



ASANUMA CORPORATION

Q2 Financial Results Briefing for the Fiscal Year Ending March 2021

November 20, 2020

Event Summary

[Company Name]	ASANUMA CORPORATION	
[Company ID]	1852-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2021	
[Fiscal Period]	FY2020 Q2	
[Date]	November 20, 2020	
[Number of Pages]	23	
[Time]	15:30 – 16:19 (Total: 49 minutes, Presentation: 37 minutes, Q&A: 12 minutes)	
[Venue]	Kabutocho Heiwa Building 3F 3-3 Kabutocho Nihonbashi, Chuo-ku, Tokyo 103-0026 (Hosted by The Securities Analysts Association of Japan)	
[Venue Size]	145 m ²	
[Participants]		
[Number of Speakers]	4	
	Makoto Asanuma	Representative Director and CEO
	Morio Yamakoshi	Representative Director Senior Managing Officer
	Seiichiro Ishihara	Executive Officer, General Manager of Technical Research Institute
	Yoshimichi Yagi	Executive Officer
[Analyst Names]*	Satoru Matsuhashi	Strategic Capital, Inc.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Moderator: Now it's time to start. From now on, we will hold the Q2 Financial Results Briefing for the Fiscal Year Ending March 2021 of ASANUMA CORPORATION.

First of all, I would like to introduce you to four people from the Company. First of all, Representative Director, CEO, Mr. Makoto Asanuma.

Asanuma: I'm Asanuma. Thank you very much.

Moderator: Following this, Representative Director Senior Managing Officer, Mr. Morio Yamakoshi.

Yamakoshi: I'm Yamakoshi. Thank you very much.

Moderator: Executive Officer, General Manager of Technical Research Institute, Mr. Seiichiro Ishihara.

Ishihara: I'm Ishihara. Thank you very much.

Moderator: Following this, Executive Officer, Mr. Yoshimichi Yagi.

Yagi: I'm Yagi. Thank you very much.

Moderator: Today, President, Mr. Asanuma and Senior Managing Officer, Mr. Yamakoshi will give us presentation, and following that, we will have a question and answer session. We appreciate your cooperation.

Then, I will have Mr. Asanuma to start first.

Asanuma: I'm Makoto Asanuma, the President, who was just introduced. Thank you for your participation.

Today, I will explain the business environment surrounding the construction industry first, followed by an overview of the Financial Results of the Second Quarter for the Fiscal Year Ending in March 2021 and, the progress of the Three-Year Medium-Term Plan, return to shareholders, corporate governance, and social contributions.

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Construction industry

The expansion of COVID19 led to the economic downturn, including the disappearance of inbound tourists and a drop in consumer spending. In Private construction-related investment, demand for logistics facilities remained firm due to changes in lifestyles, while housing demand declined and capital investment was discontinued or postponed. Due to BUILDING NATIONAL RESILENCE, public construction investment remained firm, including disaster prevention and mitigation measures for repeated natural disasters, measures for aging infrastructure, and demand for disaster recovery and reconstruction. If the Corona crisis persists in the future, there are concerns about a decline in construction investment due to further postponement or restraint of capital investment.

Construction Investment



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Please refer to page three. Due to the impact of COVID-19, private-sector construction investment has been discontinued or postponed due to declining demand for housing and other factors as a result of the disappearance of inbound tourists and sluggish consumer spending. On the other hand, capital investment, such as logistics facilities, remained firm in response to changes in lifestyles.

Public construction investment remained firm as a countermeasure against repeated natural disasters due to the national land resilience policy, including recovery, disaster prevention, disaster mitigation, and measures against aging infrastructure.

If the COVID-19 crisis should continue for a prolonged period in the future, there are concerns that construction investment will decrease due to such factors as the postponement or restraint of capital investment associated with this crisis.

The graph below represents the most recent construction investment. Until fiscal 2019, investment had been rising steadily. However, due to the impact of the COVID-19 crisis, private-sector investment is expected to decline in particular, and competition for orders is expected to increase in the future. Therefore, we believe that we should pay sufficient attention to the deterioration in the profitability of construction work.

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Overview of the Second Quarter of the Fiscal Year Ending March 31, 2021



(Hundred million yen)

	FY2018 Q2 Results	FY2019 Q2 Results	FY2020 Q2 Plan	FY2020 Q2 Results	YoY	Ratio to the plan
Orders received	695	699	630	563	△136	△67
Net sales	549	687	566	634	△53	68
Operating income (Margin)	15 2.8%	34 4.9%	13 2.3%	22 3.4%	△12 △1.5P	9 1.1P
Profit attributable to owners of parent Net profit (Margin)	10 1.8%	22 3.2%	7 1.3%	12 2.0%	△9 △1.2P	5 0.7P

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Following on, Mr. Yamakoshi will provide an overview of the financial results of the second quarter for the fiscal year ending March 2021.

Yamakoshi: This is Yamakoshi. Thank you.

Please refer to page four. First, let me explain the interim results. Actual results are shown in the third column of the table, painted in green. The right is the YoY change, and the right is the change against the plan.

