

Mr. Otonari has been involved in Accounting Dept. of the Company and has considerable knowledge of finance and accounting. He is also familiar with the Company Group's businesses, and actively exchanges opinions with directors, the executive departments including the Company Group companies, General Audit Dept., the financial auditor and the like, and has audited the execution of duties by the Company's directors, and as needed, the businesses and the execution of business activities including the Company's subsidiaries. The Company believes that he can audit the execution of duties by Directors in a fair and efficient manner and has once again nominated him as a candidate for Corporate Auditor.

Number of Company shares owned	: 7,300
Number of years in office	: 2 years
Attendance at Board of Directors meetings	: 19/19 meetings (100%)
Existence of Special Interest	: Mr. Otonari does not have any special interest in the Company.

Candidate for Auditor

2



Koichi Kawaguchi

(December 16, 1957)

- Apr. 1982 Joined ITOCHU Corporation
- Feb. 2001 Representative Director and President of ColinQ Corporation
- Apr. 2006 General Manager of Coal Dept. of Metal Company of ITOCHU Corporation
- Apr. 2013 General Manager of Coal, Nuclear and Solar Div. of said company
- Apr. 2015 Assistant General Manager of ASEAN and Southwestern Asia of said company, and President of ITOCHU Indonesia
- Jun. 2017 Director and Executive Officer, General Manager of Occupational Function Div. and in charge of Compliance of ITOCHU-SHOKUHIN Co., Ltd.
- Apr. 2019 Director and Managing Executive Officer, General Manager of Administration Supervisory Dept, General Manager of Administration Div. and in charge of Compliance of said company
- Apr. 2022 Director and Officer of said company
- Jun. 2022 Officer of said company (current position)

Significant concurrent positions outside the Company

Officer of ITOCHU-SHOKUHIN Co., Ltd.

Reasons for nomination as candidate for Director :

Mr. Kawaguchi has business experience in Japan and abroad at ITOCHU Corporation and has abundant experience and expertise in overall business administration, corporate governance, business risk management and compliance through involvement in business administration work as the head of the management area of ITOCHU-SHOKUHIN Co., Ltd. The Company believes that he will enhance the audit function from an independent and objective standpoint and has nominated him as a candidate for Outside Auditor.

Number of Company shares owned	: 0
Number of years in office	: —
Attendance at Board of Directors meetings	: —
Existence of Special Interest	: Mr. Kawaguchi does not have any special interest in the Company.

The skill matrix of director candidates is as follows.

Skills held by the candidates in shareholder proposals are unknown because they declined to be interviewed.

		Name	Business administration	Sales	Technology/ ICT	Global	Sustainability	Finance/ Accounting	Legal/Risk management	New investment/ Business development
Candidates proposed by the Company	Inside	Haruhisa Obayashi	●	●	●	●	●			●
		Hiromi Hirata	●	●	●		●			●
		Mamoru Sato	●	●			●	●	●	●
		Tatsuyoshi Nakamura	●	●	●					●
		Atsushi Miyazaki	●			●		●	●	
	Outside	Yasuyuki Fujitani	●	●		●	●	●	●	●
		Takashi Narusawa	●			●	●	●	●	●
		Kazuo Ohtake				●		●	●	
		Akihiko Matsunaga	●			●	●	●	●	●
		Taizo Nishikawa	●		●	●	●	●		●
		Akiko Shigemoto	●				●	●	●	
Candidates proposed by YFO	Inside	Shinya Yoshida								
		Akira Tousaka								
	Outside	Masato Uchiyama								
		Masaharu Okada								
		Shinichi Kato								
		Katsuya Natori								
		Toshiaki Yamaguchi								
		Kazumichi Matsuki								
Tsuneko Murata										

The skills they have are unknown.



Yamauchi
No.10
Family Office

Assertion of “inappropriate endorsement of support for the tender offer by INFRONEER”

1. **Assertion that there existed a (secret) agreement between the Company’s directors and INFRONEER to the effect that the Company’s directors would participate in INFRONEER’s management, but the Company concealed this, and the directors who had made such secret agreement led the consideration of the proposal with the aim of self-preservation under a system causing a conflict of interest with common shareholders**

There is no “secret agreement” as claimed by YFO. No objective evidence has been presented by YFO.

