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May 15, 2024

Company: TODA CORPORATION

Representative: Seisuke Otani, President and Representative Director

(Securities Code: 1860 TSE Prime Market)

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(Phone: 03-3535-1357)

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

TODA CORPORATION (the "Company") has received a shareholder proposal dated April 23, 2024 (the "Shareholder Proposal") from the Company's shareholder, LONGCHAMP SICAV (Dalton Investments Inc as a proxy), as an agenda item for the 101th Ordinary General Meeting of Shareholders to be held on June 26, 2024. The Company hereby announces that it resolved in its Board of Directors' Meeting held today that it opposes the Shareholder Proposal.

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

growth areas such as the new TODA BUILDING, overseas business, and floating offshore wind power generation business. The Company plans to prioritize allocating retained earnings towards growth investments. While maintaining financial stability as a foundation for long-term development and securing active investment funds for sustainable growth, the Company is moving forward with investments that contribute to the enhancement of corporate value.

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

The Company has established five goals to improve capital efficiency and market valuation: “Pursuing Growth and Earning Power”, “Improving Capital Efficiency”, “Optimizing Capital Composition”, “Delivering Consistent and Sustainable Shareholder Returns”, and “Commitment to Stakeholder Satisfaction”, and is making progress on these specific initiatives.

The continuation of such capital efficiency-oriented management will ensure the Company’s profitability target of ROIC of 5% or more and ROE of 8% or more and enhance our corporate value. The Company believes that developing businesses that are trusted and expected by our stakeholders will lead to higher P/B ratio.

As for the cross-shareholdings referred to in the Shareholder Proposal, the Company is making steady progress in sales, with ¥11.5 billion in the fiscal year ending March 2023 and ¥16.6 billion in the fiscal year ending March 2024, and the cash obtained from sales has been allocated to growth investments. In addition, the balance of cash and deposits of ¥88.8 billion as of the end of December 2023 is a temporary balance, and there is no constant lingering of funds.

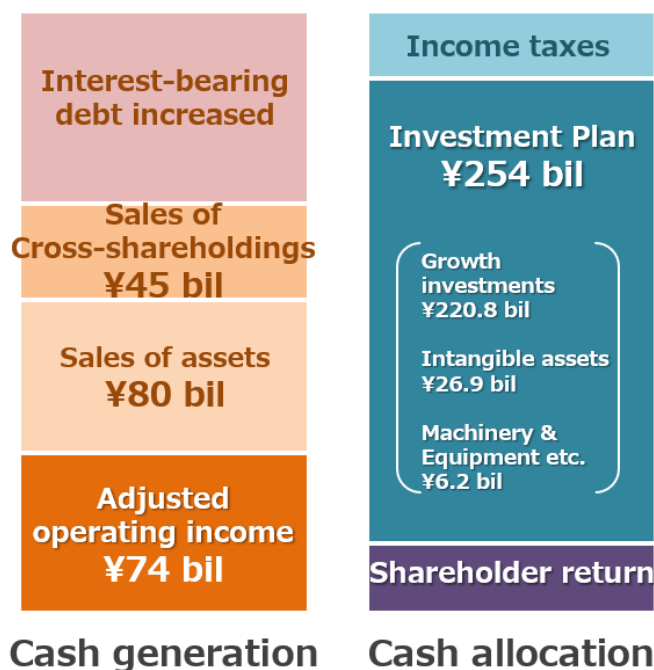
Regarding shareholder returns, the Company's basic policy is to implement a continuous and stable dividend payment to our valued shareholders in line with business performance and the business environment. Specifically, in the Medium-Term Management Plan, the Company has set “DOE (dividend on equity) of 2.5% or more, with a total return ratio of 40% or more” as our shareholder return policy. In accordance with this policy, the Company has been acquiring its own shares up to a limit of ¥5 billion since November 14, 2023, and completed the acquisition in March of this year. In addition, on May 15, 2024, the Company announced that it will acquire its own shares up to a limit of an additional ¥5 billion. The Company will continue to flexibly implement the acquisition of treasury stock at appropriate times in appropriate amounts, taking full account of investment needs, financial strength, business performance, stock price, and other factors.

