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(Stock Exchange Code 1898)  
June 7, 2021

**To Shareholders with Voting Rights:**

Yoshikazu Taira  
Director, President  
**SEIKITOKYU KOGYO CO., LTD.**  
3-13-16 Mita, Minato-ku, Tokyo, Japan

## **Notice of the 72nd Annual General Meeting of Shareholders**

Dear Shareholders:

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

Please be notified that SEIKITOKYU KOGYO CO., LTD. (the "Company") will hold the 72nd Annual General Meeting of Shareholders for the purposes as described below.

**If you are not attending the meeting, you can exercise your voting rights in writing or via the Internet etc. Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 6:00 p.m. (JST) on Tuesday, June 22, 2021.**

**1. Date and Time:** Wednesday, June 23, 2021 at 10:00 a.m. (JST)

**2. Venue:** ZUIUN, 5F, HOTEL MIELPARQUE TOKYO  
2-5-20, Shibakoen, Minato-ku, Tokyo, Japan

**3. Purpose of the Meeting**

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements, and Audit Reports for the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 72nd fiscal year (from April 1, 2020 to March 31, 2021)
  2. Non-consolidated Financial Statements for the 72nd fiscal year (from April 1, 2020 to March 31, 2021)

**Proposals to be resolved:**

**Company Proposals (Proposals 1 to 3)**

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

**Shareholder Proposals (Proposals 4 and 5)**

- Proposal 4:** Amendment to the Articles of Incorporation Pertaining to Disclosure of Cost of Capital  
**Proposal 5:** Appropriation of Surplus

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**Proposals 4 and No. 5 have been proposed by two shareholders of the Company and the Board of Directors opposes both of the proposals.** The content of each proposal is as shown in the attached Reference Documents for the General Meeting of Shareholders.

- ◎ When attending the meeting, please submit the enclosed voting rights exercise form to the reception desk.
- ◎ Any updates to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and Non-consolidated Financial Statements will be posted on the Company's website.
- ◎ The Business Report, which is included in the documents attached to this Notice, is part of the documents audited by the Audit & Supervisory Board Members, and the Consolidated Financial Statements and Non-consolidated Financial Statements are part of the documents audited by the Accounting Auditor and the Audit & Supervisory Board Members. "System to Ensure the Appropriateness of Operations and Overview of the Operational Status" in the Business Report, "Consolidated Statements of Changes in Shareholders' Equity" and "Notes to the Consolidated Financial Statements," which are part of the Consolidated Financial Statements, and "Non-consolidated Statements of Changes in Shareholders' Equity" and "Notes to the Non-consolidated Financial Statements," which are part of the Non-consolidated Financial Statements, have been posted on the Company's website in accordance with laws and regulations and Article 16 of the Articles of Incorporation of the Company. Please access the website to view these documents.
- ◎ The novel coronavirus infection has been spreading recently. If there are any significant changes to the holding or operation of the General Meeting of Shareholders due to future situations, the Company will make an announcement on its website.

The Company's website: <http://www.seikitokyu.co.jp/>

## Reference Documents for the General Meeting of Shareholders

### Proposals and references

#### Company Proposals (Proposals 1 to 3)

##### Proposal 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as follows.

##### Matters concerning year-end dividends

The Company's basic policy is to provide stable returns to its shareholders continuously, in consideration of the results of operations for the current fiscal year, financial condition, future business environment and other factors, while working to strengthen the business foundation for sustainable growth and maintain and enhance its earning power. In addition, in the Medium-term Management Plan (FY2018 - FY2020), the Company set out its stance on its shareholder return policy, stating that it makes stable and continuous shareholder returns with a target total return ratio of 30%, and made efforts in this regard.

As a result of consideration based on the above policies, the year-end dividend for the current fiscal year shall be as follows.

##### (1) Type of dividend property

Cash

##### (2) Allotment of dividend property to shareholders and its total amount

43 yen per share of common stock of the Company

Total amount of dividends: 1,734,910,938 yen

##### (3) Effective date of dividend from surplus

June 24, 2021

**Proposal 2:** Election of Nine (9) Directors

The terms of office of all nine (9) of the current Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the election of nine (9) Directors.

The candidates for Director are as follows.

