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November 30, 2023

Company: TODA CORPORATION
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(Securities Code: 1860 TSE Prime Market)
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Action to Implement Management that is Conscious of Cost of Capital and Stock Price

TODA CORPORATION hereby announces that it has set out today the action to implement management that is conscious of cost of capital and stock price.

1. Recognition of Current Situation

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.

We understand that the recent decline in ROE is mainly due to a temporary decrease in profits caused by soaring construction material prices. Furthermore, we also recognize that PBR of less than 1x was partly due to insufficient explanations to investors regarding the business validity of the growth strategy and efforts to improve capital efficiency.

Fiscal year ending		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	¥ mil	510,436	518,683	507,134	501,509	547,155
Net income	¥ mil	25,595	25,845	19,735	18,560	10,995
Net income margin on sales	%	5.0	5.0	3.9	3.7	2.0
Asset turnover	ratio	0.83	0.80	0.74	0.67	0.69
ROE	%	10.0	9.6	6.8	5.9	3.5
Stock price	¥	680	629	811	741	691
Net assets per share	¥	868.13	883.35	1,011.02	1,027.12	1,023.64
PBR	times	0.78	0.71	0.80	0.72	0.67

2. Policy for Improvement

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.

Progress will be verified and disclosed annually.

3. Specific Initiatives

- (1) Pursuing growth and earning power
 - Growth strategy and strategic investments to enhance corporate value
 - Promotion of business portfolio management
 - Business management using ROIC by segment as an internal indicator
- (2) Improvement of capital efficiency
 - Improvement of capital efficiency through reallocation of real estate assets etc (utilization of private placement funds)
 - Sales of cross-shareholdings (Medium-Term Management Plan target: more than ¥10 bil per year)
- (3) Optimal capital structure
 - Maintain investment grade rating based on financial discipline (Medium-Term Management Plan target: D/E ratio of 0.8x or less)
- (4) Stable and continuous shareholder returns
 - Implementation of stable shareholder returns (Medium-Term Management Plan target: DOE of 2.5% or more and Total Return Ratio of 40% or more)
 - Timely and appropriate acquisition of own shares in a flexible manner
- (5) Initiatives to enhance stakeholder satisfaction
 - Proactive dialogue with investors etc (more than 60 meetings per year)
 - Enhancing disclosure and communication to customers, partner companies, shareholders/ investors, and employees

End

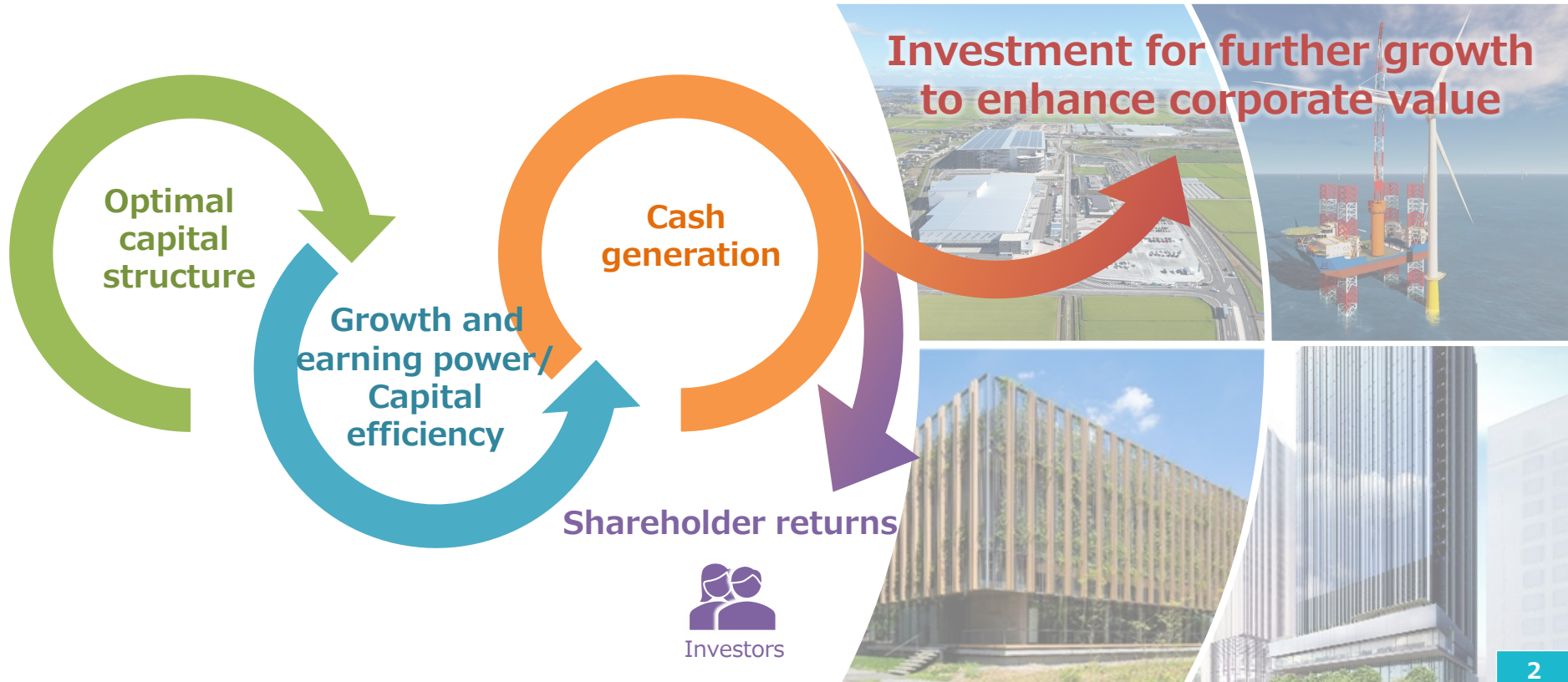
A vertical bar on the left side of the slide, divided into three segments: red at the top, dark grey in the middle, and light blue at the bottom.

