

Last updated: December 27, 2023

TODA CORPORATION

President and Representative Director: Seisuke Otani

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Securities Code: 1860

<https://www.toda.co.jp>

The following describes the state of corporate governance of TODA CORPORATION.

## I Fundamental Approach to Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

### 1. Fundamental Approach

The Company believes that the essence of corporate governance is to ensure the transparency and fairness in management, to make effective use of management resources, and to enhance management dynamism through swift and decisive decision-making, and is striving to enhance such corporate governance. In addition, the Company has systematized and formulated our corporate philosophy, which has been cultivated throughout our history, into our “Management Policy”, “Charter of Corporate Behavior”, and “Code of Conduct” in an effort to ensure that it permeates widely throughout our business activities.

### **【Reasons for non-compliance with the Corporate Governance Code’s principles】**

The Company complies with all principles of the Corporate Governance Code, including those for the Prime Market, as revised in June 2021.

### **【Disclosure based on the principles of the Corporate Governance Code】** **Updated**

“TODA CORPORATION Corporate Governance Basic Policy (revised on December 24, 2021)” based on the resolution of the Board of Directors is posted on the Company’s website as an indication of our basic approach, framework and management policy regarding corporate governance.

“TODA CORPORATION Corporate Governance Basic Policy”

<https://www.toda.co.jp/sustainability/governance/governance.html> (Japanese)

#### **【Principle 1-4】 Cross-shareholdings**

The Company holds cross-shareholdings for the purpose of strengthening important alliances and business relationships in pursuit of business strategies and to contribute to the enhancement of our corporate value over the medium to long-term.

(Policy regarding the reduction of cross-shareholdings)

The Company’s basic policy is to reduce the balance of such holdings to mitigate risks of owning cross-shareholdings and improve capital efficiency. If we determine that there is no rationale for continuing to hold shares of a specific issue after examining the significance and economic rationality, we engage in sufficient dialogue with our partner company before proceeding with any sale.

In the event that a company that cross-holds shares in the Company (strategic shareholder) expresses an intention to sell or otherwise dispose of the shares, the Company shall not prevent the sale of the shares.

(Verification of the economic reasonableness of cross-shareholdings)

Once a year, the Board of Directors verifies the significance and economic rationality of all investment shares held for strategic investment purposes from a medium to long-term perspective, including profitability and strengthening business relationships. The verification of economic rationality is based

on the average of the most recent return on equity (ROE) of the companies listed on the Prime Market of the Tokyo Stock Exchange, and the sum of the following three rates is used as an indicator.

- Operating margin of construction orders received: Percentage of average operating income from construction contracts received from the counterparty during the past five fiscal years divided by the acquisition price of the counterparty's shares.
- Dividend ratio: Percentage of the average of dividends received over the past five fiscal years divided by the acquisition price of the counterparty's shares
- Share price change ratio: The difference between the acquisition price of the counterparty's shares and the price calculated using statistical methods (VaR: value-at-risk) as the lower limit of market price fluctuation of the counterparty's shares, divided by the product of the acquisition price of the relevant counterparty's shares and the number of years held.

(Details of the Board of Directors' verification of the appropriateness of holding individual stocks as of December 31, 2022)

At the Board of Directors Meeting held on March 31, 2023, verification was conducted using the method described above based on actual data as of December 31, 2022. As a result of the verification, for individual stocks whose economic rationality or significance of holding has declined, such as by falling below the standard value, we are negotiating with client companies to sell them from April 2023 onwards.

Under the "Medium-Term Management Plan - 2024 Rolling Plan" announced in May 2022, from the perspective of securing financial resources for investment in growth while maintaining capital efficiency and financial soundness, it is our policy to sell at least ¥30 billion (market value basis) of cross-shareholdings over the three-year period from FY2022 to FY2024.

Please refer to the details of the shares held by the Company, which are disclosed in the Annual Securities Report.

<https://www.toda.co.jp/ir/securities/assets/pdf/toda100-houkoku04.pdf#page=71> (Japanese)

When exercising voting rights for cross-shareholdings, the Company makes a judgment as to whether or not the proposal will contribute to the enhancement of the partner company's corporate value over the medium to long term, by comprehensively considering the partner company's business performance, the state of governance including the number of Outside Directors, and the existence of an appropriate dividend policy, among other factors, and exercises its voting rights appropriately.

#### **【Principle 1-7】 Transactions with related parties**

In the event that the Company conducts a transaction with a Director, major shareholder, or other related party, the Company shall submit the matter to the Board of Directors to obtain its approval in advance to ensure that the transaction does not impair the interests of the Company or the common interests of shareholders. Please refer to Article 20 (Transactions with Related Parties) of the "TODA CORPORATION Corporate Governance Basic Policy".

#### **【Principle 2-4-1】 Ensuring diversity in the appointment of core personnel, etc.**

The Group promotes diversity and inclusion as one of its management strategies to achieve sustainable growth on a global scale. By respecting the diversity of our employees and their diverse values and actively engaging in corporate activities, we aim to create new value as a "corporate group that realizes joys".

##### (1) Approach to ensuring diversity

Aiming to realize a comfortable and affluent work environment not only for employees of Group companies and subcontractors, but also for all people involved, we strive to ensure a comfortable work environment where employees can maximize their qualities and abilities while giving due consideration to health and safety and respecting diversity, personality, and individuality. As society and people's values change and the roles required of companies change, we will turn diversity into strength and move forward towards the "realization of a cooperative society as a gatekeeper of value".

##### (2) Voluntary and measurable goals for ensuring diversity and the status of ensuring them

(i) Female

As of June 30, 2023, the Company has 2 female Directors (1 Outside Director and 1 Outside Audit & Supervisory Board Member). The Company shall continue to promote the development and promotion of human resources through selective training programs aimed at fostering management. Our goal is to increase the number of female managers from 46 as of the end of March 2020 to 100 by the end of March 2025. (75 as of April 1, 2023)

(ii) Foreign nationals

Our goal is to increase the ratio of foreign nationals employed to at least 1.5% by the end of March 2025; as of April 1, 2023, the number of foreign nationals employed was 42 (0.9%). In addition, the Group has begun training foreign nationals as candidates for executive positions by providing them with one year of training program in Japan.

(iii) Mid-career hires

As of April 1, 2023, we had 615 mid-career hires, including 272 in management positions. In order to develop and secure a diverse range of human resources, we will continue to increase the ratio of mid-career hires with high expertise and promote them to management positions according to their abilities and experience.

(3) Human resources development policy to ensure diversity, employee-friendly work environment policy, and current status

In these uncertain and rapidly changing times, it is our employees who make sustainable growth possible. Through measures linked to “human resources development”, “diversity”, and “globalization”, we will develop a large number of high-value human resources and contribute to the enhancement of corporate value.

For more information on our development policy and improvement of work environment, please visit our website. <https://www.toda.co.jp/sustainability/social/diversity.html> (Japanese)

**【Principle 2-6】 Fulfilling role as asset owner of corporate pension plan**

The Company holds regular meetings of the Asset Management Committee, whose members include the head of Financial & IR Division and the head of Human Resources Division, to review the asset allocation and investment performance. In addition, Human Resources Division, which serves as the Committee's secretariat, has staff with specialized knowledge and experience, and is working to improve their qualifications by attending various outside seminars.

**【Principle 3-1】 Enhancement of information disclosure**

(1) Management philosophy, management strategy, and management plans

The Company established the management policy in 1967, and by conducting corporate activities in accordance with this policy, we have been striving to build relationship of trust with our shareholders, customers, and other stakeholders. On the other hand, since the establishment of the management policy, social conditions and social demands as well as the business structure of our group have changed significantly. To achieve sustainable growth from medium to long-term perspective, the Group must respond swiftly to management issues such as shrinking construction investment and changes in the social structure due to the declining birthrate and aging population.

