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(Stock Exchange Code 1852)
June 5, 2020

To Shareholders with Voting Rights:

Makoto Asanuma
Representative President
Asanuma Corporation
Main Office: 1-2-3 Minatomachi,
Naniwa-ku, Osaka

**NOTICE OF CONVOCATION OF
THE 85TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

We would like to inform you that the 85th Annual General Meeting of Shareholders of Asanuma Corporation (the “Company”) will be held as described below.

If you will not attend the meeting, please exercise your voting rights in advance in writing or via the Internet, etc. Please review the attached Reference Documents for the General Meeting of Shareholders below and exercise your voting rights by 5:15 p.m. on Thursday, June 25, 2020, Japan time.

- 1. Date and Time:** Friday, June 26, 2020 at 10:00 a.m. Japan time
- 2. Place:** Snowberry Banquet Room, 21st Floor, Hotel Monterey Grasmere Osaka
1-2-3 Minatomachi, Naniwa-ku, Osaka
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, Consolidated Financial Statements for the Company’s 85th Fiscal Year (April 1, 2019 - March 31, 2020) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
 2. Non-consolidated Financial Statements for the Company’s 85th Fiscal Year (April 1, 2019 - March 31, 2020)

Proposals to be resolved:

<Company Proposals>

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Nine (9) Directors
Proposal 3: Election of One (1) Audit & Supervisory Board Member

<Shareholder Proposals>

- Proposal 4:** Amendments to Articles of Incorporation Pertaining to Sale of Strategic Shares
Proposal 5: Appropriation of Surplus

Details of each Proposal are described in the attached Reference Documents for the General Meeting of Shareholders.

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- ◎ Of the documents required to be appended to this Notice of Convocation as attachments, the following matters have been posted on the Company's website (<http://www.asanuma.co.jp/>) in accordance with laws and regulations and Article 16 of the Articles of Incorporation, and are therefore not included in the attached documents.
 - (1) Notes to the Consolidated Financial Statements
 - (2) Notes to the Non-consolidated Financial StatementsThe Consolidated Financial Statements and the Non-consolidated Financial Statements included in the attachment to this Notice of Convocation, constitutes a part of the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor in the preparation of the audit report and accounting audit report, respectively.
 - ◎ Should matters to be described in the Reference Documents for the General Meeting of Shareholders and the attached documents (Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements) require revisions, the revised versions will be posted on the Company's website (<http://www.asanuma.co.jp/>).

Instructions for the Exercise of Voting Rights

If you are attending the meeting

- **Exercise of voting rights by attending the meeting**

Date and time: Friday, June 26, 2020 at 10:00 a.m. Japan time

Please submit the enclosed Voting Rights Exercise Form at the reception desk. You are asked to bring this Notice of Convocation with you as a means of resource-saving.

If you will not attend the meeting

- **Exercise of voting rights in writing**

Deadline: 5:15 p.m. on Thursday, June 25, 2020 (time of receipt)

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it by mail so that it is received by the deadline.

For details, please refer to page 4.

- **Exercise of voting rights over the Internet, etc.**

Deadline: 5:15 p.m. on Thursday, June 25, 2020

Please access the voting website (<https://www.web54.net>) and **enter your vote for or against the proposals by the deadline** by following the instructions on the screen.

For details, please refer to page 5.

Reference Documents for the General Meeting of Shareholders

<Company Proposals (Proposals No. 1 to No. 3)>

Proposals and References

Proposal 1: Appropriation of Surplus

The Company considers the return of profits to shareholders as one of its most important management initiatives, and to this end, maintains a basic policy of allocating dividends in line with its business performance by developing new technologies that are necessary for the future expansion of the business, while striving to sustain and reinforce the Company's competitiveness.

With regard to the year-end dividend, the Company has taken various factors into consideration, including its financial condition and business performance. Therefore, the Company proposes to pay for the fiscal year ended March 31, 2020 a year-end dividend of ¥216 per share.

Since the shareholders have submitted a proposal for appropriation of surplus besides this Proposal as described below, the payment of the dividend will start on July 15, 2020, in order to pay the dividends smoothly.

