April 30, 2024

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President &CEO

Re: Shareholder Proposal to TOA ROAD CORP (1882)

Strategic Capital, Inc. (hereinafter referred to as "Strategic Capital") is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (hereinafter referred to as the "Fund") and the Fund and Strategic Capital hold over 300 units of voting right of Toa Road Corp (hereinafter referred to as "Toa Road" or the “Company” as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 22, 2024, we notified the Toa Road of our execution of the shareholders’ right to make a proposal at the annual shareholder meeting held in the coming June and confirmed that, on April 23, 2024, the Company certainly received the documents of the proposal. Details are provided below, but the main points are 1) set dividend 8% DOE, 2) establish a third-party committee in the event of misconduct etc., 3) abolish advisor and counselors.

The background to the proposal and a detailed explanation will be posted on a special campaign website to be opened in May. Please visit website for up-to-date information.

Details

The following is a reference translation of the original in Japanese. In the event of any differences between the original Japanese version and the English translation, the original Japanese version shall prevail.

1. Details of the proposals

(1). Appropriation of surplus

A) Type of dividend

Cash

B) Allocation and the total amount of dividends

The amount of dividend per share of common stock obtained by multiplying the amount of net assets per share (calculated in accordance with Guidance 4 of the “Guidance on Accounting Standard for Earnings per Share” including deducting treasury stock from the number of shares issued and outstanding. Rounded down to the nearest decimal.) at

the end of the 118th fiscal year by 0.08 (“8% DOE") less the amount of dividend per share of common stock approved by the Board of Directors at the 118th Annual General Meeting of Shareholders (Company divided), plus the Company dividend.
The total dividend amount shall be the dividend amount per share of common stock multiplied by the number of shares subject to the dividend as of the record date for voting at the 118th AGM.

C) Effective date of dividend payment from surplus

The day after the 118th Annual General Meeting of Shareholders of the Company is held.
In the event that a proposal of the Company’s retained earnings is made at the 118th Annual General Meeting of Shareholders, this proposal will be made as an independent and compatible proposal with said proposal.

(2). Revision of the provisions of articles with regard to addressing misconduct.

Add the following Chapter and Article to the current Articles of Incorporation.

CHAPTER VIII. RESPONDING TO MISCONDUCT

(Responding to misconduct)

Article 54. The Company shall establish a third-party committee in the event of the occurrence or suspected occurrence of criminal acts, violations of laws and regulations, or unfair or inappropriate acts, etc. at the Company or any of its consolidated subsidiaries that materially damage the corporate value of the Company or any of its consolidated subsidiaries and cause public criticism.
The third-party committee established pursuant to the preceding paragraph shall comply with the "Guidelines for Third-Party Committees in Corporate Misconduct Cases" developed by the Japan Federation of Bar Associations.

(3). Revision to the provision of articles with regard to abolishing positions of Advisor and Counsel

CURRENT ARTICLES OF INCORPORATION

(Advisors)

Article 36. Advisors may be appointed by a resolution of the Board of Directors.

PROPOSED AMENDMENT (Underline indicates the changes)

(Advisors, <u>Counsel etc.</u>)

<u>Article 36. The Company shall not allow any person who has retired from the office of director of the Company to hold any office using the name of advisor, counsel, etc. of the Company, nor shall they be allowed to hold such office in any consolidated subsidiary of the Company.</u>

2. **Reason for the proposals**

(1) Appropriation of surplus

The proposal is for a 8% dividend on equity.

Since 2007, the shareholder equity ratio has increased every year, and as of December 31, 2023, it was at a very high level of approx. 62%. In addition, the Company holds a large number of assets unrelated to its core business, such as cross-shareholdings and real estate for lease.

Increasing equity capital further would only result in a lower ROE and higher cost of capital. Therefore, we request that the company adopt a shareholder return policy of 8% DOE (439 yen as of December 31, 2023).

If ROE is less than 8%, the dividend payout ratio will exceed 100%. This will result in a policy that gradually reduces equity capital and improves capital efficiency and at the same time provide stable shareholder returns.

(2) Revision of the provisions of articles with regard to addressing misconduct

The Company has violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act) multiple times in the past.

① On September 6, 2016, the Company received a cease and desist order from the JFTC and a surcharge payment order of JPY 171m for violations of the Antimonopoly Act in connection with bidding for pavement disaster restoration work related to the Great East Japan Earthquake ordered by the Tohoku Branch of East Nippon Expressway Company Limited, and on October 27, 2016, the Tokyo District Court issued a fine of JPY 120m and a sentence of imprisonment (with probation) for those involved with the Company.

② On March 28, 2018, the Company received a cease-and-desist order and a surcharge payment order of JPY93.55m from the JFTC for violations of the Antimonopoly Law in connection with pavement construction orders placed by the Tokyo Metropolitan Government, Tokyo Port Terminal Corporation or Narita International Airport Corporation.

③ On June 20, 2019, several businesses received cease and desist orders and surcharge payment orders from the JFTC for violations of the Antimonopoly Act by manufacturers and distributors of modified asphalt (the cease-and-desist order and surcharge payment order against the Company was waived due to an application for the surcharge reduction and exemption system.)

④ On July 30, 2019, the Company received a cease-and-desist order and a surcharge payment order of JPY 2,170m from the JFTC for violations of the Antimonopoly Law in connection with the determination of sales prices of asphalt mixture sold

throughout Japan.

The series of violations caused a loss of public trust in the Company, and shareholder value was severely damaged through the deterioration of the Company's business performance due to the suspension of business.

In particular, the violation in connection with ④ the determination of the sales price of asphalt mixtures sold nationwide resulted in the payment of a surcharge of JPY 2,170.7m which had a profound impact on the Company.

The Company announced that it would voluntarily return a portion of Directors' remuneration, but it was only 5% to 20% of their monthly remuneration for the three-month period from April to June 2019. An amount hardly commensurate with the amount of damage suffered by the Company. In addition, some of the Directors at that time are still in their current positions as directors or have held positions as advisors and counselors.

Therefore, in order to thoroughly prevent further recurrence, we request that in the event of future serious misconduct, including violations of the Antimonopoly Act, a third-party committee investigate, propose measures to prevent recurrence, and publicly announce such measures.

(3) Revision to the provision of articles with regard to abolishing positions of Advisor and Counsel

As stated in the reason for the proposal of the preceding Proposition, in the case of the violation of the Antimonopoly Law for which a cease-and-desist order and surcharge payment order were issued on July 30, 2019, some of the directors during the period for which the surcharge was calculated are still in office as directors of the Company today, and in the past, some of them have held positions as advisors, counselors.

A system where a director who has resigned from the Board after taking responsibility for violations is subsequently treated as an advisor, counselor, or the like is nothing short of unsound.

As noted in METI's "Practical Guidelines on Corporate Governance Systems (July 19, 2022)," there is concern that "advisors and counselors who have no responsibility for company management may be exercising undue influence over the current management team." This is not a desirable system in terms of corporate governance and should be promptly abolished in the Company.

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