Under these circumstances, we considered it important to reaffirm the values and spirit we have cultivated over our long history and to redefine our guiding principles for the future, and in 2017, we reviewed and revised our entire “Corporate Philosophy”, including our management policy. In this revision, based on the existing management policy, the scope of application was expanded from the Company on a stand-alone basis to the entire Group, taking into consideration not only CSR but also CSV (Creation of Common Value) in order to contribute to the achievement of the SDGs which are regarded as the guiding principles for the 21st century. In addition, along with the revisions of the “Charter of Corporate Behavior”, the Group’s code of conduct, we have also developed a philosophy system that includes the “Global Vision”, which was established in 2015 to clarify the value of the Group's existence in society and the image it aims to achieve.

Based on this philosophy, in May 2020, the Group formulated the “Medium-Term Management Plan 2024” and positioned the five-year period from FY2020 to FY2024 as “a period of transformation” to build a new earnings base, and worked to transform its business portfolio by strengthening the competitiveness

of its construction business and investing in growth. Since then, however, the business environment has changed markedly, and the preconditions for planning have changed drastically, including soaring prices and stagnant construction investment. Furthermore, recognizing the importance of efforts to realize the “Future Vision CX150” announced in July 2021, we revised some of our performance targets and measures in May 2022 and formulated the “Medium-Term Management Plan 2024 - Rolling Plan”. Based on this plan, we are aiming to achieve sustainable growth through further reforms.

“Corporate Philosophy and Global Vision”

<https://www.toda.co.jp/company/philosophy.html> (Japanese)

“Medium-Term Management Plan 2024 - Rolling Plan”

[https://www.toda.co.jp/english/investor\\_relations/pdf/Medium-Term%20Management%20Plan%202024%20-%20Rolling%20Plan.pdf](https://www.toda.co.jp/english/investor_relations/pdf/Medium-Term%20Management%20Plan%202024%20-%20Rolling%20Plan.pdf)

(2) Basic approach and policy on corporate governance

The Company aims to achieve sustainable growth and increase its corporate value over the medium to long-term. To this end, we believe that the essence of corporate governance is to ensure transparency and fairness in management, to make effective use of management resources, and to enhance management dynamism through prompt and decisive decision-making, and we will further strengthen corporate governance. For details, please refer to the “TODA CORPORATION Corporate Governance Basic Policy”.

(3) Policy and procedures for determining compensation for the management and Directors

The Company has established a policy regarding the determination of the amount of remuneration, etc. for Directors and executive officers and the method of calculation thereof.

(i) Basic policy on compensation for Directors

Based on TODA CORPORATION Global Vision of being “a corporate group that realizes joy”, we have established a compensation system that is appropriate for achieving sustainable growth over the medium to long-term with our diverse stakeholders. In order to maximize the value of the Company as a whole, the compensation system is designed from the perspective of total optimization and motivation to drive appropriate growth in each line of business, from the viewpoint of transparent decision-making processes and rationality.

(ii) Compensation levels and composition ratio

The Company sets the amount of compensation, etc. at an appropriate level compared to other listed companies of the same size in Japan, and refers to objective compensation data from external professional organizations.

Compensation for Directors who concurrently serve as executive officers shall consist of base compensation, performance-linked compensation (annual bonus), and stock compensation, with a standard ratio of base compensation: performance-linked compensation: stock compensation = 1:0.35-0.45:0.35-0.45, depending on position. The ratio of stock compensation shall be two-thirds for performance-linked compensation and one-third for non-performance-linked compensation.

The ratio of base compensation to stock compensation (non-performance-linked portion only) for Directors who do not concurrently serve as executive officers shall be approximately 1:0.55 for inside Directors and 1:0.1 for Outside Directors.

(iii) Base compensation

Base compensation is determined according to position and paid monthly.

(iv) Performance-linked compensation (annual bonus)

Performance-linked compensation is paid with the aim of raising awareness of the need to improve performance each fiscal year. The performance evaluation period is one year, and the payment is made at a certain time each year. The President and Representative Director shall be evaluated solely on the basis of company-wide performance, while all others shall be evaluated on the basis of company-wide performance (70% weighting) and individual performance (30% weighting).

The company-wide performance evaluation indicators are those that are emphasized in the business plan for the relevant fiscal year, and target values are set at the beginning of the fiscal year. The individual performance evaluation consists of a performance evaluation of the person in charge, focusing on the financial targets of the operations for which he/she is responsible, and a qualitative

evaluation focusing on key measures for sustainable growth, with targets set at the beginning of the fiscal year.

(v) Stock compensation

Two types of stock compensation shall be offered: a performance-linked type, which aims to raise awareness of improving performance over the medium-term, and a non-performance-linked type, which is designed to improve corporate value over the long-term.

In the performance-linked portion, points are awarded at a certain time each year, and shares are delivered three years after the points are awarded based on the degree of achievement of performance over the three-year period from the time the points are awarded. (However, a portion of the shares granted will be paid in cash to fund tax payments.) Performance evaluation is based on company-wide performance evaluation and ESG evaluation.

The company-wide performance evaluation indicators are those emphasized in the medium-term management plan, and target values are set at the beginning of each performance evaluation period. The ESG evaluation indicators are those emphasized in the practice of ESG management aiming at enhancing corporate value, and target values are set at the beginning of each performance evaluation period.

Non-performance-linked points are awarded at a certain time each year, and shares are delivered upon retirement. (However, a portion of the shares granted will be paid in cash to fund tax payments.)

(vi) Compensation determination process

Compensation for Directors, including performance-linked compensation and performance evaluation for the performance-linked portion of stock compensation, shall be determined by the Board of Directors within the maximum amount of compensation resolved at the Annual General Meeting of Shareholders, after deliberation by the Personnel & Compensation Committee, which is mainly composed of Outside Directors.

In the event that exceptional measures are required for performance evaluation, etc., necessary measures may be taken based on deliberations by the Personnel & Compensation Committee and a resolution by the Board of Directors. In the event of illegal acts or violations of laws and regulations, compensation may be reduced or returned based on deliberations by the Personnel & Compensation Committee and a resolution by the Board of Directors.

Please refer to Article 10 (Remuneration for Directors, etc.) and Article 11 (Personnel and Compensation Committee) of “TODA CORPORATION Corporate Governance Basic Policy”.

(4) Policy and procedures for appointment or dismissal of the management and nomination of candidates for Directors and Audit & Supervisory Board Members

Nominations of candidates for Directors are determined by the Board of Directors after review by the Personnel & Compensation Committee. Nominations of candidates for Audit & Supervisory Board Members are made by the Board of Directors after review by the Personnel & Compensation Committee and with the consent of the Audit & Supervisory Board. Please refer to Article 6 (Qualifications and Nomination Procedures for Directors) and Article 8 (Qualifications and Nomination Procedures for Audit & Supervisory Board Members) of “TODA CORPORATION Corporate Governance Basic Policy”.

(5) Explanation of individual appointments of the management and nomination of candidates for Directors and Audit & Supervisory Board Members

Please refer to the “NOTICE OF CONVOCATION FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS” for the brief biographical data of each candidate for Director and Audit & Supervisory Board Member and the reasons for their appointments.