(1) Type of dividend property

Cash

(2) Allotment of dividend property and the aggregate amount

¥216 per common share of the Company

Aggregate amount of dividends will be ¥1,740,594,528.

(3) Effective date of dividends of surplus

June 26, 2020

(4) Start date of the dividend payment

July 15, 2020

Proposal 2: Election of Nine (9) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders.

Accordingly, the Company proposes the election of nine (9) Directors, including three (3) new candidates, as described below. The Company will appoint six (6) Inside Directors in accordance with its basic policy, while it will appoint three (3) Outside Directors for the purpose of ensuring the transparency of corporate management and enhancing corporate governance.

If this Proposal is approved as originally proposed, more than one third of the Directors of the Company will be Independent Officers.

Composition of the Board of Directors of the Company

The Company endeavors to appoint Directors so that the composition of the Board of Directors is well-balanced as a whole between knowledge, experience and competence, and achieves both diversity and appropriate size.

The composition of Inside Directors and Independent Outside Directors is as follows:

● Composition of Inside Directors

The Company has a basic policy which is laid out in the Internal Rules of the Nomination and Compensation Committee to appoint six (6) Inside Directors consisting of Officer in charge of Building Construction Headquarters who is responsible for building construction segments, Officer in charge of Osaka Main Office who is responsible for building construction segments administered by Osaka Main Office, Officer in charge of Tokyo Main Office who is responsible for building construction segments administered by Tokyo Main Office, Officer in charge of Civil Construction Headquarters who is responsible for civil construction segments, Officer in charge of President's Office who is responsible for administration segments, alongside Representative President.

Although the Company reduced the number of Inside Directors by one to five Directors in the 84th Fiscal Year (the prior fiscal year) due to several reasons, the Company will appoint six Inside Directors again in the 85th Fiscal Year as in the 83rd Fiscal Year (the second prior fiscal year). Accordingly, although the number of Inside Directors will formally increase by one from the prior fiscal year, this change is virtually an act of filling a vacancy, and it will be done to adjust the number of Inside Directors in accordance with the Internal Rules of the Nomination and Compensation Committee.

Changes in the number of Inside Directors since the 82nd Fiscal Year

Fiscal Year	Number of Inside Directors	Changes in the number of Inside Directors (compared to the prior fiscal year)
82nd Fiscal Year	6	None
83rd Fiscal Year	6	None
84th Fiscal Year	5	Decreased by one
85th Fiscal Year (current fiscal year)	6	Increased by one

● Composition of Independent Outside Directors

In accordance with the Internal Rules of the Nomination and Compensation Committee, the Company will appoint three (3) Independent Outside Directors. The Company has appointed three (including one female) Independent Outside Directors since the 84th Fiscal Year, and more than one third of the Directors of the Company have been Independent Outside Directors since then.

The candidates for Directors are as follows:

No.	Name		Positions and Responsibilities at the Company	Attendance at Board of Directors' meeting	Years served as Director	Membership in Nomination and Compensation Committee
1	Makoto Asanuma	Reappointment Male	Representative President, C.E.O.	17 out of 17	2	○
2	Morio Yamakoshi	Reappointment Male	Representative Director, Senior Managing Officer, Officer in charge of President's Office and Overseas Operations	17 out of 17	8	○
3	Yukihiro Ueshiba	Reappointment Male	Director, Senior Managing Officer, Officer in charge of Building Construction Headquarters	17 out of 17	2	
4	Kazuhiro Moriyama	Reappointment Male	Director, Senior Managing Officer, Officer in charge of Civil Construction Headquarters	14 out of 14	1	
5	Akihiro Toyota	New Appointment Male	Managing Officer, Officer in charge of Osaka Main Office, Deputy Officer in charge of Building Construction Headquarters	-	-	
6	Masahiro Fujisawa	New Appointment Male	Managing Officer, Officer in charge of Tokyo Main Office, Deputy Officer in charge of Building Construction Headquarters, General Manager, Marketing & Sales Promotion Office, Building Construction Headquarters	-	-	
7	Masafumi Fukuda	Reappointment Outside Director Independent Male	Director	17 out of 17	3	◎
8	Miwako Funamoto	Reappointment Outside Director Independent Female	Director	14 out of 14	1	○
9	Takuya Morikawa	New Appointment Outside Director Independent Male	-	-	-	○

- Notes: 1. Members of the Nomination and Compensation Committee ("◎ indicates the Chairperson) are the expected members after this year's Annual General Meeting of Shareholders.
2. The record of attendances at the Board of Directors' meetings for Mr. Kazuhiro Moriyama and Ms. Miwako Funamoto is different from other candidates as they assumed office on June 26, 2019 (the date of the 84th Annual General Meeting of Shareholders).