No.	Name	Current positions and responsibilities at the Company	Attendance at the Board of Directors meetings in the current fiscal year
1	Toshiaki Sato [Reappointment] [Male]	Representative Director, Chairman	14/14 (100%)
2	Yoshikazu Taira [Reappointment] [Male]	Representative Director, President President, Executive Officer	14/14 (100%)
3	Tsukasa Furukawa [Reappointment] [Male]	Representative Director Senior Managing Executive Officer; General Manager, Business Promotion Division	14/14 (100%)
4	Kazushi Ishida [Reappointment] [Male]	Director Managing Executive Officer, General Manager, Business Administration Division; General Manager, Corporate Planning Department	14/14 (100%)
5	Yuji Ooteki [New appointment] [Male]	Managing Executive Officer, Deputy General Manager, Business Promotion Division; General Manager, Engineering Department	-
6	Tsuneo Iizuka [Reappointment] [Male]	Director	13/14 (93%)
7	Shinya Fukuda [Reappointment] [Outside] [Independent] [Male]	Director	14/14 (100%)
8	Masato Tamura [Reappointment] [Outside] [Independent] [Male]	Director	14/14 (100%)
9	Rena Shimizu [Reappointment] [Outside] [Independent] [Female]	Director	11/11 (100%)

Note: Attendance at the Board of Directors meetings in the current fiscal year indicated for Ms. Rena Shimizu is for the Board of Directors meetings held after her assumption of office on June 23, 2020.

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions
1	<p style="text-align: center;">Toshiaki Sato (May 13, 1950)</p> <p style="text-align: center;">[Reappointment] [Male]</p> <p>Term of office (as of the conclusion of this General Meeting of Shareholders): 17 years</p> <p>Attendance at the Board of Directors meetings: 14/14 (100%)</p> <p>Number of shares of the Company held: 52,935 shares</p>	<p>April 1974      Joined Tokyu Road KK</p> <p>April 1998      General Manager, Accounting Department, the Company</p> <p>June 2004      Director, the Company</p> <p>June 2009      Executive Officer, the Company</p> <p>April 2010      Managing Executive Officer, the Company</p> <p>April 2012      Director, President, the Company</p> <p>April 2012      President, Executive Officer, the Company</p> <p>April 2019      Director, Chairman, the Company (current)</p> <p>[Reasons for nomination as a candidate for Director] Since joining the Company, he had been engaged mainly in the administrative departments, after which he served as the Company's Representative Director, President for seven years, accumulating a wealth of experience in and broad insight into management as a whole. He is currently engaged in the management of the Company as Director, Chairman. The Company renominates him as Director as it believes that he can continue to take charge of management of the Company towards enhancing the corporate value, utilizing the above experience and knowledge.</p>
2	<p style="text-align: center;">Yoshikazu Taira (November 23, 1961)</p> <p style="text-align: center;">[Reappointment] [Male]</p> <p>Term of office (as of the conclusion of this General Meeting of Shareholders): 4 years</p> <p>Attendance at the Board of Directors meetings: 14/14 (100%)</p> <p>Number of shares of the Company held: 37,310 shares</p>	<p>April 1984      Joined the Company</p> <p>April 2011      Executive Officer, the Company</p> <p>April 2011      General Manager, Kanto Branch and Tokyo Branch, Business Promotion Division, the Company</p> <p>April 2015      Managing Executive Officer, the Company</p> <p>April 2017      Deputy General Manager, Business Promotion Division; General Manager, Engineering Department, the Company</p> <p>June 2017      Director, the Company</p> <p>April 2019      Director, President, the Company (current)</p> <p>April 2019      President, Executive Officer, the Company (current)</p> <p>[Reasons for nomination as a candidate for Director] Since joining the Company, he had been engaged mainly in the construction departments, accumulating a wealth of experience in and broad insight into operational management of the construction departments. He then oversaw the business departments as a whole and is currently engaged in the management of the Company as Director, President. The Company renominates him as Director as it believes that he can continue to take charge of management of the Company towards enhancing the corporate value, utilizing the above experience and knowledge.</p>