[https://www.toda.co.jp/english/investor\\_relations/pdf/NOTICE%20OF%20CONVOCATION%20FOR%20THE%20100TH%20ANNUAL%20GENERAL%20MEETING%20OF%20SHAREHOLDERS.pdf#page=5](https://www.toda.co.jp/english/investor_relations/pdf/NOTICE%20OF%20CONVOCATION%20FOR%20THE%20100TH%20ANNUAL%20GENERAL%20MEETING%20OF%20SHAREHOLDERS.pdf#page=5)

**【Supplementary Principle 3-1-3】 Initiatives on sustainability**

At the Board of Directors Meeting held on December 24, 2021, the following was decided as the Group's Basic Sustainability Policy.

(1) Basic policy

TODA CORPORATION Group's Management Policy is to “contribute to the development of society”,

“achieve sustainable business growth”, and “enhance stakeholder value”. We have always managed our business in line with the concept of sustainability with respect for our stakeholders, such as by considering the impact of our business activities on customers, employees, partner companies, local communities, shareholders/investors, and the global environment, and striving to build relationships of trust through dialogue. As part of our efforts to protect the global environment from climate change, we have also expressed our support for the TCFD and have conducted analysis and disclosure in line with its recommendations.

TODA CORPORATION Group conducts its business in accordance with its Global Vision formulated in 2015 in order to continue to be a company that realizes "joys" to all stakeholders.

Towards the realization of a sustainable society, we have reaffirmed our Materiality (key issues) and established our management vision for 2050 as “Sustainability Vision 2050”.

## (2) Sustainability Vision 2050

Our Sustainability Vision 2050 is defined as "A corporate group that creates a better future". Looking ahead to 2050 and beyond, TODA CORPORATION Group will work together with its stakeholders to create a better future society while developing business activities with the five Materiality of “Town”, “Social Infrastructure”, “Decarbonization”, “Value”, and “People” in mind.

## (3) Sustainability promotion policy

### (i) Establishment and operation of sustainability promotion framework

The “Sustainability Committee” has been established as an advisory body to the Board of Directors to oversee and provide guidance in the promotion of sustainability initiatives. On the executive side, the “Sustainability Strategy Committee” has been established to deepen discussions on themes to be addressed from the 4 perspectives of “ESG+B” (E: environment, S: social, G: governance, B: benefits) and to reflect them in our business strategies under appropriate allocation of management resources.

Efforts to resolve the issues identified by the Sustainability Strategy Committee are prioritized and implemented by executive divisions, such as the head office and business units.

### (ii) Information disclosure to society

The Company adequately discloses to the stakeholders our efforts to resolve sustainability challenges as well as the risks and revenue opportunities associated with such challenges.

## (4) TODA CORPORATION Group’s Materiality (key issues)

Looking ahead to 2050, TODA CORPORATION Group has evaluated various social and business-related challenges based on the two axes of “impact on business” and “impact on stakeholders” and has identified the following 5 items as “TODA CORPORATION Group’s Materiality”, with themes corresponding to each.

- (i) Urban development that supports affluent lifestyles
- (ii) Infrastructure development in harmony with the environment
- (iii) Realization of a decarbonized society
- (iv) Technological innovation and enhancement of value provided
- (v) Creating a workplace where people can feel the joy of working

In addition to the above, we have also set forth the themes for improving corporate governance regarding the "foundation for sustainable growth."

For more information, please refer to "TODA CORPORATION Group’s Sustainability”.

<https://www.toda.co.jp/sustainability/> (Japanese)

## (5) Investment in human capital, intellectual property, etc.

Please refer to our Corporate Report 2023, p.33-38 (Human Resources Strategy) and p.47-48 (Research & Development). These investments in human resources and intellectual property will continue to be disclosed in the Medium-Term Management Plan and other management strategies.

[https://www.toda.co.jp/english/sustainability/images/csr/cr23\\_en.pdf#page=34](https://www.toda.co.jp/english/sustainability/images/csr/cr23_en.pdf#page=34)

[https://www.toda.co.jp/english/sustainability/images/csr/cr23\\_en.pdf#page=48](https://www.toda.co.jp/english/sustainability/images/csr/cr23_en.pdf#page=48)

## **【Supplementary Principle 4-1-1】 Scope of matters delegated to the management**

The Company stipulates matters to be resolved by the Board of Directors in its Board of Directors

Regulations. In addition, the Company has adopted an Executive Officer System in order to speed up and improve the efficiency of decision-making related to the execution of business operations. The Board of Directors delegates the execution of duties to the Executive Officers and supervises their performance of duties. Please refer to Article 4 (Roles of the Board of Directors) of “TODA CORPORATION Corporate Governance Basic Policy”.

**【Principle 4-9】 Independence standards and qualifications for independent Outside Directors**

To ensure the objectivity and transparency necessary for proper governance of the Company, we have established "Independence Standards for Outside Directors". The Company has also established "Personnel Evaluation Standards for Directors" to ensure the necessary conditions for Directors to perform their duties. Please refer to Article 6 (Qualifications and Nomination Procedures for Directors) of “TODA CORPORATION Corporate Governance Basic Policy”.

**【Supplementary Principle 4-11-1】 Views on the balance of knowledge, experience and capabilities, diversity and size of the Board of Directors**

The Board of Directors of the Company strives to make appropriate decisions by balancing the abilities of Internal Directors, who have extensive knowledge and experience in the management of the Company and its subsidiaries, with the abilities of Outside Directors, who have specialized knowledge and experience in management, economics, legal affairs, finance, accounting, etc., in light of the Company's management strategy. The Board of Directors is composed of Directors with diversity considerations, including in terms of gender, international background, internal and external careers, and age.

We believe that the role of the Board of Directors is to oversee where management resources are invested, how they are activated, and how they are implemented, while demonstrating social challenges and their impact, with an eye to the Group's sustainable growth and enhancement of corporate value.

In order to strengthen the supervisory function of the Board of Directors, effective from the Annual General Meeting of Shareholders held on June 29, 2022, the Company has reduced the size of the Board of Directors to seven members, with three Inside Directors and four Outside Directors, the majority of whom are Outside Directors.

Please refer to Article 5 (Composition of the Board of Directors) and Article 6 (Qualifications and Nomination Procedures of Directors) of “TODA CORPORATION Corporate Governance Basic Policy”. Please refer to the “NOTICE OF CONVOCATION FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS” for a skills matrix that lists the knowledge and experience of each Director.

[https://www.toda.co.jp/english/investor\\_relations/pdf/NOTICE%20OF%20CONVOCATION%20FOR%20THE%20100TH%20ANNUAL%20GENERAL%20MEETING%20OF%20SHAREHOLDERS.pdf#page=13](https://www.toda.co.jp/english/investor_relations/pdf/NOTICE%20OF%20CONVOCATION%20FOR%20THE%20100TH%20ANNUAL%20GENERAL%20MEETING%20OF%20SHAREHOLDERS.pdf#page=13)

**【Supplementary Principle 4-11-2】 Status of concurrent Directorships in other listed companies**

No Internal Director or Internal Audit & Supervisory Board Member concurrently serves as a Director or Audit & Supervisory Board Member of another listed company. Outside Directors and Outside Audit & Supervisory Board Members concurrently serve as officers of other listed companies, but there are no circumstances that would affect with their activities as officers, such as impeding their attendance at meetings of the Company's Board of Directors. Please refer to the “NOTICE OF CONVOCATION FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS”.

