



**ASANUMA CORPORATION**

Q2 Financial Results Briefing for the Fiscal Year Ending March  
2020

November 23, 2019

## Event Summary

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<b>[Company Name]</b>	ASANUMA CORPORATION	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q2 Financial Results Briefing for the Fiscal Year Ending March 2020	
<b>[Fiscal Period]</b>	FY2019 Q2	
<b>[Date]</b>	November 22, 2019	
<b>[Number of Pages]</b>	21	
<b>[Time]</b>	09:00 – 09:31 (Total: 31 minutes, Presentation: 26 minutes, Q&A: 5 minutes)	
<b>[Venue]</b>	Kabutocho Heiwa Building 3F 3 <sup>rd</sup> Seminar Room 3-3 Kabutocho Nihonbashi, Chuo-ku, Tokyo 103-0026 (Hosted by The Securities Analysts Association of Japan)	
<b>[Venue Size]</b>	145 m <sup>2</sup>	
<b>[Participants]</b>	20	
<b>[Number of Speakers]</b>	4	
	Makoto Asanuma	President, CEO
	Morio Yamakoshi	Director, Senior Managing Officer
	Seiichiro Ishihara	Executive Officer, Chief Technology Officer
	Yoshimichi Yagi	Corporate Communications Manager

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## Presentation

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**Moderator:** Now, we will hold a briefing on ASANUMA CORPORATION's financial results for the first half of the fiscal year ending March 31, 2020.

First of all, I would like to introduce four people from the Company. Mr. Makoto Asanuma, President and Chief Executive Officer.

**Asanuma:** Asanuma. Thank you very much.

**Moderator:** Mr. Morio Yamakoshi. Representative Director, Senior Managing Officer, Head of President's Office.

**Yamakoshi:** Yamakoshi. Thank you very much.

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

**Ishihara:** Ishihara.

**Moderator:** Mr. Yoshimichi Yagi, General Manager of Corporate Communications Department.

**Yagi:** Yagi. Thank you very much.

**Moderator:** Today, Mr. Asanuma and Mr. Yamakoshi will explain to you. After the explanation, we will hold a question and answer session.

Please start now.

**Asanuma:** I'm Asanuma, President. Thank you for attending.

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## Construction industry

Despite the growing uncertainty in the foreign economy, capital investment in Private construction has been steady due to an increase in consumer spending and improved corporate earnings. Government construction investment is expected to continue to be strong, as economic measures and related budgets are expected to be steadily implemented. However, caution must be exercised in regard to factors that may depress capital investment by Japanese companies, such as postponement and restraint of capital investment due to the slowdown in the Chinese economy caused by trade frictions.

## Construction Investment

Trillion of yen



3

Please refer to page three of the material. First, I will explain the environment surrounding us.

Although the uncertainty surrounding overseas economies is increasing, private construction investment remains firm due to an increase in capital investment resulting from a recovery in personal consumption and improvement in corporate earnings, while government construction investment is expected to remain steady, supported by the government’s economic stimulus measures and the steady implementation of related budgets.

Nevertheless, attention should be paid to such downward pressures as the postponement and restraint of capital investment by Japanese companies due to the slowdown of the Chinese economy caused by the trade friction with the United States.

The graph below shows the latest trends in construction investment. Public investment is trending upward as private investment recovers. Construction investment in FY2019 is forecast to increase 2.1% year-on-year to 62.2 trillion yen as both public and private investments are expected to remain firm. Construction investment is also expected to stay firm in FY2020, totaling 62.7 trillion yen.

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This section introduces the recent topics of Asanuma

- Aug 1 Technology Presentation Meeting
- Oct 16 The Ai-MAP SYSTEM being developed was taken up in the BIMCIM Special Feature.
- Oct 30 Presentation Meeting on Measures to Improve Workplace Productivity



Aug 23 2019



Oct 16 2019



Nov 8 2019

Please refer to page four. I will introduce some recent topics on the Company that have been reported in newspapers.

We held the 12th technology presentation meeting on August 1. This event is held every year to improve technologies, and a newspaper covered the event.

