

July 16th, 2019

Dear Sirs or Madams,

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO

Re: We posted an advertisement in the Nikkei newspaper dated July 12th, 2019

We are writing this message to inform you that we posted an advertisement in the Nikkei newspaper. As it was a full-page advertisement in Japanese, we translated the contents into English so that you might understand the contents of the advertisement.

Following is a summary of the advertisement. Please find the detail in Appendix 1., the soft copy of the original advertisement in Japanese and Appendix 2., the contents translated into English.

The title of the advertisement:

To shareholders of Chori (8014), Kyokuto (8093), Seikitokyu (1898) and Asanuma (1852)

Headline comments:

Thank you for considering the shareholder proposals of Strategic Capital. We would like you to review the results of resolutions on our shareholder proposals, the current status and issues facing each company.

Yours sincerely,

T. Maruki

Contact Information

Dan Kato

+81-3-6433-5267

広告

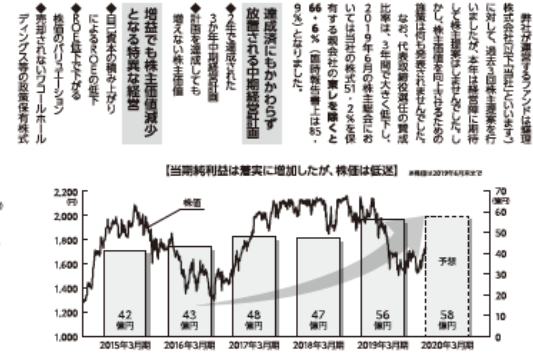
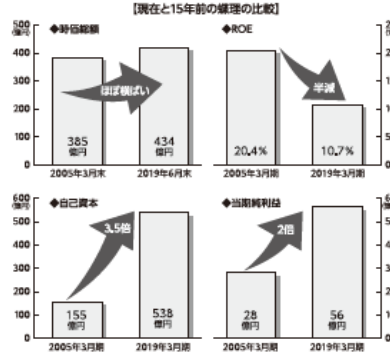
蝶理株式会社、極東貿易株式会社、 世紀東急工業株式会社、株式会社浅沼組の株主の皆様へ



ストラテジックキャピタルの株主提案をご検討いただきありがとうございました。蝶理株式会社、及び、弊社が株主提案を行った3社について、各社の課題などを皆様にご理解いただきたく、一読をお願いいたします。

蝶理(東)の上場会社の現状

蝶理(東)は、2019年6月末に上場したばかりの新興企業です。創業から約10年、売上は約100億円、従業員数は約100名です。現在は、主に不動産開発事業に注力しています。2019年6月末の売上は434億円、営業利益は10.7%です。ROEは20.4%と、同業他社に比べて高い水準にあります。また、自己資本は538億円と、2015年3月末の155億円から3.5倍増加しています。これは、株主提案による買付によるものです。買付は2019年3月末から開始され、2019年6月末までに538億円を調達しました。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。



蝶理(東)の上場会社の現状

極東貿易の現状と株主提案

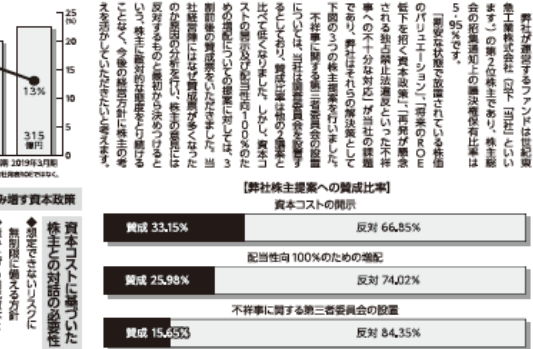
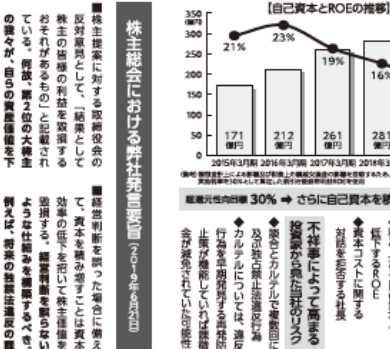
極東貿易は、2019年6月末に上場したばかりの新興企業です。創業から約10年、売上は約100億円、従業員数は約100名です。現在は、主に不動産開発事業に注力しています。2019年6月末の売上は434億円、営業利益は10.7%です。ROEは20.4%と、同業他社に比べて高い水準にあります。また、自己資本は538億円と、2015年3月末の155億円から3.5倍増加しています。これは、株主提案による買付によるものです。買付は2019年3月末から開始され、2019年6月末までに538億円を調達しました。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。



