



Strategic Capital

This campaign website is an abbreviated reference translation of the original in Japanese.

In the event of any differences between the original Japanese version and the English translation, the original Japanese version shall prevail

Proposal to “Unshutter” the value of Bunka Shutter Co., Ltd. (5930)





Executive Summary

Strategic Capital, Inc.'s (SC) goal is to unlock enterprise and shareholder value through dialogue with the Company's Executive Management ("Management") and the exercise of shareholder rights.

SC and the funds managed by our company are shareholders of Bunka Shutter ("Bunka Shutter" or the "Company"). In order to increase shareholder value, we have submitted the following proposals to Bunka by exercising our right to make a shareholder proposal

- i. Set dividend payout ratio to be 100%
- ii. Distribute Daiwa House shares in-kind to shareholders
- iii.-v. Abolish position of Chairperson and encourage Toshihiko Shiozaki to step down
- vi. Disclose the individual remuneration of the Representative Director
- vii. Disclose the method of calculation of performance-based remuneration of the Representative Director
- viii. Disclose information regarding M&A in Australia





Background & key points on the proposals

Excessive accumulation of equity capital and declining ROE → Set dividend payout ratio to be 100%

The Company's stock price has slumped below its dissolution value due to an excessive accumulation of equity capital. Despite operating an excellent business that boasts the 2nd largest market share in Japan, ROE and stock price have lagged below its peers.

We propose the Company adopt a new shareholder return policy of a 100% dividend payout ratio to prevent a further build-up of equity capital.

Cross-shares held for deluded purposes → First distribute Daiwa House shares to shareholders

Bunka Shutter has approx. JPY 1.9B in Daiwa House. Daiwa House has denied any relation between holding shares and business and even disclosed that fact.

However, the Company maintains that it holds the shares for the purpose of “maintaining and strengthening relations” and claims that this holding is reasonable according to its own criteria. Considering Daiwa House's position on the matter, this is merely delusional and irrational.

Therefore, we propose the prompt disposal of Daiwa House shares by distributing the shares in kind, which would also contribute to shareholder returns. For other cross-shareholdings, the Company should promptly review its own criteria for judging something that is delusional as “reasonable” and dispose of those shares as well.





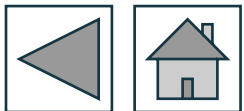
Background cont'd

Chairman Toshihiko Shiozaki has little awareness of improving corporate value → Abolish position of Chairperson and encourage Shiozaki to step down

Although Shiozaki is the Chairman, he appears to have little awareness of corporate value and no sense of urgency over the weak stock price. Under such conditions, we believe that it will be difficult for him to exercise leadership on the Board to improve corporate value.

In addition, Bunka Shutter has both a Representative Director and Chairman of the Board and a Representative Director and President, and it is unclear which one is considered the head or the CEO.

Therefore, we propose that the Chairperson position be abolished, that management responsibility be clarified, and that Toshihiko Shiozaki step down from his position.





Background cont'd

Remuneration plan that does not provide an incentive to increase corporate value → Disclose the remuneration for Representative Director and its calculation

Management receives remuneration that is unrelated to corporate value and is given little incentive to improve ineffective management and corporate value. As a result, contrary to the highly profitable business, the stock price has languished below dissolution value.

In addition, how remuneration plan itself is unclear, as the AGM resolved to introduce stock compensation based on “ROE etc,” but in the annual securities report it was changed to “profitability and capital efficiency indicators”

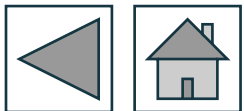
Therefore, we propose that remuneration of the Representative Director be disclosed as well as the calculation method.

Refusal to disclose information on the results of an Australian M&A → Provide appropriate information disclosure

In 2018, Bunka Shutter expanded into Australia through an approx. JPY 8.7B acquisition of ArcPac Garage Doors Pty Ltd. which operated a similar business. At the time, this was equal to more than 10% of the Company's market cap.

However even in 2023, the Company refuses to disclose the results of the M&A claiming that the “results of the Australian M&A are not large enough to disclose” and “the analysis is not advanced enough to disclose.” And they are trying to do further overseas M&A.