On October 16, an Ai-MAP SYSTEM under development was featured in the same newspaper. The Ai-MAP SYSTEM is a system that quickly and efficiently passes down the skills of skilled workers. This system was adopted by the Ministry of Land, Infrastructure, Transport and Tourism for two consecutive years as a project to introduce and utilize innovative technologies that improve productivity at construction sites.

We also held the first presentation meeting on the initiative for worksite productivity improvement on October 30. This initiative was launched this year, with the aim of strengthening relationships with partner companies. From among productivity improvement measures taken by partner companies and our employees through trial and error at the workplace, we select one President's Award and three Outstanding Awards once a year. This award ceremony was highlighted in the same newspaper.

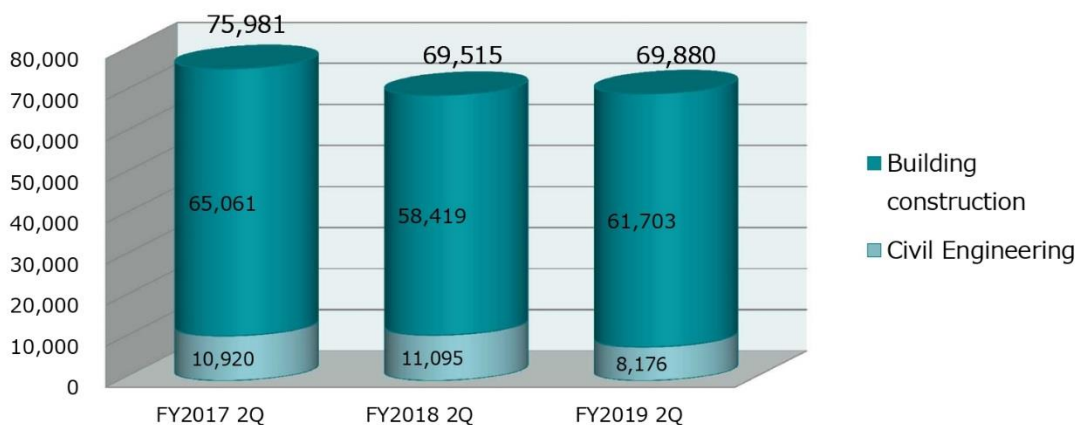
On November 8, we announced our financial results for the first half of the fiscal year ending March 31, 2020. Yamakoshi will explain our financial results and the progress of the current three-year business plan.

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# Orders FY2017 - FY2019 Q2



	FY2017 Q2	FY2018 Q2	FY2019 Q2	YOY
Building construction	65,061	58,419	61,703	3,284
Civil Engineering	10,920	11,095	8,176	△2,919
<b>Total</b>	<b>75,981</b>	<b>69,515</b>	<b>69,880</b>	<b>364</b>

5

**Yamakoshi:** Please open page five. I will explain the order receipts in the first half. Looking at the table below, the second column from the right shows our order receipts in the first half.

There are three categories: construction, civil engineering, and total. The total amount was 69.88 billion yen. I think this was a moderate result. As shown in the year-on-year changes on the right, the total order receipts increased around 360 million yen year-on-year.

Our full-year estimate for order receipts is 134.3 billion yen, down 19 billion yen from the previous fiscal year. I believe that we will be able to achieve the full-year forecast considering the current situation and the accumulation of current projects.

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## FY2019 Q2 Major Orders



( ) JV total (Hundred millions of yen)

	Type of project	Client	Contract price
Building construction	Housing	Kitasuzurandai Ekimae Redevelopment Co., Ltd.	40.0
	Commercial Facilities	Daiwa Lease Co., Ltd.	30.7
	Factory	DMG MORI CO., LTD.	30.5
	Housing	Urban Renaissance Agency	26.5
	Office	Osaka SUBARU Corporation	19.3
	Renovation	Nara City	19.1 (27.3)
	Hotel	THE SANKEI BUILDING CO., LTD.	15.9
Civil engineering	Road	Nagoya Expressway Public Corporation	18.4
	Railway	Nagoya Railroad Co., Ltd.	9.8
	Rainwater Drainage	Yachiyo City	7.0

6

Please refer to page six, which shows a list of major projects received during the first half. We were able to win orders for shopping facilities, condominiums, factories, hotels, etc.