極東貿易の現状と株主提案

世紀東急の現状と株主提案

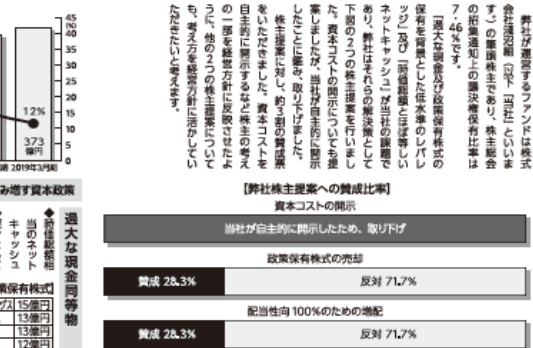
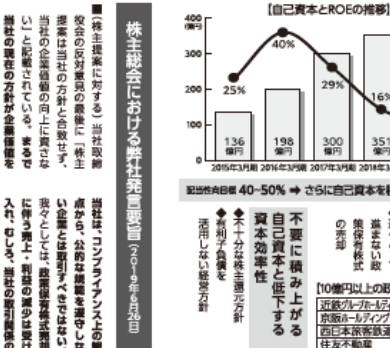
世紀東急は、2019年6月末に上場したばかりの新興企業です。創業から約10年、売上は約100億円、従業員数は約100名です。現在は、主に不動産開発事業に注力しています。2019年6月末の売上は434億円、営業利益は10.7%です。ROEは20.4%と、同業他社に比べて高い水準にあります。また、自己資本は538億円と、2015年3月末の155億円から3.5倍増加しています。これは、株主提案による買付によるものです。買付は2019年3月末から開始され、2019年6月末までに538億円を調達しました。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。



世紀東急の現状と株主提案

浅沼組の現状と株主提案

浅沼組は、2019年6月末に上場したばかりの新興企業です。創業から約10年、売上は約100億円、従業員数は約100名です。現在は、主に不動産開発事業に注力しています。2019年6月末の売上は434億円、営業利益は10.7%です。ROEは20.4%と、同業他社に比べて高い水準にあります。また、自己資本は538億円と、2015年3月末の155億円から3.5倍増加しています。これは、株主提案による買付によるものです。買付は2019年3月末から開始され、2019年6月末までに538億円を調達しました。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。買付は、主に機関投資家から行われ、個人投資家からの買付はほとんどありません。



浅沼組の現状と株主提案

Appendix 2. the Contents translated into English

RE: Chori

1. Comments on the AGM in June 2019

Strategic Capital and our fund jointly hold 2.6% of shares of CHORI CO., LTD. (hereinafter referred to as “Chori”).

This year, we didn't submit our shareholder proposals although we had done it in the last consecutive three years. We had expected that Chori's managements change their management policy to increase shareholder's value, but the management did nothing.

The ratio of favour votes to the election of representative director of Chori has decreased significantly in these three years. At the AGM in June 2019, he gained only 66.6% favour votes among minority shareholders, excluding the vote of Toray, Chori's parent company holding 51.2% of Chori's shares. The ratio of favour votes in total is 85.9% according to Chori's disclosure in public.

