

April 19, 2023

To Whom It May Concern

Strategic Capital, Inc.  
Tsuyoshi Maruki, President &CEO

**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 17, 2023, 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 18, 2023, the Company certainly received the documents of the proposal.

For additional details please visit <https://stracap.jp/english/7239-TACHIS.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. Abstract of the Proposals
2. Rationale for the Proposals

1. Abstract of the proposal

(1) Appropriation of the surplus (6% DOE)

Set the dividend payment to a DOE of 6%.

(2) Appropriation of surplus (Dividend-in-kind of Toyota Boshoku Corp (TSE 3116))

Set a dividend payment of one Tokyo Boshoku share for every 27 shares held or the equivalent in cash.

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

The Board shall assess each cross-shareholding, specifically examining whether the purpose of holding is appropriate and whether the benefits and risks cover the cost of capital. At least once a year, sound the Company's intention to sell its cross-

shareholdings with the issuer and disclose the response in the Corporate Governance Report.

## 2. Rationale for the Proposals

### (1) Appropriation of the surplus (6% DOE)

The Company has set a “DOE of 3-4%” for its mid-term dividend target. The shareholder equity ratio is 46% as of March 31, 2023. In light of the fact that Toyota Boshoku, a peer company, has a ratio of 36%, the Company has already accumulated a sufficient level of funds. In addition, the Company held approx. JPY 32B in cash and equivalents, and approx. JPY 7.4B in cross-shareholdings, giving it a very strong financial base.

The Company has set a goal of 10% ROE with a minimum of 8% by FY 2024, so a further increase in equity capital will only result in a lower ROE.

Therefore, we would like to propose the company indicate its intention to improve capital efficiency and provide stable returns to shareholders over the medium to long-term by raising the current dividend target from a “DOE of 3-4%” to a DOE of 6%.

### (2) Appropriation of surplus (Dividend-in-kind of Toyota Boshoku Corp)

Although we believe the Company should not be holding any cross-shareholdings, the proposal first calls for a dividend-in-kind of Toyota Boshoku shares, which is the largest such holding.

The Company discloses the purpose of holding the shares is to “strengthen collaboration”, but Toyota Boshoku during the Q&A of its financial results briefing held on Oct 29, 2021, clearly stated that “business has nothing to do with whether or not the Company owns its shares”.

As Toyota Boshoku has publicly denied any relationship between business and holding shares, the purpose of holdings disclosed by the Company has no basis in fact. However, given that 18% of the total shares issued by the Toyota Boshoku are held by cross-shareholders, there may be some suspicion that Toyota Boshoku has requested its cross-shareholders including TACHI-S hold the shares.

To dispel such suspicion, the shares of Toyota Boshoku should first be disposed of.

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

Principle 1-4 of the Corporate Governance Code (“CGC”) requires companies to assess whether the benefits and risks for each cross-shareholding are commensurate with the cost of capital, and to disclose the details of the assessment.

As of March 31, 2022, the Company holds approx. JPY 7.4B in cross-shareholdings including Toyota Boshoku. While the Company states that it complies with CGC 1-4, it

has not disclosed specific assessments or verification.

In comparison, almost all issuers of cross-shares held by the Company comply with CGC Supplemental Principle 1-4-1.

Therefore, in addition to disclosing specific assessments and verification as stipulated in CGC 1-4, at least once a year the Company shall inform the issuers of the cross-shares of the desire to sell the shares. The response by the issuer should also be disclosed.

**Disclaimer**

This press release is an abbreviated 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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