Therefore, before making another overseas M&A, we propose that they first disclose the results of the Australian M&A.

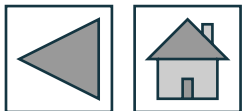
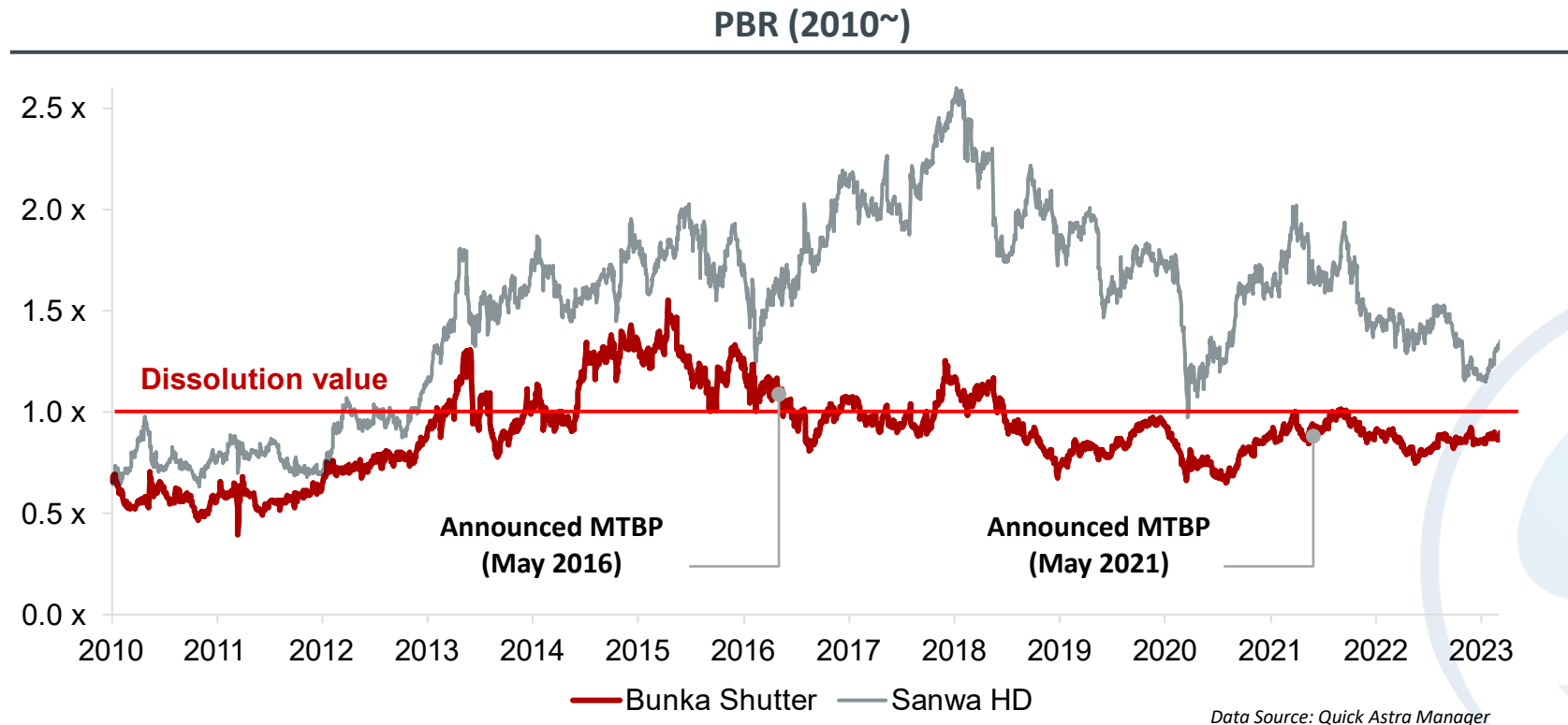




Stock price that constantly trades below dissolution value

Bunka Shutter is highly competitive and profitable in its core shutter business. In fact, the Company has captured approximately 40% of the Japanese shutter market and is in an oligopoly with Sanwa Holdings Corp (Sanwa HD) which has 50% of the market share.