As you can see, orders received, net sales, and profits all declined YoY. Compared to the plan, orders received were lower, but net sales and profits were higher.

By item, order received shown on the top was JPY56.3 billion, which is down JPY13.6 billion from the previous fiscal year. Full-year orders received are planned to decrease by JPY22.2 billion YoY, so the progress rate as of the interim period against the full-year forecast is 44.6%, which is not so bad. However, compared to the plan, orders received underperformed by JPY6.7 billion since orders were cancelled or postponed due to the impact of COVID-19.

The net sales in the second row was JPY63.4 billion. Compared to the previous fiscal year, completion construction amount declined by JPY5.3 billion. On the other hand, we exceeded our plan by JPY6.8 billion, partly due to progress in construction work that exceeded expectations.

The operating income was JPY2.2 billion, or 3.4%. Completion construction amount declined by JPY5.3 billion. On the other hand, we exceeded our plan by JPY6.8 billion, partly due to progress, which I mentioned earlier, and the gross margin on completed construction contracts was 9.5%, which is not stated in the slide, and decreased by 0.8 % points from the previous fiscal year.

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As a result, gross profit on completed construction contracts decreased by JPY1 billion. In addition, selling, general and administrative expenses increased by JPY200 million due to system-related expenses, et cetera, resulting in a decrease of JPY1.2 billion in operating income.

As I mentioned earlier, operating income exceeded the plan by JPY900 million, partly because completed construction contracts exceeded the plan by JPY6.8 billion.

At the bottom, net income was JPY1.2 billion. This represents a YoY decrease of JPY900 million and a YoY increase of JPY500 million over the plan.

Three-Year Medium-Term Plan Progress of Consolidated Results ①



(Hundred million yen)

	FY2018 Medium- Term Plan	FY2018 Results	FY2019 Medium- Term Plan	FY2019 Results	FY2020 Medium- Term Plan	FY2020 Plan	Medium- Term Plan 3 years Average	Results and Plan Average
Orders	1,300	1,537	1,330	1,483	1,360	1,261	1,330.0	1,427.0
Net sales	1,295	1,357	1,366	1,415	1,389	1,345	1,350.0	1,372.3
Operating income	49	57	62	66	72	53	61.0	58.7
Profit attributable to owners of parent Net income	32	42	40	43	47	40	39.7	41.6

(Figures in the medium-term plan are as of May 11, 2018)

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Please refer to page five. Page five shows the progress of the results the Three-Year Medium-Term Plan consisting of the current fiscal year, the previous fiscal year, and the fiscal year before the previous fiscal year.

The far left of the table is the plan for the year ending March 2019 in the medium-term plan, the column to its right is its results, and the right next to it the plan for the year ending March 2020 in the medium-term plan, and the column to its right is its results.

In the past two fiscal years, as you can see, the results for all items exceeded the targets in the medium-term plan. The column slightly to the right of the middle is the plan in the medium-term plan for the fiscal year ending March 2021, or this fiscal year. Orange-colored column right next to it is the plan for the current fiscal year. Considering the impact of COVID-19, we have set the plan for the current fiscal year below that of the medium-term plan. At this stage, we expect to achieve this plan for the current fiscal year.

For reference, the right two columns show the average of the three-year medium-term plan and the average of the results of the past two fiscal years and the results of this fiscal year assuming the plan is achieved. We expect orders received, net sales, and profits to exceed the figures in the medium-term plan on average.

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However, operating income is expected to be lower on average than the figures in the medium-term plan.

Three-Year Medium-Term Plan Progress of Consolidated Results ②



Major Management Indicators in the Medium-Term Plan (Consolidated for Fiscal 2020, the Final Year)

Operating income margin	Over 5%
Return on Equity (ROE)	Over 10.0%
Equity ratio	40% level
Return on Invested Capital	Exceed the cost of capital in all three years

	FY2018 Medium-Term Plan	FY2018 Results	FY2019 Medium-Term Plan	FY2019 Results	FY2020 Medium-Term Plan	FY2020 Plan	Medium-Term Plan 3 years Average	Results and Plan Average
Operating income margin	3.8%	4.2%	4.6%	4.7%	5.2%	3.9%	4.5%	4.3%
Return on equity (ROE)	9.0%	11.5%	10.6%	11.3%	11.4%	10.0%	10.3%	11.4%
Equity ratio	36.0%	36.6%	41.0%	38.0%	47.0%	43.0%	41.3%	40.5%
Return on Invested Capital (ROIC)	7.0%	8.1%	8.4%	9.1%	9.2%	7.0%	8.2%	8.8%
Cost of capital (WACC)	5.0%	5.1%	5.0%	6.0%	5.0%	6.0%	5.0%	5.4%

(Figures in the medium-term plan are as of May 11, 2018)

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Please refer to page six. Page six also shows the progress of the three-year medium-term plan in regard to management indicators. We are aiming for an operating income of 5% or more for the current fiscal year, which is the final year. We also seek to raise ROE to at least 10% and equity ratio to the 40% level. Furthermore, in terms of return on invested capital, ROIC, we have set an indicator by seeking to exceed the cost of capital for all three years.

