

April 17, 2024

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President &CEO

Re: Shareholder Proposal to DAIDOH LTD (3205)

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 (collectively referred to as "SC", "proposing shareholder" or "we") hold over 300 units of voting right of Daidoh Ltd. (hereinafter referred to as "Daidoh or the "Company" as the context requires) over 6 months and as of March 31, 2024 holds 32.2% of the Company's voting rights.

The Fund and Strategic Capital are pleased to announce that, on April 16th, 2024, we notified the Daidoh of our execution of the shareholders' right to make a proposal at the annual shareholder meeting held in the coming June. The contents and key points of the proposals are provided below.

Details

1. Details of the proposals

Elect the following six (6) persons as Directors

- (1) Toshihiko Nakashima
- (2) Michio Osawa
- (3) Masaki Murata
- (4) Shingo Shinozaki
- (5) Takashi Shimamura
- (6) Kayo Iketeru

2. Reason for the proposals

The Company's management team has continued to undermine shareholder value. Full-time directors, Tsukasa Nabewari and Katsuo Watabe have served as executive officers since 2017 and 2013 respectively, and both have served as Directors since 2019. During all this time the Company's performance has continued to decline. In addition, outside directors Kazuyuki Nishioka (Director since 2016) and Kensuke Narita (Director since 2020) have failed to fulfill their management oversight responsibilities and allowed the management team to run the Company at a loss.

Therefore, the proposing shareholder opposes the election of Messrs. Nabewari, Watabe,

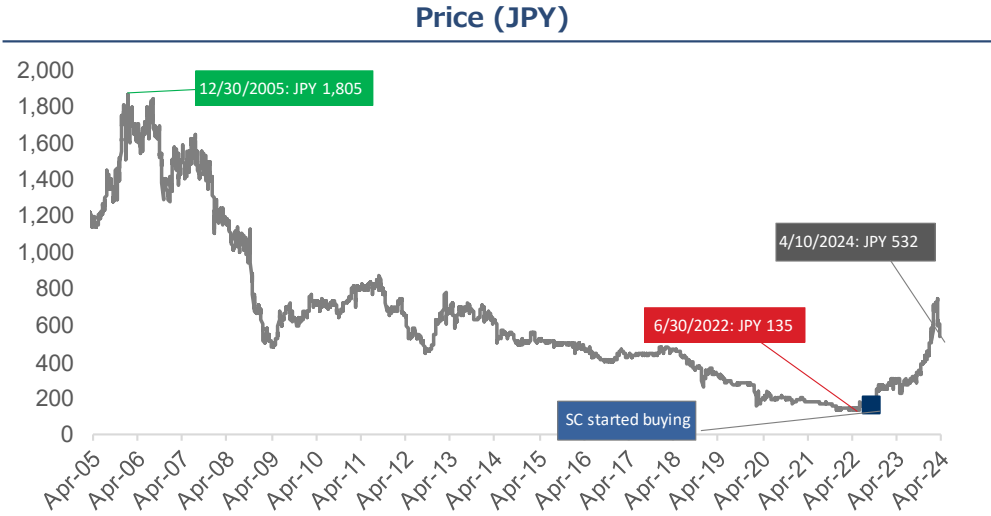
Nishioka and Narita out of the six incumbent directors proposed by the Company and proposes that six new directors be elected to replace the four we oppose.

The following are issues relating to the Company’s management team.