Although the breakdown is not shown in the table, housing accounts for about 30% of our orders, followed by factories, which account for about 10%, hotels, 9%, and stores, 8%.

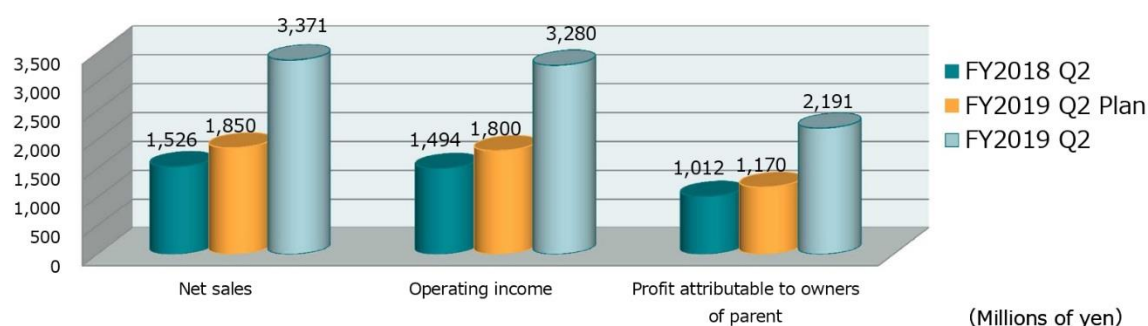
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# Consolidated Statements of Income



	FY2018 Q2	FY2019 Q2 Plan	FY2019 Q2	YOY	Plan ratio
Net sales	54,904	57,000	68,665	13,761	11,665
Operating income (Rate)	1,526 2.8%	1,850 3.2%	3,371 4.9%	1,844 2.1P	1,521 1.7P
Ordinary income (Rate)	1,494 2.7%	1,800 3.2%	3,280 4.8%	1,785 2.1P	1,480 1.6P
Profit attributable to Owners of parent (Rate)	1,012 1.8%	1,170 2.1%	2,191 3.2%	1,179 1.4P	1,021 1.1P

7

Please refer to page seven, which shows consolidated P/L figures. In the table below, the left end figures show the results in the first half of the previous fiscal year. The column in orange shows the planned figures for the first half in review.

Comparisons with the year-before period and the planned figures are also included. As shown in the year-on-year comparison, we achieved year-on-year rises in sales and profits and achieved also the planned figures.

We made more progress in the construction of large-scale projects than we had planned, and a rise in the value of finished projects led to an increase in net sales and profits.

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# FY2019 Q2 Major Net Sales



(Hundred millions of yen)

	Type of project	Client	Net Sales
Building construction	Housing	Daiwa House Industry Co., Ltd. Nankai Fudosan Co., Ltd. Nankai Electric Railway Co., Ltd. ORIX Real Estate Corporation	21.4
	Housing	Panasonic Homes Co., Ltd.	20.1
	Distribution Warehouse	Shimohana Logistics Co., Ltd	19.7
	Distribution Warehouse	TOSOH LOGISTICS CORPORATION	17.6
	Office	Bureau of Transportation Tokyo Metropolitan Government	12.3
	Distribution Warehouse	MANDAI Co., Ltd.	11.8
Civil engineering	Road	West Nippon Expressway Company Limited	12.9
	Bridge	Kanto Regional Development Bureau	4.3

## Completion work



(Saitonooka school)



(Shimohana Logistics Co., Ltd)



(South Wakayama S I C)

Please see page eight. Major projects that include completed construction are listed. The photos below show the projects that were finished in the first half, but the main projects that include completed construction work are shown in the table above.

The figures on the right end of the table above show those for the work completed in the first half. On a contract value basis, most of the projects are large-scale ones in our category that total more than 3 billion yen.

Completed construction work of the projects of more than 3 billion yen on a contract basis accounted for 30% of the total. The progress made in these enabled us to mark the year-on-year increases in net sales and profits and exceed our forecasts.