TOYO CONSTRUCTION CO., LTD.

- ▶ This statement was made in reference to the fact that it was one of the ideas being considered at the inter-administration level between INFRONEER’s administration and the Company’s administration.
- ▶ Naturally, there is no legal agreement between the Company or its directors and INFRONEER. YFO is merely asserting the above statement in a way that is different from its original context and one-sidedly extracted it for its own convenience. There is no “secret agreement” as YFO asserts, and no fact exists that a written agreement was made to avoid including it in the opinion report.
- ▶ No objective evidence has been presented to support YFO’s claims.

2. **Assertion the Company endorsed and made a recommendation to tender shares in just eight business days from the time INFRONEER offered a price, without adequate price negotiations**

Price negotiations were actually conducted right up until the day of the announcement. Since Maeda Corporation and the Company have had a capital and business alliance for more than 20 years, and due diligence had already been conducted at the time of the establishment INFRONEER HOLDINGS Inc., the review was possible in a short period of time.

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- ▶ The Company and INFRONEER have a deep understanding of each other’s businesses due to the capital and business alliance between Maeda Corporation, a wholly owned subsidiary of INFRONEER, and the Company for more than 20 years. In addition, the Company had already conducted due diligence and other procedures around 2020, when it and Maeda Corporation and others considered a reorganization that would establish a holding company through a joint share transfer and integrate four listed companies, including the Company and Maeda Construction, as subsidiaries, making it possible for the Company to consider the INFRONEER TOB in a short period of time.
- ▶ As the Company conveyed to YFO etc. at the first meeting on April 27, 2022, it had in fact been engaged in price negotiations right up until the announcement date, and the assertions of YFO that the Company failed to adequately negotiate the price are contrary to the facts.

3. **Assertion that by maintaining its support of the tender offer bid by INFRONEER at 770 yen per share, despite having received a counterproposal from YFO for 1,000 yen per share, the Company, with the aim of self-preservation, deprived general shareholders of the opportunity to receive a higher price for their shares**

The Company has not responded unfairly or inappropriately to any proposal.

TOYO CONSTRUCTION CO., LTD.

- ▶ There has been no unfair or inappropriate discriminatory response in comparison with the INFRONEER TOB with respect to the tender offer application made by YFO etc. to the Company (the “TOB Application”), and neither is there any fact whatsoever that the decision-making process was carried out for the purpose of self-preservation by the directors of the Company at the expense of the interests of the general shareholders and the Company.
- ▶ As announced in the “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” dated May 24, the Company, respecting the report of the Special Committee, resolved at a meeting of its Board of Directors held on May 24 to express its opinion against the TOB Application by unanimous consent of the Board.



Yamauchi
No.10
Family Office

Assertion of “inappropriate response in consideration of a counterproposal” (1)

1. Assertion that the acquisition proposal by YFO was subjected to inappropriate discriminatory treatment compared to the consideration of the tender offer at 770 yen by INFRONEER

The Company does not engage in unfair or inappropriate discriminatory practices.

TOYO CONSTRUCTION CO., LTD.

- ▶ YFO asserts that three of current directors (Representative Director and President Takezawa, Representative Director Yabushita, and Director Sato) made an inappropriate discriminatory response to YFO's acquisition proposal compared to the consideration of the INFRONEER tender offer. However, the Company did not make any unfair and inappropriate discriminatory response to the offer.

2. Assertion that anti-takeover measures were introduced with a view to blocking YFO etc.'s proposed acquisition (they were later withdrawn just before the annual general shareholders' meeting due to lack of support from shareholders)

The introduction of the response policy last year was intended to ensure that the Company's Board of Directors has the time and information to make appropriate decisions.

TOYO CONSTRUCTION CO., LTD.