2. Issues facing Chori

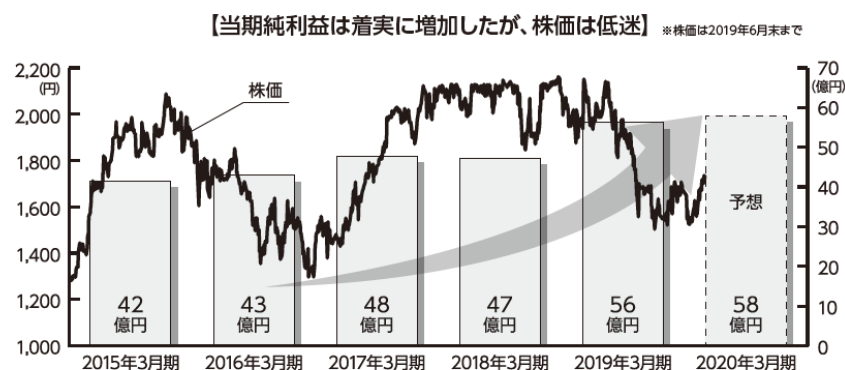
Already-achieved Mid-term Management Plan

- ◆ 3 years' plan has been achieved only in 2 years
- ◆ In spite of the achievement of the plan, shareholders' value hasn't increased

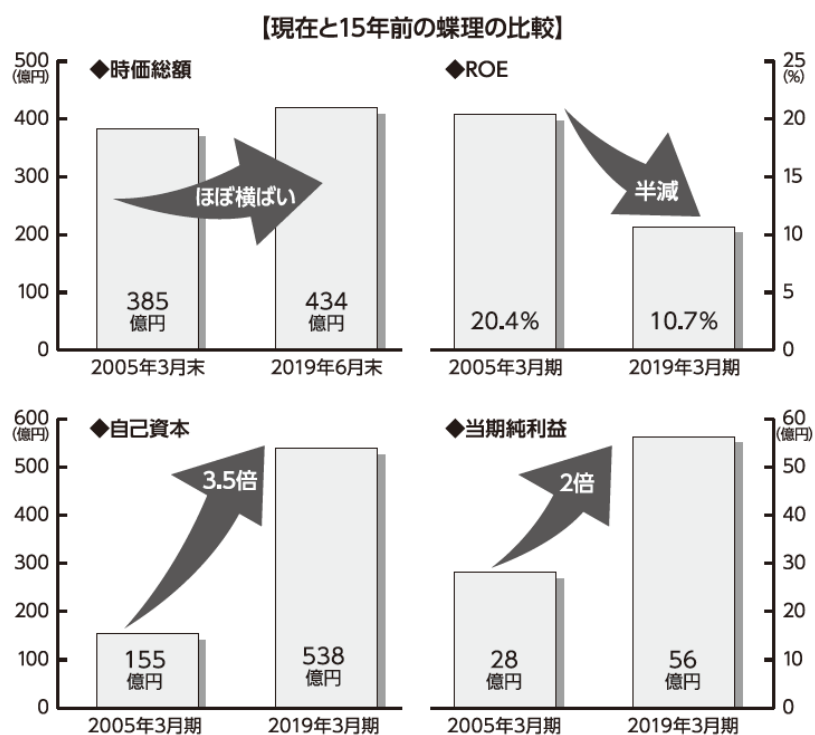
Unreasonable management policy by which increasing profits don't improve shareholders' value

- ◆ Lowering ROE due to the accumulation of equity capital
- ◆ Lowering valuation due to the lowering ROE
- ◆ Still held cross shareholdings such as Wacoal holdings

The line graph shows share price trend (LHS, JPY) and the bar graph shows the trend of net income (RHS, JPY '00 mil) in recent five years's result and this fiscal year's expectation by Chori. Although net income has steadily grown, the share price hovered and rather dropped.



As shown by the first figure below, the market capitalization (left) is almost equal to 15 years ago (JPY '00 mil), while ROE (right) decreased by half. On the other hand, as shown by the second figure below, equity capital (left) and net income (right) increased significantly.



3. Our remarks at the AGM in June 2019

- ◆ Although Chori has achieved its 3 years' mid-term management plan in 2 years and its profit and equity capital both increased, the share price has gone down instead of up. This is the clear evidence that Chori's 3 years' plan hasn't contributed to increase its enterprise value and its shareholders' value.
- ◆ The more Chori accumulates equity capital, the more shareholders' value decreases. Managements who pursuit comfortable situation are damaging shareholders' value.
- ◆ M&A shall not necessarily be funded by cash in hand. If the deal is reasonable enough, Chori can raise the fund from financial institutions when needed.
- ◆ Toray, the parent company of Chori which holds more than a half of Chori's voting rights, leaves Chori so long without trying to increase its value. Even if we propose our opinions to

increase its shareholder value, the managements of Chori lack a sense of tension due to the support from Toray which always tolerates Chori. This situation leads to leave the share price cheap.