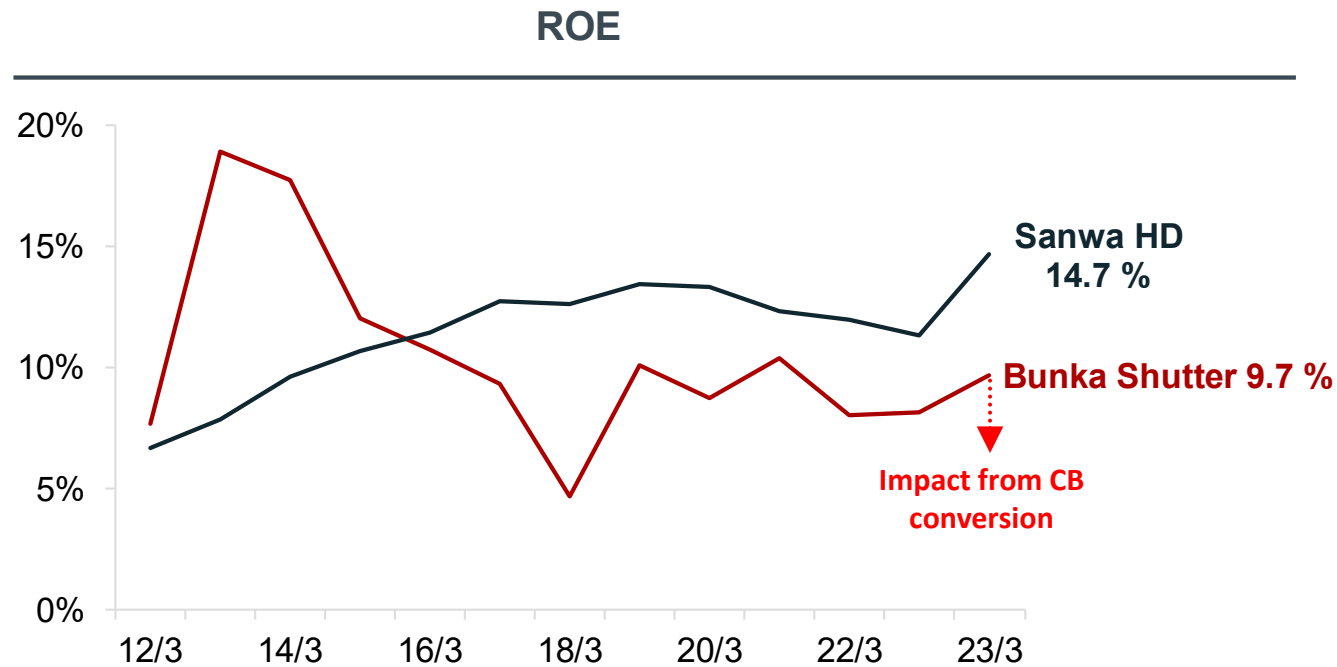
However, Bunka Shutter’s stock price has remained below its dissolution value, and there is a large valuation gap with Sanwa HD.



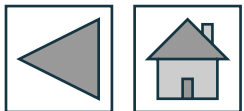


Stock price slump due to a decline in ROE

In finance, the correlation between PBR and ROE is well known. As with the PBR from the previous page, Bunka Shutter’s ROE has been underwhelming compared to Sanwa HD. Furthermore, the Company’s convertible bonds are about to mature and given the stock price, the conversion rights are likely to be exercised, increasing equity capital and further pushing down ROE.



