

April 21, 2022

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO
Attention: Dan Kato, Director
TEL: 03-6433-5277

Re: Shareholder Proposal to BUNKA SHUTTER CO., LTD (5930) and the Launch of the Campaign Website on the proposal

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 Bunka Shutter Co., Ltd. (hereinafter referred to as "Bunka Shutter" or the "Company" as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 20th, 2022, we notified Bunka Shutter 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 21st, 2022, the Company certainly received the documents of the proposal.

For additional details please visit https://stracap.jp/english/proposal-for-bunkashutter-from-sc-2022_eng.pdf or by referring to the link "Campaign Websites" found on the upper right corner of our [website](#).

We would like to explain the context our proposal as follows.

1. The Company's Issues and Our Solutions
2. Abstract of the Proposal

1. The Company's Issues and Our Solutions

ISSUE – Excessive accumulation of Equity Capital and declining ROE

SOLUTION – Set dividend payout ratio to be 100%

The Company's stock price has remained below its dissolution value and is heavily discounted relative to peers. We believe one of the reasons for the weak share price is the decline in ROE resulting from the buildup of equity capital.

We propose a 100% dividend payout ratio to prevent a further build-up of equity capital which will lead to a decline in ROE and damage shareholder value

ISSUE – Relying on takeover defense measures without making efforts to increase shareholder value

SOLUTION – Abolish the takeover defense measures

If the Directors of Bunka Shutter wish to prevent a takeover, the best way is to manage the Company and increase the valuation of its stock price so that the acquirer will give up. If they are not confident in their management, they should resign from their post.

We propose the abolition of takeover defense measures in order to restore a sense of tension to leadership, encourage Directors to focus on increasing shareholder value and reduce the cost of capital.

ISSUE – Cross-shareholdings that loosen management discipline and reduce capital efficiency

SOLUTION – Take action to reduce cross-shareholdings

The Company states that it holds cross-shareholdings such as Daiwa House and other business partners for “maintaining and strengthening business relationships”.

However, the business counterparties have denied this stating “there is no causal relationship between holding stock and business relationships”. Despite knowing this fact, the Company continues to hold on the fear of worsening the business relationships.

We propose that the Company sell its cross-shareholdings based on clear criteria that takes into account the policies of the companies issuing the shares of cross-shareholdings.

ISSUE – Lack of sense of ownership in increasing shareholder value

SOLUTION – Introduce equity compensation linked to PBR

One reason behind the inefficient management practice is Management lacks a sense of ownership in increasing shareholder value. Therefore, we believe the Company should introduce an equity compensation scheme where incentives are linked to shareholder value.

Given that the Company's stock price is below its dissolution value, we propose the introduction of a stock-based compensation system based on the Company's PBR. At the end of the current mid-term business plan (MTBP), full compensation is granted if the PBR reaches 1.5x, a level comparable to that of other companies in the same industry. If PBR is less than 1x there is no compensation.

ISSUE – Neglecting potential dilution risk from holding treasury stock

SOLUTION – Authorize the AGM to cancel treasury stock. Cancel treasury stock

As of March 31, 2022, the Company held treasury stock equal to approx. 6.9% of the total shares outstanding. Despite the potential dilution risk to shareholders from holding such stock, and despite the fact the Company has in the past conducted unnecessary secondary offerings that have damaged shareholder value, the use of treasury stocks remain undisclosed.

If the Company is not going to cancel the treasury stock by its own volition, we propose to empower shareholders to decide at the General Meeting and speedily cancel the stock.

2. Abstract of the proposal

(1) Appropriation of surplus

Set the dividend payout ratio to 100%

(2) Abolition of the measures to prevent large-scale acquisition of shares of the Company (takeover defense measures)

Abolish the takeover defense measures

(3) Revision of the provisions of articles with regard to cross-shareholdings

Once a year, sound the Company's intention to sell its cross-shareholdings with the issuer of the shares and disclose the issuer's response in the Corporate Governance Report

(4) Determination of Conditional Restricted Common Stock remuneration to Directors (excluding Directors who are members of the Audit and Supervisory Committee).

For FY 2022 and FY 2023, grant up to a total 800 million JPY/year in monetary remuneration claims which can be used to purchase Restricted Common Stock-in-kind (the total number of shares to be granted within 1,000,000 shares) to eligible Directors. The amount of the claims is conditional and to be calculated based on the PBR level being above 1x.

(5) Revision of the provisions of articles with regard to cancellation of treasury stock

Give authorization to cancel treasury stock to the General Meeting of Shareholders.

(6) Cancellation of treasury stock.

Subject to approval of Proposal (5), cancel all treasury stock

Disclaimer

This press release is a reference translation of the original announcement in Japanese

[\(here\)](#). In the event of any differences between the original Japanese version and the English translation, the original Japanese version shall prevail.

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