

April 26, 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 SEIKITOKYU KOGYO CO., LTD. (1898)**

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 22<sup>nd</sup>, 2022, 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 25<sup>th</sup>, 2022, the Company certainly received the documents of the proposal.

We would like to explain the context of 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 – Capital policies that cause ROE to decline**

**SOLUTION – Set the dividend payout ratio to 100%**

Seikitokyu's stock price has remained below its dissolution value. We believe one of the reasons for the weak share price is the decline in ROE resulting from the buildup of equity capital. Seikitokyu's target of total return ratio is 50%. If the current policy regarding shareholders return continues, Seikitokyu's equity capital will continue to build, and ROE will decline.

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

**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. 7.4% of the total shares outstanding. Despite the potential dilution risk to shareholders from holding such stock, the use of treasury stocks remains 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 retire the stock.

### **ISSUE – The appointment of a Director who tacitly approved violations of Antimonopoly Act as an advisor**

#### **SOLUTION – Abolish the advisory position**

The Tokyo District Court found that Toshiaki Sato, Chairman of the Board of Directors (hereinafter referred to as "Mr. Sato"), who is scheduled to assume the post of advisor, knew of the Company's violation of the Antimonopoly Act and tacitly approved the violation. The court also found that he had breached his Director's duty of care and ordered him to pay JPY 1,732.27 m in damages to the Company.

We believe that eliminating Mr. Sato's influence is necessary to improve shareholder value over the medium to long term, and therefore propose the abolition of the advisory position.

### **ISSUE – Unclear relationship between Mr. Sato and the Board of Directors**

#### **SOLUTION – Disclose Mr. Sato's compensation if he is appointed as an advisor**

The Company's Board of Directors has not pursued Mr. Sato's responsibility on its own and has not rescinded its policy of appointing him as an advisor even after the Tokyo District Court found that Mr. Sato had breached his duty of care. As a result, there is strong concern that an unhealthy familiar relationship has developed between the Board of Directors and Mr. Sato.

If the abolition of the advisory position is not approved and Mr. Sato assumes the position of advisor, governance cannot be expected to work in determining Mr. Sato's compensation as an advisor.

Therefore, if the abolition of the advisory position is not approved, we propose that the remuneration of the individual advisor be disclosed.

## **2. Abstract of the Proposal**

### **(1) Appropriation of surplus**

Set the dividend payout ratio to 100%

### **(2) 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.

(3) Cancellation of treasury stock.

Subject to approval of Proposal (2), cancel all treasury stock

(4) Revision of the provision of articles with regard to the abolition of advisors

Delete the Articles of Incorporation providing for the establishment of the advisor and abolish the advisory position.

(5) Revision of the provision of articles with regard to individual remuneration of the Advisor

Subject to rejection of Proposal (4), Disclose the individual remuneration of the Advisor

**Disclaimer**

This press release is an abbreviated 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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