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	[Reappointment] [Male] Makoto Asanuma (April 18, 1972)	<p>April 1996 Joined the Company</p> <p>June 2009 Assistant General Manager in charge of President's Office, General Manager, General Affairs Division</p> <p>April 2015 Executive Officer, Officer in charge of Renovation Division, General Manager, Renovation Marketing & Sales Division, Tokyo Main Office</p> <p>April 2016 Executive Officer, General Manager, Marketing & Sales Promotion Office, Building Construction Headquarters, in charge of Renovation and Real Estate</p> <p>April 2018 Executive Vice President, Officer in charge of Building Construction Headquarters</p> <p>June 2018 Representative President, C.E.O. (to present)</p> <p>[Significant concurrent positions] • Representative Director and President, ASANUMA TATEMONO K.K. • Chairman, Asanuma Construction Ltd., International</p>	137,588
[Reason for nomination as candidate for Director] Mr. Asanuma has been nominated as a candidate for Director for his background as set forth above and with his extensive experience in corporate management acquired through his years as Representative Director of the Company.			

Note: There are no special interests between the Company and Mr. Asanuma.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	[Reappointment] [Male] Morio Yamakoshi (September 3, 1955)	<p>June 2002 Joined Sumitomo Mitsui Banking Corporation General Manager, Shinjuku Corporate Banking Dept. II</p> <p>June 2003 Senior Manager, Tokyo Head Office</p> <p>April 2004 General Manager, Nagoya Corporate Banking Dept. II</p> <p>April 2006 Senior Manager, Internal Audit Dept.</p> <p>June 2007 Joined the Company Executive Officer, in charge of Building Construction Marketing & Sales, Tokyo Main Office</p> <p>April 2012 Managing Officer, Deputy General Officer in charge of Business Headquarters</p> <p>June 2012 Director, Managing Officer, Deputy Officer in charge of Business Headquarters</p> <p>January 2013 Director, Managing Officer, Officer in charge of President's Office</p> <p>April 2015 Director, Managing Officer, Officer in charge of President's Office and Overseas Operations</p> <p>April 2017 Director, Senior Managing Officer, Officer in charge of President's Office and Overseas Operations</p> <p>June 2018 Representative Director, Senior Managing Officer, Officer in charge of President's Office and Overseas Operations (to present)</p> <p>[Significant concurrent positions] Director, SINGAPORE PAINTS & CONTRACTOR PTE. LTD.</p>	2,400
[Reason for nomination as candidate for Director] Mr. Yamakoshi has been nominated as a candidate for Director for his background as set forth above and with recognition to his management experience and insight, acquired through his career in a financial institution, along with the fact that he has extensive knowledge in overall operations, mainly within the Company's Main Office and its Overseas Operations.			

Note: There are no special interests between the Company and Mr. Yamakoshi.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held	
3	[Reappointment] [Male] Yukihiko Ueshiba (April 8, 1955)	April 1974 April 2013	Joined the Company General Manager, Building Construction Department, Osaka Main Office	1,000
		April 2015 April 2017 April 2018 June 2018 April 2019	Executive Officer, Deputy Officer in charge of Osaka Main Office (in charge of Building Construction) Managing Officer, Officer in charge of Osaka Main Office Managing Officer, Officer in charge of Osaka Main Office, Deputy Officer in charge of Building Construction Headquarters Director, Managing Officer, Officer in charge of Osaka Main Office, Deputy Officer in charge of Building Construction Headquarters Director, Senior Managing Officer, Officer in charge of Building Construction Headquarters (to present)	
[Reason for nomination as candidate for Director] Mr. Ueshiba has been nominated as a candidate for Director for his background as set forth above and because he has extensive experience in overall operations and management, mainly within the building construction business of the Company.				

