April 27, 2017

Dear Sirs

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO

Re: Shareholder Proposal to TEIKOKU ELECTRIC MFG. 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 5.03% of the outstanding share of TEIKOKU ELECTRIC MFG. CO., LTD. (hereinafter referred to as "TEIKOKU"). Strategic Capital also holds one unit of share in TEIKOKU.

The Fund and Strategic Capital are pleased to announce that, on April 25, 2017, we notified TEIKOKU of our execution of the shareholders' right to make a proposal at the annual shareholder meeting held in the coming June and confirmed that, on April 26, 2017, TEIKOKU certainly received the documents of the proposal.

A brief detail of our proposal is as followings.

1. The Description of the proposal
   ① Increase of the dividend
   We require that the dividend per share for this fiscal year is increased to the excess amount of the consolidated net profit per share to 7 yen (round down to the nearest integer). According to the forecast of TEIKOKU, it would be 43 yen per share.

2. The background of the proposal
   ① Dividend of the fiscal year end :
   In June 2014, TEIKOKU raised approximately 2.9 billion yen through the public issuance of new shares, the public offering of the disposal of its treasury stocks and so forth (hereinafter collectively referred to as the "Fund Raise"), to cover the capital expenditure for the development of new factories and machineries to assemble pumps and other products (hereinafter referred to as

“new factories, etc.”), while TEIKOKU, as of the end of March 2014, held 5.1 billion yen of Net Cash, which is the amount of cash after deduction of interesting bearing debt, on its balance sheet.

According to Annual Consolidated Financial Statements ended March 31, 2014 and 2015, and Consolidated Financial Statements for the Six Months ended September 30, 2016, 2.9 billion yen was disbursed to acquire the tangible fixed assets from April 2014 to September 2016. Therefore, it is presumable that almost all of 2.9 billion yen raised by the Fund Raise were applied to cover the expenditure for the development of new factories, etc. by September 2016. On the other hand, TEIKOKU held 8.3 billion yen of Net Cash as of the end of September 2016 (an increase of 3.2 billion yen from the end of March 2014), hence it follows that the increased amount of Net Cash was almost equal to the amount raised by the Fund Raise.

Judging from the above financial condition, the Fund Raise in 2014 was absolutely unnecessary, only to decrease shareholders’ value. Also, as of the end of December 2016, its net assets increased to 23.8 billion yen and its capital-to-asset ratio also increased to approximately 78 % from 17.8 billion yen and approximately 70% each as of the end of March 2016.

As mentioned above, TEIKOKU has already kept too much cash and net assets on its balance sheet, so further internal reserve only leads to decrease its return on equity and to worsen its capital efficiency.

TEIKOKU does not need huge reserve on its balance sheet and should return surplus funds to shareholders. 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.

Furthermore, we expect the board of TEIKOKU to initiatively acquire its own shares including the increased shares issued at the Fund Raise in 2014.

Contact Information
Dan Kato
81-3-5459-0380