Data Source: Quick Astra Manager, 03/2023 are company forecasts





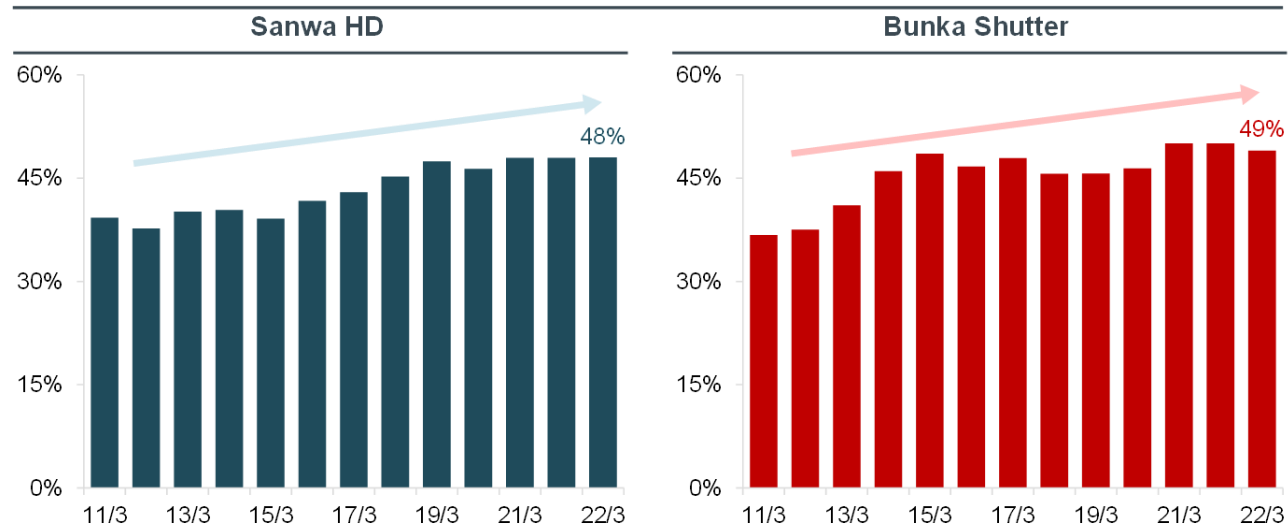
Improving ROE

Looking at shareholder equity ratio over time, both Sanwa HD and Bunka Shutter are gradually trending upward. However, unlike Sanwa HD, Bunka Shutter has not been able to effectively use its accumulated retained earnings to deliver adequate returns resulting in a ROE that has remained low.

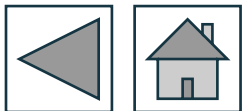
Given this current situation, Bunka Shutter should stop accumulating equity capital and instead use interest-bearing debt to lower its cost of capital before making investments.

Therefore, we propose that Bunka Shutter change its capital policy and set the dividend payout ratio to 100% to stop the accumulation of more equity capital.

Equity capital ratio over time (03/2011~)



Data Source: Quick Astra Manager, 03/2023 are company forecasts





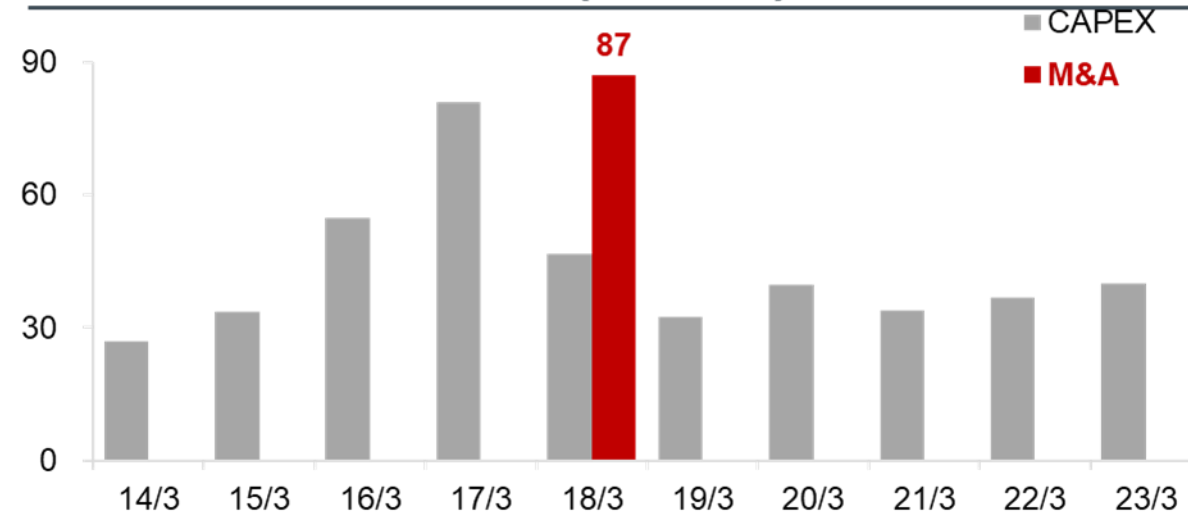
Why is the Australian M&A important?

