

December 18, 2020

To Whom It May Concern,

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO
Attention: Dan Kato, Director
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**Re: Action to pursue liability for damages against
Representative Directors etc. of SEIKITOKYU KOGYO CO., LTD. (1898)**

Strategic Capital, Inc. is under a discretionary investment management contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (Fund) and is a shareholder of SEIKITOKYU KOGYO CO., LTD. (Seikitokyu or Company).

As stated in the October 14, 2020 Press Release titled “Request for action to pursue liability for damages against Representative Directors etc. of SEIKITOKYU KOGYO CO., LTD. (1898)”, the Fund sent a written letter to the Audit & Supervisory Board of the Company requesting the Company to file a proceeding to pursue liability for damages against the four directors and former directors (“Directors”) named below. As the Fund subsequently received a Notification that the Company would not prosecute the Directors, on December 18 2020, it has filed a shareholder lawsuit against the Directors. Please see below for an outline of the damages and the reasons for filing the proceeding.

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1. Outline of Damages Suffered

On July 30, 2019, the Japan Fair-Trade Commission (JFTC) issued a cease-and-desist order and ordered Seikitokyu to pay a surcharge of 2,897.81 million yen after they found the Company was in violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antitrust Act) through conducting a price cartel to increase the selling price of asphalt mixtures (Price Cartel). Seikitokyu has filed a suit with the JFTC seeking cancellation of 1,063.64 million yen of the surcharge. Since the Company is not disputing the remaining

1,834.17 million yen, it can be said that they are admitting to having committed the act that violated the Antitrust Act and that said amount has been acknowledged as the damages to the Company.

2. Details on the defendants and amount of liability

Regarding the above-mentioned surcharge 1,837.17 million yen, taking into consideration the term of office, the Directors named below are liable for the following damages.

<Defendant Name and Amount of Liability>

Toshiaki Sato, Representative Director	(Amount: 1,732.27 million yen)
Masahiro Sasaki, Former Director	(Amount: 1,579.42 million yen)
Kimio Hiramoto, Director	(Amount: 1,579.42 million yen)
Kazuhiko Saito, Former Director	(Amount: 1,834.17 million yen)

3. Regarding Chairman Sato's Duty of Care as a Prudent Manager

The JFTC has found the period for which the Price Cartel was in operation was from at least March 2011 to January 27, 2015. However, even before March 2011, there is evidence of multiple prior acts that violate the Antitrust Act or would be considered criminal collusion. Defendant Sato was appointed a Director of the Company on June 2004 and also served as a Manager of Internal Controls Promotions Office since April 2007, so was well aware of these prior violations. However, after assuming the role of a Representative Director in April 2012, he did not propose or immediately take measures that would help prevent further violations such as in-house leniency system or compliance training for sales (both of which were implemented in 2016). Therefore, Defendant Sato, by not establishing a management system for legal compliance, did not fulfill his Duty of Care as a Prudent Manager as a Representative Director.

If Defendant Sato had proposed such measures immediately upon becoming Chairman, it can be said the Antitrust violations may not have been committed (or at least stopped) and the Company would not have been ordered to pay the surcharge.

4. Regarding Sasaki, Hiramoto and Saito's Duty of Care as a Prudent Manager as a Director

Defendant Sasaki either attended the price cartel meeting ("the Nine Table") in person, or if another person attended, received the reports on the price fixes. Following the meeting, Defendant Sasaki, who was a Director at the time, instructed the Company to raise the price

according to what was decided upon by the Nine Table. In addition to such instruction by Defendant Sasaki, internal notification came from the Business Development Department for particularly important decisions signed and stamped by Defendants Saito, Hiramoto, and Sasaki whose positions were general manager or assistant general manager of the department.

As can be seen above, the three Defendants were the executors of the Antitrust Act and in their role as Director violated their respective Duty of Care as a Prudent Manager.

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