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TODA CORPORATION

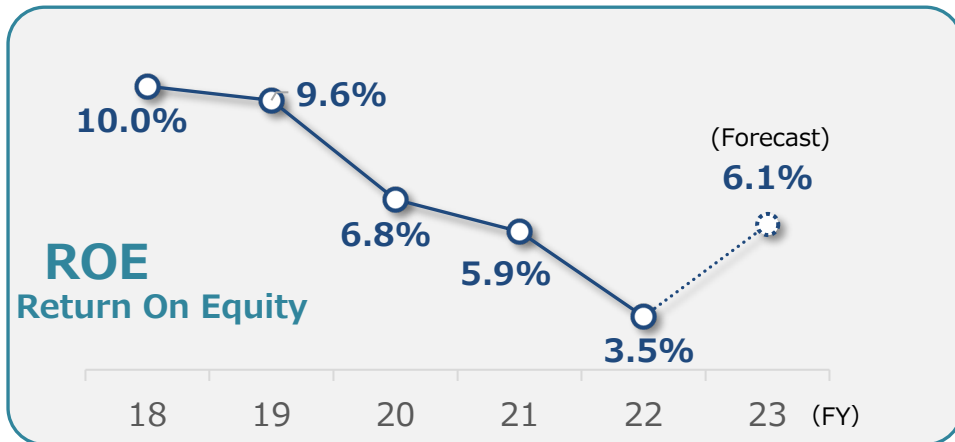
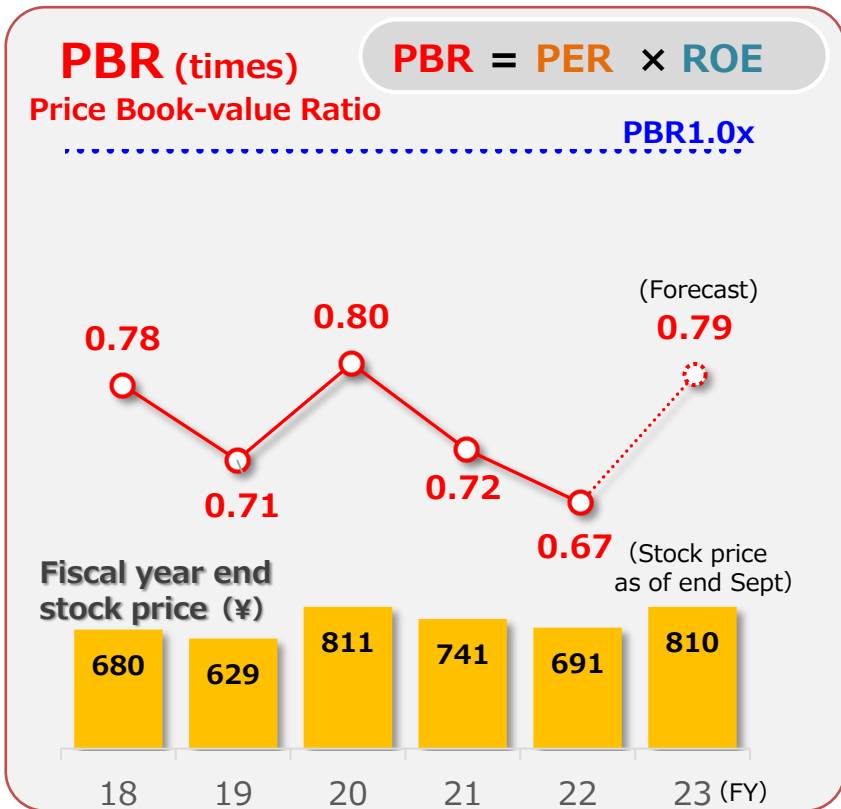
Enhancing Our Corporate Value