- ▶ 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”) was introduced in order to secure the time and information needed for the Company Board of Directors to make an appropriate determination regarding the TOB Application, in consideration of the fact that (i) no detailed explanation was given in advance and the TOB Application was announced unilaterally, without any advance notice to the Company and without regard for the process of consultation that had been conducted through letters and in-person meetings, (ii) despite repeated requests for disclosure of information from the Company, no adequate explanation was given and the bad-faith consultative posture remained unchanged, and (iii) YFO etc. had imposed undue pressure in making the offer by unilaterally pressing about acceptance of the TOB Application in the period leading up to the end of June 2022.
- ▶ There are no facts indicating that the true purpose of the Response Policy was to block the TOB Application without good reason. Further, another reason for the introduction of the Response Policy was that the Special Committee had indicated concerns regarding compliance of YFO etc.



Yamauchi
No.10
Family Office

Assertion of “inappropriate response in consideration of a counterproposal” (1)

3. Assertion that directors improperly explained during negotiations with YFO that they could not endorse a proposal based on delisting, and that the Board of Directors did not consider YFO’s acquisition proposal in good faith, neglecting to seriously consider the counterproposal for more than 270 days

Since receiving the TOB request, the Company has consistently and earnestly considered the TOB Application.

- ▶ It is not true that the Company explained that it could not agree to YFO etc.’s proposed conditions for delisting. The Company’s explanation to YFO etc. was nothing more than an explanation of the business foundation, and what business foundation is essential for the Company’s primary business of marine engineering, as requested by YFO etc.
- ▶ The Company’s Board of Directors sent “Questions” to YFO etc. on April 27, 2022, prior to receiving the TOB Application, requesting that YFO etc. provide a concrete explanation of the business plan it envisioned for the Company if the Company were to become a wholly owned subsidiary of YFO etc., and sent repeated follow-up requests, but continued to receive no response from YFO etc.
- ▶ The Company considered the proposal to the extent possible based on the limited information provided by YFO etc. to that point, and determined that the Company’s medium- to long-term corporate value and shareholders’ interests would be maintained and enhanced, and on February 14, 2023, decided to proceed with consideration of the TOB Application to the extent possible. To eliminate any arbitrariness in the Company’s decision-making and ensure fairness, transparency, and objectivity in the decision-making process, the Board of Directors passed a resolution establishing the Special Committee on the same day. Based on the report of the Special Committee, the Board of Directors passed a unanimous resolution at its meeting held on May 24 expressing its opinion of opposition to the TOB Application.
- ▶ As is clear from the above course of events, the main reason for establishing the Special Committee at this time was the fact that the Company had not received the necessary information from YFO etc.

TOYO CONSTRUCTION CO., LTD.

4. Assertion that Company Representative Director and President Takezawa delivered a letter to Mr. Yamauchi that he could not endorse the TOB Application, without making an organizational decision

The letter was delivered in response to strong requests (made repeatedly by Mr. Yamauchi) that a letter be delivered indicating the Company Representative Director and President’s and administration’s “feelings” at that time.

- ▶ At the third meeting of top management on November 14, 2022, Mr. Yamauchi made a request to the Company Representative Director and President that the Company provide a counterproposal by around the end of that month, and the Company Representative Director and President responded that it would not be possible to make a decision through a third-party committee or the Board of Directors by that time. Despite this, given that Mr. Yamauchi had made strong requests to please communicate even just the “feelings” of the Company Representative Director and President and administration at that point in time and not an official proposal in light of such procedures, the above letter was delivered.

TOYO CONSTRUCTION CO., LTD.

5. Assertion that directors intentionally concealed inappropriate treatment in the course of negotiations, distorted the facts, and repeatedly disclosed information in an attempt to manipulate perceptions

These assertions are all contrary to the facts, and YFO has shown no objective evidence backing its assertions.

TOYO CONSTRUCTION CO., LTD.