Note: There are no special interests between the Company and Mr. Ueshiba.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held	
4	[Reappointment] [Male] Kazuhiro Moriyama (June 2, 1955)	April 1974 April 2012	Joined the Company General Manager, Civil Engineering Division, Osaka Main Office	1,800
		April 2014 April 2015 April 2016 April 2018 June 2019 April 2020	Deputy Officer in charge of Osaka Main Office (in charge of Civil Engineering) General Manager, Civil Engineering Division, Osaka Main Office Deputy Officer in charge of Civil Construction Headquarters Executive Officer, Deputy Officer in charge of Civil Construction Headquarters Managing Officer, Officer in charge of Civil Construction Headquarters Director, Managing Officer, Officer in charge of Civil Construction Headquarters Director, Senior Managing Officer, Officer in charge of Civil Construction Headquarters (to present)	
[Reason for nomination as candidate for Director] Mr. Moriyama has been nominated as a candidate for Director for his background as set forth above and because he has extensive experience in overall operations and management, mainly within the Company's civil construction business.				

Note: There are no special interests between the Company and Mr. Moriyama.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held	
5	[New Appointment] [Male] Akihiro Toyota (February 15, 1959)	April 1981 October 2010	Joined the Company General Manager, Marketing & Sales Division, Hiroshima Branch	600
		April 2013 November 2014 April 2015 April 2019	Deputy Officer in charge of Osaka Main Office (in charge of Marketing & Sales) Deputy Officer in charge of Osaka Main Office (in charge of Marketing & Sales), Building Construction Headquarters Executive Officer, Deputy Officer in charge of Osaka Main Office (in charge of Marketing & Sales), Building Construction Headquarters Managing Officer, Officer in charge of Osaka Main Office, Deputy Officer in charge of Building Construction Headquarters (to present)	
[Reason for nomination as candidate for Director] Mr. Toyota has been nominated as a candidate for Director for his background as set forth above and because he has extensive experience in overall operations and management, mainly within the building construction business of the Company's Osaka Main Office.				

Note: There are no special interests between the Company and Mr. Toyota.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held	
6	[New Appointment] [Male] Masahiro Fujisawa (May 15, 1959)	April 1982 October 2011	Joined the Company General Manager, Marketing & Sales Section No.3, Tokyo Main Office	300
		April 2012 April 2013 April 2016 April 2018 April 2019	General Manager, Marketing & Sales Section No.2 and No.3, Tokyo Main Office Deputy Officer in charge of Tokyo Main Office (in charge of Building Construction Marketing & Sales), Building Construction Headquarters Executive Officer, Deputy Officer in charge of Tokyo Main Office (in charge of Building Construction Marketing & Sales), Building Construction Headquarters Executive Officer, Deputy Officer in charge of Building Construction Headquarters, General Manager, Marketing & Sales Promotion Office, Building Construction Headquarters Managing Officer, Officer in charge of Tokyo Main Office, Deputy Officer in charge of Building Construction Headquarters, General Manager, Marketing & Sales Promotion Office, Building Construction Headquarters (to present)	
[Reason for nomination as candidate for Director] Mr. Fujisawa has been nominated as a candidate for Director for his background as set forth above and because he has extensive experience in overall operations and management, mainly within the building construction business of the Company's Tokyo Main Office.				

Note: There are no special interests between the Company and Mr. Fujisawa.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
7	[Reappointment] [Outside Director] [Independent Officer] [Male] Masafumi Fukuda (August 25, 1944)	April 1971 Joined the Ministry of Construction (current Ministry of Land, Infrastructure, Transport and Tourism) October 1999 Director-General, Shikoku Region Construction Bureau (current Shikoku Regional Development Bureau, Ministry of Construction) November 2001 Director, Water Resources Development Public Corporation (current Japan Water Agency) May 2008 Head Director, Shikoku Kensetsu Kosaikai Inc Association (Shikoku Create Association) June 2017 Advisor, Shikoku Kensetsu Kosaikai Inc Association (Shikoku Create Association) (to present) June 2017 Outside Director of the Company (to present) [Significant concurrent positions] • Advisor, Shikoku Kensetsu Kosaikai Inc Association (Shikoku Create Association)	-
[Reason for nomination as candidate for Outside Director and reason why the Company has determined that he is capable of properly performing duties as Outside Director] Mr. Fukuda has been nominated as a candidate for Outside Director because the Company believes that his background as set forth above and his extensive knowledge, expertise and experience acquired from having been involved in the construction field for many years would be well suited for Outside Director, even though he has no experience in being directly involved in company management.			