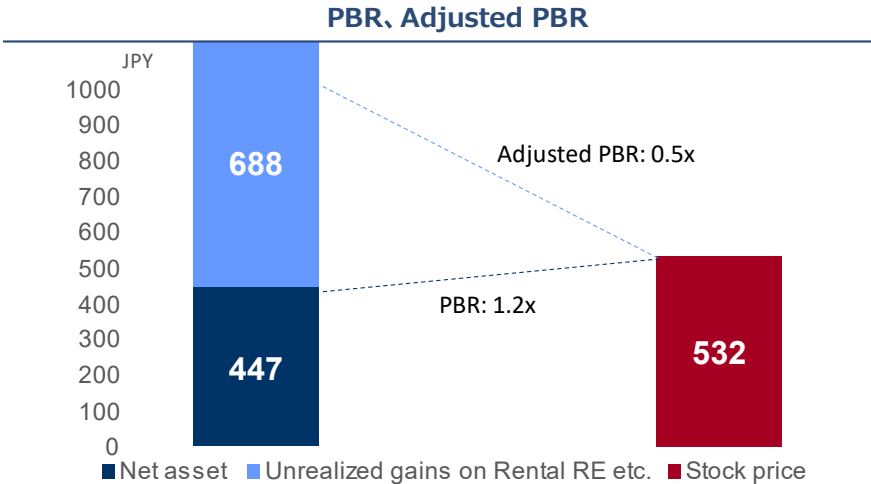
Decline in stock price due to long-term losses

The Company’s operating results have been in the red for the past 10 years. An extraordinary gain from the sale of its HQ building resulted in a positive net income for the fiscal year ending March 31, 2023 but this was a one-time event and the core business continues to deteriorate.

As a result since 2006, the stock price has declined steadily and by 2022 was trading at less than one-tenth its value. The share price has risen since SC began buying but it is still well below dissolution value when accounting for the market value of the rental real estate and other real estate properties.



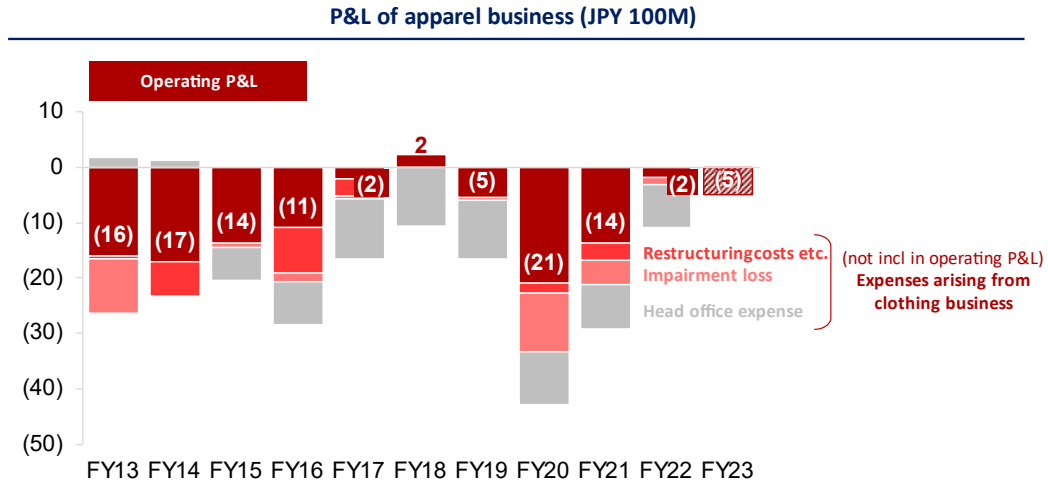
Source: QUICK ASTRA MANAGER



Source: QUICK ASTRA MANAGER Unrealized gains after tax on rental real estate is calculated as (MV of rental real estate in