Yamauchi
No.10
Family Office

Alleged “existence of governance issues”

The Company’s Board of Directors, including Outside Directors, has vigorously deliberated and an appropriate governance structure is in place

- ▶ In the press release issued by YFO etc. on March 3, 2023, YFO asserts that the Company’s administration engaged in behavior or used language that indicated coming up with other superficial reasons not to support the TOB Application, including that “such reasoning (the argument that the Company’s business foundation would collapse) cannot be released as a reason for opposition, so we need to craft some sort of ‘other reason’ that can be made public.” What the Company’s administration said was to the effect that making public such information, which is confidential and highly sensitive for the reasons given below, would affect the Company’s stakeholders, and the Company was therefore hesitant to release it in detail as public information.
 - a. Most of the marine engineering that is the Company’s business foundation is public works that involve tender procedures and much involves harbors and national defense, and one important reason why the Company has been able to receive contracts for these types of works in a continuous and stable manner is that it has built and operates a system for ensuring legal compliance and strict management of confidential information, which are essential for receiving contracts for this type of work.
 - b. Marine engineering is not something that the Company does on its own; in the implementation of this construction, collaboration with a variety of related persons, including cooperating companies, companies in consortiums, and local stakeholders, is essential. The Company believes that the deep trust it has built and good relations it has maintained with these related parties is a reason the Company has been able to receive the contracts.
- ▶ In the press release by YFO etc. dated March 3, 2023, with regard to the Company’s request for information and establishment of the Special Committee, YFO asserts that the review process was not started until February 2023, to cobble together superficial reasons for not endorsing the TOB Application. However, the reason the Special Committee was established at this time was simply because YFO etc. did not provide the necessary information. The assertion that the consideration process was started in February 2023 only to come up with superficial reasons not to support the TOB Application is contrary to the facts.
- ▶ In addition, YFO asserts that the current Board of Directors and corporate auditors have failed to fulfill their function of effective management supervision by failing to control a series of inappropriate actions by the current directors, that Representative Director and President Takezawa has full authority and makes the decisions, and the Board of Directors has become an institution that only rubber-stamps these decisions. However, lively debates including outside directors are held at the Company’s board of directors meetings, and it is not true at the Company’s decision-making is carried out only in accordance with the wishes of its Representative Director and President.



V. YFO's Shareholder Proposals Do Not Improve the Company's Corporate Value or Serve the Interests of All Shareholders

YFO's proposals to enhance corporate value will not lead to the enhancement of corporate value



Based on an evaluation of the measures proposed by YFO for the enhancement of the Company's corporate value and the details therein, and the effect on the Company's business in the event it were to be delisted, we have determined that **YFO's proposals will not lead to the enhancement of the Company's medium- to long-term corporate value**

1

The contents of YFO's "Proposal" are based on discussions with and information provided by the Company in the past, and **do not appear to contain anything that can be considered unique to YFO**

2

At the same time, the individual items proposed are based on numerous factual errors, and the majority are based on **discrepancies of understanding or have already been implemented or are being implemented by the Company**, and the Proposal is entirely **general opinions that do not take into account the perspective of the construction industry. It contains no specific, effective measures** that take into account the Company's individual circumstances. (The Company has already implemented several high-level measures based on its understanding of the industry gained over many years.)

3

With regard to management policy going forward, the Company has **formulated a specific and achievable Mid-Term Business Plan based on its experience to date, current strengths and issues to address, and is confident that this will enhance corporate value.**

4

Conversely, **the Company works in important infrastructure, defense, and other areas in which trust and confidentiality are important, and if it were to delist and become part of the YFO group, which has no experience in the construction industry and proactively invests overseas, and also is suspected to have violated laws and regulations and has breached non-disclosure agreements, the environment for receiving orders would become very difficult, and there are strong concerns that this would have a negative impact on our production structure and significantly damage the Company's corporate value.**

By continuing to operate under the current management structure based on the new Mid-Term Management Plan, **We can create corporate value and common interests of shareholders that will exceed those in the measures for corporate value enhancement proposed by YFO and YFO's TOB proposal**

YFO's candidates agree with YFO's measures to enhance corporate value, which will not lead to enhanced corporate value

In a May 2, 2023 letter titled "Response to the Request for Interviews by Your Director Nominating/Compensation Committee," YFO candidate Tomoaki Yamaguchi expressly stated that all of the director and auditor candidates in the Shareholder Proposal agree with YFO's thinking regarding the Company's sustainable growth.