Medium- to long-term growth strategies improve stakeholder value

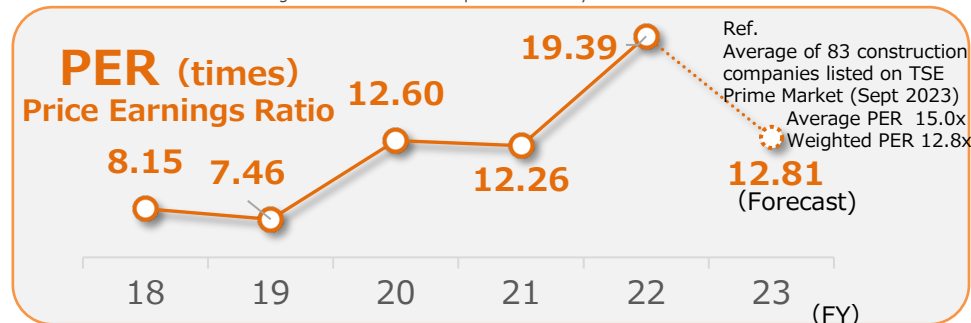


Recognition of Current Situation

PBR below 1x due to decline in capital efficiency (ROE)



ROE = Net income for the fiscal year ÷ Shareholders' equity (Average at the beginning and end of fiscal year)
* BS items in FY23 forecast use figures at the end of the previous fiscal year.

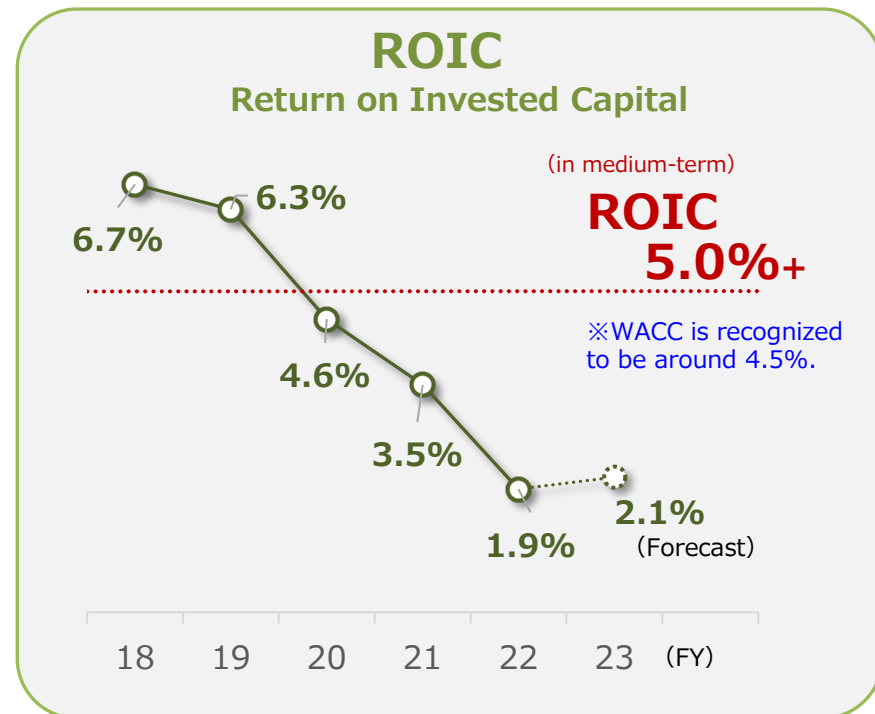
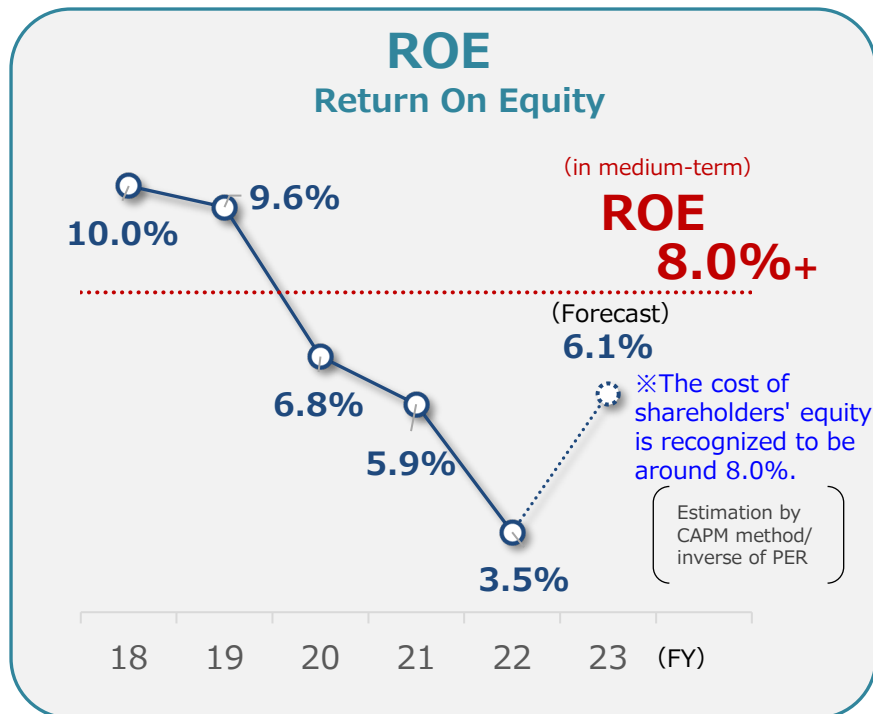


