April 17, 2025

To Whom It May Concern

Strategic Capital, Inc.

Tsuyoshi Maruki, President &CEO

Re: Shareholder Proposal to OSAKA STEEL CO., LTD (5449)

Strategic Capital, Inc. (hereinafter referred to as "SC") 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 SC (hereinafter referred to as the "Proposing Shareholder") hold over 300 units of voting right of Osaka Steel Co., Ltd. (hereinafter referred to as "Osaka" or the "Company" as the context requires) over 6 months.

The Proposing Shareholder is pleased to announce its execution of the shareholders' right to make a proposal at the annual shareholder meeting held in the coming June. Since 2008, the Company has never exceeded the dissolution value of 1x PBR, and the Proposing Shareholder believes that as Osaka is a listed subsidiary of Nippon Steel, a risk of conflict of interest between the controlling shareholder and general shareholders exists.

To solve the problems, the Proposing Shareholder has made the following proposals. Details are provided below, but the main points are 1) Set the dividend to 8% DOE, 2) Establish a Shareholder Value Enhancement and Privatization Review Committee and 3) Make the majority of directors outside directors.

A campaign website is expected to be opened to provide a detailed explanation of the background and the proposal. An update will be provided on SC's website

The Proposing Shareholder is also a shareholder of Nippon Steel Corp (5401, "Nippon Steel") and is planning to make a shareholder proposal to Osaka Steel for its AGM.

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.

Details

1. **Details of the proposals**

(1) Appropriation of surplus

Matters concerning year-end dividends

A) Type of dividend

Cash

B) Allocation and the total amount of dividends

The dividend per share of common stock shall be the 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.) at the end of the 47th fiscal year by 0.08 ("8% DOE") and deducting the amount of dividend per share of common stock as the appropriation of surplus for the fiscal year ending March 31, 2025 proposed by the Board of Directors ("Board") at the 47th Annual General Meetings ("AGM") and before the AGM in accordance with Article 39 of the Company's Articles of Incorporation ("Company Dividend Amount") plus the Company Dividend Amount. The total amount of the dividend 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 47th 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 47th Annual General Meeting of Shareholders, this proposal will be made as an independent and compatible proposal with said proposal.

(2) Revision of the provisions of articles with regard to the establishment of the Shareholder Value Enhancement and Privatization Review Committee

Add the following Article to the current Articles of Incorporation.

CHAPTER IV DIRECTOR AND BOARD OF DIRECTORS

(Shareholder Value Enhancement and Privatization Review Committee)

Article 28

The Board of Directors shall establish a Shareholder Value Enhancement and Privatization Review Committee (hereinafter referred to as "the Committee") under the Board of Directors to support decision-making by the Board of Directors.

The Committee shall be composed of all outside directors of the Company.

The Committee may, at its discretion, appoint an external advisor, in a position independent to the Board of Directors, to provide advice to the Committee on the activities of the Committee as set forth in the following paragraph.

The Committee shall be independent of the Board of Directors and shall carry out the activities set forth in the following items from the standpoint of increasing the shareholder value of the Company, including privatization.

1) Overall business and financial measures that contribute to the enhancement of the Company's shareholder value (including, but not limited to, capital policies such as evaluating and understanding cost of capital and setting management indicators to improve capital efficiency), hearing opinions from shareholders other than Nippon Steel regarding the appropriateness of providing funds to Nippon Steel Corporation, measures related to corporate governance, and measures related to privatization.
2) Consider measures to increase shareholder value based on the information gathered and

present such measures to the Board of Directors.

3) Explain to shareholders and other stakeholders the shareholder value measures presented to the Board of Directors including any reference materials used.

4) In the event of a takeover bid, as a special committee independent of the acquirer and success/failure of the acquisition, review and determine the merits of the bid and to consider and determine the appropriateness of the terms and the fairness of the procedures.

