August 15th, 2017

Dear Sirs

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO

Re: Shareholder Proposal to UCHIDA YOKO CO., LTD.

Strategic Capital, Inc. (hereinafter referred to as "Strategic Capital") is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (hereinafter referred to as the "Fund") and the Fund holds 5.04% of the outstanding share of UCHIDA YOKO CO., LTD. (hereinafter referred to as "UCHIDA"). Strategic Capital also holds two units of share in UCHIDA, and total share of the Fund and Strategic Capital reaches 5.05% of the outstanding share of UCHIDA.

The Fund and Strategic Capital are pleased to announce that, on August 8th, 2017, we notified UCHIDA of our execution of the shareholders' right to make a proposal at the annual shareholder meeting held in the coming October and confirmed that, on 9th August, 2017, UCHIDA certainly received the documents of the proposal.

A brief detail of our proposal is as followings.

1. The Description of the proposal

   ① Revision of the provisions of articles

   We require to add new Chapter and Article in the current provisions of articles as set forth below.

   Chapter 7 Cross-Shareholdings

   (the disposition of Cross-Shareholdings)

   Article 43: The company shall, during 80th fiscal period, immediately sell all the listed shares which it holds for reasons other than pure investment purposes as of the effective date of the revision of the provision of articles.

   ② Increase of the dividend

   We require that the dividend per share for this fiscal year is increased to the consolidated net profit per share (round down to the nearest integer). According to the forecast of UCHIDA, it would be 188 yen per share.

2. The background of the proposal

① The disposition of Cross-Shareholdings:

UCHIDA holds listed shares of 88 companies as "Cross-Shareholdings" (cases where listed companies hold the share of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships), which reach 5.3 billion yen in total on its non-consolidated balance sheet as of 20th July, 2016.

Consolidated net assets of UCHIDA as of 20th April, 2017 was about 36.4 billion yen (about 3,618 yen per share) and the current stock price of UCHIDA is far lower than 3,618 yen. Based on the forecast of consolidated net profit of this fiscal year by UCHIDA, ROE (net profit on equity) would be about 5.2%, which is also far lower than general standard. Therefore, it is desirable that UCHIDA shall decrease its investment securities and accordingly its equity capital on its balance sheet in order to improve such low ROE.

Japan's Corporate Governance Code (hereinafter referred to as the "Code") has entered into effect since June 2015, and UCHIDA submitted its latest report regarding corporate governance (hereinafter referred to as "CG Report") to Tokyo Stock Exchange on 17th October, 2016. In the report, with regard to the "Principle 1.4 Cross-Shareholdings" of the Code, UCHIDA states that it keeps its Cross-Shareholdings in the case Cross-Shareholdings are considered to contribute the increase in the corporate value of UCHIDA group in the mid and long term, from the view point of the development of stable and long-term business relationship with clients, business alliance, or the facilitation and the enhancement of business cooperation.

Even if the purpose of Cross-shareholdings is the development of its stable and long-term business relationship, etc., it is not apparent how the holding of shares of client companies leads to the development of its business relationship. It is suspected that client companies built business relationship with UCHIDA as a benefit from the company to its shareholder. The business relationship should be developed based not on holding shares, but on the sustainable improvement of the quality of products and services which UCHIDA provides.

Moreover, it is presumed that UCHIDA holds a certain of its Cross-shareholdings so as to become stable shareholder of such other listed companies, In those cases, UCHIDA is expected to vote on behalf of the other listed companies in the shareholders meeting. Such voting is utterly unacceptable as "standards with respect to the voting rights" which the Principle 1.4 (Cross-Shareholdings) of the Code requires to establish and disclose in case a company holds Cross-Shareholdings. This is the supposed reason why UCHIDA cannot describe its voting "standards" in its CG Report.

As mentioned above, UCHIDA cannot give rational explanation on its existing Cross-Shareholdings. Therefore, UCHIDA shall immediately dispose all the listed shares which it holds as Cross-Shareholdings. After disposition of such "Cross-Shareholdings", UCHIDA can utilize the fund effectively for new business developments, mergers and acquisitions (limited to those equities UCHIDA can give rational explanation). Also, UCHIDA can utilize the proceeds as return to shareholders.

② Dividend of the fiscal year end：

According to its Consolidated Financial Statements for the Nine Months Ended 20th April, 2017, UCHIDA owes only about 7.1 billion yen of interest-bearing debts although it keeps about 20.3 billion yen of cash and deposits. Moreover, UCHIDA keeps about 7.9 billion yen of investment securities as of the same day above. Since most of them are intended as Cross-Shareholdings as mentioned above, those securities should be disposed and cashed as soon as possible

According to the announcement of UCHIDA, the annual dividend of this fiscal year is 70 yen per share. Considering UCHIDA's large capital on its balance sheet, huge investment securities it holds and the forecast of net profit of this fiscal year, the abovementioned dividend is far from satisfactory for shareholders.

UCHIDA does not need huge reserve on its balance sheet. The further accumulation of reserved cash only leads to decrease ROE. These returns lead to increase shareholders' value. Under the current circumstances of virtual zero interest rate, such surplus reserve held as cash and its equivalent may virtually decrease its value.

Besides, since the amount of increased dividend is supposed to be within the current net profit, it will not damage the state of cash and deposits on its balance sheet.

Contact Information
Dan Kato
81-3-5459-0380