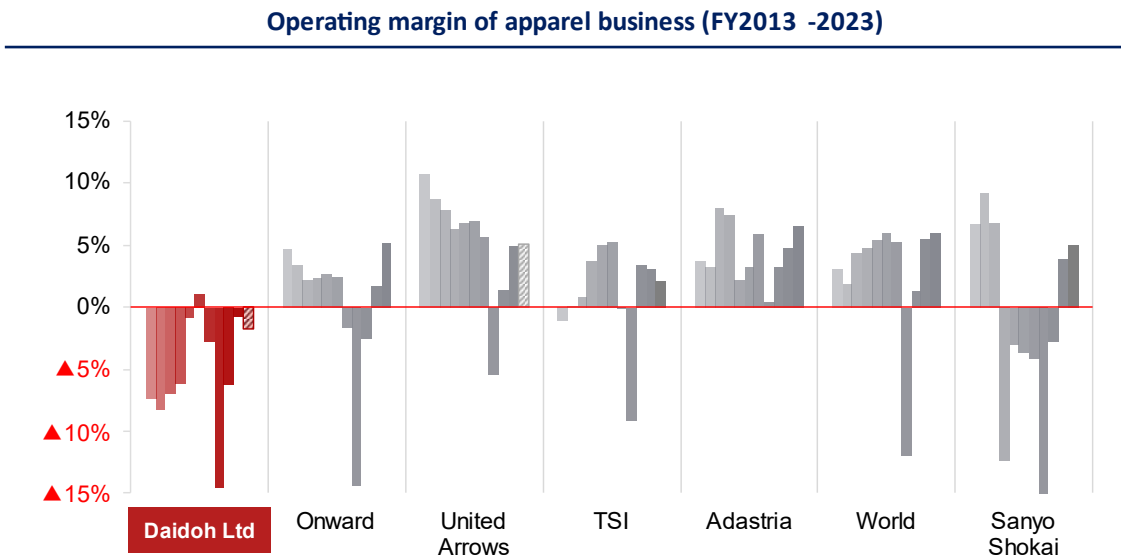
Long term slump in apparel business

Over the past 10 years, the Company’s core clothing business has posted an operating loss every year with the exception of FY2018, for a cumulative loss of JPY9.91B over that time frame.



Source: QUICK ASTRA MANAGER Restructuring and other expenses are the sum of business structure improvement expenses and special severance payments. HO expenses are calculated by dividing expenses not allocated to each segment by segment sales. For FY2023, Company’s forecast for consolidated operating income used.

While other apparel companies are recovering from the downturn due to the COVID pandemic, the Company is expected to remain in the red for FY2023 and shows little signs of improving.



Source: QUICK ASTRA MANAGER Daidoh Ltd is from its clothing business, Onward and TSI from its apparel-related business,

other companies from consolidated P&L. For Daidoh and United Arrows, FY2023 is based on company forecasts of consolidated operating income.

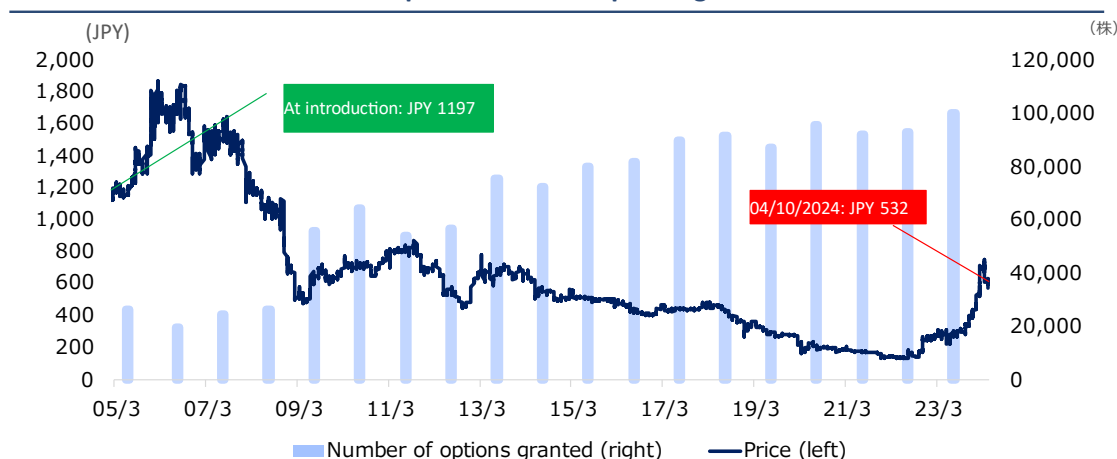
Employee restructuring and management benefiting from one yen stock options

The Company has executed voluntary retirement packages for approx. 150 employees in total in 2017 and 2021, and in 2024 newly announced a workforce reduction of approx. 120 employees in China. The Company’s non-consolidated headcount has decreased from 73 in FY2013 to 35 in FY2022, with average annual salaries decreasing from JPY 6.51m to JPY5.54m over that time.

