

April 18, 2023

To Whom It May Concern

Strategic Capital, Inc.
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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” or “SC”) and funds managed by Strategic Capital hold approximately 6.5% of Bunka Shutter Co., Ltd. (hereinafter referred to as "Bunka Shutter" or the “Company” as the context requires).

The Fund and Strategic Capital are pleased to announce that, on April 17th, 2023, 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.

For additional details please visit <https://stracap.jp/english/5930-BUNKA.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. Abstract of the Proposal
2. The Company’s Issues and Our Solutions

1. Abstract of the proposal

(1) Appropriation of surplus

Set the dividend payout ratio to 100%

(2) Appropriation of surplus

Distribute Daiwa House shares as dividend in-kind

(3) Revision of the provisions of articles with regard to the convener and chair of the General Meeting

The president (currently stipulated as “chairperson”.) shall convene and chair the general meeting of shareholders

(4) Revision of the provisions of articles with regard to the who will chair the Board of Directors meetings

Choose an outside director (currently stipulated as “chairperson”.) to chair the Board of Director meetings

- (5) Abolish the position of Chairperson of the Board of Directors
- (6) Revision of the provisions of articles with regard to disclosing individual remuneration of Directors with representation rights
- (7) Revision of the provisions of articles with regard to disclosing the calculation method of performance-linked remuneration for Directors with representation rights
- (8) Revision of the provisions of articles with regard to disclosing information on mergers and acquisition in Australia

2. 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 slumped below its dissolution value due to an excessive accumulation of equity capital. Despite operating an excellent business that boasts the 2nd largest market share in Japan, ROE and stock price have lagged for below its peers.

We propose the company adopt a new shareholder return policy of a 100% dividend payout ratio to prevent a further build-up of equity capital.

ISSUE – Cross-shares held for deluded purposes

SOLUTION – First distribute Daiwa House shares to shareholders

Bunka Shutter has approx. JPY 1.9B in Daiwa House. Daiwa House has denied any relation between holding shares and business and even disclosed that fact.

However, the Company maintains that it holds the shares for the purpose of “maintaining and strengthening relations” and claims that this holding is reasonable according to its own criteria. Considering Daiwa House's position on the matter, this is merely delusional and irrational.

Therefore, the Company should promptly dispose of Daiwa House shares by distributing the shares in kind, which would also contribute to shareholder returns. For other cross-shareholdings, the Company should promptly review its own criteria for judging something that is delusional as “reasonable” and dispose of those shares as well.

ISSUE – Chairman Toshihiko Shiozaki has little awareness of improving corporate value

SOLUTION – Abolish position of Chairperson and encourage Shiozaki to step down

Although Shiozaki is the Chairman, he appears to have little awareness of corporate

value and no sense of urgency over the weak stock price. Under such conditions, we believe that it will be difficult for him to exercise leadership on the Board to improve corporate value.

In addition, Bunka Shutter has both a Representative Director and Chairman of the Board and a Representative Director and President, and it is unclear which one is considered the head or the CEO.

Therefore, we propose that the Chairperson position be abolished, that management responsibility be clarified, and that Toshihiko Shiozaki step down from his position.

ISSUE – Remuneration plan that does not provide incentive to increase corporate value

SOLUTION – Disclose the remuneration for Representative Directors and its calculation

Bunka Shutter management receives remuneration that is unrelated to corporate value and is given little incentive to improve ineffective management and corporate value. As a result, contrary to the highly profitable business, the stock price has languished below dissolution value.

In addition, how remuneration plan itself is unclear, as the AGM resolved to introduce stock compensation based on “ROE etc,” but in the annual securities report it was changed to “profitability and capital efficiency indicators”

Therefore, we propose that remuneration of the Representative Directors be disclosed as well as the calculation method.

ISSUE – Refusal to disclose information on the results of an Australian M&A

SOLUTION – Provide appropriate information disclosure

In 2018, Bunka Shutter expanded into Australia through an approx. JPY 8.7B acquisition of ArcPac Garage Doors Ptd Ltd. which operated a similar business. At the time, this was equal to more than 10% of the Company’s market cap.

However even in 2023, the Company refuses to disclose the results of the M&A claiming that the “results of the Australian M&A are not large enough to disclose” and “the analysis is not advanced enough to disclose.” And they are trying to do further overseas M&A.

Therefore, before making another overseas M&A, we propose that they first disclose the results of the Australian M&A from 5 years ago.

Disclaimer

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