[https://www.toda.co.jp/english/investor\\_relations/pdf/NOTICE%20OF%20CONVOCATION%20FOR%20THE%20100TH%20ANNUAL%20GENERAL%20MEETING%20OF%20SHAREHOLDERS.pdf#page=5](https://www.toda.co.jp/english/investor_relations/pdf/NOTICE%20OF%20CONVOCATION%20FOR%20THE%20100TH%20ANNUAL%20GENERAL%20MEETING%20OF%20SHAREHOLDERS.pdf#page=5)

**【Supplementary Principle 4-11-3】 Analysis and evaluation of the effectiveness of the Board of Directors**

The Board of Directors analyzes and evaluates the effectiveness and efficiency of the Board of Directors as a whole with reference to each Director's self-evaluation and other information, and strives for improvement. Please refer to Article 14 (Evaluation of the Effectiveness of the Board of Directors) of “TODA CORPORATION Corporate Governance Basic Policy”, and “Corporate Report 2023”.

[https://www.toda.co.jp/english/sustainability/images/csr/cr23\\_en.pdf#page=65](https://www.toda.co.jp/english/sustainability/images/csr/cr23_en.pdf#page=65)

**【Supplementary Principle 4-14-2】 Training policy for Directors Audit & Supervisory Board Members**

The Company provides opportunities to acquire necessary knowledge, especially for newly appointed Directors and Audit & Supervisory Board Members. Please refer to Article 16 (Study and Training of Directors and Audit & Supervisory Board Members, etc.) of “TODA CORPORATION Corporate Governance Basic Policy”.

**【Principle 5-1】 Policy for constructive dialogue with shareholders**

The Company places importance on institutional investors who seek to realize the long-term and sustainable growth of the Company, and has a policy of actively engaging in dialogue with such shareholders. Please refer to Article 23 (Dialogue with Shareholders) of “TODA CORPORATION Corporate Governance Basic Policy”. Also please visit below for the status of dialogue with shareholders, investors and others.  
[https://www.toda.co.jp/english/investor\\_relations/pdf/202312\\_financial\\_01.pdf](https://www.toda.co.jp/english/investor_relations/pdf/202312_financial_01.pdf)

**【Other Matters】 Action to implement management that is conscious of cost of capital and stock price**

We believe it is necessary not only to strengthen our core business, but also to invest in new business areas in order to enhance our corporate value over the medium- to long-term. To achieve our target earnings of ROE of 8% or more, we are strengthening our business portfolio through investments in growth and intangible assets and promoting the appropriate allocation of capital.

However, our ROE for the past three years has not exceeded 8% and the stock price at the end of November was ¥844.3, with PBR of less than 1x.

Based on the recognition of the current situation, we will work to improve PBR, aiming for 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. Please visit below for more details.

[https://www.toda.co.jp/english/investor\\_relations/pdf/20231130\\_Notice\\_02.pdf](https://www.toda.co.jp/english/investor_relations/pdf/20231130_Notice_02.pdf)

**2. Capital Structure**

Percentage of foreign shareholders	More than 20% but less than 30%
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**【Major shareholders】 Updated**

Name of Shareholder	Number of shares held	Percentage (%)
Daiichi Shokusan	42,923,653	13.30
Master Trust Bank of Japan Ltd, T.	33,743,800	10.45
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	12,273,400	3.80
Custody Bank of Japan, T.	9,147,800	2.83
Ally	8,977,916	2.78
MUFG Bank	8,048,561	2.49
Hiroko Toda	6,611,595	2.04
MTB Japan Retail 620090811	6,002,000	1.86
Customers' Stockholding	5,734,884	1.77
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	5,339,900	1.65

Controlling shareholder (except for parent company)	—
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Parent company	None
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Supplementary explanation
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The above status of “Major shareholders” is as of the end of September 2023.



### 3. Corporate Attributes

Listed stock market and market section	Tokyo Stock Exchange, Prime Market
Fiscal year-end	March
Type of business	Construction
Number of employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Sales (consolidated) as of the end of the previous fiscal year	100 billion yen or more, less than 1 trillion yen
Number of consolidated subsidiaries as of the end of the previous year	More than 10, less than 50 companies

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

None.

## II Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Oversight in Management

### 1. Matters Related to Organizational Structure and Management, etc.

Type of organization	Company with Audit & Supervisory Board
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#### **【Members of the Board】**

Number of Directors stipulated in the Articles of Incorporation	12
Term of office of Directors stipulated in the Articles of Incorporation	One year
Chairman of the Board	Chairperson (except in the case of a person who also serves as President)
Number of Directors	7
Status of appointment of Outside Directors	Appointed
Number of Outside Directors	4

Number of Outside Directors designated as independent Directors

4

Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Shunsuke Amiya	Formerly worked for another company								△			
Toshihiko Itami	Attorney at law											
Kumi Arakane	Formerly worked for another company								△			
Masashiro Muroi	Formerly worked for another company								△			

\* Selection criteria regarding the relationship with the Company

\* “○” when the Director presently falls or has recently fallen under the category;

“△” when the Director fell under the category in the past

\* “●” when a close relative of the Director presently falls or has recently fallen under the category;

“▲” when a close relative of the Director fell under the category in the past

a Executive of a listed company or its subsidiaries

b Executive or non-executive Director of a parent company of a listed company

c Executive of a sibling company of a listed company

d A person whose main business partner is a listed company or a person who executes the business of a listed company

e A major business partner of a listed company or its executive

f Consultant, accounting professional, or legal professional who receives a large amount of monetary consideration or other assets from a listed company other than Director's remuneration

g A major shareholder of a listed company (if such major shareholder is a legal entity, an executive of such corporation)

h Executive of a business partner of a listed company (not falling under any of d, e and f) (the Director himself/herself only)

i Executive of a company with whom the Outside Director has a relationship of reciprocal appointment (the Director himself/herself only)

j Executive of an entity to which a listed company has made a donation (the Director himself/herself only)

k Others

Relationship with the Company (2)

Name	Independent Director	Supplementary explanation of the relationship	Reasons of appointment
Shunsuke Amiya	○	Mr Shunsuke Amiya served as Board Member of NIPPON TELEGRAPH AND TELEPHONE CORPORATION and Senior Vice President of NTT Communications Corporation. The amount of each of the two companies' construction transactions with the Company in the fiscal year ended March 31, 2023 was less than 0.1% of the Company's net sales respectively.	Mr Shunsuke Amiya has a wealth of experience and a high degree of insight as a corporate executive. He is expected to provide appropriate advice and recommendations to the Company's management from an objective standpoint independent of the Company's management team that executes its business. He has fulfilled his duties as Chairman of the Personnel and Compensation Committee since June 2022, and we believe that he has contributed greatly to the Company's corporate governance. In addition, as he is not a major shareholder or a person from a major business partner of the Company, there is

			no risk of conflict of interest between him and general shareholders, and he is therefore designated as an Independent Director.
Toshihiko Itami	○	—	Mr Toshihiko Itami has served in prominent positions including Chief Prosecutor of Tokyo District Public Prosecutors Office, Deputy Prosecutor-General of Supreme Public Prosecutors Office and Superintending Prosecutor of Osaka High Public Prosecutors Office, before engaging in corporate governance, corporate crisis management and corporate compliance matters as an attorney at law, and possesses a wealth of experience and a high level of expertise. He is expected to provide appropriate advice and recommendations to the Company's management from an objective standpoint independent of the Company's management team that executes its business. While he has never been involved in corporate management other than as an Outside Director, the Company believes that he can appropriately execute the duties of an Outside Director based on the above reasons. In addition, as he is not a major shareholder or a person from a major business partner of the Company, there is no risk of conflict of interest between him and general shareholders, and he is therefore designated as an Independent Director.
Kumi Arakane	○	Although Ms Kumi Arakane served as Executive Officer, Director, and Audit & Supervisory Board Member of KOSÉ Corporation until June 2019, she is not currently involved in the execution of KOSÉ Corporation's business. In addition, the amount of KOSÉ Corporation's construction transactions with the Company in the fiscal year ended March 31, 2023 was less than 0.1% of the Company's net sales.	Ms Kumi Arakane has a wealth of experience and insight in corporate management, including being involved in the execution and supervision of management as a Director and was in charge of corporate R&D, product development, and quality assurance as a Doctor of Pharmacology. She is expected to provide appropriate advice and recommendations to the Company's management from an objective standpoint independent of the Company's management team that executes its business. In addition, as she is not a major shareholder or a person from a major business partner of the Company, there is no risk of conflict of interest between her and general shareholders, and she is therefore designated as an Independent Director.
Masahiro Muroi	○	Mr Masahiro Muroi served as Member of the Board	Mr Masahiro Muroi has served as Representative Director of a major private