In 2018, Bunka Shutter conducted an M&A in Australia as follows.

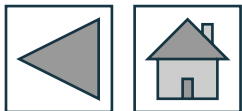
- The acquisition was of an Australian building materials company
- Total investment of approximately JPY 8.7 billion

For the Company, the Australian M&A was large as it was equal to more than 10% of market cap and 2 years' worth of capital investment. It was also significant as it was an opportunity to expand into Australia.

The amount of money spent in CAPEX and M&A in
Australia (in ¥ 100M)



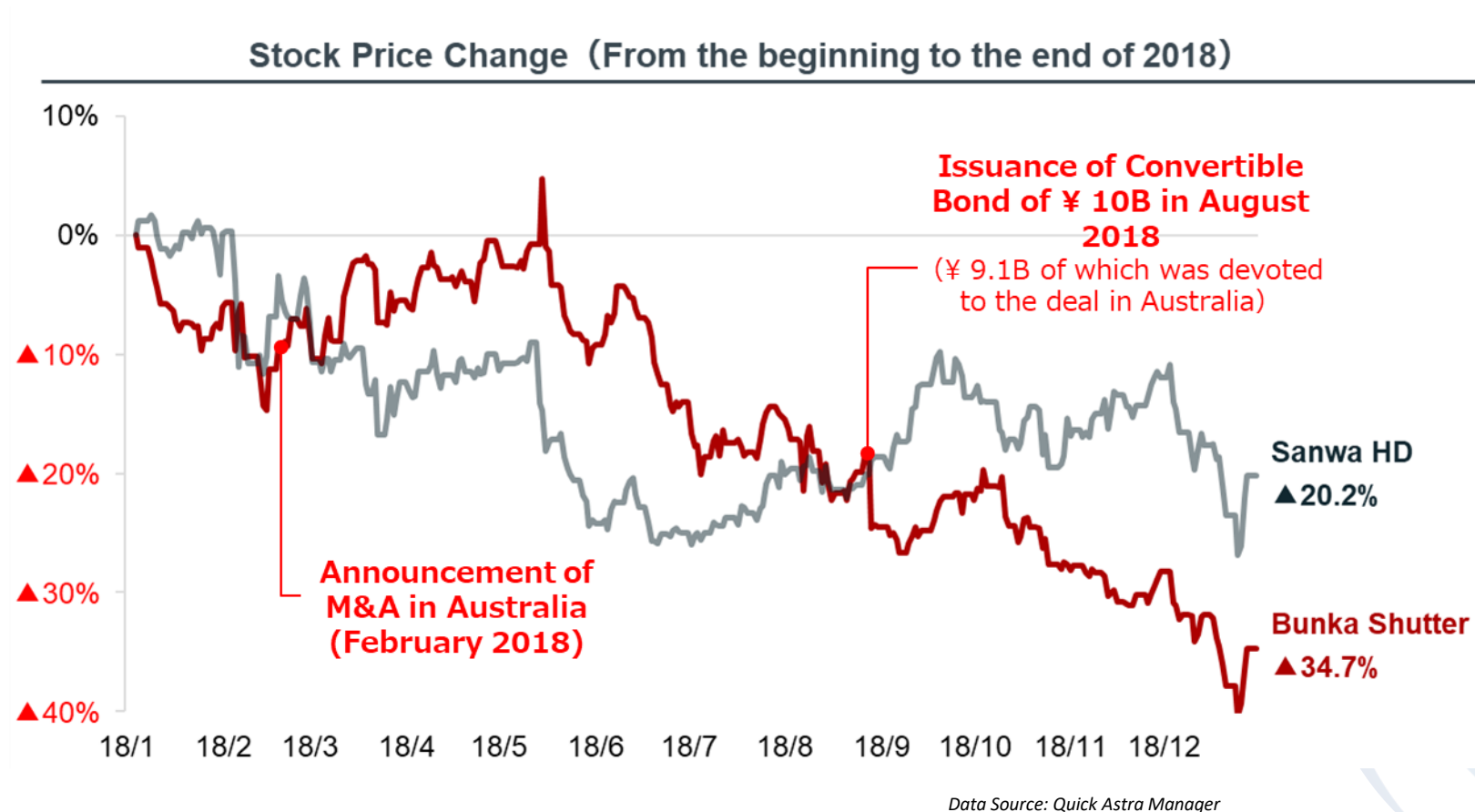
Data Source: Quick Astra Manager, 03/2023 are company forecasts