RE: Kyokuto

1. Our shareholder proposal in 2019

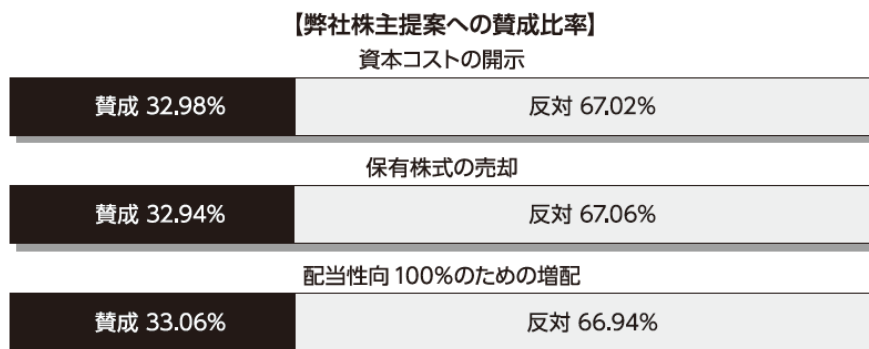
Strategic Capital and our fund, jointly holding more than 17% of voting rights, are the largest shareholders of KYOKUTO BOEKI KAISHA, LTD. (hereinafter referred to as “Kyokuto”).

We have submitted shareholder proposals regarding the issues facing Kyokuto as followings: -

- Cheap valuation left by the management
- Managements ignoring its shareholders' value allowing Kyokuto to hold other listed companies' share without rational purposes
- Accumulated equity capital due to its low payout ratio

The ratio of favour votes to our proposals are following: -

- The first band chart shows the result of the voting for our proposal of “Disclosure of WACC and its basis of calculation for more effective dialogues” (the ratio of favour votes was 32.98%).
- The second shows the result for our proposal of “Dissolution of shares it holds without rational purposes” (the ratio of favour votes was 32.94%).
- The third shows the result for our proposal of “Increase of dividend to achieve 100% payout ratio” (the ratio of favour votes was 33.06%).



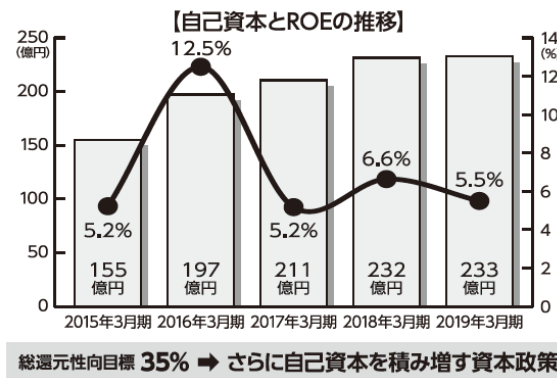
Thanks to supports from other shareholders, all the three proposals gained more than one third of favour votes. The rates are in significantly higher level among shareholder proposals submitted to Japanese listed small-cap companies.

The results revealed one third of shareholders were not satisfied with the current management policy. The management should sincerely consider this result and analyze why the large portion of

shareholders supported our proposal. We truly expect the management will make use of this result in making management policy from now on.

The bar graph shows the change of equity capital (LHS, JPY '00 mil) and the line graph shows ROE trend (RHS, %) in the recent five years.

Kyokuto announced that the target of total return ratio is 35%. This means Kyokuto will accumulate more equity capital as its capital policy.



2. Issues facing Kyokuto

Mid-term strategies damaging shareholders' value

- ◆ ROE target in 5 years is lower than cost of equity
- ◆ Strategies without concreteness
- ◆ Capital allocation policy to accumulate equity capital

Low capital efficiency

- ◆ Holding securities which occupies a half of its market capitalization
- ◆ Suspicion of misstatement regarding the disclosure of cross-shareholdings as pure investment purpose

【保有株式の目的別内訳】

合計	47億円
純投資	33億円
純投資以外	14億円
時価総額(2019年6月末)	94億円

Total amount of shares Kyokuto holds is JPY 4.7 bil.

