

Action Plan to Improve Price-to-Book Ratio

May 12, 2023

TOA CORPORATION

»» We will continuously implement the following measures to improve Price-to-Book Ratio.

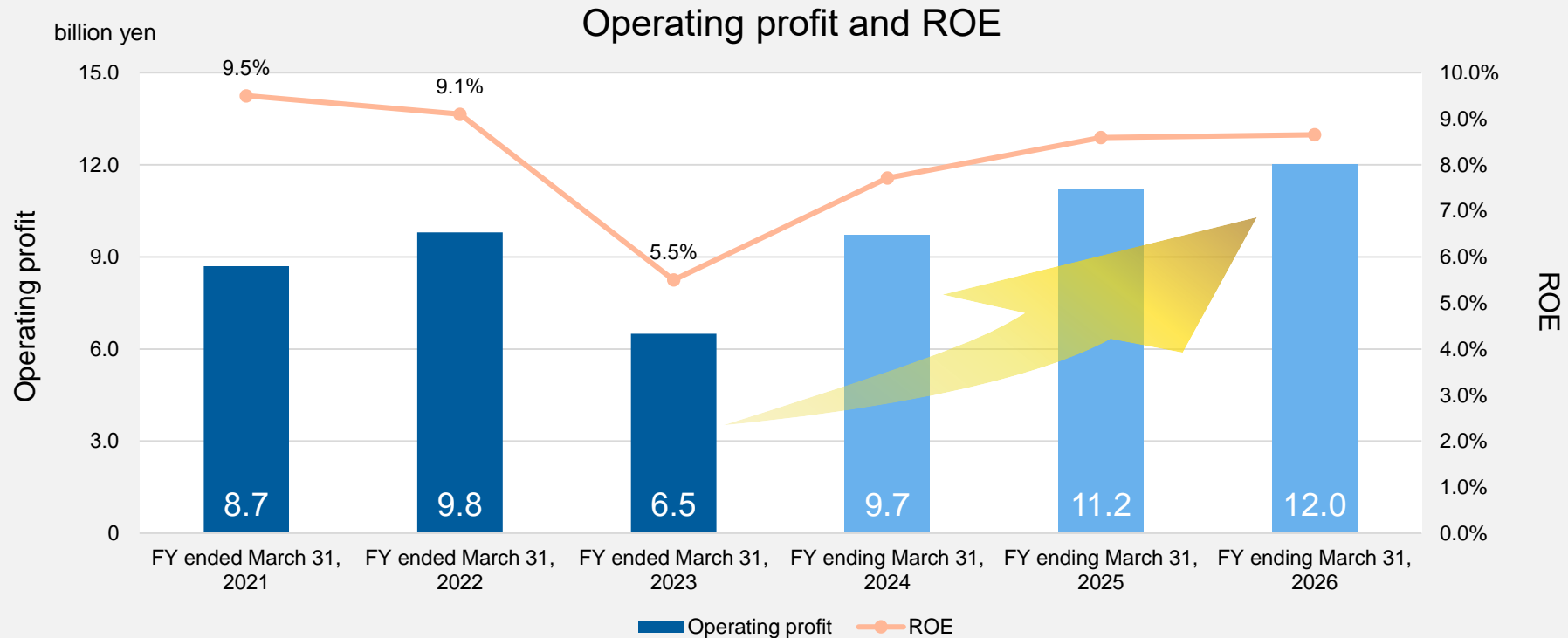
1. Continuously implement the medium-term management plan to increase operating profit and continue to maintain ROE (return on equity) of at least 8%
2. Increase the per-share value by increasing the share buyback limit to 7 billion yen
3. Review of dividend payout ratio after improvement of price-to-book ratio
4. Strengthening of IR activities

1. Continuously implement the medium-term management plan to increase operating profit and continue to maintain a return on equity of at least 8%

We have steadily implemented the previous medium-term management plan in FY2020 and FY2021, boosting our operating profit and securing a return on equity in the 9% range.

