

April 24, 2024

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President &CEO

**Re: Shareholder Proposal to YODOGAWA STEEL WORKS LTD (5451) 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 Yodogawa Steel Works Ltd. (hereinafter referred to as "Yodogawa" or the "Company" as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 15, 2024, we notified the Yodogawa 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 16, 2024, the Company certainly received the documents of the proposal. Details are provided below, but the main points are 1) Set the dividend to 6% DOE, 2) Develop and disclose a plan to achieve a 1x PBR or greater, 3) Abolish takeover defense measures (poison pill) 4) abolish the shareholder benefit program¹, 5) cancel treasury stock, For additional details please visit <https://stracap.jp/english/5451-YODOGAWA.pdf> or by referring to the link "Campaign Websites" found on the upper right corner of our [website](#).

Details

The following is a reference translation of the original in Japanese. In the event of any differences between the original Japanese version and the English translation, the original Japanese version shall prevail.

1. Details of the proposals

(1) Revision of the provisions of articles with regard to the decision-making body for determining the dividends from surplus

Amend Articles 35 and 36 of the current articles of incorporation as follows.

¹ Shareholder benefit programs are a distinctive characteristic of the Japanese market, whereby many companies offer goods, services (sometimes including their own products), discount coupons or prepaid cards (e.g. Quo Cards) once or twice a year to shareholders who hold a certain number of shares or more.

Current Articles of Incorporation

(Decision-making body for determining dividends from surplus)

Article 35 -The Company shall determine the matters provided for in each item of Article 459 Paragraph 1 of the Companies Act, including dividend of surplus, by a resolution of the Board of Directors, not by a resolution of the General Meeting of Shareholders, unless otherwise provided for by laws and regulations.

(Record date for dividends from surplus)

Article 36 - The record date for the year-end dividend of the Company shall be March 31 of each year.

Ther record date for the interim dividends of the Company shall be September 30 of each year.

In addition to the preceding two paragraphs, the Company may declare dividends from surplus by setting a record date.

Proposed changes (underlined indicates changes)

(Dividends from surplus)

Article 35 – The Company may, by resolution of the General Meeting of Shareholders, make a year-end dividend to the shareholders or registered share pledges recorded on the Shareholders’ Register as of the last day of each fiscal year.

In addition to the preceding paragraph, the Company may, be a resolution of the Board of Directors, pay interim dividends to the shareholders or registered share pledges recorded on the Shareholders’ Register as of September 30 of each year.

In addition to the preceding two paragraphs, the Company may declare dividends from surplus by setting a record date.

Article 36 Delete

(2) Appropriation of surplus

Subject to the approval of Proposition 1, the appropriation of surplus shall be made as follows.

A) Type of dividend

Cash

B) Allocation and the total amount of dividends

The dividend per share of common stock shall be obtained by adding back the proposal for appropriation approved by the Board of Directors of the Company (referred as “Company proposed appropriation of surplus”) or the amount of dividend per share of common stock approved by the Board of Directors in accordance with Article 35 of the Company’s Articles of Incorporation as an appropriation of the surplus at the end of the fiscal year ending March 31, 2024 by the date of the 125th Annual Meeting of

Shareholders subtracted from 391 yen per share of common stock of the Company, and shall be distributed to the common shareholders as of the record date for voting rights at the 125th Annual General Meeting of Shareholders.

If dividend per share of common stock obtained by multiplying the amount of net assets per share (calculated in accordance with Guidance 4 of the “Guidance on Accounting Standard for Earnings per Share” including deducting treasury stock from the number of shares issued and outstanding. Rounded down to the nearest decimal.) by 0.06 (“6% DOE”) is different from 391 yen, then the 391 yen in the above paragraph shall be read as the equivalent to 6% of DOE.

The total dividend amount shall be the dividend amount per share of common stock multiplied by the number of shares subject to the dividend as of the record date for voting at the AGM.

C) Effective date of dividend payment from surplus

The day after the 125th Annual General Meeting of Shareholders of the Company is held. In the event that a proposal of the Company’s retained earnings is made at the 125th Annual General Meeting of Shareholders, this proposal will be made as an independent and compatible proposal with said proposal.

- (3) Revision to the provisions of articles with regard to the development and disclosure of a plan to achieve a PBR of 1x or greater.

Add the following Chapter and Article to the current Articles of Incorporation.

CHAPTER VII. MANAGEMENT PLAN

(Management Plan)

Article 37 If the PBR as of the last trading date on the Tokyo Stock Exchange during the previous fiscal year of the Company is less than 1x, the Company shall establish a management plan to increase the PBR to 1x or more. The PBR shall be calculated by dividing the share price of the Company’s common stock by the Company’s net asset per share (“calculated in accordance with Guidance 4 of the “Guidance on Accounting Standard for Earnings per Share” including deducting treasury stock from the number of shares issued and outstanding.”)