Shares held for pure investment purpose is JPY 3.3 bil.

Cross-shareholdings is JPY 1.4bil.

(FYI) Kyokuto's market capitalization was JPY 9.4 bil in June 2019.

3. Our remarks at the AGM in June 2019

- ◆ The release of the new mid-term management plan didn't have any impact on the share price. Even now, it's not late to revise the plan. If you leave this, the share price won't change

even if Kyokuto achieves the targets of the plan. The plan is self-serving and the managements don't consider the shareholder's interests.

- ◆ The new plan lacks concrete ideas on the strategies. In what way Kyokuto improve the ROE from 5% to 8%?
- ◆ The target ROE is set as 8% in 5 years. Even if Kyokuto achieves this target 5 years later, PBR will be kept lower than 1x. because the cost of equity is higher than 8% according to our calculation.
- ◆ Why do you think the valuation of Kyokuto is low? The answer is, Kyokuto holds too much cash equivalents, accumulates equity capital and this results in lowering the capital efficiency.
- ◆ Although the share price collapsed, the managements receive base salaries and bonuses. On the other hand, shareholders only receive few dividends and capital loss. Please keep in mind that board members are elected by shareholders. It is your responsibilities to act on behalf of shareholders.
- ◆ We hold 17% of Kyokuto's outstanding shares. Since we are the largest shareholder, we consider ourselves as the most sincere shareholder who think about the improvement of shareholders' value. It is very peculiar why the managements ignore our opinion. You should trust us and employ our proposals.
- ◆ The purpose of our shareholder proposals is to improve the current low valuation. Please don't reject them just because they are shareholder proposals. Think about the issues facing Kyokuto seriously.

RE: Seikitokyu

1. Shareholder proposal in 2019

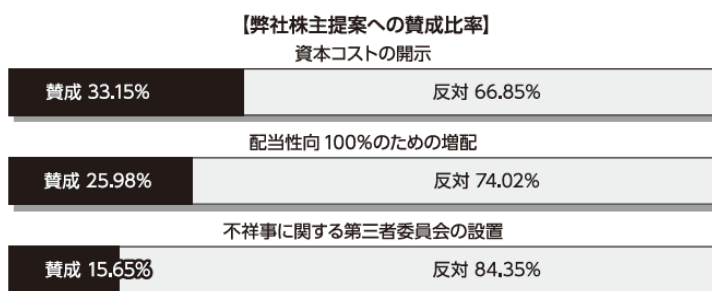
Strategic Capital and our fund, jointly holding 5.95% of voting rights, are the second largest shareholders of SEIKITOKYU KOGYO CO., LTD. (hereinafter referred to as "Seikitokyu").

We have submitted shareholder proposals regarding the issues facing Seikitokyu as followings: -

- Cheap valuation left by the management
- Capital allocation policy which leads to accumulation of equity capital and future decline of ROE
- Inadequate reactions for scandals such as antitrust violations which are at the risk of recurrence

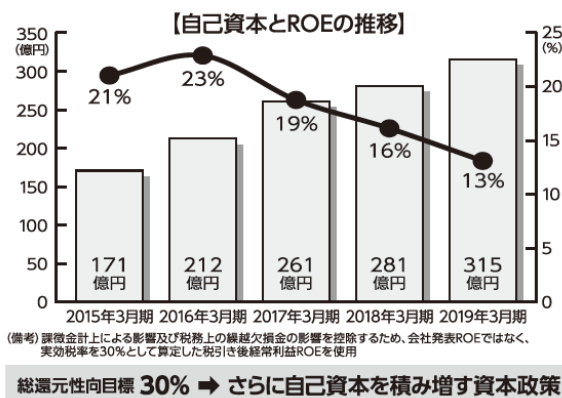
The ratio of favour votes to our proposals are following: -

- The first bar chart shows the result of the voting for our proposal of “Disclosure of WACC and its basis of calculation for more effective dialogues” (the ratio of favour votes was 33.15%).
- The second shows the result for our proposal of “Increase of dividend to achieve 100% payout ratio” (the ratio of favour votes was 25.98%).
- The third shows the result for our proposal of “Establishment of Independent Investigation Committee in the event of scandals” (the ratio of favour votes was 15.65%).