PER = Fiscal year end stock price (adjusted) ÷ Net income per share
(Total number of shares is the average during the fiscal year excluding own shares.)
* BS items in FY23 forecast use figures at the end of the previous fiscal year.

PBR = Fiscal year end stock price (adjusted) ÷ Net assets per share
(Net assets and total number of shares used are those at the end of the fiscal year.)
* FY23 forecast is based on the stock price as of end Sept 2023.
BS items in FY23 forecast use figures at the end of the previous fiscal year.

Estimation of Cost of Capital

Cost of shareholders' equity estimated at around 8.0%, weighted average cost of capital (WACC) at around 4.5%. Continuously aim for ROE 8.0%+ and ROIC 5.0%+ through capital efficiency-conscious management.



ROE = Net income for the fiscal year ÷ Shareholders' equity
(Average at the beginning and end of fiscal year.)

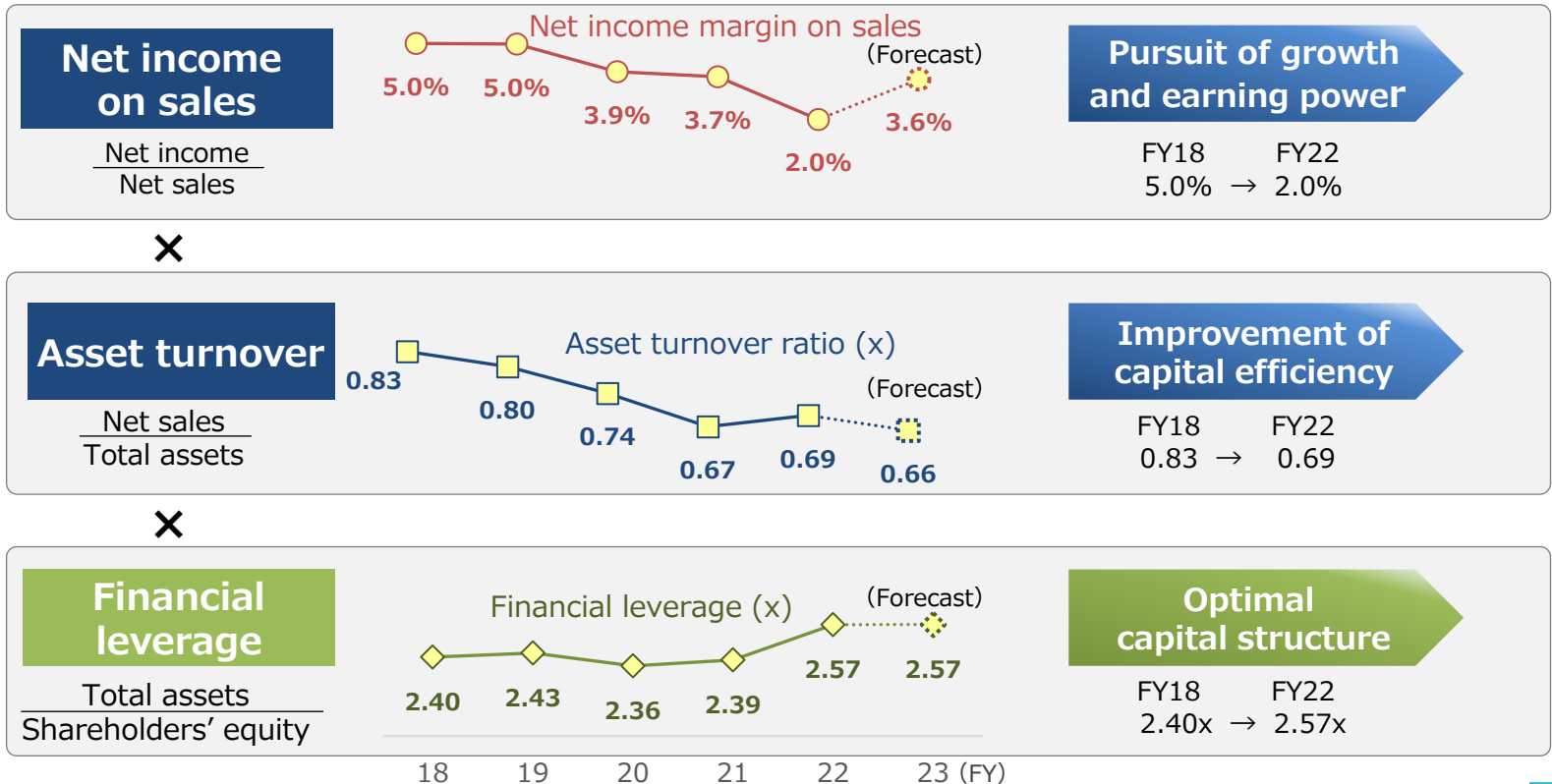
* BS items in FY23 forecast use figures at the end of the previous fiscal year.

ROIC = Operating income after tax ÷ Invested capital (interest-bearing debt + shareholders' equity)
* Invested capital is calculated as the average at the beginning and end of fiscal year, and the effective tax rate is assumed to be 30.5%.

Analysis of Current Situation

ROE enhancement requires pursuit of growth and earning power and improvement of capital efficiency

ROE
Return On Equity



* Net sales and net income in FY23 forecast are based on disclosed figures. Total assets and shareholders' equity use figures as of the end of the previous fiscal year.

Policy to Improve Return on Capital and Market Valuation