The management plan must be reasonable and include the establishment of ROE targets and the sale of cross-shareholdings and real estate for lease that cannot achieve a return above the cost of capital.

The Company shall announce the Management Plan through Company Announcement Disclosure Service (“TDnet”) operated by the Tokyo Stock Exchange by the announcement date of the second quarter of the fiscal year.

- (4) Revision to the provisions of articles with regard to the policy on large-scale purchases (Takeover Defense Measures)

Add the following Chapter and Article to the current Articles of Incorporation.
CHAPTER VIII. INTRODUCTION OF TAKEOVER DEFENSE MEASURES ETC.
(Introduction of takeover defense measures etc.)

Article 38 The introduction, continuation, amendment and abolition of a policy on response to large scale purchases of Company's shares ("takeover defense measures") shall be subject to a resolution at a General Meeting of Shareholders.

Article 39 The Company may implement a gratis allotment of stock acquisition rights and an allotment of offered stock acquisition rights pursuant to a resolution of a General Meeting of Shareholders in accordance with the procedures stipulated in the takeover defense measures set forth in the preceding Article.

(5) Abolition of the Policy on large-scale purchases (Takeover Defense Measures)

Subject to the approval of Proposition 4, abolish the "Policy on Response to Large-Scale Purchases of the Company's Shares and Other Securities (Takeover Defense Measures)," which was approved at the 124th Ordinary General Meeting of Shareholders held on June 21, 2023.

(6) Revision to the provisions of articles with regard to the shareholder benefit program.

Add the following Chapter and Article to the current Articles of Incorporation.
CHAPTER IX. INTRODUCTION OF SHAREHOLDER BENEFIT PROGRAM ETC.
(Introduction of shareholder benefit program etc.)

Article 40 The introduction, continuation, amendment and abolition of a shareholder benefit program shall be subject to a resolution at a General Meeting of Shareholders.

(7) Abolition of the shareholder benefit program

Subject to the approval of Proposition 6, the shareholder benefit program for the fiscal year ending March 31, 2024, which was announced on February 27, 2024, will be abolished.

(8) Revision to the provisions of articles with regard to the retirement of treasury stock

Add the following Chapter and Article to the current Articles of Incorporation.
CHAPTER X. CANCELLATION OF TREASURY STOCK

(Cancellation of treasury stock)

Article 41 The Company may cancel treasury stock (including determination of the class and number of each class of treasury stock to be cancelled) by a resolution of the General Meeting of Shareholders.

(9) Cancellation of treasury shares

Subject to the approval of Proposition 8, all treasury shares held by the Company shall be cancelled.

2. Reason for the proposals

- (1) Revision of the provisions of articles with regard to the decision-making body for determining the dividends from surplus

The proposal is to make the AGM the decision-making body for the year-end dividend. Although the Company's Board determines dividends by resolution of the Board, not by resolution of the AGM. The Company's stock price has been stagnant for a long period of time, and it is difficult to say that the Board is managing in a way that contributes to increasing shareholder value.

The MTBP calls for a consolidated dividend PO ratio of 30% to 50%, but the Company's equity ratio is extremely high at approximately 71% (as of March 31, 2023). In addition, a high level of cash-like assets is held, and further increases in equity capital will only result in a decline in ROE.

For 25 years, PBR has mostly been below 1x mainly due to ROE that is below COE.

Therefore, the company should improve its governance by making the AGM the decision-making body for dividends and shift to a management policy that contributes to increasing shareholder value by improving ROE, lowering the COE etc.

- (2) Appropriation of surplus

The proposal is for a 6% dividend on equity.

As stated in the reasons for proposal 1, the Company does not need to accumulate more equity capital, and there are concerns that the current shareholder return policy will only further increase Cost of Capital and lower ROE.

Therefore, we request that the Company change its shareholder return policy from the current "consolidated dividend payout ratio of 30% to 50%" to a "consolidated dividend payout ratio of 100% and DOE of 6%".

If ROE is less than 6%, the dividend payout ratio will exceed 100%. This will result in a policy that gradually reduces equity capital and improves capital efficiency and at the same time provide stable shareholder returns.

- (3) Revision to the provisions of articles with regard to the development and disclosure of a plan to achieve a PBR of 1x or greater.

In March 2023, the Tokyo Stock Exchange (TSE) requested companies take "Action to Implement Management that is Conscious of Cost of Capital and Stock Price". As of March 28, 2024, there is no policy on how to respond to this request despite being required to do so as soon as possible given PBR has been below 1x for so long.