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# Consolidated Balance Sheets



(Millions of yen)

Assets	FY2018	FY2019 Q2	YOY
Current assets	84,924	80,013	△4,911
Fixed assets	17,075	16,706	△369
Tangible fixed assets	5,333	5,151	△181
Intangible fixed assets	886	1,012	126
Investments and other assets	10,855	10,541	△313
Total	102,000	96,719	△5,280
Liabilities	FY2018	FY2019 Q2	YOY
Current liabilities	51,147	44,280	△6,866
Long-term liabilities	13,386	13,924	537
Total	64,533	58,204	△6,329
Net assets	FY2018	FY2019 Q2	YOY
Total	37,466	38,515	1,048

9

Please refer to page nine. This is the consolidated balance sheet. The figures on the left show the results at the end of the previous year, and to the right of them there are the figures at the end of September. And the changes in the six months are shown in the right end.

The sixth box from the top of the comparisons show that total assets decreased about 5.3 billion yen from the end of the previous fiscal year. While deposits increased by about 3 billion yen, accounts receivable decreased by about 8 billion yen, resulting in a decrease of about 5.3 billion yen.

In addition, as shown in the third row of liabilities, total liabilities decreased by around 6.3 billion yen from the end of the previous fiscal year. While accounts payable decreased by 5.4 billion yen, income taxes payable declined by about 900 million yen, resulting in the decrease of 6.3 billion yen.

Net assets increased by approximately 1 billion yen in the six months. Of profit attributable to owners of parent worth around 2.2 billion yen, dividend payment totaled some 1.1 billion yen, resulting in the increase of 1 billion yen.

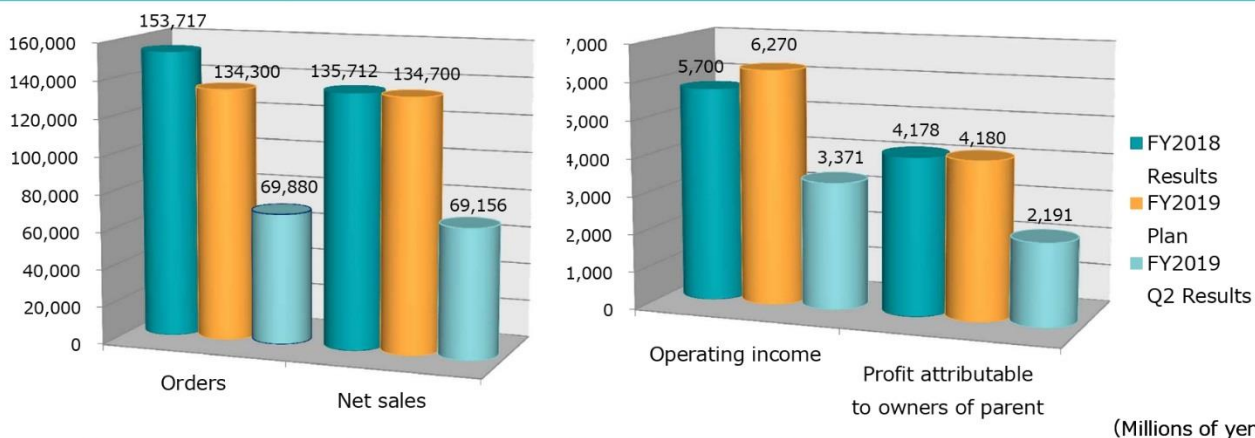
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# FY2019 Earnings forecast



(Millions of yen)

	FY2018 Results	FY2019 Plan	FY2019 Q2 Results	Progress rate
Orders	153,717	134,300	69,880	52.0%
Net sales	135,713	134,700	68,665	51.0%
Operating income	5,700	6,270	3,371	53.8%
Profit attributable to owners of parent	4,178	4,180	2,191	52.4%

10

Please see page 10, the full-year earnings forecasts. The column in orange shows the forecasts for the current fiscal year. To the right there are the half-year results and the progress rates against the full-year estimates.

As you can see, the progress rates of order receipts, sales, operating income, and net income exceeded 50% of the targets, so we think they are in moderate progress. Considering the current situation, we believe that we can achieve the full-year targets.