The Committee shall meet at least once a quarter, and any member of the Committee may convene a meeting. Resolutions of the Committee shall be made by a majority of the members who are entitled to participate in the resolution. In addition, the details of the procedures for convening and holding meetings of the Committee, the method of appointing and dismissing external advisors, the term of office, and other matters shall be in accordance with the rules established by the Committee.

The Company shall bear the expenses required for the activities of the Committee, including the remuneration of Committee members and external advisors.

(3) Revision of the provisions of articles with regard to the number of Directors etc.

Amend Article 18 of the current Articles of Incorporation as follows.

Current Articles of Incorporation

(Number of Directors)

Article 18 The number of directors of the Company shall be at least 3 and not more than 12.

Proposed changes <u>(changed parts underlined</u>)

(Number of Directors <u>etc.</u>)

Article 18 The number of directors of the Company shall be at least 3 and not more than 12.

<u>The majority of the directors of the Company shall be outside directors as stipulated in Article 2, Paragraph 1, Item 15 of the Companies Act.</u>

2. **Reason for the proposals**

(1) Appropriation of surplus

This proposal is intended to use 8% of equity capital as dividends.

The Company announced a revision to its mid-term business plan at the end of January 2025. In response the Company’s stock fell 13.7% the same day, the biggest drop since 2001. As seen by the market’s reaction, the above plan will not resolve the PBR less than 1x, and the current PBR of 0.75x is unlikely to improve.

The proposing shareholder believes that it is in the best interest of the minority shareholders of the Company to have Nippon Steel, the parent company of the Company, make the Company delisted by making it a wholly owned subsidiary or merging with it, but the Company and Nippon Steel are adamant about maintaining the Company's listing.

Our P/B ratio has not been above 1x, the dissolution value, for more than 15 years, and if the

Company is to remain listed in the future, it should eliminate the P/B ratio below 1x as soon as possible. Instead of the current inadequate mid-term management plan, the Company should make 8% DOE its shareholder return policy, improve capital efficiency, and lower the cost of capital.

(2) Revision of the provisions of articles with regard to the establishment of the Shareholder Value Enhancement and Privatization Review Committee

As of April 14, 2025, the Company's tradeable share ratio is less than 25%, which violates the criteria for maintaining listing on the Tokyo Stock Exchange Standard Market. If this situation continues, it will become a supervised stock from the end of March 2026, and be delisted in June of the same year.

The Proposing Shareholders believes that it would be best for the minority shareholders of the Company for Nippon Steel to make the Company delisted by making it a wholly owned subsidiary or merging with the Company, but the Company and Nippon Steel insist on maintaining the listing, and Osaka acquired some of its shares held by Nippon Steel and applied for a duplicate listing on the Fukuoka Stock Exchange, which has lax standards for maintaining listing.

President Tani explains this policy is “because we were entrusted to manage the company as a listed company (and we will continue to do so),” but this is a statement made with the interests of the current management team in mind, and there is concern that decisions will continue to be made with disregard for the interests of minority shareholders.

For this reason, a committee with outside directors as members should be established to consider measures to improve the Company's shareholder value, including privatization, from an independent standpoint from the Board of Directors.

(3) Revision of the provisions of articles with regard to the number of Directors etc.

All five of the Company's full-time directors are from Nippon Steel, effectively making the Company a “revolving door” for Nippon Steel.

The Corporate Governance Code states that "Controlling shareholders should respect the common interests of the company and its shareholders and should not treat minority shareholders unfairly, and accordingly, companies with a controlling shareholder are required to develop a governance system to protect the interest of minority shareholders." (Basic Principle 4, "Notes"), and the "Practical Guidelines for the Group Governance System" also states "With respect to the nomination of management of listed subsidiaries, given the existence of conflict of interest risks between controlling shareholders and general shareholders, it is a necessary to select individuals who can contribute to the enhancement of corporate value as a listed subsidiary while taking into consideration of the interests of general shareholders."

While the Company has contributed to Nippon Steel through years of funding and revolving doors, the full-time directors continue to damage the interests of the Company's minority shareholders, and governance should be strengthened by increasing the number of outside directors.

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