On the other hand, since 2006, management and auditors have continued to be granted stock options that allow them to acquire shares of the Company for one yen, with the number of shares they earn increasing as the stock price declines. This continued last year, ignoring repeated requests for improvement by SC.

In this way, the Company continues to maintain a system that benefits only management and the auditors, while making employees bear the burden of poor performance.

Share price and stock options granted



Source: Company’s materials /QUICK ASTRA MANAGER

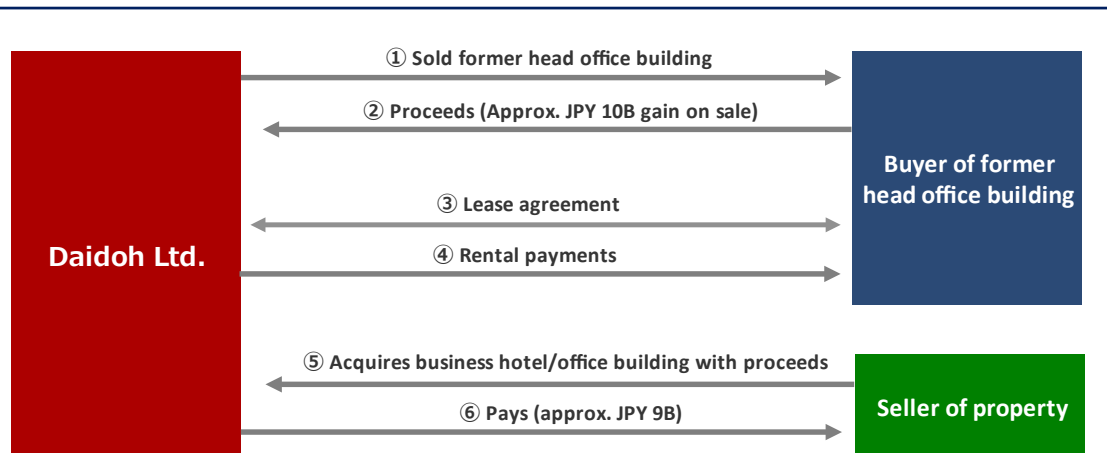
Failed M&A

The Company recorded a goodwill impairment loss of JPY553m in FY2020 as a result of its acquisition of PONTETORTO in November 2016. An impairment loss on fixed assets (which is believed to account for a certain percentage of the JPY 130m in the clothing business for FY2022) was recorded May 2023 with respect to Brooks Brothers Japan which became a consolidated subsidiary in November 2020.

Continuation of real estate leasing business which earns less the cost of capital

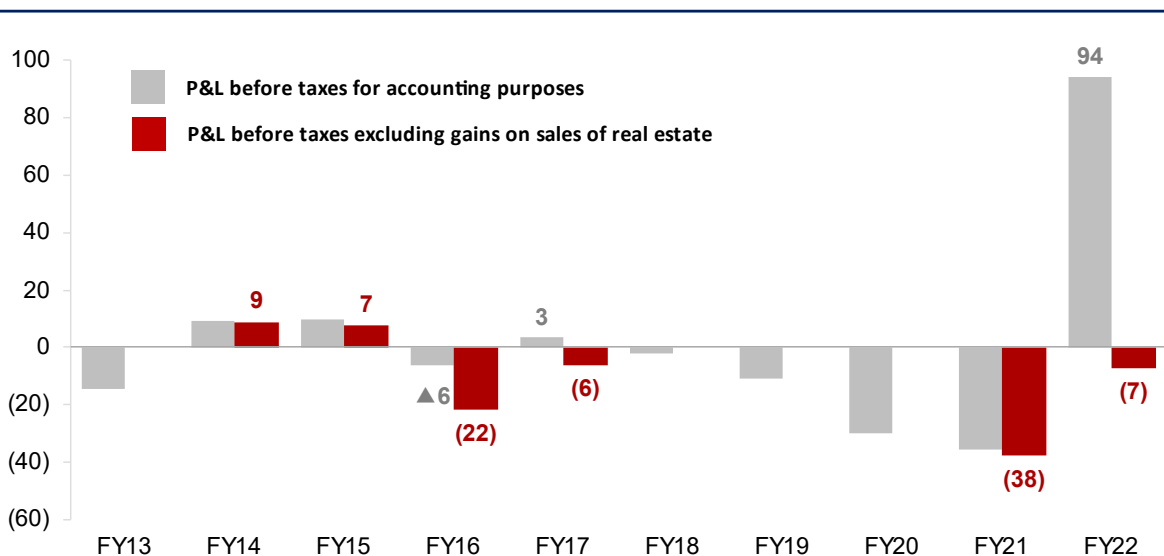
Ignoring our repeated requests, Daidoh has not only continued to hold rental properties that provide a return far below the cost of capital, but also acquired a business hotel (acquisition price: approx. JPY 3B) and an office building (approx. JPY6B) using the proceeds from the sale and leaseback of its former head office building.