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	
3	<p>Tsukasa Furukawa (February 7, 1958)</p> <p>[Reappointment] [Male]</p> <p>Term of office (as of the conclusion of this General Meeting of Shareholders): 9 years</p> <p>Attendance at the Board of Directors meetings: 14/14 (100%)</p> <p>Number of shares of the Company held: 35,976 shares</p>	<p>April 1980 April 2008 April 2011 April 2012</p> <p>June 2012 April 2014 April 2018 April 2019</p>	<p>Joined Tokyuu Road KK</p> <p>General Manager, Finance Department, the Company</p> <p>Executive Officer, the Company</p> <p>General Manager, Business Administration Division; General Manager, Corporate Planning Department, the Company</p> <p>Director, the Company (current)</p> <p>Managing Executive Officer, the Company</p> <p>Senior Managing Executive Officer, the Company (current)</p> <p>General Manager, Business Promotion Division, the Company (current)</p>
		<p>[Reasons for nomination as a candidate for Director]</p> <p>Since joining the Company, he had been engaged mainly in the administrative departments, accumulating a wealth of experience in and broad insight into operational management of the Company as a whole. He currently oversees the business departments as a whole as Senior Managing Executive Officer. The Company renominates him as Director as it believes that he can continue to take charge of management of the Company towards enhancing the corporate value, utilizing the above experience and knowledge.</p>	
4	<p>Kazushi Ishida (August 10, 1961)</p> <p>[Reappointment] [Male]</p> <p>Term of office (as of the conclusion of this General Meeting of Shareholders): 2 years</p> <p>Attendance at the Board of Directors meetings: 14/14 (100%)</p> <p>Number of shares of the Company held: 15,958 shares</p>	<p>April 1985 April 2013 April 2018 April 2019 April 2019</p> <p>June 2019</p>	<p>Joined the Company</p> <p>General Manager, Internal Control Department, the Company</p> <p>Executive Officer, the Company</p> <p>Managing Executive Officer, the Company (current)</p> <p>General Manager, Business Administration Division; General Manager, Corporate Planning Department (current)</p> <p>Director, the Company (current)</p>
		<p>[Reasons for nomination as a candidate for Director]</p> <p>Since joining the Company, he had been engaged mainly in the back office, compliance and internal control departments, accumulating a wealth of experience in and broad insight into management and administration of the Company. He currently oversees the administrative departments as Managing Executive Officer. The Company renominates him as Director as it believes that he can continue to take charge of management of the Company towards enhancing the corporate value, utilizing the above experience and knowledge.</p>	
5	<p>Yuji Ooteki (May 1, 1964)</p> <p>[New appointment] [Male]</p> <p>Number of shares of the Company held: 10,664 shares</p>	<p>April 1988 April 2016 April 2017 April 2020</p> <p>April 2021 April 2021</p>	<p>Joined the Company</p> <p>General Manager, Kyushu Branch, the Company</p> <p>Executive Officer, the Company</p> <p>General Manager, Engineering Department, Business Promotion Division, the Company (current)</p> <p>Managing Executive Officer, the Company (current)</p> <p>Deputy General Manager, Business Promotion Division, the Company (current)</p>
		<p>[Reasons for nomination as a candidate for Director]</p> <p>Since joining the Company, he had been engaged mainly in the construction departments, accumulating a wealth of experience in and broad insight into operational management of the construction departments. He currently oversees the construction business as Managing Executive Officer. The Company nominates him as Director as it believes that he can take charge of management of the Company towards enhancing the corporate value, utilizing the above experience and knowledge.</p>	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions
6	<p style="text-align: center;">Tsuneo Iizuka (August 5, 1948)</p> <p style="text-align: center;">[Reappointment] [Male]</p> <p>Term of office (as of the conclusion of this General Meeting of Shareholders): 11 years</p> <p>Attendance at the Board of Directors meetings: 13/14 (93%)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>April 1971      Joined TOKYU CONSTRUCTION CO., LTD.</p> <p>June 2004      Managing Executive Officer, TOKYU CONSTRUCTION CO., LTD.</p> <p>June 2006      Director, Managing Executive Officer, TOKYU CONSTRUCTION CO., LTD.</p> <p>June 2009      Director, Senior Managing Executive Officer, TOKYU CONSTRUCTION CO., LTD.</p> <p>April 2010      Director, President, TOKYU CONSTRUCTION CO., LTD.</p> <p>June 2010      Director, the Company (current)</p> <p>June 2018      Director, Chairman, TOKYU CONSTRUCTION CO., LTD. (current)</p> <p>(Significant concurrent positions) Representative Director, Chairman, TOKYU CONSTRUCTION CO., LTD.</p> <p>[Reasons for nomination as a candidate for Director] The Company renominates him as Director as he serves as Representative Director, Chairman of TOKYU CONSTRUCTION CO., LTD., and believes that he can provide valuable guidance and advice regarding management as a whole as well as continue to appropriately oversee the execution of duties of the Company based on a wealth of experience in and broad insight into the construction industry. While there are transactional relationships between TOKYU CONSTRUCTION CO., LTD. and the Company regarding construction contracts, etc., the Company has no special terms and conditions or other business constraints with the said company. Net sales from the said company accounted for less than 2% of consolidated total net sales of the Company for the year ended March 31, 2021.</p>
7	<p style="text-align: center;">Shinya Fukuda (February 26, 1944)</p> <p style="text-align: center;">[Reappointment] [Outside] [Independent] [Male]</p> <p>Term of office (as of the conclusion of this General Meeting of Shareholders): 5 years</p> <p>Attendance at the Board of Directors meetings: 14/14 (100%)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>September 1966      Joined CPA Hiroshi Kawakita Office</p> <p>January 1971      Joined Tohmatsu Awoki &amp; Co. (currently Deloitte Touche Tohmatsu)</p> <p>March 1971      Registered as Certified Public Accountant</p> <p>May 1987      Representative Partner, Tohmatsu Awoki &amp; Co.</p> <p>July 1992      Executive Board Member, The Japanese Institute of Certified Public Accountants</p> <p>July 2007      Member, Securities and Exchange Surveillance Commission, Financial Services Agency</p> <p>December 2013      Established CPA Shinya Fukuda Office (current)</p> <p>June 2016      Director, the Company (current)</p> <p>(Significant concurrent positions) Certified Public Accountant Audit &amp; Supervisory Board Member (Outside Audit &amp; Supervisory Board Member), Kitoku Shinryo Co., Ltd.</p> <p>[Reasons for nomination as a candidate for Outside Director and overview of the expected role] The Company renominates him as Outside Director as it believes that he can provide valuable guidance and advice regarding management as a whole as well as continue to appropriately oversee the execution of duties of the Company from an independent standpoint based on a technical perspective and a high level of insight backed by his deep knowledge and a wealth of experience in corporate accounting as a certified public accountant. He had been involved in the accounting audit of the Company up to the year ended March 31, 2002 as a Representative Partner of Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC), which had been the accounting auditor of the Company until June 2007, and therefore has insight into the Company's management.</p>