Why is the Australian M&A important? (Stock Price)

The day after announcing the issuance of CB to fund the Australian M&A, the stock price fell 8%. It is perplexing that the Australian M&A cost the shareholder dearly yet the Company has yet to announce the results.

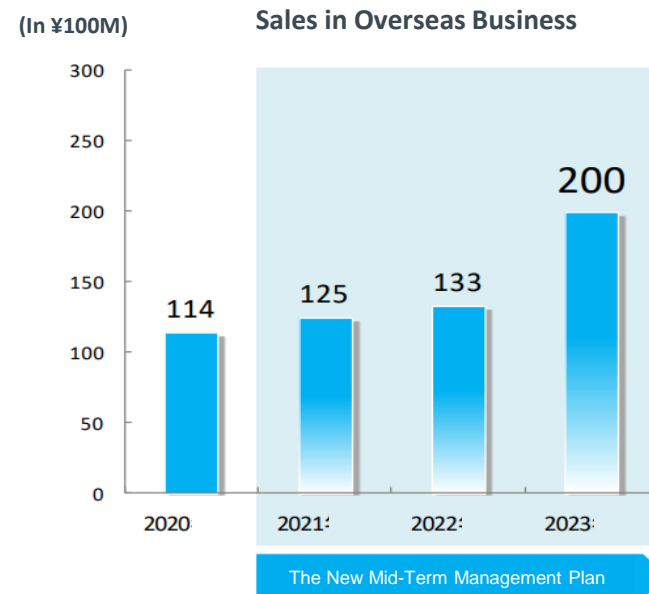




Why is the Australian M&A important? (MTBP)

Bunka Shutter has announced that it will focus on strengthening its overseas business (in both the previous and current MTBP). In the current MTBP, the Company announced it plans to invest JPY 15 B over 3-years mainly in overseas M&A.

SC is not opposed to Bunka Shutter making investments or willingness to take on challenges. However, we strongly oppose the promotion of new M&A without disclosing outcomes from past large-scale M&A, and without receiving acknowledgement from investors.



The Overseas Business Strategy in the Current MTBP

< FY2020 >

- In FY2020, the sales of overseas businesses fell 400 million yen from FY2019 to 11.4 billion yen, affected by voluntary restraints on sales activities and on-site delays due to the coronavirus pandemic. (The Gross Profit was 2.7 billion yen)
- We will push forward with our current properties and closely monitor future market trends, as we are in a situation where the pandemic slowed down economic activity.

< The New Medium-Term Management Plan >

BX BUNKA VIETNAM and BX BUNKA AUSTRALIA will strive to strengthen their business foundations and increase profits so that they can respond to rapid market changes. In addition, we aim to achieve net sales of 20 billion yen and gross profits of 6 billion yen in FY2023, with an eye to business expansions through M&A.

Investment Plans in the Current Medium-Term Management Plan

- ◆ During the three years of the new management plan, we seek to invest around 12 billion yen in CAPEX to improve productivity through the promotion of DX and labor savings. ✓ We are planning to invest 4 billion yen in CAPEX in FY2021.
- ◆ We plan to allocate 15 billion yen for M&A to growth areas where we can expect business expansion and synergies during the three years of the new management plan.





Australian M&A results “not worth disclosing?”

