

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 TACHI-S CO., LTD. (7239) 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 TACHI-S CO., LTD. (hereinafter referred to as "TACHI-S" or the "Company" as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 22nd, 2022, we notified TACHI-S 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 25th, 2022, the Company certainly received the documents of the proposal.

For additional details please visit https://stracap.jp/english/proposal-for-tachis-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 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 – Long-term share price weakness due to the inefficient management

SOLUTION – Disclose the cost of equity (CoE)

Since 2010, the Company's stock price has rarely exceeded dissolution value. We believe one of the reasons for the prolonged slump is the excessive level of equity capital and the corresponding low capital efficiency.

Senior managements' lack of awareness regarding the cost of capital may be one reason they make ineffective decisions that result in capital efficiency being at such a low level.

We propose the Company disclose CoE and the basis for calculation to encourage decisions to be made with the cost of capital in mind and unlock the stocks valuation.

ISSUE – Rental real estate with low capital efficiency

SOLUTION – Authorize the AGM to dispose of rental real estate. Sell rental real estate

As of March 31, 2021, the Company owns approx. JPY 5.0B at market price in rental real estate. While implementing structural reforms such as selling off factories, the Company is neglecting to dispose of its rental real estate which can be more easily sold.

As the Company is neglecting to sell the rental real estate despite the low capital efficiency, we propose to authorize the general meeting of shareholders to decide and subsequently sell the properties as soon as possible.

ISSUE – Neglecting potential dilution risk from holding treasury stock

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

As of December 31, 2021, the Company held treasury stock equal to approx. 3% of the total shares outstanding. Despite the potential dilution risk to shareholders from holding such stock, senior management has neglected to dispose of its treasury stock holdings for over a decade.

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 – IR policy that denies dialogue with shareholders

SOLUTION – Obligate dialogue with shareholders

Strategic Capital requested the Company to speak with the independent outside Directors, but the request was denied.

We propose that directors, when required to meet with shareholder holding a certain level of voting rights, are obliged to attend the meeting by themselves in order to improve shareholder value through dialogue with shareholders.

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 TOYOTA BOSHOKU (TOYOBO) and other business partners for purposes such as “collaboration” or “maintaining business”. However, Yoshihiro Ito, Director & CFO of TOYOBO has denied this stating “there is no causal relationship between holding stock and business relationships”. Despite knowing this fact, the Company continues to hold TOYOBO shares. 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.

2. Abstract of the Proposal

- (1) Revision of the provisions of articles with regard to disclosure of cost of equity
Revise the Articles of incorporation and disclose the cost of equity in the Corporate Governance Report (CG Report)
- (2) Revision of the provisions of articles with regard to disposition of rental real estate
Give authorization to dispose of rental real estate to the General Meeting of Shareholders.
- (3) Disposition of rental real estate.
Subject to approval of Proposal (2), all rental real estate held to be disposed of by the fiscal year end of 2023
- (4) 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.
- (5) Cancellation of treasury stock.
Subject to approval of Proposal (4), cancel all treasury stock
- (6) Revision of the provisions of articles with regard to dialogue with shareholders
If a shareholder who holds one percent or more of the voting rights requests an interview with a Director of the Company, the nominated Director shall respond to the request and attend the meeting with the shareholder within 30days of the request.
- (7) 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 CG Report

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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