

June 18, 2024

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO

Re: Our opinion on the response to the AGM by DAIDOH LTD (3205)

DAIDOH LTD. ("Daidoh") is in financial difficulties, and Strategic Capital, Inc ("SC") has proposed the election of six new directors to replace the current management team at the upcoming AGM on June 27. In response, Daidoh countered with a proposal to appoint its own slate of five new directors (four of whom are from outside the company).

Daidoh has been approaching shareholders in an attempt to get its proposal passed. Our opinion on their action is as follows.

Details

1) The stock price could fall sharply if Daidoh's proposal is approved.

When announcing the proposal, Daidoh claims that it has formulated and published a mid-term business plan ("MTBP") for which their candidates are best suited to deliver.

The target of ROE in the MTBT is 8% by FY2026, but this target bases the net assets on book value. However, in addition to those net assets of approx. JPY14B there are unrealized gains on real estate of approx. JPY23B, making the ROE target meaningless.

While the MTBP itself has much left to be desired, from a stock price perspective, an 8% ROE does not come close to Daidoh's cost of equity*, and even if they were to somehow achieve the ROE target, it is **highly likely that it would be below 1x its book-value based PBR (approx. JPY492) 3 years from now.**

The stock price closed at JPY728 on June 17, which we believe incorporates expectations for the SC's shareholder proposal. As a shareholder, it is **impossible to support an MTBP that is likely to result in a much lower share price after 3 years.**

*As of 06/17/2024 Bloomberg and Quick had Daidoh's cost of equity at 8.2% and 9.9% respectively.

2) Wasting shareholder capital to implement a plan that will cause the stock price to fall

This year, Daidoh sent a "proxy card" together with the "voting form" knowing that returning both would override the voting form, regardless of what was selected by the shareholder, effectively stealing the vote for the company. They even provided express mail return envelopes and sent a letter to shareholders inviting them to exercise their voting rights by proxy. **The current management team is engaging in malicious acts such as misleading shareholders to protect themselves, which is costing Daidoh a lot of money.**

The costs are, of course, borne by the company (i.e., shareholder capital). In other words, to add insult to injury, **Daidoh is attempting to use the shareholders' own capital to mislead shareholders into executing a plan that is likely to depress the share price. Such actions can only be regarded as damaging shareholder value.**

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