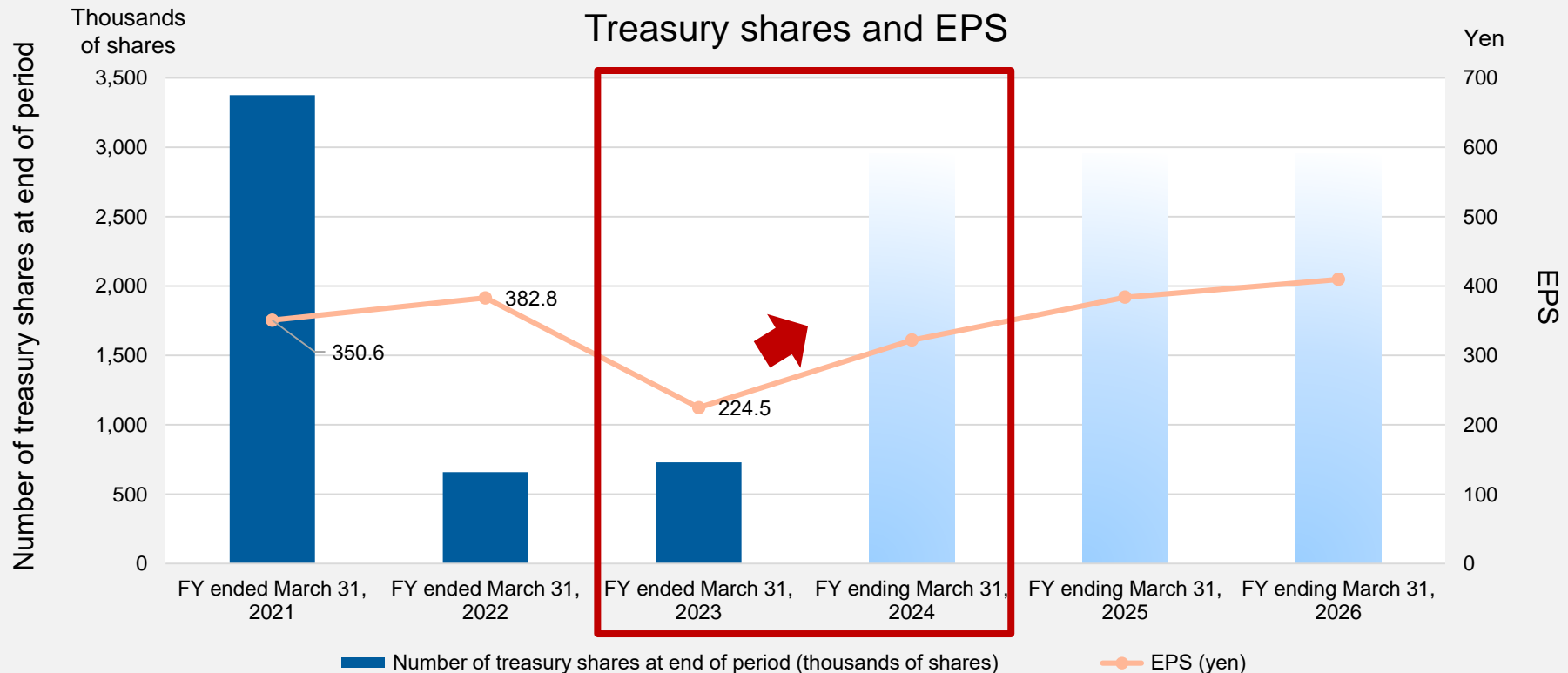
In FY2022, the return on equity was 5.5% due to the impact of rising prices after the outbreak of the conflict in Ukraine.

However, by continuously implementing the medium-term management plan and increasing our operating profit, we will continue to maintain a return on equity that exceeds the cost of shareholders' equity.



》》 2. Increase the per-share value by increasing the share buyback limit to 7 billion yen

With the aim of increasing the number of treasury shares to approximately 3 million shares in order to restore EPS (earnings per share), the Board of Directors resolved at the meeting on February 8 to repurchase up to 2 billion yen's worth of shares. Further, the share buyback limit will be increased to 7 billion yen.