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## Three-year Medium-term Plan Progress (Numerical planning) ①



(Millions of yen)

	FY2018 Plan	FY2018 Results	Plan ratio	FY2019 Medium-term Plan	FY2019 Plan	YOY	Medium-term plan ratio
Operating income margin	3.8%	4.2%	0.4P	4.6%	4.7%	0.5P	0.1P
Return on Invested Capital (ROIC)	7.0%	8.1%	1.1P	8.4%	8.4%	0.3P	—
Return on equity (ROE)	9.0%	11.5%	2.5P	10.6%	10.6%	△0.9P	—
Equity ratio	36.0%	36.6%	0.6P	41.0%	41.0%	4.4P	—
Cost of capital (WACC)	5.0%	5.1%	0.1P	5.0%	5.1%	—	0.1P

11

Please refer to page 11. The table shows the progress of the targets of proportional indicators in the three-year medium-term plan. The current fiscal year is the second year of the plan.

The left end side of the table shows the targets for the previous year in the medium-term plan. To the right there are the results for the previous year, followed by the comparisons with the targets. As you can see in the comparisons, we achieved the numerical targets for the previous year.

The column in yellow shows the targets for the current year in the medium-term plan and that in orange shows the estimates for the current fiscal year. As the right end column of the comparisons shows, the estimates for the current fiscal year are basically in line with the targets in the medium-term plan.

I mentioned earlier that we were able to achieve our full-year earnings targets, and we also believe we will be able to achieve the targets for these ratios.

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# Three-year Medium-term Plan Progress ②



## Make the construction business even more profitable and competitive

### Joint activities with subcontractors and other partners for improving productivity

- Holding award ceremonies and presentations on measures to improve workplace productivity in cooperation with partner companies.
- President's award
  - "Shortening of construction time by making beam formworks unit"
- Outstanding performance award
  - 3 cases



Presentation of the President's Award

### Enhance renovation

- Renovation branding plan
  - By branding
  - Promoting Differentiation, Strengthening, and Deepening of the Renovation Business of Asanuma
  - ↓
  - "OX is a renovation business brand of Asanuma"
  - Acquire market recognition and create business opportunities

Please see page 12, which briefly shows the progress of measures in the three-year medium-term plan.

There are three pillars in the three-year medium-term plan. One of them is to further strengthen profitability and competitiveness in the construction business. As President Asanuma mentioned at the beginning, raising productivity through collaboration with partner companies and strengthening the relations with them are top priorities, and we are currently undertaking a variety of initiatives.

In the lower part of the page, we showed an outline of a plan to strengthen our renovation business. As to renovation, we expect to see stable construction investment going forward. Naturally, other companies in the industry are focusing their attention on renovation, but we are aiming to secure a competitive edge by launching a unique brand as we believe that renovation is the most remarkable field in the construction business.

Through this brand, we will differentiate, strengthen, and deepen ASANUMA's renovation business, and strive to gain recognition in the market that places ASANUMA as a representative renovation provider. We are currently proceeding with a project so that we can announce a concrete plan in April next year.

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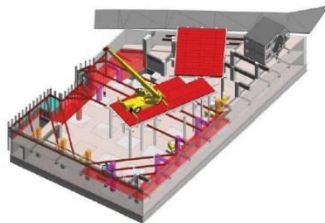
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## Make the construction business even more profitable and competitive

### Raise productivity by using information and communications technology

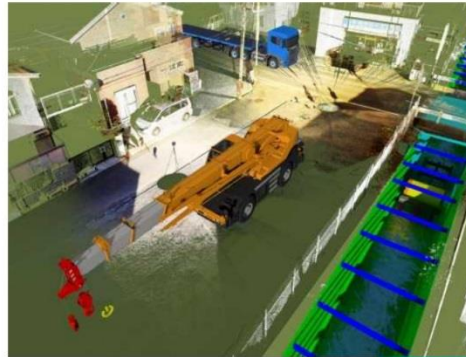
- Start trial of BIM, CIM and other ICT, and actively utilize them in design and construction



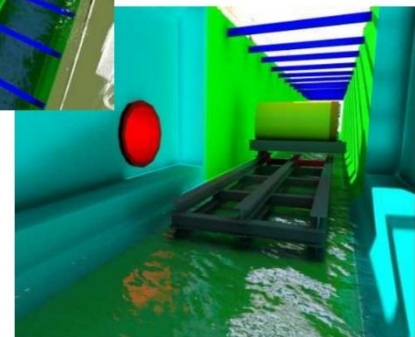
Construction plan



3D scanner measurement



Construction Simulation  
by VR Model



13

Please see page 13. Here are some photos of the improvement in productivity using ICT in the initiative to further strengthen profitability and competitiveness in the construction business.

