

April 7<sup>th</sup>, 2014

Dear Sirs

The Strategic Capital, Inc.  
CEO Tsuyoshi Maruki

Re: Shareholder Proposal to Japan INES Corporation (TSE Code: 9742).

Strategic Capital, Inc. is pleased to announce that, on April 2<sup>nd</sup>, 2014, it notified Japan INES Corporation (hereinafter referred to as "INES") of its execution of the shareholders' right to propose at the shareholder meeting held in the coming June.

Strategic Capital, Inc. is a general partner of two partnerships, Japan-up Alpha and Japan-up Beta, which hold 3.4% of the outstanding share of INES.

The brief detail of our proposal is as the following.

1. The Description of the proposal

① Increase in the dividend

We require that the dividend per share of this fiscal year is increased to 27 yen provided that net profit per share of this fiscal year is over 35 yen, otherwise the excess amount of net profit per share of this fiscal year to 8 yen. (e.g. if the amount of net profit per share is 30 yen, the dividend per share will be 22 yen.)

2. The background of the proposal

① Huge cash position in its balance sheet:

According to the summary of the accounts as of December 31<sup>st</sup>, 2013, INES keeps the liquidities of about 8.9 billion yen in its balance sheet in total, including cash and deposits of about 8.7 billion yen, and investment securities of about 0.2 billion yen, while it does not owe any interest-bearing debt. Liquidities of 8.9 billion yen equals to about 39% of its market cap (about 22.5 billion yen) as of April 1<sup>st</sup>, 2014.

② Not necessarily beneficial usage of cash:

While INES still keeps aforementioned ample liquidities in its balance sheet, it

has acquired its own shares with 6.2 billion yen from Hitachi Solutions, Ltd, a new building as headquarter with 6.6 billion yen, and investment securities with 0.7 billion yen in the last fiscal year.

Since the acquisition of a new building as headquarter and investment securities does not necessarily contribute to increase the shareholders value, we cannot support these actions as a shareholder.

③ Low ROE and dividend on equities:

On a consolidated basis, INES's net asset is about 43.2 billion yen (about 1,347 yen per share), and its expected net profit of current term is about 1.1 billion yen as of December 31<sup>st</sup>, 2013. Thus, ROE of INES will be about 2.7%. Also, according to the announcement by the board of INES that it distributes the dividend of 16 yen per share, dividend on equities will be about 1.2%.

In brief, compared to its ample liquidities, ROE and dividend on equity of INES are both extremely low.

④ Low stock price from the viewpoint of PBR:

The stock price of INES as of April 1<sup>st</sup>, 2014 is 702 yen. PBR of INES is 0.52 which is far below the average of companies listed in TSE 1, 1.35.

### 3. Conclusion

The Strategic Capital, Inc. is convinced that the increase in the dividend leads to the improvement of shareholder' value and the efficiency of capital usage. Besides, since the amount of increased dividend is supposed to be within the current net profit, it will not give damage to the state of cash and deposits in its balance sheet.

Contact Information

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