The bar graph shows the change of equity capital (LHS, JPY '00 mil) and the line graph shows ROE trend (RHS, %) in the recent five years.

Seikitokyu announced that the target of total return ratio is 30%. This means Seikitokyu will accumulate more equity capital as its capital policy.



(note) ROE is adjusted based on net profit after tax calculated by estimated effective tax rate of 30% to exclude the effect of extraordinary loss incurred by surcharge and loss brought forward from the previous term.

The ratio of favour votes for “Establishment of Independent Investigation Committee in the event of scandals” was lower than other two proposals. We guess this is because Seikitokyu announced to establish an investigation committee. However, remaining two proposals gained ca. one third of ratio. The management should sincerely consider this result and analyze why the large portion of shareholders supported our proposal. We truly expect the management change their hostile attitude

toward shareholders and make use of this result in making management policy. We feel Seikitokyu decided to reject our proposals from the beginning just because they are shareholder proposals.

2. Issues facing Seikitokyu

Necessity of more effective dialogues with shareholders based on cost of capital

- ◆ Unreasonable policy to prepare for unpredictable risks without limitation
- ◆ Accumulating equity capital and lowering ROE
- ◆ The CEO rejecting dialogues regarding cost of capital

High cost of equity on the back of scandals such as price cartels

- ◆ Multiple antitrust violations
- ◆ In terms of price cartels, Seikitokyu had a chance to receive immunity from surcharge if effective measures had been taken to prevent the recurrence of antitrust violations.

3. Our remarks at the AGM in June 2019

- ◆ Seikitokyu states “As a result, Shareholder proposals may damage shareholders’ value” in the opposite opinion of the board of director. Why do you think we, the second largest shareholder, propose to damage shareholders’ value which is equal to the value of our own assets?
- ◆ The managements must have decided to reject our proposals without any consideration just because those are shareholder proposals. The sentences of the opposite opinion do not make sense. We suspect you had the conclusion of opposition from the beginning and made up the reasons later. We consider the shareholders’ value seriously. We are terribly sorry for such hostile attitude of the managements.
- ◆ Accumulating equity capital to prepare for potential misjudgment of management lowers capital efficiency and damages shareholders’ value. It is necessary to construct mechanisms to prevent managerial mistakes. For example, you should make absolutely sure to prevent the recurrence of antitrust violation, instead of accumulating cash in hand to prepare for surcharge payments.
- ◆ The policy of accumulating equity capital only helps the managements to pursuit comfortable situation and does not contribute to shareholders’ interest.
- ◆ The board members, who are elected by shareholders, should manage the company complying with the intention of shareholders. It is annoying for shareholders to set a self-

serving goal and accumulate equity capital without limitation. Such attitude harms the shareholder's interests.

RE: Asanuma

1. Shareholder proposal in 2019

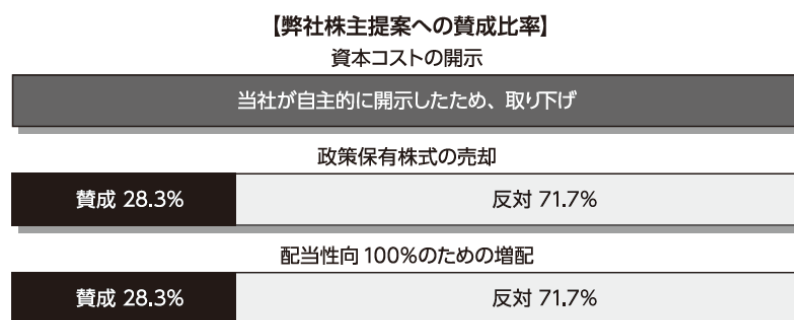
Strategic Capital and our fund, jointly holding 7.46% of voting rights, are the largest shareholders of ASANUMA CORPORATION (hereinafter referred to as "Asanuma").