- Notes:
1. There are no special interests between the Company and Mr. Fukuda.
 2. Mr. Fukuda will have served as an Outside Director of the Company for three years at the conclusion of this year's Annual General Meeting of Shareholders.
 3. The Company has concluded a limitation of liability agreement with Mr. Fukuda to limit his liability to the amount stipulated by laws and regulations so that he may fully perform his duties as Outside Director.
 4. The Company has designated Mr. Fukuda as an Independent Officer and has notified the Tokyo Stock Exchange as such.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
8	[Reappointment] [Outside Director] [Independent Officer] [Female] Miwako Funamoto (July 30, 1979)	February 2014 Admitted to the bar Joined Risolute Law Office April 2015 Committee Member, Special Committee on Tax Matters, Tokyo Bar Association (to present) June 2019 Outside Director of the Company (to present) January 2020 Joined Toranomon Daiichi Law Office (to present)	-
[Reason for nomination as candidate for Outside Director and reason why the Company has determined that she is capable of properly performing duties as Outside Director] Ms. Funamoto has been nominated as a candidate for Outside Director because the Company believes that her background as set forth above, her expertise as an attorney-at-law and extensive experience in corporate legal affairs would be well suited for Outside Director, even though she has no experience in being directly involved in company management.			

- Notes:
1. There are no special interests between the Company and Ms. Funamoto.
 2. Ms. Funamoto will have served as an Outside Director of the Company for one year at the conclusion of this year's Annual General Meeting of Shareholders.
 3. The Company has concluded a limitation of liability agreement with Ms. Funamoto to limit her liability to the amount stipulated by laws and regulations so that she may fully perform her duties as Outside Director.
 4. The Company has designated Ms. Funamoto as an Independent Officer and has notified the Tokyo Stock Exchange as such.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
9	[New Appointment] [Outside Director] [Independent Officer] [Male] Takuya Morikawa (October 7, 1959)	April 1982 June 2005 April 2015 January 2019 [Significant concurrent positions]	Joined KOKUYO Co., Ltd. Director of the Board, KOKUYO Co., Ltd. (to present) Representative Director and President, KOKUYO S&T Co., Ltd. Group Senior Executive Officer, KOKUYO Co., Ltd. Executive Vice President, Special Officer (to present) • Director and Executive Vice President, Special Officer, KOKUYO Co., Ltd.	-
	[Reason for nomination as candidate for Outside Director] Mr. Morikawa has been nominated as a candidate for Outside Director because the Company believes that his background as set forth above and his extensive knowledge, expertise and experience acquired from having been involved in management of major domestic stationery and furniture makers for many years would be well suited for Outside Director. Mr. Morikawa has worked for one of the customers of the Company. However, the transaction value between the two companies is insignificant since the transaction value during the most recent business year is less than 1% of consolidated net sales of both companies. Accordingly, the Company has determined that Mr. Morikawa is independent.			

- Notes:
1. There are no special interests between the Company and Mr. Morikawa.
 2. The Company plans to conclude a limitation of liability agreement with Mr. Morikawa to limit his liability to the amount stipulated by laws and regulations so that he may fully perform his duties as Outside Director.
 3. The Company plans to designate Mr. Morikawa as an Independent Officer under the provision set forth by the Tokyo Stock Exchange if he is elected as Outside Director.

Proposal 3: Election of One (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Akiyoshi Nakanishi will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, the election of one (1) Audit & Supervisory Board Member is proposed.

The Audit & Supervisory Board has previously given its approval to this Proposal.

If this Proposal is approved as originally proposed, three out of four (i.e., the majority of) Audit & Supervisory Board Members of the Company will be Independent Officers.