The drawing at the upper left shows a temporary design plan that incorporates BIM, or building information modeling, and you can see problems that could not be recognized by the drawing alone.

The photo at the bottom left indicates a point data measurement method by a 3D scanner when repairing a tunnel, making the measurement much more time-efficient than the conventional human measurement method.

We are also focusing on virtual reality technologies. By conducting various construction simulations, we identify problems and make safety management effective in advance. The two photographs on the right show the use of virtual reality technologies in a construction simulation for the removal of a shield machine in a sewerage project in Chiba Prefecture.

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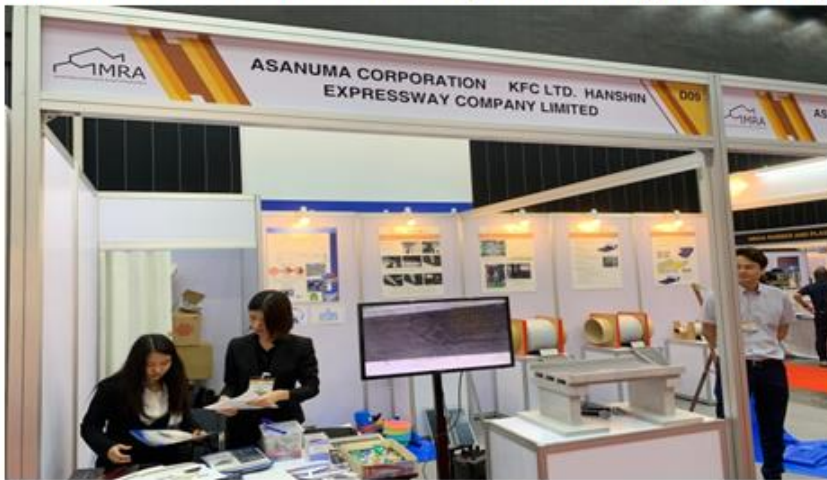
## Add new technologies and start new businesses

### Activities for developing new technologies and construction processes

○ Practical application of special laminated fiber sheets

Jointly developed by Hanshin Expressway Company Limited and KFC Co., Ltd.

[Maintenance & Resilience ASIA 2019] held in Bangkok, the Kingdom of Thailand



JICA (Japan International Cooperation Agency) was selected as a proposal for a project to support SDGs businesses, and aims to win orders for infrastructure repair and reinforcement projects for highways and other infrastructure in the Kingdom of Thailand. The JICA's business meets SDGs's Goal-9



Page 14 shows an example of the second of the three main pillars in the three-year medium-term plan, taking on the challenge of pursuing new technologies and businesses. Special textile sheets, which are useful in repairing expressways and others in a more efficient way, have been adopted in a public solicitation by JICA and are currently being prepared for their practical application in Thailand.

As part of this preparation, we exhibited the sheets at the Maintenance & Resilience Asia 2019 exposition, which was held in Bangkok, Thailand, in October, and the photo shows our booth there. During the three-day exhibition, we received inquiries from various industries and hope to use these opportunities for our business.

