

April 17, 2025

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO

Re: Shareholder Proposal to YODOGAWA STEEL WORKS LTD (5451)

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 Yodogawa Steel Works Ltd. (hereinafter referred to as "Yodogawa" 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. Details are provided below, but the main points are 1) Set the dividend to 100% payout ratio, 6% DOE, 2) Develop a business portfolio plan, 3) cancel treasury stock 4) abolish the shareholder benefit program¹, 5) abolish advisors, counselors etc.

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](#)

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.

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.

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.

(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.

The 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, by 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, 2025 by the date of the 126th Annual Meeting of Shareholders subtracted from 392 yen per share of common stock of the Company (referred as “Additional Dividend”) , and shall be distributed to the common shareholders as of the record date for voting rights at the 126th 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 392 yen, then the 392 yen in the above paragraph shall be read as the equivalent to 6% of DOE.

The total dividend amount shall be the Additional Dividend 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 126th 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 126th 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 business portfolio plan

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

CHAPTER VII. BUSINESS PORTFOLIO PLAN

(Business Portfolio Plan)

Article 37 The Company shall formulate a business portfolio plan based on the cost of capital and capital efficiency of each business operated by the Company (including but not limited to steel sheet, rolls, grating and real estate) and its affiliates in each country (including but not limited to Japan, Taiwan, China and Thailand.)

For businesses where the capital efficiency is less than the cost of capital, the Company will formulate a policy including withdrawal from such business.

The Company shall disclose the progress of each item in the Integrated Report and other documents for each fiscal year.

(4) 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 VIII. INTRODUCTION OF SHAREHOLDER BENEFIT PROGRAM ETC.

(Introduction of shareholder benefit program etc.)

Article 38 The introduction, continuation, amendment and abolition of a shareholder benefit program shall be subject to a resolution at a General Meeting of Shareholders.

(5) Abolition of the shareholder benefit program

Subject to the approval of Proposition 4, the shareholder benefit program for the fiscal year ending March 31, 2025, which was announced on February 27, 2025, will be abolished.

(6) 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 IX. CANCELLATION OF TREASURY STOCK

(Cancellation of treasury stock)

Article 39 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.

(7) Cancellation of treasury shares

Subject to the approval of Proposition 7, all treasury shares held by the Company shall be cancelled.

(8) Revision to the provisions of articles with regard to the abolition of advisors, counselors etc.

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

CHAPTER X. ADVISORS, COUNSELORS ETC.

(Advisors, counselors etc.)

Article 40 The Company shall not permit a person who has retired as a director of the Company to assume an office using the name of advisor, counselor, etc. to the Company or a consolidated subsidiary of the Company or to continue to maintain a certain relationship with the Company or the Company's consolidated subsidiary.

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.

In the MTBP the Company said the shareholder return policy would be to pay an annual dividend of JPY 200 or more and a consolidated dividend payout ratio of 75% or more. However, the Company's shareholder's equity ratio was an extremely high 72% as of December 31, 2024, and any further increase in the equity capital will only reduce 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 "annual dividends of JPY200 or more" and "consolidated dividend payout ratio of 75% or more" 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 business

portfolio plan

The contribution to profits from businesses other than the steel sheet related business in Japan and Taiwan is extremely low. The P&L from the roll and grating businesses as well as operations in China and Thailand continue to be close to zero. In the real estate business it is theoretically impossible to achieve returns that exceed the cost of capital.

In the revised MTBP announced on April 25, 2024, the Company stated that it would reform its business portfolio to identify unprofitable businesses, restructure the Group etc., but even now, nearly one year later, no progress has been made.

The former President and CEO, Satoshi Nitta was in charge of the Chinese subsidiary and current management may be reluctant to liquidate a legacy from the past despite its unprofitability. Therefore, the Company should formulate a business portfolio plan from the perspective of capital efficiency and cost of capital, and action including withdrawing from unprofitable businesses should be accelerated. The information should also be disclosed to lower its cost of capital.

(4) 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, 2025, 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.

(5) 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.

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

As of December 31, 2024, the Company held approximately 9.2% of the total number of shares outstanding as treasury stock.

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.

In the revised MTBP, the Company formulated a policy of reducing the treasury stock to less than 10% of the issued shares and retired a portion that it held. However, the Company itself admits that the criterion of less than 10% is not particularly meaningful and instead of maintaining a half-hearted amount, promptly dispose of all treasury stock.

(7) Cancellation of treasury stock.

As stated in Proposition 6, 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 6 is approved.

(8) Revision to the provisions of articles with regard to the abolition of advisors, counselors etc.

On February 27, 2025, the Company announced that Mr. Nitta would retire from the Board of Directors on the day of the AGM and assume the position of general advisor.

However, as the Ministry of Economy, Trade and Industry notes in its “Practical Guidelines on Corporate Governance Systems (July 19, 2022), there is concern that “undue influence may be exerted on the current management team by advisors and counselors who have no accountability for company management” and advisors, counselors etc. are not a desirable systems in terms of corporate governance. We cannot expect that Mr. Nitta who caused the Company’s stock price to slump, will provide opinions that will improve corporate value. On the contrary, by remaining as an advisor, it may deter the implementation of management reforms which are contrary to past decisions.

As the Articles of Incorporation do not contain any provisions regarding advisors etc., it should be updated to clearly state that persons who have served as directors of the Company are prohibited from becoming advisors etc. of the Company or its subsidiaries or affiliates.

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