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To Our Shareholders:

June 3, 2022
Osamu Takahashi, President, Representative Director
NAGAWA Co., Ltd.
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Notice of the 58th Ordinary General Meeting of Shareholders

You are cordially notified the 58th Ordinary General Meeting of Shareholders of NAGAWA Co., Ltd. (the “Company”) will be held as indicated below.

If you are unable to attend, voting rights may be exercised in writing. After reviewing the Reference Documents for the General Meeting of Shareholders presented hereinafter, please exercise your voting rights by indicating “for” or “against” for each agenda item on the enclosed Voting Rights Exercise Form, and mail it for receipt no later than 5:00 p.m. (JST) on Monday, June 20, 2022. In addition, voting rights may be exercised via the Internet, and when using the voting rights exercise website on your computer or smartphone, following the guidance on the site, please enter “for” or “against” for each agenda item no later than 5:00 p.m. (JST) on Monday June 20, 2022. For details, please see pages 3 to 4 of this Notice of Convocation (Japanese-language document only).

- 1. Date and time:** Tuesday, June 21, 2022 at 1:00 p.m. (reception will start at 0:30 p.m.) (JST)
- 2. Place:** Marunouchi Building Hall, Marunouchi Building 7F
4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo

3. Agenda:

Matters to be reported:

1. The Business Report and Consolidated Financial Statements for the Company’s 58th fiscal year (April 1, 2021 to March 31, 2022) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
2. Non-consolidated Financial Statements for the Company’s 58th fiscal year (April 1, 2021 to March 31, 2022)

Matters for resolution:

- Proposal No. 1:** Partial Amendments to the Articles of Incorporation
- Proposal No. 2:** Appropriation of Surplus
- Proposal No. 3:** Payment of Bonuses to Officers
- Proposal No. 4:** Continuation With Partial Revision of Measures to Respond to a Large-Scale Purchase of the Company’s Shares, etc.

- If you attend the meeting, please bring the enclosed Voting Rights Exercise Form with you and submit it at the reception desk.
- Pursuant to the provisions of laws and regulations and the Articles of Incorporation, the Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are posted on the Company’s website and are not listed in the materials provided in this Notice of Convocation. Aside from the documents provided with this Notice of Convocation, the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Accounting Auditor and Corporate Auditors include the Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements posted on the Company’s website.

Furthermore, any revision that may arise to Reference Documents for the General Meeting of Shareholders along with the Business Report, Consolidated Financial Statements, or Non-consolidated Financial Statements will be posted on the Company’s website on the Internet.

<https://group.nagawa.co.jp>

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.

- (1) Article 15, paragraph (1) in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
- (2) Article 15, paragraph (2) in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provision for Internet Disclosure and Deemed Provision of Reference Documents of the General Meeting of Shareholders, Etc. (Article 15 of the current Articles of Incorporation) will no longer be required, it will be deleted.
- (4) Accompanying the aforementioned new establishment and deletion, supplementary provisions regarding the effective date, etc. will be established.

2. Details of the amendments

The details of the amendments are as follows: (Amendments are underlined.)

Current Articles of Incorporation	Proposed amendments
Chapter III General Meeting of Shareholders	Chapter III General Meeting of Shareholders
Article 15. (Internet Disclosure and Deemed Provision of Reference Documents of the General Meeting of Shareholders, Etc.)	(Deleted)
<u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u>	
(Newly established)	Article 15. (Measures, etc. for Providing Information in Electronic Format)
	1. <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u>
	2. <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u>

Current Articles of Incorporation	Proposed amendments
<p>(Supplementary Provisions)</p> <p>Article 1.</p> <p>The Company's description <u>or</u> record in the registry of lost share certificates shall be stipulated in laws and regulations or the Articles of Incorporation, and in accordance with the Rules for Handling Shares stipulated by the Board of Directors.</p> <p>(Newly established)</p>	<p>(Supplementary Provisions)</p> <p>Article 1.</p> <p>The Company's description <u>or</u> record in the registry of lost share certificates shall be stipulated in laws and regulations or the Articles of Incorporation, and in accordance with the Rules for Handling Shares stipulated by the Board of Directors.</p> <p>Article 2. (Transitional Measures for Measures, etc. for Providing Information in Electronic Format)</p> <p><u>1. The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) in the pre-amended Articles of Incorporation and the establishment of the new Article 15 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall be effective from September 1, 2022, the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019).</u></p> <p><u>2. Notwithstanding the provision of the preceding paragraph, Article 15 (Internet Disclosure and Deemed Provision of Reference Documents of the General Meeting of Shareholders, Etc.) of the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from September 1, 2022.</u></p> <p><u>3. The provisions in this article shall be deleted on the date when six months have elapsed from September 1, 2022 or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Proposal No. 2: Appropriation of Surplus