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# Three-year Medium-term Plan Progress ⑤



## Build an infrastructure capable of sustained growth

### Create an even stronger corporate governance framework

○Analysis and Evaluation of Effectiveness of the Board of Directors	• <b>Changed By Third party organization(2019)</b>
○Increase the number of outside directors (since June 2019)	•Expected to increase the number of female outside directors (to be appointed as members of the Nomination and Compensation Committees) outside directors to the total number of directors <b>25.0% → 37.5%</b>
○Appropriate Management of the Nomination and Compensation Committees	•Clarification of Criteria for Appointment and Dismissal of Representative Directors •Increase in the number of days held (FY2018 7 times FY2019 6 times) •Ratio of outside directors to all directors <b>50.0% → 60.0%</b>
○Strengthen investor relations activities	•Introduction of Electronic Voting System at General Meetings of Shareholders •Enhancement of English-language disclosure • <b>Briefing session for individual investors (February 2020)</b>

## Plan for investments

### Cash payments to strengthen collaboration with partner companies

○Cash ratio improvement	•From August 2018, the lower limit of the amount of notes issued was changed to 50 million yen or more, and the cash payment ratio was increased. • <b>From January 2020 ,All cash payment</b>
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15

Please refer to page 15. This is the third pillar of the three-year medium-term plan.

Under the establishment of a business foundation that contributes to sustainable growth, the first part focuses on the further strengthening of corporate governance. The first item is the analysis of effectiveness of the Board of Directors. The effectiveness had conventionally been evaluated by the Board of Directors itself, but this year, a third-party organization conducted the evaluation.

The next item: We increased the number of Outside Directors by one, a female Director, as the general meeting of shareholders in June approved an increase in the number of Directors. As a result, as shown here, the ratio of Outside Directors in the Board of Directors accounted for 37.5%, exceeding one third of the total.

As the new Outside Director joined the Nominating and Compensation Committee, Outside Directors in the committee surpassed 50%, as shown by the red letters.

The next item is the strengthening of IR, which is, honestly speaking, our weakest point. As shown by the red letters, we plan to hold a briefing for individual investors in February next year.

Regarding the next part, a fund injection plan promoting cash payment with the aim of strengthening collaboration with partner companies, we decided to raise the ratio of cash payments further. Currently, payments in cash account for around 90%, and we have decided to convert all payments into cash from January next year.

I dare to repeat that reinforcing our ties with partner companies is a top priority, and therefore we will implement this measure.

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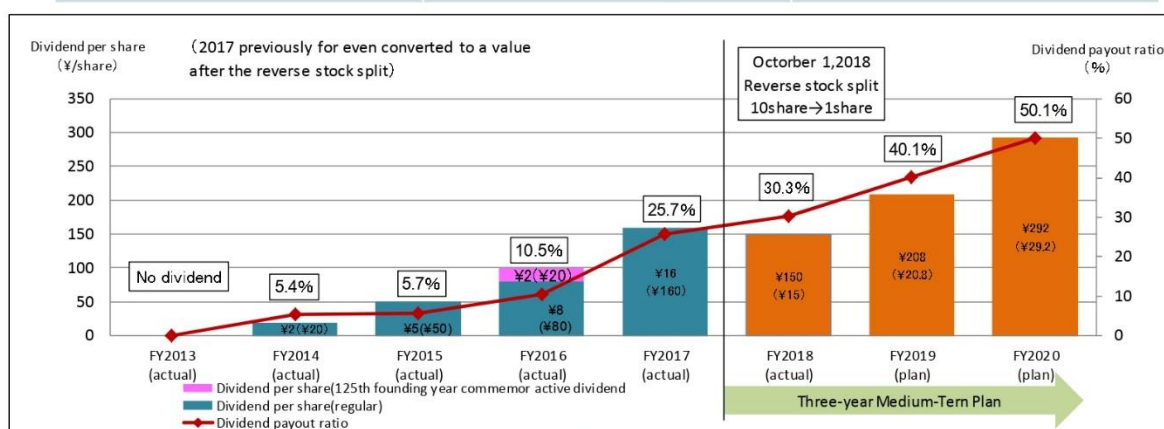
## Return to Shareholders: Revision of dividend payout ratio plan (2019/5/10 Revised)



The Company has revised its plan to achieve a consolidated dividend payout ratio of 30% or more in the first year of the three-year medium-term plan, and to achieve a consolidated dividend payout ratio of 50% or more in the last year of the plan.

In principle, we are aiming to achieve the following consolidated dividend payout ratio.