Even if shareholders are asked to decide whether Toyo Construction's or YFO's management strategies are superior, the candidates for director and corporate auditor in the Shareholder Proposal, including myself, share YFO's vision for Toyo Construction's sound governance and sustainable growth, and understand that we will undertake independent management to achieve that vision. In addition, if we were to meet with the members of your Director Nominating/Compensation Committee, we are concerned that Toyo Construction's management would consider certain candidates contributing to the Company's growth strategy are appropriate and other candidates not to be appropriate. This would not reflect the true intention of the common vision of the candidates agree with YFO's thinking regarding corporate governance and sustainable growth, however, and we are concerned that the intent of YFO's Shareholder Proposal would not be conveyed to your employees and shareholders.

As stated above, YFO's measures to enhance corporate value will not lead to the enhancement of the Company's corporate value, and the fact that the candidates agree on those measures to enhance corporate value in itself clearly shows that YFO's candidates are not qualified to manage or supervise the Company.

There are problems with YFO's candidates' thinking regarding the Company's governance

From the following perspectives, there are major problems with YFO's candidates' thinking regarding the Company's corporate governance, and the involvement of candidates with these views in the Company's management would damage the Company's corporate value

Rejection of request for meetings

The Company has been informed that the consensus of all candidates for director and corporate auditor in the Shareholder Proposal is **not to accept the Company's request for them to meet** with the Company's Director Nominating/Compensation Committee.

The Director Nominating/Compensation Committee is a body that strengthens the independence and objectivity of the Board of Directors' functions, and the Committee's consideration of candidates is required by the Company's corporate governance. The candidates for director and corporate auditor in the Shareholder Proposal are disregarding this important process, which can only mean that there are problems with their view of the Company's governance.

Factual errors

All of the governance-related "issues" asserted by YFO are contrary to the facts, and no governance issues exist at the Company.

Nevertheless, in the candidates' response dated May 2, 2023, the candidates for director and corporate auditor in the Shareholder Proposal all agree with YFO's thinking regarding the Company's sound governance based on the assumption that "issues" exist in the Company's corporate governance. The fact that the candidates for director and corporate auditor agree with YFO's assertions without any grounds whatsoever can only mean that **these candidates have no understanding of the Company's corporate governance.**

Agreement with YFO

YFO has violated laws and regulations and breached non-disclosure agreements. In addition, it has repeatedly breached its obligations under the non-disclosure agreement with the Company. The candidates for director and corporate auditor in the Shareholder Proposal **agree with YFO's thinking regarding corporate governance, even though YFO has been suspected of legal violations and of repeatedly breaching agreements, which can only mean that there are problems with their fundamental thinking regarding compliance and corporate governance.**



VI. Summary

The factors behind YFO's Shareholder Proposal all differ from the Company's understanding, and will not contribute to the enhancement of corporate value and the common interests of shareholders

YFO's Assertion	Our Opinion
<p>To ensure a system to enhance corporate value</p>	<p>YFO's "proposals" did not include any unique proposals that could only be offered by YFO.</p> <ul style="list-style-type: none"> • YFO's "proposals" are based on previous discussions with the Company and information disclosures. • The Company has continued to grow steadily, achieving the goals of its mid-term business plan for three consecutive fiscal years. • The new mid-term business plan aims at "From Defense to Offense: A Company that Takes on Challenges," and implements three major shifts, including a shift to capital efficiency management.
<p>To establish a sound governance structure</p>	<p>All of these "issues" that YFO asserts are factually incorrect.</p> <ul style="list-style-type: none"> • YFO does not provide any specific evidence for the "issues," but rather presents a one-sided list of parts of a lengthy oral communication between the Company and YFO etc. that are conveniently taken out of context and for their own purposes. • Meanwhile, YFO is suspected of violating laws and non-disclosure agreements.
<p>To ensure that a system is in place to appropriately consider takeover bids by YFO</p>	<p>We recognize that the Company's per-share value, based on the assumptions of the new mid-term business plan, exceeds 1,000 yen.</p> <ul style="list-style-type: none"> • Under the assumptions of the new Mid-Term Business Plan, the median per-share price of the Company's shares will be significantly higher—¥1,000 per share higher—than the tender offer. • We are engaged in work in areas where reliability and confidentiality are extremely important, such as critical infrastructure and defense. However, we are very concerned that going private under the umbrella of YFO, which has no experience in construction business management, is actively investing overseas, and is suspected of violating laws and regulations and breaching confidentiality obligations, will make the environment for receiving orders much more difficult, and as a result will have a negative impact on our production system, which will severely damage our corporate value.

