

October 4, 2023

Dear valued shareholders:

Name of listed company: Toyo Construction Co., Ltd.
Representative: Haruhisa Obayashi, President and Representative Director
(Code: 1890 Tokyo Stock Exchange Prime Market)
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(Progress of Disclosed Matters) Notification Concerning Receipt of First Special Committee Report Regarding Proposal from Godo Kaisha Yamauchi-No. 10 Family Office and Kabushiki Kaisha KITE and Company's Policy Regarding Response Thereto

As the Company informed you in its September 27, 2023 press release titled "Notice Concerning Establishment of Special Committee", the Company newly established, on the same date, a special committee (the "Special Committee"), composed of the Company's independent outside directors, for the purpose of eliminating any arbitrariness from the Company's decision-making and ensuring fairness, transparency, and objectivity in its decision-making process in the consideration of a proposal received from Godo Kaisha Yamauchi-No. 10 Family Office and Kabushiki Kaisha KITE (collectively, "YFO etc.") regarding a tender offer for the Company's ordinary shares (the "Tender Offer") and subsequent squeeze-out procedures to make the Company a wholly-owned subsidiary (the "Proposal"). The Special Committee has been considering the matters consulted by the Company's Board of Directors. As a progress update, the Company informs you that the Company's Board of Directors received the first Special Committee report dated today on the consultation matter (i) (Whether the Company should respond to the due diligence related to the Proposal and to what extent the Company should respond to the due diligence) (the "First Report") and passed a resolution at the Board of Directors meeting held today regarding the Company's current response to the due diligence related to the Proposal as set forth below. The Company notified YFO etc. today in line with the said resolution. This does not mean that the Company determined that it would pursue its privatization but only means the Company accepts the Business Due Diligence (as defined in 1. below) to have YFO etc. make the Proposal concrete to the level that the Company will be able to quantitatively evaluate it upon consideration of the Proposal.

The Special Committee will continue considering (a) whether to accept the due diligence other than the Business Due Diligence, as a part of the consultation matter (i) and (b) the consultation matter (ii) (Whether the Company's Board of Directors should support the Tender Offer and recommend that shareholders tender their shares in the Tender Offer), which are consulted to the Special Committee by the Company's Board of Directors, and plans to submit a

report with respect to the consultation matter (ii) by the late December 2023.

If any matter requiring disclosure occurs, including a case where the Company's Board of Directors makes decisions upon receipt of the reports from the Special Committee, the Company will promptly announce such matter.

1. Summary of the Special Committee's Report

There is a lack of specifics in the details of the Company's corporate value enhancement measures devised by YFO etc. regarding practically significant aspects of the business model proposed by YFO etc., including quantitative targets such as that of the Company's cash flow, business strategies (strategies for technology development, M&A, and other investments) leading to those targets, details of the resources that the Company needs to achieve the business model (how the strengths and resources of the Company can be utilized to realize the business model proposed by YFO etc.) and measures to mitigate any negative impact, associated with this transformation and privatization, on the existing businesses (from the opposite viewpoint, the necessity of the privatization), and it is difficult for the Company to quantitatively evaluate the rationality and feasibility of the management strategy. Therefore, based on the current information, the Company is unable to determine whether the Company's corporate value enhancement measures developed by YFO etc. will actually contribute to the enhancement of the Company's corporate value.

In addition, the per-share tender offer price of 1,255 yen proposed by YFO etc. cannot be determined to be appropriate at this time, as the change (increase) of the price is subject to certain conditions and it represents only a slight premium over the current level of the stock price.

While, in the "Guidelines for Corporate Takeovers" dated August 31, 2023 that were formulated by the Ministry of Economy, Trade and Industry (the "Corporate Takeovers Guidelines"), it is stipulated that, in determining whether and to what extent a target company should respond to due diligence requests, the target company should consider, not only the factors in determining whether an acquisition proposal constitutes a "bona fide offer" (such as the concreteness, rationale of purpose, and feasibility of the proposal), but also the factors such as specific details of the proposal identified through consideration and negotiation, the acquiring party's business environment and track record, the reliability of information control and management, and the feasibility of the proposal in a comprehensive manner, the Company, based on the details of the Proposal that have been provided up to date, cannot make a determination to fully accommodate to the request of YFO etc. to conduct the due diligence.

On the other hand, if due diligence is conducted by YFO etc., the Company's corporate value enhancement measures developed by YFO etc. may be deepened to the level that it is possible to evaluate whether such measures will actually contribute to the enhancement of the Company's corporate value (I.e., may be concretized to the level that the Company will be able to quantitatively evaluate such measures).

Therefore, on a condition that YFO etc. agree with the matters described below, it is appropriate for the Company to accept the due diligence to the extent reasonably necessary (due diligence in respect of businesses that will contribute to deepening the Company's corporate value enhancement measures (i.e., concretization of such measures to the level that the Company will be able to quantitatively evaluate them); the "Business Due Diligence"). The Corporate Takeovers Guidelines also stipulates that it is reasonable for the target company to provide information to acquiring parties in stages, after carefully considering the impact of engaging in the due diligence process.

- Based on the results of the Business Due Diligence, YFO etc. will refine and submit to the Company the Company's corporate value enhancement measures devised by YFO etc. (The refined corporate value enhancement measures must include at least (i) business plans for the Company reflecting such corporate value enhancement measures (including pro forma B/S and P/L); (ii) investment plans such as capital expenditures and M&A investments; (iii) repayment plans regarding the financing for the acquisition; and (iv) measures to mitigate any negative impact on the existing businesses.)
- YFO etc. will promise to give sincere consideration to increasing the tender offer price, based on the results of the Business Due Diligence, to an amount with a sufficient premium compared to the current level of the stock price.
- After completing the Business Due Diligence, YFO etc. will submit to the Company a letter of intent, addressed to YFO etc., from an external fund provider, for a loan or investment in YFO etc.

In addition, with respect to the Business Due Diligence, in view of the timeline assumed by YFO etc. and the amount of time required for the Company's consideration, YFO etc. will be requested to:

- Send to the Company by October 11, 2023 a draft confidentiality agreement for conducting the Business Due Diligence and a list of requests for information related to the Business Due Diligence;
- Submit to the Company, after conducting the Business Due Diligence but by November 10, 2023, refined corporate value enhancement measures (including the price after increase if the tender offer price is to be increased); and
- Respond from time to time and without delay to the Company's inquiries to YFO etc., including those regarding the corporate value enhancement measures devised by YFO.

2. Details of Resolution of the Company's Board of Directors

The Company will, based on the First Report, accept the Business Due Diligence related to

the Proposal submitted by YFO etc., subject to agreement by YFO etc. on the matters presented by the Special Committee.

The Company will notify YFO etc. to request (i) that YFO etc. send to the Company by October 11, 2023 a draft confidentiality agreement for conducting the Business Due Diligence and a list of requests for information related to the Business Due Diligence (YFO etc. will be deemed to have agreed to the conditions presented by the Special Committee by the delivery of such list, etc.), (ii) that YFO etc. submit to the Company, after conducting the Business Due Diligence but by November 10, 2023, refined corporate value enhancement measures (including the price after increase if the tender offer price is to be increased), and (iii) that YFO etc. respond from time to time and without delay to the Company's inquiries to YFO etc., including those regarding the corporate value enhancement measures devised by YFO.

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