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions
8	<p>Masato Tamura (August 3, 1946)</p> <p>[Reappointment] [Outside] [Independent] [Male]</p> <p>Term of office (as of the conclusion of this General Meeting of Shareholders): 5 years</p> <p>Attendance at the Board of Directors meetings: 14/14 (100%)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>July 1971      Joined Ministry of Construction</p> <p>June 1991      Director, Land Division, Kanto Regional Development Bureau, Ministry of Construction</p> <p>July 1997      Deputy Director General, National Land Agency</p> <p>July 1998      Executive Board Member, Japan Parking Facilities Promotion Organization</p> <p>June 2002      Managing Director, West Japan Construction Surety Co., Ltd.</p> <p>April 2013      Chief Executive, National Housing Industry Association</p> <p>June 2016      Director, the Company (current)</p> <p>(Significant concurrent positions) Director (Outside Director), NISSHIN GROUP HOLDINGS Company, Limited</p> <p>[Reasons for nomination as a candidate for Outside Director and overview of the expected role] The Company renominates him as Outside Director as it believes that he can provide valuable guidance and advice regarding management as a whole as well as continue to appropriately oversee the execution of duties of the Company from an independent standpoint based on a wealth of experience and broad insight backed by his experience engaging in a broad range of operations including social capital development in the administrative fields.</p>
9	<p>Rena Shimizu (July 3, 1973)</p> <p>[Reappointment] [Outside] [Independent] [Female]</p> <p>Term of office (as of the conclusion of this General Meeting of Shareholders): 1 year</p> <p>Attendance at the Board of Directors meetings: 11/11 (100%)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>April 1996      Joined Recruit Cosmos Co., Ltd.</p> <p>January 2002    Joined Manpower Japan Co., Ltd.</p> <p>January 2008    Joined COACH A Co., Ltd.</p> <p>June 2010      Opened Rena Shimizu Office</p> <p>February 2012   Established CHANCE for ONE Co., Ltd.</p> <p>February 2012   Director, President, CHANCE for ONE Co., Ltd. (current)</p> <p>June 2020      Director, the Company (current)</p> <p>(Significant concurrent positions) Representative Director, President, CHANCE for ONE Co., Ltd.</p> <p>[Reasons for nomination as a candidate for Outside Director and overview of the expected role] As an expert on women's empowerment and a corporate manager, she provides consultation to companies and local governments, gives lectures, and conducts diverse activities. The Company renominates her as Outside Director as it believes that she can provide valuable guidance and advice regarding management as a whole, including diversity, as well as continue to appropriately oversee the execution of duties of the Company from an independent standpoint based on a wealth of experience and broad insight.</p>