On the other hand, the following table shows the results and forecasts. The third column from right is the planned value for the current fiscal year. We believe that we can achieve this plan as well. In addition, the far right is the average of the actual results for the past two fiscal years and the plan for the current fiscal year, which I mentioned earlier. Regarding operating income at the top, we had planned to reach 3.9% for the current fiscal year, and in the far right, the average of the past results and the plan for the current fiscal year of 4.3%, and exceed 5% for the final fiscal year, but we do not expect to reach this target.

ROE in the second column is expected to be 10% in the current fiscal year. With an average rate of 11.4%, we expect to achieve the 10% level.

In addition, below that, equity ratio is 43% in the plan and 40.5% on average, so we can secure the 40% level.

ROIC and below that WACC are shown. As you can see, we expect ROIC to exceed WACC in the fiscal year ended March 2019, the fiscal year ended March 2020 and the current fiscal year.

With regard to operating profits, we are struggling with the amount or rate I mentioned earlier.

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Planning on investments of ¥20 billion
during the medium-term plan (three years)

	Medium-Term Plan	Investment Results and Schedule
■ Investment plan		
◆ Investments in technology and systems	¥5 billion	¥2 billion
◆ Investing in New Domains (Overseas and New Fields)	¥5 billion	¥1.5 billion
■ Application of funds		
◆ Switch to cash payments to subcontractors to strengthen partnership	¥10 billion	¥14.5 billion
Total	¥20 billion	¥18 billion

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Please refer to page seven.

We planned to invest JPY20 billion in this three-year plan. As shown in the table, in the second column from right, JPY5 billion for technology and system-related and JPY5 billion for new fields. Additionally, JPY10 billion for switching to cash for payments for the purpose of building stronger ties with partner companies. The total is JPY20 billion.

Regarding the actual investment of funds at present, JPY2 billion will be spent on technology and systems, and as I will explain later, the extension and renovation of the Technical Research Institute will cost JPY700 million. Then, JPY250 million by developing a new system called Ai-MAP SYSTEM. Then, JPY250 million for BIM and CIM, and other developments. In addition, we invested JPY800 million in the development of a core system.

We anticipate that Ai-MAP SYSTEM will become more sophisticated or that other new systems will be developed in the next fiscal year or later.

In addition, with regard to new fields, we expect JPY1.5 billion compared to our plan of JPY5 billion. As I will explain later, it will be JPY500 million for M&A and then JPY1 billion for renewing the brand.

Although we are still considering M&A, the impact of COVID-19 makes it difficult for us to move forward, resulting in this expected scale of investment.

In addition, for switching to cash for payments, the plan is JPY10 billion. We have already implemented this, and as a result, the investment was JPY14.5 billion, which is an increase of JPY4.5 billion. At the time of the plan, we had planned to raise the cashing ratio of payments to partner companies from 60% to 90%. At

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present, however, we have already made the entire amount 100% cash, so the investment increased by JPY4.5 billion more than planned.

Investment Plan Technology and Systems ①



Expansion and renovation of the Technical Research Institute (opened at the end of March 2019)

1	Expansion of training areas • Training for young employees and engineers at partner companies, and hands-on training	 <p>Training area of one existing building</p>
2	Advancement of seismic isolation and vibration control technologies • Seismic damping structure equipped with an earthquake monitoring system • Updating test equipment	 <p>Seismic dampers in two additional buildings</p>
3	Installation of a multi-purpose experimental space • Large experimental space for all-weather response	 <p>Multi-Purpose Experimental Space Using Natural Lighting in Three Expansion Buildings</p>
 <p>Full view</p>		

Please refer to page eight. As part of the investments in technology and systems, we expanded and renovated the Technical Research Institute. As I mentioned earlier, we have invested JPY700 million in the past three years. Not only that, in the past, we invested JPY400 million, so we have invested a total of JPY1.1 billion in extension and renovation.

We have three points to mention here. We have increased the number of training areas for young employees and technicians from partner companies. We have also sophisticated our seismic isolation and vibration control technologies by upgrading our seismic monitoring systems and testing equipment. In addition, we have established a multi-purpose laboratory space and are now conducting a variety of experiments.

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Ai-MAP SYSTEM

Developed to pass on skills of skilled workers at work sites and improve productivity

Details	Characteristics	Effect
Skill operation analysis	Mount GPS cameras and sensors to a skilled person, or analyze movies, behaviors, and sounds as data through movie shooting.	Inheritance of skills
Infrastructure communication management	Promoting the implementation and streamlining of production management at remote sites through the use of telecommunications systems	Productivity improvement

9

Please refer to page nine. This is also one of the investments we have made in the technical system, and we are developing our own system called Ai-MAP SYSTEM.

The purpose of this system is to pass on the skills of seasoned workers and improve productivity through this system, as shown in the top of the table.

There are details, features, and effects stated in here, and one of the details is skill motion analysis, in which GPS cameras or sensors are attached to a skilled technician, and then, the motion, action, and sound are converted into data. This means that the analysis works out for transfer of skills.