》》》 3. Review of dividend payout ratio after improvement of price-to-book ratio

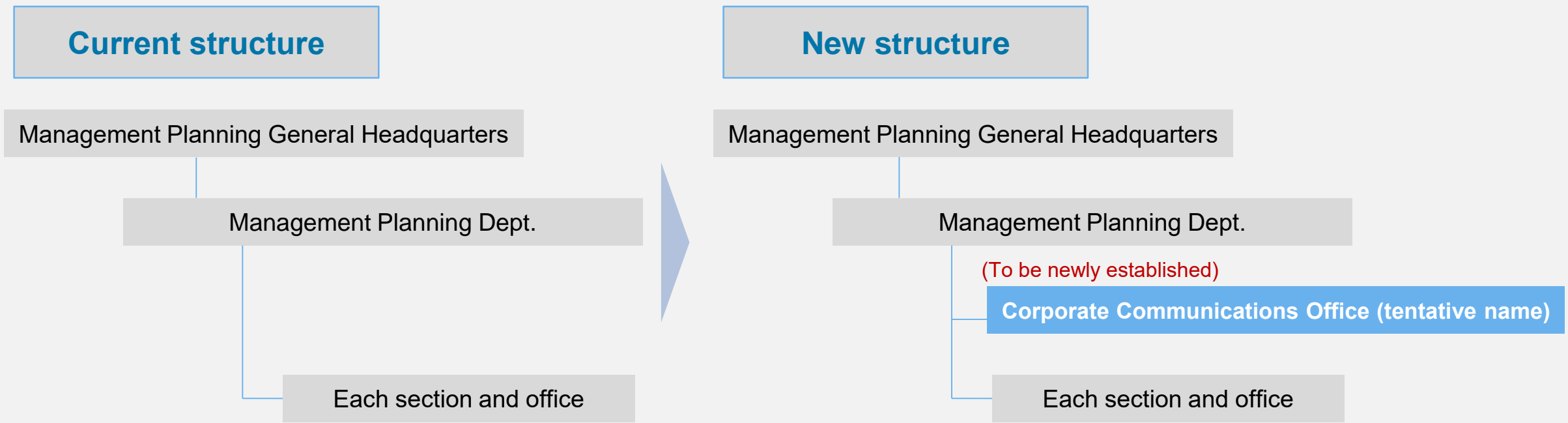
Once the increase in per-share value and price-to-book ratio as described in 2. above is achieved, the **minimum dividend payout ratio will be changed** from the current 30% to 40%, but only during the period of the current medium-term management plan, in order to further stabilize and increase shareholder returns.



》》 4. Strengthening of IR activities (1) Establishment of a dedicated department

Based on the opinions of shareholders and investors, **a dedicated IR Department will be established by the end of the second quarter** to strengthen IR activities.

Regarding dialog with individual shareholders and investors, which was held 37 times in FY2022, we will establish a system to hold such dialogs more than 100 times per year by FY2025.



》》 4. Strengthening of IR activities (2) Enhancement of information disclosure

We received advice from shareholders and investors that information disclosure should be enhanced in order to fully promote the quality of the Company, including expanding disclosures in English.

We will further expand the disclosure of both quantitative and qualitative information. We will **improve our English-language disclosures,** particularly for **overseas institutional investors.**

1) Enhanced quantitative information

Enhanced supplementary material on financial results
Starting from disclosure documents for the FY ended March 31, 2023

i) Additional information required by investors

Provide additional information such as background information about the target plan at the beginning of the term and follow up information on any deviations from the original plan during the term.

ii) Disclosure in English

Approximately two weeks after the announcement of financial results, an English version of the supplementary material on financial results will be disclosed.

2) Enhanced qualitative information

Establishment of IR Day (from FY2023)

i) A detailed explanation of each business line's strengths (domestic civil engineering, domestic construction, and international)

* About one hour (including a Q&A session) for each business line.