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

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

【Investment Plan and Capital Allocation】

## Forecasts (FY2022 – FY2024 Cumulative)



※ Adjusted operating income is adjusted for real estate sales revenue, depreciation and amortization, etc.

End

## Attachment: Outline of the Shareholder Proposal

※Please note that the Attachment contains the relevant portions of the Shareholder Proposal submitted by the Proposing Shareholder in the original text (in Japanese).

### 1. Proposed Agenda

#### 1. Acquisition of Treasury Stock

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

#### 1. Acquisition of Treasury Stock

##### (1) Outline of the Agenda

Pursuant to Article 156, Paragraph 1 of the Companies Act, the Company shall acquire up to 32,013,400 shares of its common stock at a total acquisition price of ¥33,614,028,000 by means of cash payment within one year from the conclusion of the Ordinary General Meeting of Shareholders.

##### (2) Reasons for the Proposal

The Board of Directors of the Company resolved on April 28, 2017 to acquire up to 3,000,000 shares, representing 0.98% of the total number of shares issued and outstanding (excluding treasury stock), for the period from June 29, 2017 to March 31, 2018, for a total maximum acquisition cost of ¥2.5 billion, and in the Medium-Term Management Plan, the Company set a target of 2.5% or more in the ratio of dividends to net assets as well as 40% or more in the total return ratio. The Board of Directors of the Company also resolved on November 13, 2023 to acquire up to 7,500,000 shares, representing 2.4% of the total number of shares issued and outstanding (excluding treasury stock), for the period from November 14, 2023 to November 13, 2024, for a total maximum acquisition cost of ¥5 billion, and the Company's implementation of measures to increase shareholder returns and improve capital efficiency is appreciated to a certain extent. We also acknowledge the Company for taking steps to implement management that is conscious of cost of capital and stock price, as announced in November 2023, to improve P/B ratio, targeting ROIC of 5% or more and ROE of 8% or more by securing earnings in the core construction business, improving capital efficiency through reallocation of assets and sales of cross-shareholdings, enhancing shareholder returns, and strengthening IR activities. However, the stock price remains less than P/B ratio 1, lower than the book value of net assets, which means that the stock price is valued by the stock market lower than the liquidation value. Therefore, in order to improve the situation where P/B ratio below 1 and implement management that is conscious of stock price, and to further increase shareholder returns and improve capital efficiency, we believe that the required cash level should be presented in a form that is easy for investors to understand, and that measures should be adopted to continuously repurchase treasury stock in an amount considered to exceed this level. As stated in the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” released by Tokyo Stock Exchange on March 31, 2023, the reason for the continuous underperformance of P/B ratio is thought to be that the Company “has not achieved profitability that exceeds its cost of capital” or that “the balance sheet does not effectively contribute to value creation” due to cross-shareholdings and real estate assets.

Regarding growth investment in the new TODA BUILDING, overseas business, and floating offshore wind power business, which is the basic policy in the “Medium-Term Management Plan 2024 - Rolling Plan”, the Company has a plan to invest ¥225.0 billion in the three years from FY2022 to FY2024, and as of the end of September 2023, the Company holds huge cross-shareholdings totaling ¥174.7 billion in 158 stocks. Moreover, even taking into account that the construction industry is a sector in which operating capital fluctuates greatly, the Company has cash and deposits of ¥88.8 billion as of the end of December 2023, and in addition, the Company intends to generate ¥67 billion in cash from asset sales and over ¥80.0 billion in operating income cumulatively from FY2022 through FY2024. Therefore, even if the Company implements the acquisition of treasury stock share of up to ¥33.6 billion as we propose, we believe that the Company will be able to smoothly execute growth investments for sustainable growth and secure sufficient funds for strategic businesses, M&A and other activities, as well as funds necessary to continue the Company's core businesses.

Accordingly, in order to further increase shareholder returns and improve capital efficiency, we believe that the Company should adopt a policy of repurchasing approximately 10% of the total number of shares issued and outstanding (excluding treasury stock) as treasury stock.

In particular, we believe that the reduction of cross-shareholdings is highly effective in realizing the Company's vision of improving capital efficiency and transforming the Company into a company capable of sustainable growth in the medium- to long-term, from the perspective of using capital that should originally be a source of earnings as a source of investment for growth, rather than as cross-shareholdings with low capital efficiency.

End