- Notes: 1. The number of shares of the Company held by each of the Director candidates is as of March 31, 2021, and includes each candidate's shareholdings in Seikitokyu Officers' Shareholding Association and Seikitokyu Employees' Shareholding Association.
2. Tsuneo Iizuka concurrently serves as Representative Director, Chairman of TOKYU CONSTRUCTION CO., LTD., and there are transactional relationships between TOKYU CONSTRUCTION CO., LTD. and the Company regarding construction contracts, etc. In addition, said company is engaged in a business that belongs to the same business category as the Company.  
There are no special interests between other Director candidates and the Company.
3. Shinya Fukuda, Masato Tamura and Rena Shimizu are Outside Director candidates.
4. The Company has entered into a liability limitation contract with Tsuneo Iizuka, Shinya Fukuda, Masato Tamura and Rena Shimizu to limit the liability for damages provided in Article 423, Paragraph 1 of the Companies Act. The limit of liability under the above contract shall be the amount stipulated in laws and regulations. The Company plans to renew this contract when the reelection of each of the candidates is approved.
5. The Company has entered into a directors and officers liability insurance contract, as stipulated in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company. The said insurance contract covers damages that may arise when compensation for damages and litigation expenses are to be borne by the insured in the event that a claim for damages is filed due to an act committed (including failure to act) by the insured in execution of his/her duties. However, damages caused as a result of any criminal act or willful misconduct committed by the insured are outside the scope of the insurance coverage so as not to compromise the appropriateness of execution of duties. The insurance premiums are fully borne by the Company. Each Director candidate will be the insured under the said insurance contract.
6. The Company has designated Shinya Fukuda, Masato Tamura and Rena Shimizu as independent director/auditor based on the rules of Tokyo Stock Exchange, Inc. and notified the Exchange as such.



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

The term of office of Masayuki Koide will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the election of one (1) Audit & Supervisory Board Member.

The consent of the Audit & Supervisory Board has been obtained in advance for this proposal.

The candidate for Audit & Supervisory Board Member is as follows.

Name (Date of birth)	Career summary, positions and significant concurrent positions
<p>Masayuki Koide (April 1, 1957)</p> <p>[Reappointment] [Male]</p> <p>Term of office (as of the conclusion of this General Meeting of Shareholders): 4 years</p>	<p>April 1981      Joined Tokyu Road KK</p> <p>April 2008      General Manager, Internal Control Department, the Company</p> <p>April 2013      General Manager, Finance Department, Business Administration Division, the Company</p> <p>June 2017      Full-time Audit &amp; Supervisory Board Member, the Company (current)</p>
<p>Attendance at the Board of Directors meetings: 14/14 (100%)</p> <p>Attendance at the Audit &amp; Supervisory Board meetings: 13/13 (100%)</p> <p>Number of shares of the Company held: 7,242 shares</p>	<p>[Reasons for nomination as a candidate for Audit &amp; Supervisory Board Member] Since joining the Company, he had been engaged mainly in the compliance and internal control departments, accumulating abundant knowledge and experience in the overall management and administration of the Company. He has served in positions such as General Manager of the Finance Department of the Company and has considerable knowledge in finance and accounting. The Company renominates him as Audit &amp; Supervisory Board Member as it believes that he can continue to appropriately perform his duties as an Audit &amp; Supervisory Board Member based on his expertise mentioned above.</p>

- Notes:
1. The number of shares of the Company held by the Audit & Supervisory Board Member candidate is as of March 31, 2021, and includes the candidate's shareholdings in Seikitokyu Officers' Shareholding Association.
  2. There is no special interest between the Audit & Supervisory Board Member candidate and the Company.
  3. The Company has entered into a directors and officers liability insurance contract, as stipulated in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company. The said insurance contract covers damages that may arise when compensation for damages and litigation expenses are to be borne by the insured in the event that a claim for damages is filed due to an act committed (including failure to act) by the insured in execution of his/her duties. However, damages caused as a result of any criminal act or willful misconduct committed by the insured are outside the scope of the insurance coverage so as not to compromise the appropriateness of execution of duties. The insurance premiums are fully borne by the Company. The Audit & Supervisory Board Member candidate will be the insured under the said insurance contract.