Real estate related transaction flow



Although sale-and-leaseback transactions are generally conducted for the purpose of improving capital efficiency, the sale of the former head office building did not do so as the Company acquired other real estate from the proceeds. We must assume that the purpose of the sale was to turn the Company’s bottom line into a profit for accounting purposes in order to avoid criticism from shareholders for continuing to operate at a loss.

P&L before tax (JPY 100m)



Source: QUICK ASTRA MANAGER Income (loss) before tax excluding gain on sale of real estate is calculated by subtracting gains on sale of buildings and land from income before taxes.

The proposing shareholder has made several proposals to the Company since it began investing but they have rarely been adopted and we have determined that it is impossible to achieve an increase in shareholder value under the current structure. Therefore, we would like to reorganize the Board of Directors in order to restructure the business and establish a sound governance structure with the aim to improve shareholder value.

The proposing shareholder believes that the proposed candidates will contribute to enhance shareholder value. Specifically, we are proud to have selected candidates who have experience in the management of companies including apparel and real estate companies, and who have extensive experience in business restructuring. The identification of a female candidate will also help to promote diversity.

Since each candidate will be able to perform his/her duties independently and for the benefit of all shareholders, this proposal is not intended to acquire control over the Company.

Candidate Name, Biography etc.

(1) Toshihiko Nakayama June 22, 1959	
<p>■ 略歴、地位、担当及び担当並びに重要な兼職の状況</p>	
1983年4月	シルバー精工株式会社 入社
1990年1月	アメリカン・エクスプレス・インターナショナル株式会社日本支社 入社
1993年1月	日本サン・マイクロシステムズ株式会社 入社
1996年1月	マスターフーズ株式会社 入社
2001年5月	日興アントファクトリー株式会社 共同創業
2008年11月	コールハーンジャパン合同会社 入社 CFO、社長
2014年10月	クラークスジャパン株式会社 入社 営業本部長
2016年7月	株式会社ドゥクラッセ 入社 CFO
2017年8月	株式会社ジョージオパー 入社 CFO、COO
2017年12月	株式会社ブルックスブラザーズ ジャパン 入社 CFO、人事総務・法務、物流・管理部門ディレクター
2021年8月	個人でアパレル会社や事業会社の経営・投資コンサルティング業務を自営（現任）
	<重要な兼職の状況> なし
<p>■ Company Shares held: 0</p>	
<p>■ Reason for Nomination</p> <p>Mr. Nakayama has extensive experience in M&A (especially hands-on corporate restructuring) having worked for a major foreign company for 10 years before helping found an investment company. He then moved to the fashion industry where he worked for 15 years as a CFO (concurrently as an HR manager), mainly in foreign companies. From December 2017 to May 2021, he was CFO of the Japanese subsidiary of Brooks Brothers, one of the main brands of the Company. With his experience in corporate restructuring and management in the fashion industry, he is expected to lead the Company's Management restructuring and is therefore proposed for appointment as executive director of the Company.</p>	
<p>■ Special interest relationship</p> <p>None after his election as a director of the Company. Mr. Nakayama is currently engaged in management and investment consulting for apparel companies and other businesses but has no contracts related to the Company. If he is elected, such services will be terminated immediately upon date of election as he will concentrate on the Company's business.</p>	