		and Representative Director of The Nomura Research Institute, Ltd. The amount of The Nomura Research Institute, Ltd.'s construction transactions with the Company in the fiscal year ended March 31, 2023 was less than 0.1% of the Company's net sales.	think tank, accumulating a wealth of experience in and insight into corporate management and high expertise in IT. He is expected to supervise the overall management of the Company and provide effective advice on improving operational efficiency. In addition, as he is not a major shareholder or a person from a major business partner of the Company, there is no risk of conflict of interest between him and general shareholders, and he is therefore designated as an Independent Director.
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Voluntary establishment of committee(s) equivalent to nominating committee and compensation committee

Established

Status of establishment of voluntary committees, composition of members, and attributes of committee chair (chairperson)

	Name of Committee	Total number of Committee members	Number of fulltime members	Number of Inside Directors	Number of Outside Directors	Number of external experts	Number of other members	Committee chair (chairperson)
Committee equivalent to Nominating Committee	Personnel and Compensation Committee	5	0	1	4	0	0	Outside Director
Committee equivalent to Compensation Committee	Personnel and Compensation Committee	5	0	1	4	0	0	Outside Director

Supplementary explanation

The Company has established a Personnel and Compensation Committee for the purpose of nominating candidates for Directors and Audit & Supervisory Board Members, appointing and dismissing important officers (Executive Officers, Branch Managers, etc.), examining the eligibility and appropriateness of the calculation of executives' compensation, and reporting to the Board of Directors. In addition to the above, the Committee is responsible for hearing important executive succession plans from the President and Representative Director etc and reporting to the Board of Directors as necessary.

### 【Matters related to Audit & Supervisory Board Members】

Whether or not Audit & Supervisory Board has been established

Established

Number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation

6

Number of Audit & Supervisory Board Members

5

Cooperation among Audit and Supervisory Board Members, Accounting Auditors, and the Internal Audit Division **Updated**

Internal Audit Division (8 members) has been established as the internal audit department, which periodically audits the status of business execution and reports audit results to the President, the Board of Directors, and the Audit & Supervisory Board. As for the status of cooperation with the Audit &

Supervisory Board Members, 4 meetings were held in FY2022 and exchanged opinions on audit plans and the status of audit implementation. In addition, the Company and the Accounting Auditors regularly exchange opinions on internal audits and other matters and ensure mutual cooperation.

Internal Audit Division reports the status of improvement of internal control, evaluation results, and results of examination of deficiencies found in the evaluation process to Legal & Risk Management Division, as well as to the President, the Board of Directors, and the Audit & Supervisory Board. Legal & Risk Management Division and Internal Audit Division discuss with the President and the Accounting Auditors the internal control evaluation plans, the status of improvement, and the evaluation results.

The Audit & Supervisory Board Members meet once a month in principle after the Board of Directors meeting. The five Audit & Supervisory Board Members, in cooperation with the staff of Internal Audit Division, which reports directly to them, attend meetings of the Board of Directors and other important meetings deemed necessary to audit the status of Directors' performance of their duties in accordance with the audit policy and audit plans determined at the beginning of each term. In addition, the Audit & Supervisory Board Members confirm the overall status of internal controls by interviewing each division at the head office, branch offices and work sites, and visiting the Company's important subsidiaries, and exchanges opinions with the Company's Representative Director based on the status of audits.

Mr Shunji Momoi, a full-time (Outside) Audit & Supervisory Board Member, has expertise in finance and accounting based on his long years of practical experience as a certified public accountant. In addition to the aforementioned collaboration between the Audit & Supervisory Board and the Internal Audit Division as described above, the Audit & Supervisory Board receives reports on (annual) audit plans and accounting audit results (quarterly reviews and fiscal year-end), and exchanges information and opinions, while monitoring the independence and appropriateness of the accounting auditors' audits as appropriate.

Status of appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	4
Number of Outside auditors designated as independent Audit & Supervisory Board Members	4

**Relationship with the Company (1)**

Name	Attributes	Relationship with the Company (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Shunji Momoi	Certified public accountant														
Keiichiro Maruyama	Attorney at law										△				
Fumio Sato	Formerly worked for another company							△							
Junko Nishiyama	Formerly worked for another company										△				

- \* Selection criteria regarding the relationship with the Company
- \* “○” when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
- “△” when the Audit & Supervisory Board Member fell under the category in the past
- \* “●” when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
- “▲” when a close relative of the Audit & Supervisory Board Member fell under the category in the past
- a Executive of a listed company or its subsidiaries
- b Non-executive Director or accounting advisor of a listed company or its subsidiaries
- c Executive or non-executive Director of a parent company of a listed company
- d Corporate auditor of a parent company of a listed company
- e Executive of a sibling company of a listed company

- f A person whose main business partner is a listed company or a person who executes the business of a listed company
- g A major business partner of a listed company or its executive
- h Consultant, accounting professional, or legal professional who receives a large amount of monetary consideration or other assets from a listed company other than Director's remuneration
- i A major shareholder of a listed company (if such major shareholder is a legal entity, an executive of such corporation)
- j Executive of a business partner of a listed company (not falling under any of f, g and h) (the Audit & Supervisory Board Member himself/herself only)
- k Executive of a company with whom the Outside Director has a relationship of reciprocal appointment (the Audit & Supervisory Board Member himself/herself only)
- l Executive of an entity to which a listed company has made a donation (the Audit & Supervisory Board Member himself/herself only)
- m Others

#### Relationship with the Company (2)

Name	Independent Director	Supplementary explanation of the relationship	Reasons of appointment
Shunji Momoi	○	—	Mr Shunji Momoi possesses professional knowledge as a certified public accountant and a wealth of experience in corporate audit. He is expected to bring his financial and accounting expertise to the Company's auditing system. Although he has no direct experience of being involved in corporate management in the past, for the reasons stated above, we believe that he is able to appropriately perform his duties as an Outside Audit & Supervisory Board Member. In addition, he has been designated as an Independent Auditor as there is no risk of conflict of interest with general shareholders in his career.
Keiichiro Maruyama	○	Mr Maruyama is an attorney at law and deputy Director of Nagawa-Okamura Law Firm. There was a transaction with the Firm in March 2011 concerning an individual matter, but the amount of the transaction did not create economic dependence on the Company. Also the amount of transactions related to construction work between Tokyo College of Music, of which he is the chairman, and the Company for the fiscal year ended March 31, 2023 was	As an attorney at law, Mr Maruyama has knowledge of general legal matters, including corporate legal affairs, and is expected to audit the execution of duties by the Directors from an objective and fair standpoint. In March 2011, the Company had a transaction with Nagawa-Okamura Law Firm, in which Mr Maruyama serves as deputy Director, concerning an individual matter. However, the amount of the transaction was not such that would cause economic dependence on the Company, and there is no risk of conflict of interest with general shareholders; therefore, Mr Maruyama has been designated as an Independent Auditor.