[Reference] Management structure following the approval and resolution of Proposals 2 and 3 as originally proposed (scheduled)

Name	Position	Outside Officer	Nomination and Compensation Committee	Areas where officers have particular expertise and experience										
				Non-engineering field	Engineering field	Business administration	Construction	Products	Management experience	Legal affairs / compliance	Administrative experience	Finance / accounting	Human resources / labor affairs	Empowerment of women
Toshiaki Sato	Representative Director, Chairman		○	●		●		●	●			●	●	
Yoshikazu Taira	Representative Director, President, President, Executive Officer		○		●		●		●					
Tsukasa Furukawa	Representative Director Senior Managing Executive Officer			●		●		●			●	●		
Kazushi Ishida	Director Managing Executive Officer			●		●	●				●			
Yuji Ooteki	Director Managing Executive Officer				●		●							
Tsuneo Iizuka	Director				●		●		●					
Shinya Fukuda	Director	◎	◎								●	●		
Masato Tamura	Director	◎	○						●		●			
Rena Shimizu	Director	◎	○						●				●	●
Masayuki Koide	Full-time Audit & Supervisory Board Member			●		●	●				●			
Yoshihiko Suzuki	Full-time Audit & Supervisory Board Member	○			●		●							
Yoichi Saito	Audit & Supervisory Board Member	◎									●			
Yukio Ono	Audit & Supervisory Board Member	◎										●		

- Notes: 1. ◎ in the “Outside Officer” column indicates that the person is an independent director/auditor.  
2. ◎ in the “Nomination and Remuneration Committee” column indicates that the person chairs the committee.

## Shareholder Proposals (Proposals 4 and 5)

Proposals 4 and 5 are based on proposals from two shareholders (hereinafter referred to as “Proposing Shareholders”).

### **Proposal 4:** Amendment to the Articles of Incorporation Pertaining to Disclosure of Cost of Capital

#### 1. Details of proposal

The following chapter and article shall be added to the current Articles of Incorporation.

#### Chapter 7 Cost of Capital

Article 42 In the report on corporate governance (hereinafter referred to as “the CG report”) submitted by the Company to the Tokyo Stock Exchange, the Company shall within one month before the date of submission of the CG report disclose the ascertained weighted average cost of capital together with the basis for its calculation.

#### 2. Reason for proposal

The Company’s share price has been valued at only around the liquidation value. However, the ROE for the fiscal year ended March 31, 2020, excluding the impact of tax loss carried forward and extraordinary income/loss, was 12.2% and the forecast ROE for the fiscal year ended March 31, 2021, excluding the impact of tax loss carried forward and extraordinary income/loss, is 14.1%, which are at a high level.

Meanwhile, in its opinion opposing the proposal concerning the disclosure of cost of capital proposed by the Proposing Shareholder at the last year’s Annual General Meeting of Shareholders, the Board of Directors of the Company stated: “ROE ... has been disclosed and targeted at 11.7% (after amendment on May 9, 2019), which exceeds the Company’s projected cost of capital,” and indicates that the Company’s cost of capital is lower than 11.7%. Therefore, the ROE calculated above in this proposal exceeds the cost of capital projected by the Company’s Board of Directors.

Nevertheless, the Company’s share price has been valued at only around the liquidation value. The reason for that is considered to be that the cost of capital expected by the stock market is higher than the Company’s cost of capital projected by the Company’s Board of Directors. Therefore, it is highly likely that the Board of Directors has not accurately identified the Company’s cost of capital.

A possible decline in future ROE is expected due to the Company’s capital policy, under which the Company continues to maintain a low payout ratio, and to further increase equity. Moreover, in relation to repeated violation of the Antimonopoly Act, the Company received Cease and Desist Orders and Surcharge Payment Orders from the Japan Fair Trade Commission, was subject to suspension of business by the order of the Ministry of Land, Infrastructure, Transport and Tourism, and was debarred from bidding by East Nippon Expressway (NEXCO EAST) etc. consecutively. As a result, investors are aware of the risks associated with holding shares in the Company and the stock market is concerned about the Company’s business performance. It is considered that such awareness in the market is reflected in the gap between the cost of capital projected by the Company’s Board of Directors and the cost of capital expected by the stock market because the Company’s Board of Directors is unaware of these issues although the cost of capital has risen to the same level as that of the ROE.

“Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans” of the “Corporate Governance Code” attached in the Securities Listing Regulations and Related Rules of the Tokyo Stock Exchange requires management to accurately identify the company’s cost of capital. This means that the Company’s management is also required to formulate and verify business plans and capital policies, etc., after accurately ascertaining the weighted average cost of capital (WACC) based on the Company’s cost of capital. The disclosure of the weighted average cost of capital also allows for a dialogue between the Company’s management and investors, including shareholders, based on common metrics. The Proposing Shareholder believes that disclosing the cost of capital in this way can improve the low valuation of its common shares in the stock market.

