

April 28th, 2021

To Whom It May Concern,

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO

Re: Shareholder Proposal to SEIKITOKYU KOGYO 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 and Strategic Capital hold over 300 units of voting right of Seikitokyu Kogyo Co., Ltd. (hereinafter referred to as "Seikitokyu" or the "Company" as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 26th, 2021, we notified Seikitokyu 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 27th, 2021, Seikitokyu certainly received the documents of the proposal.

We would like to explain the context of our proposal as following;

1. Overview of our proposal and
2. The detailed translation of our proposal.

1. Overview of our proposal

① Low stock valuation

Seikitokyu's valuation remains as low as its liquidation value, despite a high ROE. We believe one reason for this low valuation is the high Weighted Average Cost of Capital (WACC). Two years ago, and again last year, we have made a shareholder proposal to disclose the WACC to raise management's awareness and understanding of capital cost. The proposals received approximately 30% of favor votes.

Two years ago, Seikitokyu declared, in opposition to our proposal, that "disclosure of the WACC... should be decided after careful consideration by the Board of Directors." Since then, there has been no action by the Board of Directors and the stock price remains cheap.

We again propose the disclosure of the WACC and its basis of calculation, thus raising management's awareness of the cost of capital and promoting effective dialogue with shareholders to improve the stock valuation.

② End capital policies that cause ROE to decline

Seikitokyu's target of total return ratio is 30%. If the current policy regarding shareholders return continues, the Company's equity capital will continue to build, and ROE will decline.

We propose a 100% dividend payout ratio to prevent further build-up of equity capital, improve ROE and increase shareholder value.

2. The detailed translation of our proposal

① Revision of the provisions of articles with regard to disclosure of cost of capital

Add the following Chapter and Article to the current Articles of Incorporation.

CHAPTER VII. COST OF CAPITAL

(Disclosure of Cost of Capital)

Article 42. The Company shall disclose, in the Corporate Governance Report (hereinafter referred to as "Report") which it submits to the Tokyo Stock Exchange, its Weighted Average Cost of Capital and its basis of calculation which it comprehends at the point of within 1 month before the submittal of the Report.

② Appropriation of Surplus

A) Type of dividend

Cash

B) Allocation and the total amount of dividends

The amount obtained by deducting the amount of dividend payment from surplus per common share of the Company which will be proposed by the Board of Directors of the Company at the 72nd Annual General Meeting of Shareholders and approved thereat, from JPY143.

In case Earnings Per Share rounded down to the nearest integer in 72nd fiscal period (hereinafter referred to as "actual EPS") is different from JPY143, JPY143 in the previous paragraph shall be replaced with actual EPS.

The total amount of dividends is calculated by multiplying the dividend amount per the one common stock described above by the number of shares subject to dividend payment as of the record date of voting rights at the 72nd Annual General Meeting of Shareholders.

C) Effective date of dividend payment from surplus

The day after the 72nd Annual General Meeting of Shareholders is held.

If the Board of Directors of the Company submits the proposal on appropriation of surplus at the 72nd Annual General Meeting of Shareholders, this proposal will be submitted to make an additional proposal separately from such proposal.

Contact Information
Dan Kato
81-3-6433-5267