FY2018 plan	FY2019 plan	FY2020 plan
<b>Over 30%</b>	<b>Over 40%</b>	<b>Over 50%</b>



16

Please refer to page 16. As I mentioned at the last briefing, we reviewed our shareholder return plan and the target dividend payout ratios in the three-year medium-term plan. As shown in the table, the revised target of the payout ratio is on the right side.

In FY2018, annual dividend totaled 153 yen per share with a payout ratio of around 30%. In the current fiscal year, we plan to pay 208 yen per share with a payout ratio of around 40%. Since we were able to achieve the earnings estimates as I mentioned earlier, we are naturally committed to paying the planned dividend as well.

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## Asanuma Social Contribution 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 April 2019

The Japan Physically Disabled Baseball Federation  
May 2019



The Japan Blind Tennis Federation  
Jun 2019

NaraFM Program,  
「Akio Okamoto  
Nara Oku no Oku」  
Apr 2019



Asanuma will explain our social contribution activities.

**Asanuma:** Please see page 17. We promote social contribution activities in a variety of fields based on our basic policy on social contribution.

I would like to introduce some activities during the current fiscal year.

We sponsor the Japan Dream Baseball League for the physically challenged and the Japan Blind Tennis Federation.

The Japan Dream Baseball League held a national tournament in Kobe on May 19-20, and a national selection tournament in Toyooka, Hyogo Prefecture, on November 2-3. The photo on the left shows the opening ball ceremony in May, where I threw the first ball.

Blind tennis is a sport born in Japan and is currently being played around the world. On June 9, a global tournament was held in Spain, where Japanese player Ohno won the B1 Class for men.

Next, Naradotto FM is a FM radio station limited to a small area in Nara City. FM stations play an important role of securing local communication at the time of disaster. The Company sponsors a program called Nara Okunooku. Its main personality is Professor Akio Okamoto, who served as deputy chief priest at the Kasuga Grand Shrine in Nara. We hope that we help activities to communicate the history and culture of Nara and to support local disaster prevention plans.

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This program was awarded the Prize for Excellence in the Information-Culture Category at the JCBA Kinki Community Broadcasting Awards for the current fiscal year. The photo at the bottom right shows public recording at the Heijokyu Izanai-kan in Nara on April 7.

As a member of society, we will continue to engage in a variety of activities.

Now we will close ASANUMA CORPORATION's financial results briefing for the first half of the fiscal year under review. Thank you for your attention.

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## Question & Answer

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**Moderator:** Thank you. We will start a question and answer session. If you have any questions, please raise your hand.

This IR Meeting is scheduled to be posted and published in full, including the question and answer section. Your name and company name will be disclosed if you identify yourself. If you want anonymity, you may omit your name.

**Matsuhashi:** Thank you for your explanation. I am Matsuhashi from Strategic Capital.

Please tell us about the shareholder return policy described on page 16. You said the payout ratio will be 40% or more in FY2019. In which case will the ratio be over 40%?

The net income forecast for the current fiscal year is 520 yen per share, and if the dividend payout ratio is 40%, I think the remaining 60%, or around 312 yen, will be retained earnings. If per-share net income exceeds 520 yen and the 312 yen is deducted from the net income for dividend payment, I guess the payout ratio will be more than 40%.

What do you think about the portion above 40%?

**Yamakoshi:** The dividend forecast for the current fiscal year was not changed at 208 yen per share. However, if net income exceeds the target, the dividend amount may change according to the target payout ratio of 40%.

As I mentioned earlier, we have a fund injection plan of 20 billion yen over the three years under the three-year medium-term plan. It is necessary to consider dividend payments in relation to the fund investment plan.

We believe that it is necessary to use income, cash and funds to be generated by net income for the fund injection plan. So far, we consider paying dividend of 208 yen per share, or 40% of net income. If net income exceeds our target, the dividend amount will change based on the 40% payout ratio.

**Moderator:** Is that all right? Thank you. Does anyone have other questions? Does the Company have anything to add? No?

Now, we are ending ASANUMA CORPORATION's financial results briefing for the first half of the current fiscal year. Thank you very much.

[END]

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### Document Notes

1. Portions of the document where the audio is unclear are marked as follows: [Inaudible].
2. This document has been translated by SCRIPTS Asia.

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