

June 9, 2022

To whom it may concern

Listed company name: Toyo Construction Co., Ltd.  
Representative: Takahiro Yabushita, Representative Director and Senior Managing Executive Officer  
(Code No. 1890, TSE Prime Market)

**Regarding the Company's Opinion Regarding the ISS Report Concerning  
Proposal No. 5 at the 100th Annual General Meeting of Shareholders**

In regards to Proposal No. 5 at the 100th Annual General Meeting of Shareholders of the Company scheduled for June 24, 2022 (the "General Meeting of Shareholders"), namely, "Approval of the Response Policy regarding Large-Scale Purchase Activities of Company Shares Given the Specific and Pressing Concern of a Large-Scale Purchase by Godo Kaisha Vpg 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), and Approval of the Company's taking Countermeasures Pursuant to the Response Policy if the Specified Shareholders Group that Includes the Large-Scale Purchaser Carries out Large-Scale Purchase Activities in Material Contravention of the Large-Scale Purchase Rules during the Term of the Response Policy" (the "Proposal"), the Company has confirmed that the proxy advisory firm Institutional Shareholder Services, Inc. ("ISS") has issued an English-language report ("ISS Report") recommending a vote "Against" the Proposal.

The Company's thinking concerning the Proposal is as set forth in the "Reference documents for the General Meeting of Shareholders" included in the convocation notice for the General Meeting of Shareholders ("Convocation Notice"); however, so that shareholders and investors, when deciding whether to vote for or against the Proposal, can better understand the Company's opinion regarding the Proposal, we explain below the Company's opinion regarding the ISS Report.

It should be noted that the term "Vpg etc." as used in this press release refers collectively to (i) Godo Kaisha Vpg and (ii) Kabushiki Kaisha KITE, which are the domestic operating companies of the Yamauchi-No. 10 Family Office ("YFO"), which is the substantial investor in WK 1 Limited and its joint holders WK 2 Limited and WK 3 Limited and has Mr. Banjo Yamauchi as its representative director.

1. Reasons for the "Against" Recommendation of ISS

The ISS Report, indicates that ① of the multiple conditions that ISS considers necessary in order for it to recommend a vote in favor of a so-called ordinary poison pill proposal, the Proposal (while meeting all other conditions) fails to meet one specific condition (specifically,

that the convocation notice be disclosed at least four weeks before the general meeting of shareholders), and even in such a case, because the poison pill specifically targets large-scale purchase activities by YFO etc. (that is, is a so-called poison pill with a specific target), if there were special circumstances that would warrant a recommendation to vote for the Proposal, ISS would recommend a vote in favor; however, ② when a specific buyer emerges, who seeks to acquire all outstanding shares through a tender offer, introducing a poison pill that would deprive shareholders of potential opportunities to tender their shares at a more favorable offer price is not appropriate; for this reason, ISS concluded that it would recommended a vote against the Proposal.

It should be noted that in regards to ① above, with the exception of the matter of the timing of disclosure of the convocation notice described above, ISS finds that the Proposal meets all conditions that ISS considers to be necessary for it to recommend a vote in factor of an ordinary poison pill, namely, (i) poison pill trigger threshold, (ii) poison pill duration, (iii) board of directors practice, (iv) poison pill total duration, (v) number of qualified independent directors, (vi) percentage of qualified independent directors, (vii) directors' term in office, (viii) composition of a special committee, and (ix) the existence of other takeover defenses.

## 2. The Company's Opinion

As explained in the Reference documents for the General Meeting of Shareholders and the May 24, 2022 press release, the “response policy regarding large-scale purchase activities of Company shares given the specific concern of a large-scale purchase by Vpg etc. and WK 1 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)” (the “Response Policy”) was designed for the purpose of having the specified shareholder group that includes Vpg etc. and other large-scale purchasers submit **sufficient information to ensure that both the shareholders and the Board of Directors would have the time and information needed to sufficiently consider the large-scale purchase activities and make appropriate decisions; the Response Policy is a “scheme for securing equal bargaining power” aimed at maximizing the Company’s medium-to-long-term corporate value and the common interests of shareholders and is not a “takeover defense” measure for the purpose of defending against takeovers, and in that sense is not an ordinary “poison pill”**. Thus, even though the Response Policy is not an ordinary poison pill, in the ISS Report, ISS recommends voting against the Proposal because it does not satisfy the conditions that it considers to be necessary to recommend voting for a so-called ordinary poison pill; this reason for recommending a vote against the Proposal is clearly unreasonable.

Even setting aside the matter of the reasonableness of requiring fulfillment of the conditions

required for a recommendation to vote for a so-called ordinary poison pill, regarding the condition that the convocation notice for the Proposal be disclosed at least four weeks prior to the date of convocation of the general meeting of shareholders, **in the May 24 press release the Company expressly indicated that it would put the Proposal before the General Meeting of Shareholders; moreover, except for some matters of form, the press release and the Proposal have substantially the same content.** Accordingly, **the Company substantially disclosed the Proposal to its shareholders and investors one month prior to the General Meeting of Shareholders and shareholders have been ensured a full one-month review period to consider the Proposal.** Therefore, **it can be said that the Proposal substantially meets the condition that the convocation notice for the general meeting of shareholders be disclosed at least four weeks prior to the convocation date.** For this reason, **the Proposal substantially meets all conditions that ISS requires to recommend a vote in favor of an ordinary poison pill proposal.** Thus, from this perspective too, it is clearly unreasonable that in the ISS Report, ISS recommends a vote against the Proposal on that the grounds that not all conditions it requires for a recommendation for a vote in favor of a so-called ordinary poison pill have been met.

Further, as discussed above, **the Response Policy is a “scheme for securing equal bargaining power” aimed at maximizing the Company’s medium-to-long-term corporate value and the common interests of shareholders; its purpose is not to prevent the tender offer proposed by YFO or other buy-up of Company shares and it is not an ordinary “takeover defense” measure for the purpose of defending against takeovers, and in that sense is not an ordinary “poison pill”.** Accordingly, the Response Policy does not fall under the category of a poison pill that will deprive shareholders of potential opportunities to tender their shares at a more favorable price, which the ISS Report states is inappropriate, and in this respect too the ISS Report is fully inappropriate.

Incidentally, while YFO has made an application to the Company to make a tender offer with the purpose of purchase of all Company shares, they have clearly stated that the support of the Board of Directors is a condition for implementation of the tender offer, and so in actuality the tender offer has not yet commenced; thus the Response Policy in no way “deprives shareholders of potential opportunities to tender their shares at a more favorable price”.

We ask again that our shareholders give full consideration to the Proposal and our opinion regarding the ISS Report and understand the efforts to maximize improvement in corporate value and the common interests of shareholders from the Company’s medium-to-long term perspective before deciding how to exercise your vote on the Proposal.

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