Aim to secure profitability in construction business, and improve capital efficiency through sales of cross-shareholdings and use of private placement funds

Key points for improvement	Policy and indicators	Improvement	
Pursuing growth and earning power	<ul style="list-style-type: none"> ◆ <u>Growth strategy and strategic investments to enhance corporate value</u> ◆ Improvement of capital efficiency through <u>reallocation of real estate assets</u> etc (use of private placement funds etc) (Sales of assets held: Medium-Term Management Plan target: ¥67 bil / 3 years) ◆ Sales of <u>cross-shareholdings (Medium-Term Management Plan target: more than ¥10 bil per year)</u> ◆ Promotion of <u>business portfolio management</u> ◆ Business management using <u>ROIC by segment</u> as an internal indicator 	Improvement of ROE	
Improvement of capital efficiency			
Optimal capital structure	<ul style="list-style-type: none"> ◆ <u>Maintain investment grade rating</u> based on financial discipline (Medium-Term Management Plan target: D/E ratio of 0.8x or less) 	Improvement of PBR	
Stable and continuous shareholder returns	<ul style="list-style-type: none"> ◆ Implementation of stable <u>shareholder returns</u> (Medium-Term Management Plan target: DOE of 2.5% or more and Total Return Ratio of 40% or more) ◆ Timely and appropriate <u>acquisition of own shares in a flexible manner</u> ◆ Proactive dialogue with <u>investors etc</u> (60+ meetings per year) ◆ Enhancing disclosure and communication <u>to customers, partner companies, shareholders/investors, and employees</u> 		Improvement of PER
Initiatives to enhance stakeholder satisfaction			

Internal Management using ROIC Reverse Tree