Next, in terms of infrastructure and communications management, this is to implement production management and improve efficiency at the site from a remote point. It means that monitoring on-site conditions even from a remote location will lead to an improvement in productivity.

This technology has been adopted by Ministry of Land, Infrastructure, Transport and Tourism (MILT) in a project to introduce and utilize innovative technologies to dramatically improve the productivity of construction sites.

We spent JPY250 million on this system, but the majority of the amount is subsidized by MILT.

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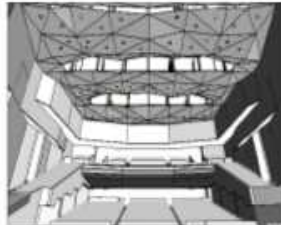
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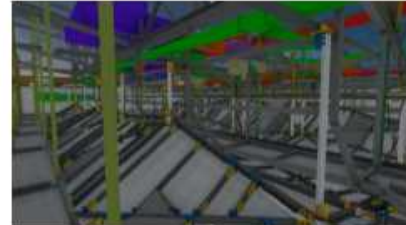
BIM and CIM utilization

We are actively introducing BIM and CIM, which make planes three-dimensional in order to improve business efficiency. We are promoting utilization at the design, construction planning, and construction management stages.

- Buildings with complex tops are taken from 3D Scanners to verify the construction process and datum of renovations (BIM)

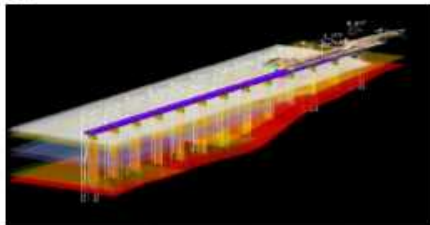


General view of the hole

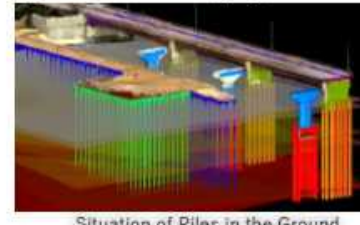


Drawing inside the ceiling of the hall

- Imaging of data from 3D Scanners for use in assessing conditions in the ground and managing processes (CIM)



General view



Situation of Piles in the Ground

Made national highway bridge piles, etc. into 3D

Please refer to page 10, which also refers to one of the investments in the technologies and systems. This is the utilization of BIM and CIM.

This is a system that makes planes three-dimensional in order to improve the efficiency of operations, and we use this system for design, construction planning, or construction management.

We have two separate rows with pictures, and the upper row shows the renovation of the hall. The building has a complex ceiling. We are using BIM to verify the construction procedures for renovations and the feasibility of the renovations.

The lower row shows the construction of the bridge leg of the civil engineering works. In this as well, we convert the data from a 3D scanner to images to use grasp the situation in the ground or to manage the process.

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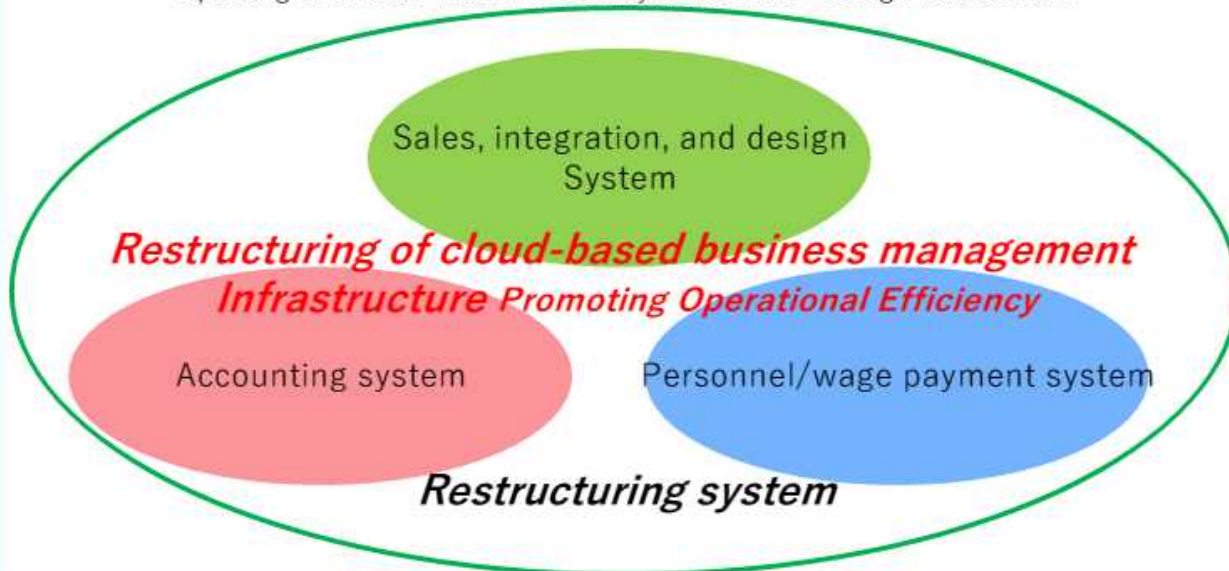
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Restructuring of the core system

Comprehensive cloud computing for sales, integration and design, accounting, and personnel and payroll systems

Updating of various mission-critical systems in the management division



Please refer to page 11. This is one of the investments in our technologies and systems, and we have restructured our core systems.