		less than 0.1% of the Company's net sales.	
Fumio Sato	○	Mr Fumio Sato had been with MUFG Bank, Ltd., the Company's main bank, until June 2009, but it has already been more than 10 years since he left the bank. He subsequently served as President and Representative Director of Chitose Kosan Corporation (currently Chitose Corporation) from May 2016. The amount of Chitose Corporation's construction transactions with the Company in the fiscal year ended March 31, 2023 was less than 0.1% of the Company's net sales.	Mr Sato has long experience and a proven track record as the head of the corporate division of a major financial institution and as the head of the management of several companies. Based on his wealth of experience and high-level insight, he is expected to audit the execution of duties by the Directors from an objective and fair standpoint. Although he is from a bank that has major business dealings with the Company, the Company has designated him as an Independent Auditor because there is no risk of conflict of interest with general shareholders and he is considered qualified given that it has been more than 10 years since he left the bank, the Company has transactions with several other financial institutions and the ratio of borrowings from the said bank is not outstandingly high.
Junko Nishiyama	○	Ms Junko Nishiyama was with Lion Corporation until March 2019, where she was in charge of the Company's research and development, environmental initiatives, etc., and served as a full-time auditor, but is not currently involved in the execution of Lion Corporation's business. The amount of Lion Corporation's construction transactions with the Company in the fiscal year ended March 31, 2023 was less than 0.1% of the Company's net sales.	Ms Nishiyama has extensive experience and achievements in overall corporate management, including serving as the head of R&D and environmental initiatives at a major healthcare company, as well as auditing the corporate operations as a full-time auditor. Based on her wealth of experience and high-level insight, she is expected to audit the execution of duties by the Directors from an objective and fair standpoint. In addition, she has been designated as an Independent Auditor as there is no risk of conflict of interest with general shareholders in her career.

### 【Independent Directors/Audit & Supervisory Board Members】

Number of Independent Directors/Audit & Supervisory Board Members

8

Other matters related to Independent Directors/Audit & Supervisory Board Members

### 【Incentives】

Status of implementation of measures to provide incentives to Directors	Introduction of a performance-linked compensation plan
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Supplementary explanation on this matter

The Company has introduced a performance-linked stock compensation plan to clarify the linkage between Directors' compensation and the value of the Company's shares, to improve medium- to long-term business performance and corporate value, and to raise awareness of shareholder-oriented management.

Recipients of stock options	
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Supplementary explanation on this matter

### 【Compensation for Directors】

Disclosure of compensation (for individual Directors)	Individual compensation is not disclosed.
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Supplementary explanation on this matter

Compensation paid to the Directors (14) and the Audit and Supervisory Board Members (5) during FY2022 amounted 290 million yen and 71 million yen respectively.

Policy on determining compensation amounts and calculation methods	Established
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Disclosure of policy on determining compensation amounts and calculation methods

Please refer to disclosure based on the principles of the Corporate Governance Code 【Principle 3-1】 Enhancement of information disclosure (3) Policy and procedures for determining compensation for the management and Directors.

### 【System for supporting Outside Directors (Outside Audit and Supervisory Board Members)】

Outside Directors are assisted in their duties by Board Directors Office and Secretarial Division. In addition, prior to the Board of Directors meetings which are held in principle once a month and on a quarterly basis, they are briefed in advance on matters to be discussed at the Board of Directors meetings.

Auditors Office has been established to assist the Audit and Supervisory Board Members (Internal and Outside) in their duties. Auditors Office reports directly to the Audit and Supervisory Board and has two full-time staff members to support overall auditing, including the collection of internal information.

The opinions of the Audit and Supervisory Board or the member(s) appointed by the Audit and Supervisory Board are sought in advance regarding personnel changes and organizational changes in Auditors Office.

### 【Status of retired Representative Director and President, etc】

Names, etc. of Senior Advisers/Advisors who formerly served as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Employment terms (full/part time, with/without compensation, etc.)	Date of retirement as President, etc.	Term
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Number of counselors and advisers who formerly served as representative Director and President, etc.

Other matters

Although there is a system for senior advisers/advisors itself, there is currently no one who has retired as Representative Director and President and is serving as a Senior Adviser/Advisor.

## 2. Matters Related to Functions of Business Execution, Auditing, Supervision, Nomination and Decisions on Compensation (Overview of Current Corporate Governance System) **Updated**

The Company has adopted an executive officer system. Executive Officers appointed by the Board of Directors execute the Company's business operations under the direction of the Executive Officer President (Representative Director, hereinafter referred to as the "President") in accordance with the basic management policy determined by the Board of Directors.

In addition, the Company holds Management Meeting, Approval Meeting, and Strategy Meetings to discuss and provide directions on important matters concerning management and business execution, and holds regular meetings of Executive Board to inform the important matters concerning management and business execution and to report on the status of business execution. In the execution of business operations, the Rules on Office Organization, Rules on Division of Duties, Rules on Administrative Authority, and Rules on Decision-making Procedures stipulate the respective responsible persons, division of duties, execution procedures, and other matters.

The reasons for adopting the current system are as described in the next section, "Reasons for adoption of current corporate governance system".

Efforts to strengthen the function of the Audit and Supervisory Board Members are as described in **【Matters related to Audit & Supervisory Board Members】** "Cooperation among Audit and Supervisory Board Members, Accounting Auditors, and the Internal Audit Division", and **【System for supporting Outside Directors (Outside Audit and Supervisory Board Members)】** in this report.

Internal Audit Division has been established as a division engaged in internal audits. Internal Audit Division periodically audits the status of business execution in each department within the Company and reports the audit results to the President, the Audit and Supervisory Board, and the Board of Directors.

Accounting audit system: The certified public accountants who performed the accounting audit of the Company in FY2022 were Mr Toshio Saito and Mr Daisuke Suzuki, both of whom belong to Seinan Audit Corporation. Seinan Audit Corporation merged with SohkenNichiei Audit Corporation and Nagoya Audit Corporation on October 2, 2023, and changed its name to Fujimi Audit Corporation on the same date.

Please refer to the schematic diagram at the end of this report for an overview of the current corporate governance structure.

## 3. The Reason for Adoption of Current Corporate Governance System

The Company has adopted the current system in the belief that the appropriateness of business execution can be ensured by having four Outside Directors who are well versed in corporate management and corporate legal affairs supervise the execution of duties by Directors from an independent and fair standpoint, and having five auditors, including four Outside auditors, who are well versed in planning, management, financial accounting and legal affairs, conduct audits in cooperation with the accounting auditor and internal audit division.

### III Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

	Supplementary explanation
Early dispatch of notice of the convocation for General Meeting of Shareholders	Notice of the convocation for the 100th Annual General Meeting of Shareholders was dispatched on June 8, 2023 (date of meeting: June 29, 2023).
Electronic exercise of voting rights	The Company has adopted the “Electronic exercise of voting rights”.
Participation in electronic voting platform and other measures to facilitate the exercise of voting rights by institutional investors	The Company has adopted the “Platform for Institutional Investors to Exercise Their Voting Rights Electronically”. In addition, on May 31, 2023, prior to the dispatch of the notice, the Company posted notice of the convocation on TDnet and the Company’s website to promote the exercise of voting rights.
Providing notice of the convocation (summary) in English	The Company provides an English version of notice of the convocation and posts on TDnet and the Company’s website.