The candidate is as follows:

Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
[New Appointment] [Outside Audit & Supervisory Board Member] [Independent Officer] [Male] Yoshiaki Nakagawa (February 14, 1954)	April 1976 September 1990 January 2001 April 2007 April 2009 April 2011 April 2014 April 2018	Joined Matsushita Electric Industrial Co., Ltd. Director, CFO, Matsushita Radio Singapore Pte. Ltd. Chief Accountant, China Hualu Panasonic AVC Networks Co., LTD. General Manager, Corporate Accounting Group, Head Office, Panasonic Corporation Executive Officer Managing Director President, Member of the Board, SANYO Electric Co., Ltd. Special Advisor, Hardlock Industry Co., Ltd. (to present)
[Reason for nomination as candidate for Outside Audit & Supervisory Board Member] Mr. Nakagawa has been nominated as a candidate for Outside Audit & Supervisory Board Member because the Company believes that his background as set forth above and his extensive knowledge, expertise and experience acquired from having been involved in management of major electrical equipment makers for many years would be well suited for Outside Audit & Supervisory Board Member. Mr. Nakagawa has worked for one of the customers of the Company. However, transaction value between the two companies is insignificant since the transaction value during the most recent business year is less than 1% of consolidated net sales of both companies. Accordingly, the Company has determined that Mr. Nakagawa is independent.		

- Notes:
1. There are no special interests between the Company and Mr. Nakagawa.
 2. The Company plans to conclude a limitation of liability agreement with Mr. Nakagawa to limit his liability to the amount stipulated by laws and regulations so that he may fully perform his duties as Outside Audit & Supervisory Board Member.
 3. The Company plans to designate Mr. Nakagawa as an Independent Officer under the provision set forth by the Tokyo Stock Exchange if he is elected as Outside Audit & Supervisory Board Member.

(Reference)

If this Proposal is approved as originally proposed, the composition of the Audit & Supervisory Board will be as follows:

Name		Positions at the Company	Attendance at Board of Directors' meeting	Attendance at Audit & Supervisory Board meetings	Years served as Audit & Supervisory Board Member
Yuichi Sasaki	Reappointment Male	Full-time Audit & Supervisory Board Member	14 out of 14	11 out of 11	1
Takashi Ishijima	Reappointment Outside Audit & Supervisory Board Member Independent Officer Male	Audit & Supervisory Board Member	15 out of 17	13 out of 15	10
Mamoru Yamawaki	Reappointment Outside Audit & Supervisory Board Member Independent Officer Male	Audit & Supervisory Board Member	17 out of 17	14 out of 15	7
Yoshiaki Nakagawa	New Reappointment Outside Audit & Supervisory Board Member Independent Officer Male	-	-	-	-

Note: The record of attendances at the Board of Directors' meetings and the Audit & Supervisory Board meetings for Mr. Yuichi Sasaki is different from other Audit & Supervisory Board Members as Mr. Sasaki assumed office on June 26, 2019 (the date of the 84th Annual General Meeting of Shareholders).

<Shareholder Proposals (Proposal No. 4 and No. 5)>

Proposal No. 4 and No. 5 were submitted by two shareholders (hereinafter referred to as “Proposing Shareholders”).

The details of the Proposals submitted by Proposing Shareholders and reasons behind them are organized per Proposal and described as they are.

Proposal 4: Amendments to Articles of Incorporation Pertaining to Sale of Strategic Shares

1. Details of Proposal

Newly establish the following chapter and article in the current Articles of Incorporation.

Chapter 8 Sale of Strategic Shares

Article 35 (Sale of Strategic Shares)

The strategic shares recognized on the balance sheet as of the effective date of the amendment to add this Article to the Articles of Incorporation shall be promptly sold within the three fiscal years from the 86th to 88th Fiscal Year.

2. Reason for Proposal

During the fiscal year ended March 31, 2019, the Company had bought 100,000 additional shares of Sumitomo Realty & Development Co., Ltd. as strategic shares. The amount of the shares of Sumitomo Realty & Development Co., Ltd. recognized on the balance sheet had almost doubled from 668 million yen in the prior fiscal year to 1,238 million yen as of the end of March 2019. Furthermore, the Company held 55 issues of strategic shares in the amount of 9,267 million yen recognized on the balance sheet as of the end of March 2019.