The Company's view is distribution of profits to shareholders is one of the most important managerial issues. The Company's businesses consist of construction, the sales business, and the rental business. Regarding the rental business, due to characteristics of the business demanding several years from investment to collection, and considering the progress of the business, the basic policy is to consider distribution of profit for each fiscal year, comprehensively taking into consideration future business development, and capital investment, etc., for the long-term.

Based on the above, while carefully examining capital requirements for future capital investments, etc., and a "total shareholder return ratio*" of 30% has been adopted as a general rule, with shareholder returns provided via methods such as increased dividends and acquisition of treasury shares.

1. Year-end dividends

The Company has given consideration to matters including the business performance of the fiscal year and future business development, and it proposes to pay year-end dividends for the fiscal year as follows:

Type of dividend property	Cash
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Allotment of dividend property and their aggregate amount	¥65 per common share of the Company
	Total dividends ¥1,021,970,690

Effective date of dividends of surplus	June 22, 2022
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2. Other matters regarding the appropriation of surplus

Regarding internal reserves, aiming to strengthen a management base that prepares for future positive business development, the Company proposes the following:

Item and amount of increased surplus	General reserve: ¥2,000,000,000
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Item and amount of decreased surplus	Retained earnings carried forward: ¥2,000,000,000
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* Total shareholder return ratio: Percentage of the total amount of dividends and acquisition of treasury shares corresponding to profits.

Furthermore, the total shareholder return ratio for the 58th fiscal year is 52.6%.

Proposal No. 3: Payment of Bonuses to Officers

In regard to the eight Directors (of which four are External Directors) and four Corporate Auditors (of which two are External Auditors) at the end of the fiscal year, a total amount of bonuses to Officers of ¥66,600,000 (¥52,600,000 for Directors, ¥14,000,000 for Auditors) will be paid. This proposal has been decided by the Board of Directors following deliberation by the Nomination and Remuneration Committee, while comprehensively taking into account business results of the fiscal year, the Officer remuneration system and level of remuneration, current number of Officers, etc. Furthermore, the amount for each Director and each Auditor will be entrusted to discussions by the Board of Directors for Directors, and between Auditors for Auditors.

Payment of Bonuses to Officers	¥66,600,000
For the eight Directors (of which four are External Directors)	¥52,600,000
For the four Corporate Auditors (of which two are External Auditors)	¥14,000,000

Proposal No. 4: Continuation With Partial Revision of Measures to Respond to a Large-Scale Purchase of the Company's Shares, etc.

At the Company's Board of Directors meeting held on May 14, 2021, the Company passed a resolution to make partial changes to and continue "measures to respond to a large-scale purchase of the Company's shares, etc." as initiatives to prevent unsuitable parties from controlling decisions on policies of the Company's financial affairs and business (Article 118, item (iii)-2 of the Regulations for Enforcement of the Companies Act), reflecting the basic policy regarding the state of parties who control decisions on policies of the Company's financial affairs and business (Prescribed in the main sentence of Article 118, item (iii) of the Regulations for Enforcement of the Companies Act; hereinafter the "Basic Policy"). Approval from the shareholders was obtained at the Company's 57th Ordinary General Meeting of Shareholders held on June 23 of the same year (hereinafter the "Former Plan").

The Former Plan aims to ensure that on the occasion of a proposal of a large-scale purchase act concerned with the Company's shares, both the proponent of the large-scale purchase act and the Company's Board of Directors swiftly provide necessary and sufficient information, views, and proposals to enable shareholders to accurately make a decision on the impact, etc., of said proposal contents on the Company's corporate value and the common interest of shareholders, in addition to securing necessary and sufficient time for consideration.

The Company, in regard to the Former Plan, taking into consideration subsequent changes in social and economic conditions, the situation of takeover defense measures and development of various discussions, and the intent, etc., of the corporate governance code, considered its current state including the pros and cons of continuation from the point of view of aiming to improve the Company's corporate value in addition to the common interest of shareholders.