As you can see in the picture, we have made the sales, integration and design system, accounting system, and personnel salary system fully cloud-based. We restructured its business management infrastructure in the cloud. This means that we can improve the efficiency of our operations.

In fact, we have used the system since 20 years ago, but it has become quite old, so we have been working to replace it with a new system during this three-year medium-term plan. This fiscal year, we will complete the project.

We happened to need to stay at home due to the impact of COVID-19, and thanks to this system, we were able to make it smooth to stay at home. Naturally, so far, we have used our own server, but it will not be necessary, so we will be able to reduce costs.

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Strengthen overseas business	
○ Acquisition of subsidiaries	
Corporate Name	SINGAPORE PAINTS & CONTRACTOR PTE. LTD.
Address	Singapore
Business content	Building painting and repair contracting
Percent ownership of voting rights	October 2018 Acquisition of 80% of shares October 2023 Acquisition of 20% of shares plan
Reason for acquisition	Renewal business development in ASEAN region
○ Efforts to Maintain Aging Expressways and Bridges in the Kingdom of Thailand	
<p>Using textile sheets, we are engaged in the maintenance business of aging expressways and bridges in the Kingdom of Thailand.</p> <p>In recent years, public infrastructure investment in the Kingdom of Thailand has grown remarkably, and the demand for maintenance business has been rising along with this. We are working as part of our efforts to strengthen our renewal business and expand our business in ASEAN region.</p>	

12

Please refer to page 12. This is a new field in which we made a new investment. We have acquired a subsidiary in order to strengthen our overseas business.

We merged and acquired a company that provides exterior wall painting in Singapore at about JPY500 million. We have hoped to renew our business in ASEAN region, and this was the first initiative of doing that. We will continue to consider M&A of this type of business. I have already told you this as well, but amid things haven't been moving forward.

And, below, we are working on the maintenance business for aging expressways and bridges in Thailand. This is one of our renewal projects, and we are currently working to repair expressways and bridges with textile sheets used for reinforcement and maintenance. As part of our efforts to expand our renewal business in ASEAN region, we are now moving forward.

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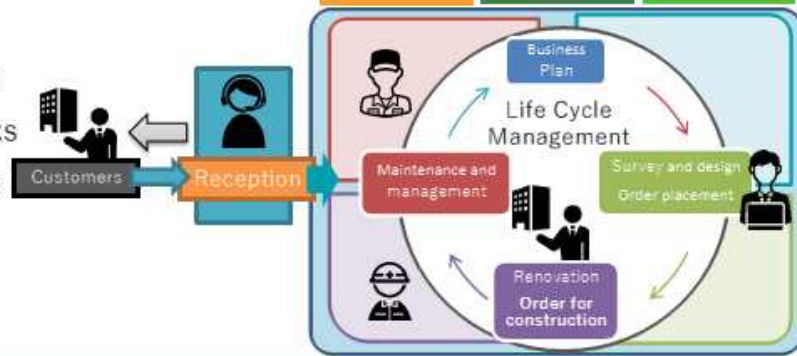
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Branding of the renovation business

- With an emphasis on people and the environment suitable for the age of the global environment
Launch of new renewal brands
(Scheduled to be announced in April 2021)



- Improve renovation services
Unification of reception desks
Strengthen lifecycle services



13

Please refer to page 13, referring to branding the renewal business.

The upper one describes a new renewal brand that emphasizes people and the environment. We plan to announce a new brand in April next year that focuses on human health, or energy conservation through the use of natural materials or the use of renewable energy.

At the same time, as described below, we are working on improving the renewal service and unifying the reception desks. In addition to launching a brand, we will also establish a sales system by unifying our service counters to deal with diverse inquiries.

On the right, there is a chart the reception judges whether the inquiries relate to renewal, or maintenance and management. Then, in response to this, we develop a business plan that indicate how it should be done, and after conducting research, design, and construction, we receive an order. Then finally we commence on renovation work. This is how we are going to go through this cycle.

As I mentioned earlier, in order to get the actual customer to see, we are currently proceeding with renovation under this brand, and accordingly we will invest JPY1 billion.

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Return to Shareholders Dividend payout ratio plan



Transition



Purchase of treasury stock and Cancellation

- Shares purchased 313,600 shares
- Purchase costs of shares ¥ 999,933,700
- Period from November 12, 2018 to January 16, 2019
- Number of shares cancelled: 430,000 shares (5.05% of the total number of issued shares before cancellation)
- Date of cancellation May 31, 2019
- Number of Shares issued
Before cancellation: 8,508,629 shares After cancellation: 8,078,629 shares

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Please refer to page 14. Returns to shareholders.

Regarding returns, we consider the dividend payout ratio to be the most important policy.