According to the Company’s securities report submitted as of June 27, 2019, the issuer companies of those strategic shares are the business partners of the Company, and the purpose of such shareholdings is explained as “for strengthening friendly relations with business partners” and “for strengthening business relationships.” It is hard to believe that strengthening friendly relations with those business partners will increase shareholder value of the Company, and moreover, it is difficult to understand why such shareholdings will lead to strengthening business relationships.

Such strategic shareholdings mean that the Company holds those shares as a stable shareholder, cooperating with the self-protection of the directors of those issuer companies. It is not appropriate to use the Company’s important capital entrusted by shareholders for such inappropriate purposes, i.e., cooperation with the self-protection of the directors of other companies and leave the capital dormant as strategic shares, or non-performing assets; efficient utilization of capital should be pursued.

The Company should promptly sell all strategic shares currently held and use the proceeds from such sale to increase shareholder value of the Company. More specifically, the Company shall sell those strategic shares within the next three fiscal years including the current fiscal year.

Opinion of the Board of Directors

The Board of Directors of the Company opposes this Proposal.

The Company held listed shares in the amount of 6,900 million yen (value recognized on the consolidated balance sheet) as of the end of March 2020. However, the Company has adopted a policy to reduce strategic shares if the dividends or the benefits from construction gross profit are lower than “the cost of capital (weighted average cost of capital)” as of the end of said fiscal year, until the end of the fiscal year ended March 31, 2019. Similarly, the company has adopted a policy to reduce strategic shares if the dividends or the benefits from construction gross profit are lower than “the cost of shareholder’s equity” as of the end of said fiscal year since the beginning of the fiscal year ended March 31, 2020. The Company verifies the appropriateness of shareholdings of each individual issue at the regular meeting of the Board of Directors held at the beginning of the following fiscal year.

Accordingly, the Company sold 3 issues in the amount of 997 million yen during the fiscal year ended March 31, 2019, and 3 issues in the amount of 139 million yen during the fiscal year ended March 31, 2020.

The Company will continue to follow the above policy and further reduce the balance of strategic shares so that it accounts for less than 10% of the Company’s consolidated net assets by the end of the fiscal year ending March 31, 2022.

Based on the above, the Board of Directors of the Company judges that this Proposal, i.e., amendment to the Articles of Incorporation to require the sale of all strategic shares within the three fiscal years (from April 2020 to March 2023) from the 86th fiscal year (the fiscal year ending March 31, 2021) to the 88th fiscal year (the fiscal year ending March 31, 2023), neither corresponds to the aforementioned policy nor does it contribute to enhancing the Company’s corporate value. Therefore, the Board of Directors of the Company opposes this Proposal.

Proposal 5: Appropriation of Surplus

1. Details of Proposal

(1) Type of dividend property
Cash

(2) Allotment of dividend property and the aggregate amount

Pay the amount of dividend per common share that is obtained by deducting from 518 yen the amount of dividend per common share (hereinafter referred to as the “Company-proposed Amount of Dividend”) based on the proposal for disposal of surplus which is proposed by the Board of Directors of the Company and approved at the 85th Annual General Meeting of Shareholders (hereinafter referred to as the “Company’s Proposal for Appropriation of Surplus”), in addition to the Company-proposed Amount of Dividend.

If the amount obtained by rounding off the decimal point of the amount of profit per share for the 85th fiscal year (hereinafter referred to as “Actual EPS”) is not 518 yen, the aforementioned 518 yen shall be replaced with the Actual EPS.

It should be noted that the total amount of dividend will be the amount obtained by multiplying the aforementioned amount of dividend per common share by the number of shares subject to dividends as of the date to exercise voting rights for the Company’s 85th Annual General Meeting of Shareholders.

(3) Effective date of dividends of surplus

Day after the date of the 85th Annual General Meeting of Shareholders of the Company

It should be noted that, if the Company’s Proposal for Appropriation of Surplus is submitted at the 85th Annual General Meeting of Shareholders, this Proposal shall be submitted independently from, compatible with and in addition to such Company’s Proposal.

2. Reason for Proposal

The “518 yen” described in “No. 2 Details of Proposal, 2. Appropriation of Surplus” is the Company’s most recent forecast of profit per share as of April 23, 2020. This is a proposal that aims at the distribution of all profit for the fiscal year, or a dividend payout ratio of 100%, regardless of the amount of dividend per share proposed by the Company.