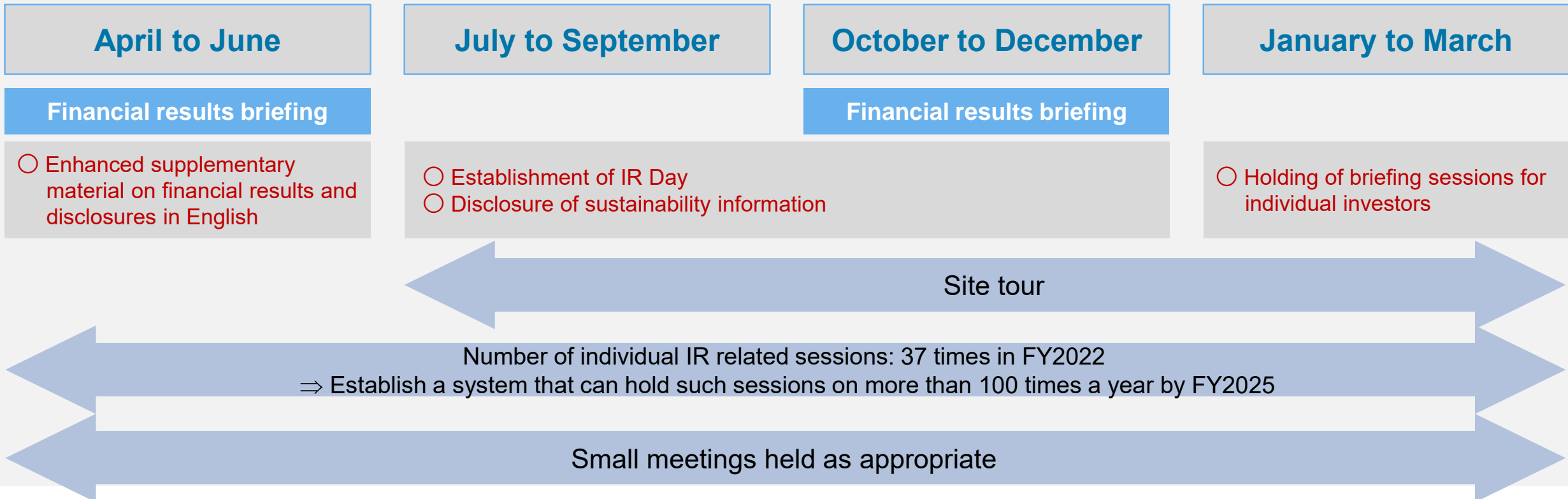
ii) A detailed explanation of our sustainability policies and initiatives

* Human capital, climate change, etc.

》》 4. Strengthening of IR activities (3) Revision of annual calendar

In FY2023, we will hold IR-related events as follows to **proactively approach securities companies, institutional investors, and individual investors.**

Opinions obtained through dialog with investors are regularly reported to the Board of Directors, and measures will be reviewed as appropriate.



Reference

Reference 1) Results of dialog with shareholders and investors, etc. in FY2022

In FY2022, in addition to two financial results briefings, one small meeting, and one medium-term management plan briefing, we held 37 dialogs with individual shareholders and investors, etc.

1) Financial results briefing, etc.

		Handled by	Participating shareholders, investors, securities companies, etc.
May	Financial results briefing	President and others	7 foreign investors, 7 domestic investors, and 9 securities companies
Sep.	Small meeting	Director in charge of IR	5 foreign investors, 5 domestic investors, and 1 securities company
Nov.	Financial results briefing	President and Representative Director and others	4 foreign investors, 6 domestic investors, and 11 securities companies
Mar.	Medium-term management plan briefing	Director in charge of IR	5 foreign investors, 3 domestic investors, and 10 securities companies

2) Response to individual investors

	Number of sessions held	Handled by
Foreign investors, etc.	20	IR manager
Domestic investors, etc.	12	IR manager
Securities companies, etc.	5	IR manager

Reference 2) Main opinions obtained through dialog with shareholders and investors in FY2022

Shareholders and investors have generally understood the stable growth potential of our main business. However, there were suggestions that we need to improve our approach, particularly with regard to **shareholder returns** and **IR activities**. We have implemented some measures but will make further improvements.

1) Approach to shareholder returns, etc.

Priority should be given to **increasing the value per share by buying back shares when the share price is low** and increase the dividend when the stock price is rising.

The 20–30% dividend payout ratio (set in the previous medium-term management plan) is not sufficient. **It is necessary to improve the dividend payout ratio.**

2) Lack of IR activities and information disclosure, etc.

The Supplementary Material on Financial Results discloses past figures only for the second and fourth quarters, and the gross profit is not known. Since I cannot formulate a model, I would like you to disclose the other past figures as well. (=⇒ Disclosures have been already made since FY2020)

The Supplementary Material on Financial Results needs to be disclosed in English.

The reason why the price-to-book ratio is low even though it is comparable to other companies in the same industry is largely due to **a lack of recognition by the market**. I would like you to **disclose trends in an easy-to-understand manner and emphasize your quality well.**

Among marine constructors, you have a future, and I feel that you can differentiate yourselves from the competition, so I think the price-to-book ratio is at a comparatively cheap level. However, I do not feel after holding shares for five years that there has been an increase in the number of long-term investors. **IR should be strengthened.**