There are three payout bar charts above, and the left-hand side shows the details as of May 2018 when we announced our current three-year medium-term plan. The chart in the middle shows the plan announced in May 2019, one year after the announcement of the three-year medium-term plan. As you can see, the dividend payout ratio has increased since May 2018, and naturally, the dividend has also increased.

Incidentally, at that point of time, the figure for fiscal 2018 is reflecting the actual result, which is JPY153, and this means that we have increased the dividend by JPY53 from the initial announcement.

The far right is the chart when two years passed after the announcement of the three-year medium-term plan. The dividend payout ratio has not changed. However, in the middle bar, the actual result for fiscal 2019 was JPY216, meaning we have increased the figure by JPY8 from the planned figure in May 2019.

However, as for this fiscal year, or the third year of the plan, due to the impact of COVID-19, we will revise the planned final profits downward, and as a result, the dividend payment will be JPY250, a JPY42 decrease from JPY292 of the plan.

In addition, the details of the repurchase and retirement of treasury stock we conducted are described in the lower left. The upper part explains the repurchase of treasury stock equivalent to approximately JPY1 billion, and this has been done since November 2018. And as stated below that, we retired 430,000 shares of treasury stock, which we did in May 2019. Currently, the Company owns almost no treasury stock.

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To further strengthen corporate governance	
Structure of the Board	<ul style="list-style-type: none"> Ratio of outside directors: 1/3 (after the General Meeting of Shareholders held in June 2020) Including one female outside director
Composition of the Board of Corporate Auditors	<ul style="list-style-type: none"> Ratio of Outside Audit & Supervisory Board Members: 3/4 (after the General Meeting of Shareholders held in June 2020)
Analysis and Evaluation of the Effectiveness of the Board of Directors	<ul style="list-style-type: none"> Implemented using external organizations (since FY2019)
Operation of the Nominations and Compensation Committee	<ul style="list-style-type: none"> Chaired by both committees Outside Directors Ratio of Outside Directors: Majority Number of days held (7 times FY2018, 9 times FY2019, 4 times FY2020)
Strengthening IR	<ul style="list-style-type: none"> Briefings for institutional investors (held twice a year) Briefings for individual investors (The first meeting was held in February of this year, and will be held twice a year in the future)
Stockholdings	<ul style="list-style-type: none"> Criteria for Judging Holding of Listed Stocks Reduction if the benefits of dividends and construction profits are less than Cost of capital (WACC) until March 31, 2019 Cost of equity from March 31, 2020 (Reference: End of March 2019: Total yield 14% > Cost of capital 5% End of March 2020: Total yield 16% > Cost of equity 8%) Sale results: FY2018 1 billion yen ,FY2019 140 million yen ★ Reduce strategic shareholdings to less than 10% of consolidated net assets by the end of March 2022

15

Please refer to page 15. This describes the corporate governance system.

From the top, Outside Directors account for one third of the Board of Directors. There is one female Outside Director.

Outside Auditors make up three quarters of the Board of Auditors. Three out of four are Outside Auditors.

In addition, regarding the analysis and evaluation of the effectiveness of the Board of Directors, this has been done by an external organization since the previous fiscal year. In the previous fiscal year, we received a rating of slightly higher than the average. We have been doing this this year as well, and will have the evaluation result next month.

The Nomination and Compensation Committees are chaired by Outside Directors and the majority of them are Outside Directors. The number of meetings held is as described there.

In addition, aiming to strengthen IR, the Company makes a point of holding a briefing for institutional investors twice a year, and is doing so. And as for a briefing for individual investors, we held a meeting for the first time in February of this year, and we intend to hold it twice a year in the future.

At the bottom, in terms of stock holding, we consider the benefits of dividends and construction profits as the criteria for deciding whether to hold listed stocks. Currently, we in principle make a point of selling stocks if the benefits are less than cost of capital.

The third one from the bottom in the box, at the end of March 2020, the overall yield was 16% and the cost of capital was 8%. However, although the overall yield, is exceeding the cost of capital, some are below the

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cost of capital individually. As I mentioned earlier, we sell, in principle, those items that are below the cost of capital.

At the bottom in red colored text, we are reducing strategic shareholdings to less than 10% of consolidated net assets by the end of the next fiscal year, and this has already been announced as our policy.

Contribution to Society ①



Asanuma Social Contributions Basic Policy

In order to realize the ideal form of society as a member of society, each and every employee is aware of their social responsibilities and actively promotes social contribution activities.

Report on activities of sponsoring organizations since FY2019

The Japan Physically Disabled Baseball Federation
National Convention November,2019



The Japan Blind Tennis Federation
Spanish International Convention June,2019
MR.Ohno
Boys in the B1 class win the club
Convention MVP



Nara FM Program, | Akio Okamoto Nara Oku no Oku |
Appearance of public recording September,2020

Next, the President Mr. Asanuma will explain about our social contribution activities.

Asanuma: Please refer to page 16 of the document. We, ASANUMA CORPORATION, are promoting social contribution activities in various fields under the basic policy of social contribution. This year, a variety of activities were restricted due to the COVID-19 pandemic, and the tournament and other events were cancelled in each sport, so I would like to explain the activities taken in last year, instead.