The Company’s equity ratio was 36.6% as of the end of March 2019, having risen to the highest level ever on an annual reporting basis. Considering together with the fact that the Company plans to enhance the equity ratio to 41% as of the end of the fiscal year ended March 31, 2020, the ROE is expected to decrease in the future if the Company’s profit continues to remain at the level equivalent to those of past years.

Furthermore, the Company not only intends to further build up the equity ratio but also owns cash and similar assets at the sufficient level, i.e., approximately 25.5 billion yen in cash and deposits, approximately 9.7 billion yen in investment securities and approximately 9.8 billion yen in interest-bearing debt as of the end of December 2019.

The Company does not need to reserve any more funds within it; it will only reduce ROE if the Company builds up more equity. The Company should significantly increase the dividend of surplus, as the return of surplus funds to shareholders will increase shareholder value and thus improve the share price.

It should be noted that the appropriation of surplus proposed this time will, even if implemented, not significantly change the level of the Company’s equity and cash and deposits as of the end of the prior fiscal year because the total amount of dividend proposed is within the profit for the current fiscal year, leaving the Company’s financial position sound and stable.

For detailed explanation of the above Proposal, see <https://proposal-for-asanuma-from-sc-2020.com/> or the special site link <https://stracap.jp/> in the upper right of the Strategic Capital Inc. website.

Note from the Company: the start date of the dividend payment for this Proposal will be the same date as the start date of the dividend payment on the Company Proposal “Proposal 1: Appropriation of Surplus.”

Opinion of the Board of Directors

The Board of Directors of the Company opposes this Proposal.

With respect to the appropriation of surplus, the Company, as its basic policy of shareholder return, considers the return of profits to shareholders as one of the most important initiatives, and to this end, maintains a basic policy of allocating dividends in line with its business performance by developing new technologies that are necessary for the future expansion of the business, among others, while striving to sustain and reinforce the Company's competitiveness.

The Company paid no dividend for three consecutive fiscal years from the fiscal year ended March 31, 2012 due to deteriorating business performance, whereas it resumed dividend payment in the fiscal year ended March 31, 2015 while improving its financial position, and disclosed to adopt "30% or more consolidated dividend payout ratio in the fiscal year ended March 31, 2019, 40% or more in the fiscal year ending March 31, 2020, 50% or more in the fiscal year ending March 31, 2021" as its dividend policy for the Three-Year Medium-Term Plan (covering the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2021) in May 2019.

In accordance with this policy, the Company carried a dividend of 153 yen per share and consolidated dividend payout ratio of 30.3% for the fiscal year ended March 31, 2019, and will submit a dividend of 216 yen per share and consolidated dividend payout ratio of 40.5% for the fiscal year ended March 31, 2020, as a proposal at the 85th Annual General Meeting of Shareholders scheduled in June 2020. The consolidated dividend payout ratio of the fiscal year ending March 31, 2021 will be higher than 50%, while the dividend per share of said fiscal year has not been decided as the impact of COVID-19 on the Company's business performance is still unclear at this stage.

With regard to the utilization of funds held and funds generated from annual profits remaining after the payment of the dividends, the Company plans in the Three-Year Medium-Term Plan to "invest 20.0 billion yen in technology and research, ICT, concession business and overseas business and for switching payment to subcontractors to cash in three years." The Company believes that such utilization of funds contributes to stable growth of the Company's business performance and is essential to continuously return achievements to shareholders.

The Company spent 15.0 billion yen in total for the above uses of funds in the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2020. The Company will decide the amount of the funds to spend for the above uses for the fiscal year ending March 31, 2021, which is the final fiscal year of the Three-Year Medium-Term Plan, while assessing the impact of COVID-19.

Therefore, the Board of Directors of the Company judges that this Proposal, which seeks a 100% dividend payout of the profit for the 85th Fiscal Year, neither conforms to the Company's basic policy of shareholder return or capital utilization policy, which is essential for sustainable growth, nor does it contribute to enhancing the Company's corporate value. Therefore, the Board of Directors of the Company opposes this Proposal.

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