#### 2. IR Related Activities Updated

	Supplementary explanation	Explanation by representative
Regular briefings for analysts and institutional investors	The Company holds financial briefings twice a year (May and November) focusing on full-year and 2Q (half year) results and future strategies. The recent meetings were held via the web due to the status of the COVID-19 infection.	Yes
Posting of IR materials on the Company’s website	Financial results and other timely disclosed information, securities reports, quarterly reports, fact books, etc.	
Establishment of department (manager in charge) of IR	Director in charge of IR: Toshihiro Yamazaki Director Executive Vice President  IR Administrative Liaison Manager: Toshiyuki Kubodera General Manager of Financial & IR Division  Department in charge: IR Department Financial & IR Division Contact: 03-3535-1357	

#### 3. Measures to Ensure Due Respect for the Position of Stakeholders

	Supplementary explanation
Internal rules stipulated for respecting the position of stakeholders	The Company has established the “TODA CORPORATION Group Charter of Corporate Behavior”, which stipulates that management decisions shall be made in consideration of the

	<p>interests of stakeholders. The Company has also established the “TODA CORPORATION Group Code of Conduct”, which provides guidelines for the conduct of each stakeholder, and require all executives and employees to comply.</p> <p>Furthermore, the Company has established “TODA CORPORATION Group Human Rights Policy” and requires all executives and employees to comply. We also encourage our business partners, suppliers, and other parties involved in our business to respect human rights.</p>
<p>Implementation of environmental initiatives, CSR activities, etc.</p>	<p>In 2010, the Company signed the “Eco-First Commitment” with the Minister of the Environment. Since then, the Company is committed to environmental conservation activities, focusing on the reduction of greenhouse gas emissions. In 2022, we updated our SBT-certified greenhouse gas reduction target to the 1.5°C level.</p> <p>Furthermore, based on the recommendations of the TCFD, the Company has been working to identify, assess, and analyze risks and opportunities related to climate change, and has been using the results to promote measures to solve environmental problems.</p> <p>As a result of these activities, the Company has been selected for the A-List, the highest ranking in the CDP Climate Change Index, six times in the past. The Company also strives to disclose information on these activities on the Company’s website and in Corporate Report (Integrated Report).</p>

## IV Matters Related to Internal Control System

### 1. Basic Policy and Status of Internal Control System Updated

The matters resolved by the Board of Directors as a system to ensure the appropriateness of the Company's business operations are as follows.

The Directors of the Company shall properly execute their duties in accordance with the philosophy set forth in the Management Policy and the Charter of Corporate Behavior. In principle, the Board of Directors meets once a month to make decisions on important management matters and supervise the Directors' execution status of their duties, and establish the following systems to ensure the appropriateness of the Company's operations.

1. Systems to store and manage information related to the execution of duties by Directors
  - Directors shall properly store and manage documents and other information related to the execution of their duties based on the Basic Policy on Information Management and in accordance with the provisions of the Information Management Rules and other internal rules.
2. Rules and other systems regarding management of risk of loss
  - Based on the Risk Management Basic Manual, the Company shall designate a department, etc., in charge of each individual risk, evaluate the magnitude and frequency of occurrence of the risk, identify the risk to be addressed, and establish a risk management system for daily risk prevention activities and when risks occur.
  - In particular, risks that may have a significant impact on management shall be shared throughout the organization, and the status of risk inspection activities and summaries based on internal audit results shall be regularly reported at Board of Directors meetings.
  - In the event of a crisis, the Company will respond promptly and appropriately in accordance with the Risk Management Basic Manual and take measures to minimize losses.

3. Systems to ensure that Directors execute their duties efficiently
  - The Company has adopted an executive officer system under which Executive Officers appointed by the Board of Directors execute the Company's business operations in accordance with the Basic Management Policy determined by the Board of Directors.
  - The Company holds Management Meetings, Decision-Making Meetings, and Strategy Meetings to discuss important matters concerning management and business execution.
  - In the execution of business operations, the Rules on Office Organization, Rules on Division of Duties, Rules on Administrative Authority, and Rules on Decision-making Procedures stipulate the respective responsible persons, divisions of duties, execution procedures, and other matters.
4. System to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
  - The Company has established "TODA Group Charter of Corporate Behavior" and "TODA Group Code of Conduct" as the Group's behavioral principles and guidelines, and has built a compliance system for the entire Group.
  - The Head Office Compliance Committee, chaired by the President, shall deliberate on important policy concerning the Company's compliance. In addition, the Company shall implement measures to ensure compliance, such as monitoring actions based on the Group Code of Conduct by the Branch Compliance Committee, the departments in charge, and the Corporate Ethics Helpline, and promoting compliance education.
  - Internal Audit Division has been established as the internal audit department. Internal Audit Division periodically audits the status of operations of each department within the Company and reports the audit results to the Board of Directors and the Audit & Supervisory Board.
5. System to ensure the appropriateness of business operations of the corporate group consisting of the Company and its subsidiaries
  - In accordance with the "Management Regulations for Affiliate Companies" and the "Management Regulations for Overseas Corporations", the status of business execution of the Group companies shall be reported to the Board of Directors, etc. of the Company. In addition, important management matters shall be deliberated and approved by the Board of Directors of the Company.
  - The Company requires each Group company to develop and operate an individual risk management system based on the Risk Management Basic Manual, and to report major incidents and other matters appropriately.
  - Group Business Promotion Division and Global Management Division have been established as departments that monitor each Group company on a daily basis to provide thorough support and guidance. In addition, meetings are held regularly to share information among Group companies.
  - Internal Audit Division conducts operational audits of Group companies as appropriate and reports the audit results to the Board of Directors and the Audit & Supervisory Board. In addition, Legal & Risk Management Division ensures the effectiveness of the compliance system by providing compliance education and establishing a corporate ethics helpline.
  - An internal control system necessary to ensure the reliability of financial reporting has been established and is in operation.
6. Systems related to employees assisting the duties of the Audit and Supervisory Members, their independence from Directors, and matters to ensure the effectiveness of instructions given by the Audit and Supervisory Members to such employees
  - Auditors Office has been established as a department to assist the Audit and Supervisory Board Members in their duties. Auditors Office reports directly to the Audit and Supervisory Board, and the opinions of the Audit and Supervisory Board or Audit and Supervisory Board Member(s) appointed by the Audit and Supervisory Board shall be sought in advance with respect to personnel and organizational changes, etc. of Auditors Office.
7. Systems related to reporting to the Audit and Supervisory Board Members
  - If any Director or employee of the Company, or any Director, Audit and Supervisory Board

- Member, or employee of a Group company, or any person who receives a report from any of them, becomes aware of any fact that may have a material impact on the performance of the Group, he/she shall immediately report such fact to the Auditors Office. Notwithstanding the foregoing, the Audit and Supervisory Board Member may, at any time and as necessary, requests reports from the Company's Directors and employees and from the Directors, Audit Supervisory Board Members, and employees of the Group companies.
- The Company shall not treat any person who makes a report under the preceding paragraph in a disadvantageous manner by reason of such report.
8. Matters related to procedures for advance payment or reimbursement of expenses incurred in the execution of duties by the Audit and Supervisory Board Members and other policy concerning the treatment of expenses or liabilities incurred in the execution of such duties
    - Expenses or liabilities incurred in the execution of duties by the Audit and Supervisory Board Members shall be promptly processed upon request.
  9. Other systems to ensure that the Audit and Supervisory Board Members conduct audits effectively
    - The Company shall provide opportunities to share management information with the Representative Director on a regular basis. Also, the Company shall provide opportunities for the Audit and Supervisory Board Members to attend various meetings and report the contents of such meetings as appropriate.
    - Auditors Office shall maintain close communication and cooperation with the Audit and Supervisory Board Members in the execution of their duties, and Auditors Office and the Accounting Auditors shall meet regularly with the Audit and Supervisory Board Members to maintain close communication.