And, at the Company's Board of Directors meeting held on May 13, 2022, with approval from all Directors including External Directors, with the condition of approval from shareholders at the General Meeting of Shareholders, a resolution to continue the Former Plan was passed with partial revisions, and you are hereby notified ("measures to respond to a large-scale purchase of the Company's shares, etc." indicated below after revisions will be the "Plan," as below.).

Furthermore, the term of validity for the Plan is the conclusion of the Company's Ordinary General Meeting of Shareholders of the last fiscal year ending within three years from the conclusion of this General Meeting of Shareholders. The Plan's primary points of revision are as follows.

The Plan's primary points of revision

- 1) The definition of large-scale purchases subject to the Plan has been revised.
- 2) In addition, in order for the Plan to be easily understood, amendments to words, arrangement of wording, etc., have been conducted.

Please see the Company's IR information homepage for specifics on the Plan's outline, etc.

https://group.nagawa.co.jp/news/auto_20220513546679/pdfFile.pdf

The Plan's points of revision

To continue the Plan, in regard to the definition of large-scale purchases, revisions to the ownership ratio of share certificates, etc., a trigger condition, will be conducted, reducing the ratio from 22% to 20% (hereinafter the "Revisions").

- a. Reasons for reducing the standard of the ownership ratio of share certificates, etc.
- In regard to the reason for the Revisions, compared with June 2021, at the time the Former Plan was approved by the Company, the following four changes have occurred to current conditions.
- First, at the time the Former Plan was approved by the Company in June 2021, although the voting rights percentage held by Officers of the Company, parties concerned, and NAGAWA Himawari Foundation, a public interest incorporated foundation (at the time, NAGAWA Himawari Foundation, a general incorporated foundation) was approximately 40.74%, the voting rights percentage has declined to approximately 36.36% at present. In addition, although there was concern at the time of the takeover defense measures introduction, because of the advanced age of Officers of the Company and parties concerned who are shareholders, along with the rise in likelihood of inheritance occurring in the near future, the possibility of transfer of the Company's shares to a third party from said inheritor at the time inheritance occurs is fully considered, and the condition has become one in which a possible decline in the stable shareholder ratio has further materialized.
- Second, at the time the Former Plan was approved by the Company in June 2021, the number of shareholders was approximately 6,000 persons. As of March 31, 2022, this number has increased to 7,143 persons. One reason for this increase in the number of shareholders is, as the price of the Company's shares after June 2021 had a gentle upward movement, due to a rise or decline in short-term share price, many share transactions by general investors, etc., pursuing short-term profit were performed, such as increased margin trading. Due to this increase in the number of shareholders, circulation of shares increased, and for the Company and shareholders, the condition has become one in which the possibility of undesirable parties increasing purchases of the Company's shares has further materialized.
- Third, consequent on the market restructuring of the Tokyo Stock Exchange that took place in April 2022, the definition of circulated shares was revised, resulting in the exclusion of shares held by domestic ordinary banks, insurance companies, and business corporations from circulated shares, and based on principles related to cross-shareholdings policies due to the recent corporate governance code, there is a higher possibility of an acceleration of selling mutual shareholdings to third parties in the future. From this, the amount of Company shares circulated has increased and the possibility of a decline in the stable shareholder ratio has increased.
- Fourth, the downtrodden U.S. stock market this year due to the Federal Reserve's view of raising policy rates and aggressively tightening monetary policy, coupled with the recent uncertainty about the situation in Ukraine, is expected to result in poorer performance of Japanese companies and Japanese stock markets in the future. Therefore, it is believed that the environment will be conducive to stock trading for investors, and it is expected that more investors will trade the Company's shares in the future.
- Due to the above reasons, the Company recognizes the possibility that purchasing parties undesirable for the Company's shareholders will appear in the future has risen significantly. In regard to purchasing acts by purchasing parties undesirable for the Company's shareholders, we think it prudent to handle this with more urgency than at present, and have come to the conclusion that trigger standard should be lowered.
- b. Reasons for the standard of the ownership ratio of share certificates, etc. to be 20%
- Presently, the Company has set a standard of 22%. The majority of trigger standards for takeover defense measures introduced by Japanese corporations is 20%, and to match general standards, the Company has decided to lower the current standard from 22% to 20%.
- c. Opinion of the Special Committee
- The Company asked the Special Committee, which is comprised solely of External Officers who are independent of the Company's Board of Directors, for its opinion regarding the continuation of the Plan and the Revisions, and the Special Committee unanimously expressed its opinion in favor of the continuation of the Plan and the Revisions.