We have been sponsoring the Japan Dream Baseball League and the Japan Blind Tennis Federation, sports organizations for the disabled. In baseball for the physically handicapped, a nationwide selection competition was held in Toyooka, Hyogo Prefecture, and a heated battle was held. The report shows the tournament last November. Blind tennis is a sport originating in Japan and is now being played around the world. A world tournament was held in Spain, with Ohno winning the B1 class men's category.

Next, the "Nara Dotto FM" is an FM station limited to a small area in Nara City. FM stations play an important role, such as building local communities in the event of a disaster. Among them, this station airs a program called "Okamoto Akio no Nara, Oku no Oku", where Professor, Mr. Akio Okamoto, the former shinto priest of Kasuga-taisha shrine, serves as the main personality. I hope that this will help to communicate the history and culture of Nara and help in local disaster prevention activities.

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Other activities



Co-sponsorship and co-operation of Building Construction Student Workshops

Since September, 2016, we have been supporting and dispatching lecturers to workshops where students majoring in Building Construction, environmental, and design are staying in the region.

The photo shows the scene when it was held at Todai-ji Temple in September, 2020.



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Next, please refer to page 17. We co-sponsor and cooperate with workshops for student majoring in architecture. Since 2016, several people have accompanied this activity from our design department. The photographs show the workshop at Todaiji, a temple, which took place from September 15 to 21, 2020.

In the future, as a member of society, we intend to continue to engage in a variety of activities.

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Here are the recent topics of Asanuma group.

- 2020/7/2 Awarded the 17th Public Building Construction Award for Excellence
- 2020/8/3 Acquired JNLA certification
- 2020/8/27 Held technology presentation meetings



"Cosmos Fukiage-kan" Winner of the 17th Public Building Construction Award for Excellence

浅沼組がJNLA認定事業者等に登録
 浅沼組は7月31日、製品評価技術基盤機構（NICTE）が認定する「JNLA認定事業者」に登録された。JNLA認定事業者は、JNLA認定製品を製造・販売する事業者として登録された。浅沼組は、JNLA認定製品を製造・販売する事業者として登録された。浅沼組は、JNLA認定製品を製造・販売する事業者として登録された。

2020/8/3 The Daily Engineering & Construction Newspaper

社長賞など5件
 浅沼組は2020年度の技術発表会を大阪、東京両本店で5日に開いた。社員投票で審査で選ばれた計5件を発表。新型コロナウイルスの感染拡大を防止するため参加人数を絞り、社内ネットワークで発表録像や資料を配信した。

目頭、浅沼組社長は「新型コロナウイルスは、働き方やビジネスに新たな変化をもたらしつつある。コロナ危機後のニューノーマル時代を見据えながら、デジタル技術を活用した新たな働き方やビジネスの要件を的確に満たしていきたい」と語った。

社長賞は「3Dスキャナーを利用した3Dモデル作成とその活用」と「既存地下鉄体の有効活用事例」の2件を担当事者が発表した。優秀賞は「VR強化に向けた外壁タイル張り改修方法の提案」と「河津道路下のボックスカルバートの推進型工」海外製鉄骨を使用する事例の紹介」の3件を報告した。

2020/8/27 The Daily Engineering & Construction Newspaper

Next, please refer to page 18. The picture is a building that won the Awards of Excellence of the Public Building Award.

This award is given every other year to buildings with a high public profile, used by national agencies and local governments. The award is comprehensively evaluated not only from the perspective of building excellence but also from the perspective of contributing to local communities, facility management, and conservation.

This building is a complex in Kounosu City, Saitama Prefecture that consolidates the functions of branches, libraries, museums, children’s halls, and public halls. The building was highly evaluated for its improved and more efficient and convenient residential services.

We put the newspaper articles as our recent topics, which are featuring the Company, so I would be grateful if you could take a look at it.

Now, I would like to conclude the Second Quarter Financial Results Briefing. Thank you very much for your attention.

Moderator: Thank you for your explanation.

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Question & Answer

Moderator: Then, I would like to start the question and answer session.

If you have any questions, I would like you to raise your hand and make a statement. When speaking, I will bring you a microphone, so please speak with a microphone.

The full text of this briefing, including the question and answer section, is scheduled to be transcribed and made available to the public. Therefore, if you mention your company name or your name at the time of the question, it will be open to the public as it is. I kindly ask for your understanding. If you wish to anonymity, do not say your name when you ask a question.

So, is there anyone who have a question?

Matsuhashi: I am Matsuhashi of Strategic Capital. I would like to ask about page seven of the slides.

According to your explanation of the fund investment plan, the Company is continuing to reduce its net cash. You explained that due to the impact of COVID-19 and other factors, the conversion of JPY10 billion to cash for payments to partner companies amounted to JPY14.5 billion.

My question is if you intend to continue to do so in the future? I would like to ask whether net cash will decrease down the road. I think that a 100% cashing ratio means it is impossible to further increase the ratio. Please tell us your image of the future trend in net cash.