Summary: Recommendations For and Against proposals being submitted to the Annual General Meeting of Shareholders

The Company is opposed to all of YFO's Shareholder Proposals.

The Company has achieved the goals of its mid-term business plan for three consecutive fiscal years and continued to “grow steadfastly,” and believes that the continuation of current management with the Board of Directors as proposed by the Company will maximize corporate value.

	Proposals		Details			Company's opinion
Company Proposal	Proposal No. 1:	Dividends of surplus	Dividends of surplus (25 yen per share)			Approve
Company Proposal	Proposal No. 2:	Partial amendment to the articles of incorporation	Adding a purpose statement to Article 2 of the current Articles of Incorporation - Planning full-scale entry into the offshore wind power business, which is a growth driver			Approve
Company Proposal	Proposal No. 3:	Election of eleven directors	Election of eleven directors 1: Haruhisa Obayashi 2: Hiromi Hirata 3: Mamoru Sato 4: Tatsuyoshi Nakamura	5: Atsushi Miyazaki 6: Yasuyuki Fujitani 7: Takashi Narusawa 8: Kazuo Ohtake	9: Akihiko Matsunaga 10: Taizo Nishikawa 11: Akiko Shigemoto	Approve
Company Proposal	Proposal No. 4:	Election of two corporate auditors	Election of two corporate auditors 1: Tetsu Otonari 2: Koichi Kawaguchi			Approve
Company Proposal	Proposal No. 5:	Revisions to amount of director's compensation	In order to increase the number of outside directors, the amount of compensation for directors shall be set at no more than 33 million yen per month. (Of which, the amount for outside directors shall be no more than 12 million yen per month.)			Approve
Company Proposal	Proposal No. 6:	Revision of amounts and contents of the stock compensation system for directors and executive officers	Partial revisions of the system content to clarify the linkage between the system and the Mid-Term Business Plan and to respond to future changes in the plan period of the Mid-Term Business Plan, etc. - Increase the period of coverage from three to five fiscal years - The maximum amount of compensation will be 565 million yen for five fiscal years. (The maximum amount of compensation per fiscal year after the revision will be maintained at the level before the revision.)			Approve
Shareholder Proposal	Proposal No. 7:	Appointment of nine (9) directors	Appointment of nine (9) directors 1: Shinya Yoshida 2: Akira Tousaka 3: Masato Uchiyama 4: Masaharu Okada	5: Shinichi Kato 6: Katsuya Natori 7: Toshiaki Yamaguchi 8: Kazumichi Matsuki	9: Tsuneko Murata	Oppose
Shareholder Proposal	Proposal No. 8:	Appointment of one (1) corporate auditor	Appointment of one (1) corporate auditor 1: Tomoko Nonaka			Oppose
Shareholder Proposal	Proposal No. 9:	Revisions to directors' remuneration	Subject to the approval of the election of all or part of the candidates, of the maximum amount of compensation for directors of 33 million yen per month, the amount for outside directors shall be no more than 10.5 million yen per month.			Oppose



These materials were prepared to facilitate understanding of the Company's press release of *May 24, 2023*, titled "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," and do not affect the interpretation of the information contained therein.