SC has repeatedly asked management to disclose the results of the Australian M&A. Their response is as follows

Interview Aug 2022

The business has not yet reached a level where each section is viable. When the business grows to a certain level, it will be necessary to disclose ROIC but at this point **we do not feel the need to do so.**

Bunka
SHUTTER

Haruhiko Ichikawa
Director-Managing
Operating Officer

Financial results meeting Nov 2022

Not only Australia but we do not disclose the financial results of other unlisted subsidiaries. **It is not that big.**

Bunka
SHUTTER

Haruhiko Ichikawa





Australian M&A results “not worth disclosing?” cont’d

Interview Dec 2022



Why is there no disclosure at all regarding the Australian M&A?

To be honest there is **lack of progress in the analysis of sections other than P&L**

Embarking on new M&A without having analyzed the Australian M&A from 4 years ago will not be understood by the market.

We will deal with it as soon as possible. On a P&L basis it is quite good and has had a positive impact to performance on a consolidated basis

Then why not at least disclose on a P&L basis

Currently we **don't think it is necessary to disclose** that much about subsidiaries



Haruhiko Ichikawa

Despite executing such large-scale M&A, and despite repeated requests from major shareholders, the Company refuses to disclose information, dismissing them as “not important”. And the stock slump continues. This kind of behavior is unjust, and it is outrageous that the current management team is contemplating new M&A



We propose that they first disclose the sales, operating income, and net income for the Australian business





Low awareness of corporate value

Based on his comments, SC believes that Toshihiko Shiozaki, Chairman of the Board of Directors, has insufficient awareness of the need to improve corporate value and that he is underqualified to serve as a Director of a listed company that is entrusted by shareholders to manage the company. The following is dialogue with Shiozaki that we found particularly disappointing.



What do you consider to be corporate value?

Different people gave different views. For example, the amount of sales, the amount of profit, the number of employees etc. are all considered to be “corporate value”.



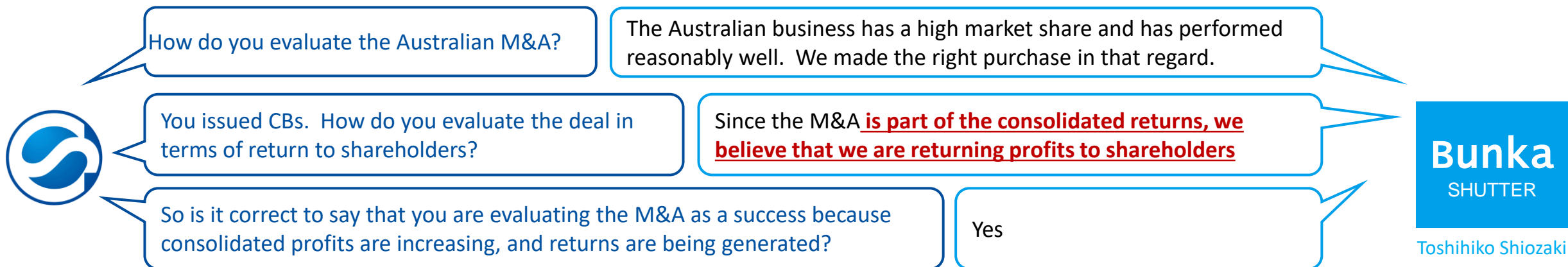
Toshihiko Shiozaki
Chairperson

Shiozaki’s views are hardly the words of a manager of Bunka Shutter, a company that upholds management based on capital costs. In addition, SC has been engaged in dialogue with management for over 2 years to communicate our views. Despite that effort, we are disappointed that the Chairman of the Board of Directors, has not even given us a straight answer as to what he means by the term “corporate value”.





Is M&A a success if consolidated profit increases? (Remarks by Shiozaki concerning the Australian M&A)



Shiozaki’s approach to investment, including M&A, and his evaluation are inadequate as he describes acquiring and consolidating a profitable company as a “return to shareholders” and “a success”. This kind of thinking will only increase the gap with Sanwa HD.