## 2. Basic Policy on Elimination of Anti-social Forces and Status of Its Development

The Company's basic policy on elimination of anti-social forces and the status of its development are as follows.

1. Basic policy on elimination of anti-social forces
 

The Charter of Corporate Behavior states that the Company's basic policy is to sever all relationships with anti-social forces that threaten the order and safety of civil society, and to take a firm, company-wide stance in dealing with such forces.
2. (1) Status of internal rules and regulations
 

To confront anti-social forces, the Company has established the "Charter of Corporate Behavior" and the "Code of Conduct" and has distributed booklets to all employees to ensure that they are well informed.
- (2) Status of contracts with business partners
 

The Company applies clauses to exclude anti-social forces in the terms and conditions of its contracts with business partners.
- (3) Establishment of supervisory department and persons responsible for undue demands
 

The Company has established the Compliance Committee as a department that oversees measures against anti-social forces.
- (4) Cooperation with external expert organizations
 

In preparation for emergencies, the Company regularly visits and contacts the police stations that have jurisdiction over the head office and branch offices, and is a member of the Centers for Removal of Criminal Organizations in each prefecture.
- (5) Collecting and management of information on anti-social forces
 

The Compliance Committee manages the collection of information through regular visits to the police stations with jurisdiction and the Centers for Removal of Criminal Organizations, as well as through active participation in training sessions.
- (6) Preparation of response manuals
 

The Company has prepared a manual of procedures for dealing with antisocial forces.
- (7) Status of training activities
 

Compliance training is conducted periodically each year to provide guidance on how to deal with anti-

social forces.



## 1. Adoption of Anti-takeover Measures

Adoption of anti-takeover measures	Yes
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### Supplementary explanation

#### (1) Basic policy

In light of the fact that the source of the Company's corporate value lies in the management resources that the Group has cultivated over many years, in case where there is a risk that the corporate value of the Group or the common interests of shareholders may be impaired by a specific person or group acquiring 20% or more of the total voting rights of the Company and on the grounds that such specific person or group is inappropriate as a person controlling the Company's financial and business policy decisions, the Company's basic policy regarding the nature of person who controls decisions on the Company's financial and business policy is that the Company may take reasonable measures to ensure and enhance the corporate value of the Group or the common interests of shareholders (the "Countermeasures") to the extent permitted by law and the Articles of Incorporation.

The purpose of the large-scale purchase rules is to provide information to shareholders to help them determine whether or not to accept the large-scale purchase, to provide the opinion of the Board of Directors of the Company, currently responsible for the management of the Company, to ensure that shareholders have the opportunity to receive instructions on alternative proposals as well as other matters. Currently, certain regulations have been established under the Financial Instruments and Exchange Act to enable the provision of information and the securing of a certain period for consideration during a takeover. However, it is possible that these regulations may not always be effective, as they may not apply to information provision and consideration periods before the commencement of a public tender offer, or to accumulation of shares in the market. Therefore, we believe that the establishment of rules for the large-scale purchase is a prerequisite for shareholders and investors to make appropriate investment decisions, and that ensuring sufficient time will also be effective to engage in constructive dialogue with the purchaser regarding the enhancement of corporate value for the benefit of our shareholders. There may be cases where the corporate value of the Group or the common interests of our shareholders may be impaired, such as the possibility of damage to good relationships with stakeholders, or where the information may not adequately reflect the value of the Group or may not provide sufficient information necessary for shareholders to make a final decision. There may also be cases in which the proposal does not provide sufficient information necessary for shareholders to make a final decision. In response to such proposals, the Board of Directors believes that it is necessary to secure the necessary time and information and negotiate with the proposer of the large-scale purchase for the benefit of our shareholders, as a duty of those entrusted by our shareholders.

#### (2) Efforts to prevent decisions on the Company's financial and business policy from being controlled by inappropriate individuals in accordance with the basic policy

At the Company's 100th Annual Meeting of Shareholders held on June 29, 2023, the Company obtained approval from its shareholders for the continuation of the Countermeasures against inappropriate large-scale purchases of the Company's shares and other securities (the "Plan") in light of the above basic policy.

The Plan requires a large-scale purchaser who intends to make a purchase that would result in the Company holding 20% or more of the Company's shares to provide necessary information regarding the purchase in advance, and allows the Board of Directors sufficient time to evaluate, examine, and negotiate with the large-scale purchaser to ensure that it has the necessary time to assess the details of

the purchase. In order to ensure the reasonableness and fairness of the decision to take Countermeasures (allotments of new share subscription rights without consideration), the Company will establish an Independent Committee, which will make recommendations to the Board of Directors, and the Board of Directors will pass a resolution for implementation or non-implementation of the Countermeasures, respecting such recommendations to the maximum extent. However, except in cases where the purchaser fails to comply with the procedures stipulated in the Plan, if the Independent Committee recommends implementation of Countermeasures, it is mandatory to attach a reservation to the effect that confirmation of shareholders' intentions should be obtained in advance, and the Board of Directors will convene a shareholders meeting to confirm shareholders' intention within the shortest practicable time and submit a proposal regarding implementation of Countermeasures for discussion.

The effective period of the Plan is 3 years, however, even before the expiration of such effective period, if a resolution is passed at a shareholders meeting to modify or abolish the Plan, the Plan shall be modified or abolished in accordance with such resolution at that time.

(3) The rationale for the Plan

The Company believes that the Plan is in line with the basic policy described in (1) above and will contribute to the enhancement of the corporate value of the Company and the Group, and ultimately, the common interests of shareholders. Furthermore, the Plan satisfies all 3 principles, ie (i) the principle of securing and enhancing corporate value and common interests of shareholders, (ii) the principle of prior disclosure and respect for shareholders' intention, and (iii) the principle of ensuring necessity and appropriateness, specified in the "Guidelines Concerning Takeover Measures for Ensuring Corporate Value and Common Interests of Shareholders" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. In addition, the Plan takes into account the "Takeover Defense Measures in Light of Recent Environmental Changes" released on June 20, 2008, by the Corporate Value Study Group.

For more details, please visit our website. "Partial Amendments to and Continuation of Policy Regarding a Large-Scale Purchase of TODA CORPORATION's Shares and Other Securities (Takeover Defense Measure)"

[https://www.toda.co.jp/english/investor\\_relations/pdf/Partial%20Amendments%20to%20and%20Continuation%20of%20Policy%20Regarding%20a%20Large%20Scale%20Purchase\\_.pdf](https://www.toda.co.jp/english/investor_relations/pdf/Partial%20Amendments%20to%20and%20Continuation%20of%20Policy%20Regarding%20a%20Large%20Scale%20Purchase_.pdf)

## 2. Other Matters Concerning Corporate Governance System

The Company handles information to be disclosed in a timely manner as follows.

Information on financial results and decisions is disclosed as soon as it is approved or decided at the Board of Directors Meeting or the Approval Meeting, under the direction of the officer in charge of information disclosure (Group General Manager of Corporate Administration Group).

Information regarding the occurrence of an event is reported from each department to the person in charge of information handling (General Manager of Financial & IR Division). After reviewing the materiality and necessity of disclosure in light of the timely disclosure rules, etc., the information is disclosed in accordance with the instructions of the officer in charge of information disclosure. The person in charge of information handling shall report the contents of the disclosure to the Board of Directors.