Yamakoshi: As you said now, 100% of the payment is made in cash, so there is no more room to increase the ratio of cash payment. In terms of net cash, we believe that we maintain net cash equivalent to two months of monthly sales, which is the level generally deemed adequate in the case of deposit balance.

On the other hand, we have about JPY11 billion of borrowing on a consolidated basis and JPY8 billion on an individual basis. We do not plan to increase this amount at this stage. This is all.

Matsuhashi: Let me continue to ask questions. This concerns shareholding written in page 15, with a red star. It says shareholding will be reduced to less than 10% of the consolidated net assets. I think that the annual average will be just under JPY2 billion or perhaps about that, but I would like you to use the proceeds from the sale to return profits to shareholders.

Will the proceeds of the sale of this shareholding be used for shareholder returns, for example, as a special dividend?

Yamagishi: I cannot say anything about this topic here. We will take it as your opinion. This is all.

Moderator: Thank you very much. Does anybody have any other questions?

Nakayama: My name is Nakayama of Daiwa Asset. Thank you. I also have several questions.

Firstly, I feel bad if this sounds too early, but before developing the idea of the next medium-term plan, in the current medium-term plan, your Company has set a target for the equity ratio, partly due to your Company's intention to strengthen its financial strength. I'm understanding so.

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Thanks in part to the results of efforts so far, the Company will achieve the target of its equity ratio in the range of 40% this year. This 40% level is already higher than that of SHIMIZU CORPORATION. What kind of approach will you take about the capital equity ratio when you consider it again in the medium term in the future?

Please tell us your current basic thinking on whether you think that you have already secured enough soundness, or whether you still have the desire to enhance its financial soundness. First of all, this is the first question.

Yamakoshi: As you have said, we expect to almost achieve an equity ratio in the 40% range under this medium-term plan. The following medium-term management plan will begin on April 1 next year, and I would like to announce the approach we will take regarding capital equity ratio.

I think the ratio of 40% is, generally speaking, an acceptable figure as soundness. This is all.

Nakayama: Thank you very much. We use WACC in our calculations of whether your Company is creating corporate value or not. Therefore, if you intend to further enhance soundness from here on, it is possible that the method of calculating the target stock price will change slightly, and after including this point, I hope that I can hear a good message from you in the next medium-term plan.

Second, I would like to ask you about how to use funds in the next medium-term plan.

In order for your Company to be much highly evaluated, I think that shareholders return is of course an extremely important theme. There is a considerably high expectation that taking advantaging of the funds that have been invested or will be invested in the future, your Company's growth rate and rate of return will produce output that will eventually outperform in the industry.

Looking back at the funds invested in the current medium-term plan, what do you think the results eventually mean to your Company? And based on that, what is the ideas of investing funds like in the next medium-term plan? What do you intend to change to drive mainly their growth, and to improve the accuracy of the investment of funds in relation to business efficiency? I would appreciate it if you could give me some hints as far as possible about that as well.

Yamakoshi: As I have explained, under this medium-term plan we have not been able to invest funds in technology systems or new fields as targeted. In the next medium-term plan, we will continue to introduce the technology systems and new fields that I mentioned earlier.

Regarding WACC, I would like you to check the new plan announced in and after April next year. I think there are various perspectives when evaluating its effects. For example, how much will the investment increase operating income after tax? This is a concept similar to the so-called ROIC, and will it exceed the cost of capital? With such perspectives in mind, we will continue to invest capital, particularly in the areas I have just mentioned. This is all.

Nakayama: Thank you very much. The fact that the planned funds were not used is not entirely a negative factor from my point of view. Your failure to achieve the target despite of the fact that you closely watched ROIC means that the indicators are working very well. We are evaluating that way.

On the other hand, if possible, to the extent possible, if you see any kind of signs of success due to such investment, I would appreciate if you could give us some disclosure or explanation making me possible to expect or monitor the fruits, even if it's a small scale, it will be easier for us to positively support your Company's investment of these funds. I would appreciate it if you could possibly consider such disclosure as well in the future.

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This is the third question. This is rather a request than a question, but, as you are aware, in this investment industry, it has recently become clearer that an increasing amount of funds are poured into ESG investments. Perhaps your Company also has such an idea.

To get into this universe of ESG investments, you need to have a more sophisticated philosophy of ESG, and if possible, you need an ESG strategy that will lead to business opportunity.

In the current situation, looking at disclosure information about your Company's ESG, I understand that there are some aspects of that, but I also believe that a great deal of them is still an extension of CSR as before.

Therefore, in the midst of a drastically changing investment environment surrounding your Company, before the industry starts to aggressively move, I would like your Company to take a lead by disclosing information attracting ESG investments money and contributing to enhancement of corporate value, as well as developing a strategic initiative in the next medium-term plan. Then it will be easier for us to take a positive view of your Company. If possible, I would like to ask you to draw up a medium-term plan that includes those perspectives. This is all.

Moderator: Does anybody have any other questions? No more questions?

Then, we now conclude today's financial results briefing. Thank you for joining us. Thank you very much.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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