SC has no objection to Shiozaki’s ability to serve as an operating officer or employee. However, Shiozaki is a Director, and directors are charged with the responsibility of meeting the shareholders’ mandate to increase shareholder value. SC believes that Shiozaki’s leadership of the Board is not conducive to that.

We propose the position of Chairman be abolished in order to correct the current situation where management responsibility is unclear between the Representative Officer & President and the Chairman. We also propose that Shiozaki resign from his position as director.





Relationship between Daiwa House and Bunka Shutter

As of March 2022, the Company held JPY 7.6 B in cross-shareholdings, including 1.9 Billion JPY in shares of Daiwa House Industry Co., Ltd. (“Dawa House”) In its Annual Securities Report, Bunka Shutter claims that it holds shares in Daiwa House for the following purpose

“Doing business of shutter-related products and construction-related materials, etc. with the company, considering the business relationship, in order to contribute to medium- to long-term enhancement of corporate value of the Company through maintenance and strengthening of good relationship with the company, the Company continuously holds the stocks.”

From Annual Securities Report

And in light of this purpose, the Company has made the management decision that holding the shares in Daiwa House is reasonable and continues to hold as of March 31, 2023.





Daiwa House: “Owning our stock has no impact on business relationships”

However, Daiwa House has made it clear that it makes no sense for Bunka Shutter to hold the shares.



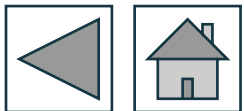
If a company that holds shares of your company as cross-shareholdings and sells those shares, will it affect the business relationship?

Daiwa House is working to sell its own cross-shareholdings for effective use of funds. **If there is an intention from a business partner that it wants to sell its cross-shareholdings, Daiwa House has never asked them to stop due to business-related reasons.**

**Daiwa
House**

Yuji Yamada
Managing Executive
Officer and General
Manager IR

Source: From Q&A for Daiwa House Q2/FY2021 Financial Results held 11/9/2021





Daiwa House: "We even disclosed for the sake of our counterparties"

Moreover, Daiwa House even went to the trouble of disclosing that the sale of shares would not affect business for business partners like Bunka Shutter.



We would like you to disclose that there will be no problem selling Daiwa House shares because Bunka Shutter is hesitant to sell your shares for fear of deteriorating business relations with you.

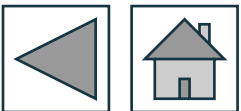
Your question made us realize that some companies may have concerns that selling shares of Daiwa House would result in less business with us.

We issued Corporate Governance Guidelines in 2015 to improve our corporate value and be held accountable for our shareholders. For the first time, the revised version of the guideline in February 2022 clearly states that we will take no such actions such as the possibility of reducing transactions with the counterparty if they sell Daiwa House's shares.

**Daiwa
House**

Yuji Yamada
Managing Executive
Officer and General
Manager IR

Source: From Q&A at Daiwa House AGM held 06/29/2022





Bunka Shutter’s Delusion the Outside Directors’ Responsibility

SC has frequently informed Bunka Shutter of Daiwa House’s stance and that it should have no problem selling the shares. However, Bunka Shutter has yet to sell these shares.

Bunka Shutter's policy of holding shares is nothing but a delusion because the cross-held company clearly states that holding the shares has nothing to do with business relations. Bunka Shutter should be ashamed that it stated such a delusion in its annual securities report.

At the same time, we are disappointed that Takao Iina, Shozo Fujita, Kazufumi Abe, and Yoshihiko Hayasaka, the four Outside Directors of Bunka Shutter, did not fulfill their duties. The role of an outside directors is to oversee such irrational actions of the full-time Directors and contribute to the true enhancement of corporate value.

We propose that the Company sell its Daiwa House shares as one of the fundamental corporate reforms it should take to improve shareholder value.

SC hopes that the Bunka Shutter management will correct its delusion and that it will decide to dispose of all such shares.





Strategic Capital

Shareholder
Proposal

Issues &
Solutions

Undisclosed Australian
M&A results

Disappointment with
Chairman Shiozaki

Daiwa House shares
“Not for Sale”

Revision History
Disclaimer

Revisions

04.18.2023 Campaign website for Bunka Shutter opened





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