Over the past 25 years, the PBR has never consistently exceeded 1x. It is clear that drastic management reforms and changes to capital policies are needed to get out of the long-term share price slump. To this end, we request that the Company formulate and

announce a specific plan to meet the above request from the TSE.

In particular, the ROE in MTBP is only 5%, this should be at least 8%, the min. level that listed companies should aim for. The plan should be redesigned to achieve this.

(4) Revision to the provisions of articles with regard to the policy on large-scale purchases (Takeover Defense Measures).

Since May 23, 2006, the Company has continued to adopt a poison pill.

Last June, only 63.7% supported the proposal to continue the takeover defense measure at the 124th AGM. This highlights the criticism of the measures by many of the shareholders, including domestic and foreign institutional investors.

According to the notice of the 124th AGM, this takeover defense measure may be abolished at any time before the expiration of its effective period, if a resolution to abolish it is passed at a AGM or at a meeting of the Board of Directors.

However, the Board has left the stock price in the doldrums, and it is difficult to say that they are pursuing actions that contribute to the enhancement of shareholder value. Therefore, it should be clearly stated that the introduction, continuation, modification, and abolition of takeover defense measures must be approved by a resolution of the AGM.

(5) Abolition of the Policy on large-scale purchases (Takeover Defense Measures)

As stated in the above Proposition, the approval rate for continuing the poison pill is low. If a Company takeover exists as a potential threat management, it is desirable and proper to increase shareholder value to prevent a takeover, not to introduce a poison pill. The stock price has been stagnant for a long time, and management has neglected efforts to increase shareholder value and has introduced a poison pill to protect itself.

At the last years Notice of Convocation it was stated it was to increase the “common interest of shareholders”, but the only return for shareholders is capital gains and dividends, so the only action to take for them is to increase share price and dividends.

As per the concept stated in last year’s Notice of Convocation, “we believe that the decision on whether or not to accept an acquisition of our company's shares or a takeover offer involving a transfer of control of the company should ultimately be made based on the will of all shareholders”, the poison pill should be abolished immediately.

(6) Revision to the provisions of articles with regard to the shareholder benefit program. The proposal is to abolish the shareholder benefit program.

The Company has long run a shareholder benefit program, and on Feb 27, 2024, announced catalog gifts and tickets to the YODOKO Guest House for eligible shareholders as part of the program.

The system is unequal as large shareholders receive only a uniform benefit even if the number of shares they own increases. In addition, institutional investors may refuse to

accept shareholder coupons, in which case there is no benefit at all.

If a company's program were to offer its own products or services, it is conceivable that it could indirectly expand business performance and contribute to shareholder value by raising awareness of its products and services, but the Company's shareholder benefit program is completely unrelated to its core business so no such effect can be expected.

Therefore, it is difficult to say that shareholders are benefiting equally from the Company's shareholder benefit program, and the introduction, continuation, modification, and abolition of the program should be a matter for resolution at the AGM.

(7) Abolition of the shareholder benefit program.

As stated in the above Proposition, the Company's shareholder benefit program is unequal to shareholders and doesn't increase shareholder value through increased recognition of the Company's products and services.

The Company states on its website that the purpose of the program is "to thank shareholders for their ongoing support and to increase the attractiveness of investment in the Company's shares, with the main objective of encouraging shareholders to continue to hold the Company's shares over the medium to long term." However, the only returns for shareholders are from the share price and dividends, and action should be taken to enhance these areas.

For this reason, the shareholder benefit program should be abolished, and policy should shift to a policy of increasing shareholder value through the share price and dividends.

(8) Revision to the provision of articles with regard to the retirement of treasury stock.

As of September 30, 2023, the Company held approximately 5.65m shares of treasury stock, equivalent to 16.2% of the total number of shares outstanding.

In general, a company may hold treasury stock with the expectation that it will be used as a consideration in M&A transactions, etc. However, the Company holds excessive assets, including cross-shareholdings and real estate for lease, etc. Even if a good M&A opportunity arises, the funds should be sourced by selling these assets etc.

On the other hand, the fact that the Company continues to hold a large number of its own shares means continued dilution risk for its shareholders.

Retirement of treasury stock contributes to the enhancement of shareholder value. Nevertheless, the Board has yet to retire any treasury stock, so we propose that the Articles be amended to allow the retirement of treasury stock by a resolution of the AGM.

(9) Cancellation of treasury stock.

As stated in Proposition 8, the retirement of treasury stock contributes to the enhancement of shareholder value, and therefore, we propose to retire all treasury stock held by the Company if Proposition 8 is approved.

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