We have submitted shareholder proposals regarding the issues facing Asanuma as follows: -

- Low financial leverage as a result of holding excessive cash and cross shareholdings
- Net-cash which equals to its market capitalisation

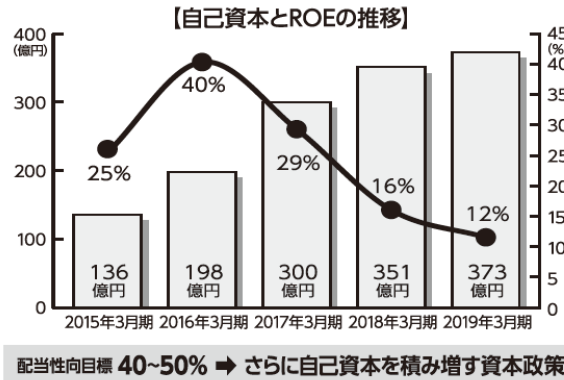
The ratio of favour votes to our proposals are following: -

- The first bar chart shows the result of the voting for our proposal of "Disclosure of WACC and its basis of calculation for more effective dialogues" (this proposal was withdrawn as Asanuma disclosed them).
- The second shows the result for our proposal of "Dissolution of cross-shareholdings to increase financial leverage" (the ratio of favour votes was 28.3%).
- The third shows the result for our proposal of "Increase of dividend to achieve 100% payout ratio" (the ratio of favour votes was 28.3%).



The bar graph shows the change of equity capital (LHS, JPY '00 mil) and the line graph shows ROE trend (RHS, %) in the recent five years.

Asanuma announced that the target of the payout ratio is 40% in this year and 50% in the next year. This means Asanuma will accumulate more equity capital as its capital policy.



2. Issues facing Asanuma

Excessive cash equivalents on the BS

- ◆ Net-cash which equals to its market capitalization
- ◆ Very slow progress in Dissolution of cross-shareholdings

【10億円以上の政策保有株式】

近鉄グループホールディングス	15億円
京阪ホールディングス	13億円
西日本旅客鉄道	13億円
住友不動産	12億円

List of companies holding cross-shareholdings over JPY 1 bil

1. Kintetsu Group Holdings Co., Ltd. (JPY 1.5 bil)
2. Keihan Holdings Co., Ltd. (JPY 1.3 bil)
3. West Japan Railway Co. (JPY 1.3 bil)
4. Sumitomo Realty & Development Co., Ltd. (JPY 1.2 bil)

Accumulating equity capital without rational reasons and lowering capital efficiency

- ◆ Poor shareholder return policy
- ◆ Management policy which avoids financial leverage

3. Our remarks at the AGM in June 2019

- ◆ The final part of the opposite opinion to our proposals states “the shareholder proposals do not coincide with the management policy. They don’t contribute to increase enterprise value.”. It seems as if you think the present management policy increases enterprise value. If so, we don’t submit shareholder proposals. We proposed them because the management policy is not good and under such policy the enterprise value has not increased.
- ◆ Asanuma asked us in the recent meeting, “If Asanuma dissolves cross shareholdings, Asanuma may lose businesses. Is it acceptable to you as a shareholder?” We answer this question as the largest shareholder. It is fine to lose businesses as a result of dissolution of cross shareholdings.

- ◆ It is a violation of the Corporate Governance code 1-4-1 to stop businesses on the back of dissolution of cross shareholdings. From the viewpoint of compliance, it is not recommendable to deal with such firms who violate a public discipline. We can accept the decline in profit as the side effect of dissolution of cross shareholdings and welcome the improvement of the business relationship.
- ◆ Business relationship must be obtained through competences such as construction technique / service, not through holding cross shareholdings.
- ◆ Please don't purchase other companies' shares but acquire Asanuma's own shares. We had continuously proposed share buyback to the amount of JPY 7 bil. Afterward Asanuma released buyback program to the amount of only 1 bil. Asanuma needs to change its management direction so that the market recognizes Asanuma has really changed. This leads to the improvement of the valuation.