However, regarding last year’s shareholder proposal relating to the disclosure of the cost of capital, the Board of Directors of the Company stated: “the Company ... believes it is important ... to provide economic value in a stable manner that exceeds the cost of capital over the medium to long term.” However, the Board opposed the proposal, arguing that “the disclosure of the cost of capital should be decided after careful consideration by the Board of Directors, ... , while also taking into account the content of dialogue with investors and other factors.” Since then, the Company has not taken any action regarding the disclosure of the cost of capital. We are having a very hard time understanding why the Company does not take any action despite the possibility that the Company’s Board of

Directors has not accurately identified the Company's cost of capital, as mentioned at the beginning of this proposal. If the Company is aware that the cost of capital is an important numerical management target, it should disclose the cost of capital.

Company Note: The above is a description of the details of the proposal and the reason for the proposal in the shareholder proposal submitted by a Proposing Shareholder.

### **Opinion of the Board of Directors**

#### **The Board of Directors of the Company opposes this proposal.**

As the Company's corporate philosophy is "creating infrastructure for living that contributes to the creation of a prosperous community," the Company aims to improve corporate value over the medium to long term by realizing healthy sustainability and continuous growth. In terms of return on capital as well, the Company does not pursue high figures in the short term, but instead believes it is important to strike a good balance between ongoing investment and financial soundness and to provide economic value in a stable manner that exceeds the cost of capital over the medium to long term.

To reflect this concept in management, the Company has striven to ascertain the cost of capital as a reference mainly in important investment decisions and the formulation of its Medium-term Management Plan. In the "Medium-term Management Plan (FY2021 - FY2023)" beginning its first year in the fiscal year ending March 31, 2022, the Company has clarified its orientation of aiming to continuously maintain a positive equity spread, taking into account the content of dialogue with shareholders and investors, and has disclosed the estimated value of the cost of capital that the Company recognizes as a prerequisite.

While the shareholder proposal seeks, in the CG report, to establish a new chapter and article in the Articles of Incorporation regarding the Company disclosing the ascertained weighted average cost of capital together with the basis for its calculation within one month of the date of submission of the report, the Company believes that the contents of this proposal should not necessarily be stipulated in the Articles of Incorporation. Taking into account the content of dialogue with shareholders and investors and other factors, the cost of capital has already been disclosed to a certain extent in the "Medium-term Management Plan (FY2021 - FY2023)." However, the Company believes that the disclosure of the cost of capital should be decided after careful consideration by the Board of Directors, including the pros and cons, timing and method of disclosure.

Therefore, the Company judges that it is not appropriate to add such article in the Articles of Incorporation.

Note: The Company has posted on its website regarding its approach to "management taking into consideration costs of capital" (in Japanese). Please refer to the website as well.

## **Proposal 5: Appropriation of Surplus**

### **1. Details of proposal**

#### **(1) Type of dividend property**

Cash

#### **(2) Allotment of dividend property to shareholders and its total amount**

The amount of dividend per share of common stock calculated by deducting the amount of dividend per share of common stock (hereinafter referred to as the “Company-proposed Dividend Amount”) based on the proposal regarding appropriation of surplus proposed by the Board of Directors of the Company, which was approved at the 72nd Annual General Meeting of Shareholders (hereinafter referred to as the “Company Proposal Regarding Profit Appropriation”), from 143 yen, shall be distributed together with the Company-proposed Dividend Amount.

If the amount of earnings per share of the 72nd term rounded down to the decimal point (hereinafter referred to as “Actual EPS”) differs from 143 yen, the 143 yen in the preceding paragraph shall be deemed Actual EPS.

The total amount of dividends shall be the above-mentioned dividend per common share multiplied by the number of shares subject to dividends as of the record date of the voting rights for the 72nd Annual General Meeting of Shareholders of the Company.

#### **(3) Effective date of dividend from surplus**

The day after the 72nd Annual General Meeting of Shareholders of the Company

This proposal is independent of and compatible with the Company Proposal Regarding Profit Appropriation, if such proposal is proposed at the 72nd Annual General Meeting of Shareholders.

### **2. Reason for proposal**

The 143 yen stated in “2. Details of Proposal, 2. Appropriation of Surplus” is the amount of the Company’s latest earnings per share forecast as of April 23, 2021. This proposal proposes to pay out all of the profit regardless of the Company’s proposed dividends per share by the Company. This proposal does not only propose a cash dividend of 143 yen for the fiscal year ended March 31, 2021, but, as described below, is made in the expectation that the Company will adopt the payout ratio of 100% continuously as its medium- to long-term capital policy from now on.