(2) Michio Osawa February, 2, 1956	
■ 略歴、地位、担当及び担当並びに重要な兼職の状況	
1978年4月	榊山株式会社 入社
2006年3月	株式会社オンワード榊山 執行役員
2007年9月	オンワード商事株式会社 常務取締役
2009年3月	同社 代表取締役社長
2012年9月	株式会社オンワードホールディングス 常務執行役員
2015年3月	オンワード商事株式会社 代表取締役会長
2015年9月	株式会社オンワード・シェイ・ブリッジ 代表取締役社長
2016年3月	株式会社オンワード榊山 取締役専務執行役員 オンワード商事株式会社 取締役会長
2017年3月	株式会社オンワード榊山 代表取締役社長執行役員
2018年5月	株式会社オンワードホールディングス 専務取締役
2019年5月	同社 代表取締役専務
2020年3月	株式会社オンワード榊山 取締役会長
2020年6月	繊維産業流通構造改革推進協議会 会長（現任）
2021年6月	日本アパレルファッション産業協会 理事長
2021年9月	大生印刷株式会社 監査役
2022年9月	アクロストランスポート株式会社 特別顧問 東京納品代行株式会社 特別顧問
	<重要な兼職の状況> 繊維産業流通構造改革推進協議会 会長 アクロストランスポート株式会社 特別顧問 東京納品代行株式会社 特別顧問 大生印刷株式会社 監査役
■ Company Shares held: 0	
<p>■ Reason for nomination</p> <p>Mr. Osawa has held various important positions at Kashiyama Co., Ltd. (currently Onward Holdings Co., Ltd.) and its affiliated companies, and has extensive experience in the apparel business and corporate management. He is currently engaged in the promotion of the supply chain management in the textile industry as the chairperson of FISPA (Fashion Industry SCM Promotion Association) and has a broad network in the textile industry, distribution industry and other industries in general. Therefore, he is expected to provide accurate management supervision and advice in the management reform of the Company's apparel business, especially in the optimization of production and logistics etc. We propose his appointment as outside director.</p>	
<p>■ Special interest relationship</p> <p>None</p>	

(3) Masaki Murata June 9, 1957	
■ 略歴、地位、担当及び担当並びに重要な兼職の状況	
1982年4月	野村証券株式会社 入社
2003年4月	野村信託銀行株式会社 入社 資金・為替部資産金融部長
2003年6月	森トラストアセットマネジメント株式会社 代表取締役社長
2005年6月	株式会社ビジネス・ブレイクスルー 監査役
2006年6月	森トラスト総合リート投資法人 執行役員
2009年2月	M T アドテック株式会社 代表取締役 (現任)
2011年6月	株式会社M A プラットフォーム 代表取締役社長
	<重要な兼職の状況> M R T インターナショナル株式会社 (旧M T アドテック株式会社) 代表取締役
■ Company Shares held: 0	
<p>■ Reason for nomination</p> <p>Mr. Murata has a wealth of experience and expertise in real estate having served as representative director in several real estate-related companies. He also has international experience including a stint in London with Nomura Securities. Therefore, we propose that he be appointed as an outside director, and we expect that he will provide accurate management supervision and advice for the fundamental reform of the Company's real estate business.</p>	
<p>■ Special interest relationship</p> <p>None</p>	

(4) Shingo Shinozaki August 17, 1962	
■ 略歴、地位、担当及び担当並びに重要な兼職の状況	
1990年10月	中央新光監査法人 入所 会計士補登録
1994年3月	公認会計士登録（登録番号：12028）
1995年6月	日本マイクロソフト株式会社 入社
1998年6月	マスターフーズ株式会社 入社 経理財務本部経理部長、人事本部ディレクター
2000年6月	篠崎公認会計士事務所 設立、入所（現任）
2005年12月	株式会社ロッテリア 代表取締役社長兼最高執行責任者
2011年3月	株式会社 エス・アソシエイツ 設立、取締役（現任）
2015年4月	CPN INTERNATIONAL LTD. CEO
2021年8月	VCKS MANAGEMENT & CONSULTING CORP. DIRECTOR（現任）
2024年1月	LAPULAPU-CEBU INTERNATIONAL COLLEGE ADVISOR, OFFICE OF THE PRESIDENT（現任）
	<重要な兼職の状況> 篠崎公認会計士事務所 株式会社 エス・アソシエイツ 取締役 VCKS MANAGEMENT & CONSULTING CORP. DIRECTOR LAPULAPU-CEBU INTERNATIONAL COLLEGE ADVISOR, OFFICE OF THE PRESIDENT
■ Company Shares held: 0	
■ Reason for nomination After working as a certified public accountant at a major auditing firm, Mr. Shinozaki has held key positions at several foreign companies, where he has a wealth of experience mainly in the field of accounting and finance. He also has experience leading the management restructuring of Lotteria Corp as its President and Representative Director. In light of his experience as a CPA and management restructuring, he is expected to provide accurate supervision and advice for the Company's overall management. We propose that he be appointed as outside director.	
■ Special interest relationship None	

(5) Takashi Shimamura October 12, 1963	
■ 略歴、地位、担当及び担当並びに重要な兼職の状況	
1987年4月	JFE商事株式会社 入社
1996年5月	株式会社ジュピターテレコム 入社
1999年5月	合同会社ユー・エス・ジェイ 入社 人事部長
2006年7月	株式会社ナイキジャパン 入社 ジャパン人事本部長 兼 タレントアクイジション（人材スカウト部門）アジア太平洋地区統括本部長
2011年5月	タペストリージャパン合同会社 入社 東アジア（日本・韓国・台湾）人事統括 兼 アジア地域 タレントマネジメント統括 SVP
2013年9月	アデコ株式会社 入社 アジア地域人事統括本部長 兼 アデコグループ・ジャパン 取締役 人事本部長
2015年5月	ツイッタージャパン株式会社 入社 HEAD OF PEOPLE, JAPAC
2019年5月	合同会社ユー・エス・ジェイ 入社 執行役員副社長 CAO
	<重要な兼職の状況> なし
■ Company Shares held: 0	
<p>■ Reason for nomination</p> <p>Mr. Shimamura has extensive experience in business management in industries and management that require speedy management such as IT-related companies and start ups. He also has extensive experience in organization and human resources, risk management and ESG/SDGs initiatives in companies that require globalization as well as advising on business management, organization and human resources for new entries into Japan and Asia. Most recently as Executive Vice President of USJ LLC, he was responsible for the company's business management. In light of his background and experience he is expected to provide accurate supervision and advice for the Company's overall management. We propose that he be appointed as outside director</p>	
<p>■ Special interest relationship</p> <p>None</p>	

(6) Kayo Iketeru September 6, 1967	
■ 略歴、地位、担当及び担当並びに重要な兼職の状況	
1991年7月	株式会社イー・シー・シー 入社
1992年5月	マスターフーズ株式会社 入社
1997年11月	フォード・ジャパンリミテッド 入社
1999年12月	アディダスジャパン株式会社 入社 人事部シニアマネージャー
2001年10月	ファイザー株式会社 入社
2004年6月	日本ポール株式会社 入社 アジアパシフィックHRプロジェクトマネージャー
2006年3月	株式会社アイズプラス 代表取締役 (現任)
2021年4月	山野美容芸術短期大学 特任教授 (現任)
	<重要な兼職の状況> 株式会社アイズプラス 代表取締役 山野美容芸術短期大学 特任教授
■ Company Shares held: 0	
<p>■ Reason for Nomination</p> <p>After starting her career at an English conversation school, MsIketeru was engaged in all aspects of human resource management including the design and operation of human resource systems and the planning and implementation of programs to promote women’s advancement at several, mainly foreign related, companies. After returning to work, she is mainly involved in supporting companies in the design and implementation of HR systems, internal and external communications, education and career programs, consulting etc. She is also active as a management skills and workshop facilitator. As the Company has many female employees, she is expected to provide accurate supervision and advice regarding the creation of diverse personnel systems and mechanisms to motivate employees. Therefore, we propose that she be appointed as outside director</p>	
<p>■ Special interest relationship</p> <p>None</p>	

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