As of March 31, 2020, the Company’s equity ratio was 49.1%. As of March 31, 2016, the Company’s equity ratio rose to 36.9%, rising above the 32.3% as of March 31, 1992 for the first time in 24 years, and to an even higher level as of March 31, 2020. Furthermore, in the Medium-term Management Plan announced in May 2018 (hereinafter referred to as the “MTMP”), the Company set a numerical target of increasing equity by more than 40% over the three years from the end of March 2017. We believe that such capital policy only damages shareholder value, and have been repeatedly requesting the Company to implement a policy to increase ROE and improve shareholder value by increasing interest-bearing debt, that is, by increasing leverage. The period covered by the MTMP is until the fiscal year ended March 31, 2021, but if the Company continues the same capital policy as that in the MTMP from the fiscal year ending March 31, 2022 onward, ROE will continue to decline in the future as equity further accumulates and leverage declines due to the low payout ratio.

If the Company increases equity further, ROE will only decrease. Returning surplus funds to shareholders will raise shareholder value and, consequently, lead to an increase in the share price, so dividends from surplus should be greatly increased. We propose that the Company clarify that it will not accumulate equity over the medium to long term by adopting the payout ratio of 100% as the Company’s capital policy not only for the 72nd fiscal year but also for subsequent fiscal years.

As of December 31, 2020, the Company had cash and deposits of about 19.1 billion yen and interest-bearing debt of no more than about 5.1 billion yen. The amount obtained by deducting interest-bearing debt from cash and deposits (hereinafter referred to as “net cash”) was about 14.0 billion yen, and considering that net cash at the end of March 2016 was approximately 6.0 billion yen, net cash increased significantly. Accordingly, even if the proposed appropriation of surplus is implemented, the total amount of dividends would be within the scope of profit, and therefore the Company’s levels of net cash and equity would not change significantly, and the Company’s financial condition would remain healthy.

Detailed explanation of the above proposal is available from April 28, 2021 onward at <https://proposal-for-seikitokyu-from-sc-2021.com/english> or the specially prepared site links in the upper right corner of the Strategic Capital, Inc. website <https://stracap.jp/english/>. The Company’s figures stated in our proposal are all based on the consolidated financial statements.

**Company Note:** The above is the description of the details of the proposal and the reason for the proposal in the shareholder proposal submitted by another Proposing Shareholder. “2. Details of Proposal, 2. Appropriation of Surplus” refers to “Proposal 5: Appropriation of Surplus, 1. Details of proposal.”

## **Opinion of the Board of Directors**

### **The Board of Directors of the Company opposes this proposal.**

As the Company's corporate philosophy is "creating infrastructure for living that contributes to the creation of a prosperous community," the Company is aware that continuous investment and ensuring financial soundness are indispensable for it to secure healthy sustainability and continuous growth and thereby increase corporate value over the medium to long term. Accordingly, the Company's basic policy in its capital policy is to strive to maintain necessary shareholders' equity while taking into account the balance between capital efficiency and shareholder returns.

In addition, with regard to the distribution of profits, the Company has a basic policy of implementing stable and continuous shareholder returns while comprehensively taking into account the business results for the current fiscal year, financial condition, future business environment, etc., while strengthening the management base for sustainable growth and maintaining and improving profitability. The Company defined its policy on shareholder returns in the Medium-term Management Plan (FY2018 - FY2020) concluded in the fiscal year ended March 31, 2021 as "stable and continuous shareholder returns with a target total return ratio of approximately 30%," and made efforts in this regard.

Based on these policies, the Company's proposal "Proposal 1: Appropriation of Surplus" states that the year-end dividend for the year ended March 31, 2021 shall be 43 yen per share (total return ratio of 33.5%).

In the "Medium-term Management Plan (FY2021 - FY2023)" beginning in the fiscal year ending March 31, 2022, the Company revised its policy on shareholder returns to "stable and continuous shareholder returns with a target payout ratio of approximately 30% and a target total return ratio of 50% or higher" and will strive to further enhance shareholder returns.

As announced on May 21, 2021, based on the above policies, the Company intends to purchase its own shares within fiscal 2021 at a maximum total cost of 2.5 billion yen or up to 3.5 million shares for the purpose of enhancing shareholder returns and improving capital efficiency, taking into account the operating results and the situation regarding improvement of the financial condition during the period covered by the "Medium-term Management Plan (FY2018 - FY2020)."

On the other hand, the shareholder proposal proposing the payment of the full amount of profit as dividends for the year ended March 31, 2021 is a short-term perspective that does not take into account future changes in the business environment and the need for ongoing business investment. As a result, the Company believes there is a risk of damaging shareholder interests.

Therefore, from the viewpoint of realizing healthy sustainability and continuous growth and thereby increase corporate value over the medium to long term, the Company judges that it is not appropriate to dispose of surplus as in the shareholder proposal.