April 26, 2016

Dear Sirs

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO

Re: Shareholder Proposal to Japan Digital Laboratory Co., Ltd.

(TES Code:6935)

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 holds 2.85% of the outstanding share of Japan Digital Laboratory Co., Ltd. (hereinafter referred to as "JDL"). Strategic Capital also holds one unit of share of JDL.

The Fund and Strategic Capital are pleased to announce that, on April 21st, 2016, we notified JDL of our execution of the shareholders' right to make a proposal at the annual shareholder meeting which will be held in the coming June and confirmed that, on April 22,2016, JDL certainly received the documents of the proposal.

A brief overview of our proposal is below:

1. The Description of the proposal
   (1) Revision of the provisions of articles
      ① The deletion of the parts of business purposes to remove non-core business lines:
      We require the deletion of items 4, 5, 6 and 7 in Article 2 listed in the existing provisions of articles outlined below.
      (Business purpose)
      Article 2 The business purposes of the Company are as the following.
      (1) Development, manufacturing and marketing of electronic equipments
      (2) Development and marketing of software
      (3) Marketing of office supplies

(4) Marketing and advertisement, photographing, chemicals spraying and training for pilot using airplanes
(5) Operation with scheduled and nonscheduled air carrier
(6) Maintenance and remodel of air plains
(7) Any business related to above mentioned business

The provisions of articles after our requested amendment:
(Business purpose)
Article 2 The business purposes of the Company are as the following.
(1) Development, manufacturing and marketing of electronic equipments
(2) Development and marketing of software
(3) Marketing of office supplies
(4) Any business related to above mentioned business

② The development of new Chapters and Articles with regard to enhancement of disclosure and dialogue with shareholders:
We require to develop the below mentioned new Chapters and Articles in the provisions of articles.
Chapter 7: The enhancement of disclosure and dialogue with shareholders
(Financial results briefings and mid-term business plans)
Article 31: The Company shall hold financial results briefings (hereinafter referred to as the "briefings") immediately after the release of the financial statements both at the end of mid of fiscal year and fiscal year, and the president attend the briefings to explain its business results, management policy and plan, and so forth.
2. The Company shall, as implementation of 'Principle 5.2 in Corporate Governance Code (hereinafter referred to as the "Code")' (the new principle with the same sense is referred upon the amendment of principle with revision of the Code), establish and disclose its business strategies and its mid-term business plans. The Company shall present targets for capital efficiency and explain the measures that will be taken in order to achieve such targets at the briefings.
(Dialogue with shareholders)
Article 32: The Company implements 'Principle 5.1 in the Code' (the new principle with the same sense is referred upon the amendment of principle with revision of the Code). The director in charge of public relations (the

director with new title with same duties upon the change of title) shall be responsible for dialogue with shareholders, and the president or outside directors shall also, as necessary, engage in constructive dialogue with shareholders.

③ The development of new supplementary provision

We require to develop the below mentioned new supplementary Chapter.

(Supplement)

Article 31 (Financial results briefings and mid-term business plans) and Article 32 (Dialogue with shareholders) become effective upon passing of the bill at the annual shareholders meeting and the amendment of Article 2 (Business purpose) become effective as of April 1st, 2017.

(2) The disposition of the reserve

① Increase of the dividend

We require that the dividend per share for 48th fiscal period is increased to the amount which equals to the consolidated net profit per share, after deducted 20 yen (round down to the nearest integer). According to the forecast of JDL, it would be 62 yen per share.

② Withdrawal from general reserve and transfer into earned surplus carried forward

We require that JDL withdraw 25 billion yen from 53.5 general reserve and transfer such 25 billion yen into earned surplus carried forward.

2. The background of the proposal

(1) Revision of the provisions of articles

① The Deletion of the parts of business purposes:

JDL lists the operation of scheduled air carrier as one of its business purposes and holds IBEX Airlines Co, Ltd. (hereinafter referred to as "IA") as a consolidated subsidiary to operate such business. We believe that JDL should withdraw from this business for the following reasons.

(a) Before JDL acquired shares of IA, Mr. Kazuo Maesawa, the president of JDL, personally invested in the newly established IA in 1999 with his own proprietary funds. Afterwards, as IA faced a business slump, JDL subscribed to allocation of new shares to a third party and warrant-bearing bonds of IA to rescue it. JDL exercised the right of conversion to IA equities and became the dominant parent company of IA in 2003.

Since the main business of JDL is to develop and to market IT hard and soft ware for tax accountants, accounting firms and so forth, it is naturally difficult to find synergy between business of JDL and IA. There is no rational reason in holding of IA shares by JDL, JDL should dispose of IA shares to President Maesawa or others.

(b) All flights of IA are code-share flights with All Nippon Airways Co., Ltd (hereinafter referred to as "ANA") and ANA undertakes collecting IA ticket fares. As a result sales to ANA account for up to over 97% of those of IA in the fiscal year ended March 2015. While the ordinary income to net sales ratio of JDL on non-consolidated basis in the abovementioned period was about 25.8%, that of IA was only about 3.65%, which was significantly low.

Since the business of IA heavily relies on ANA, it is beyond JDL's management ability to increase the corporate value of IA. It is not worthwhile for JDL to hold IA as its subsidiary.

(c) The amount of interest-bearing debt of JDL on non-consolidated basis as of the end of March in 2015 was only about 60 million yen. Therefore, about 13.7 billion yen of interesting-bearing debt on consolidated basis is attributed mainly to IA. Furthermore, JDL lends about 2.6 billion yen to IA and guarantees about 2.5 billion yen of debts for IA.

The disposition of IA will release JDL from a subsidiary with heavy liabilities, and support for IA will be no longer needed. Since JDL holds significant amount of cash and cash equivalents on its balance sheet as mentioned in 2(2)①, through the disposition of IA, JDL can obtain the flexibility to effectively use its ample cash and cash equivalents for such as return to shareholders.

It should be noted that revision of the provisions of articles with regard to the deletion of the parts of business purposes becomes effective as of April 1st, 2017 and JDL will dispose of the whole equity of IA before the effective date above.

② Enhancement of disclosure and dialogue with shareholders:

JDL has neither held a financial results briefing nor disclosed a mid-term business plan so far. Our proposal aims at improving disclosure of JDL as a listed company by constituting, not only periodical financial results briefings, implementation of 'Principal 5.2 in the Code' in the provision of the article,

JDL submitted its 'Corporate Governance Report' to Tokyo Stock Exchange on

February 16, 2016. In the report, with regard to the 'Principal 5.2 Dialogue with Shareholders', JDL states that the director in charge of public relations is responsible for dialogue with shareholders. This phrase was inserted upon the indication in our letter dated on February 4th, 2016 that its 'Corporate Governance Report' submitted on December 22nd, 2015 lacked the description regarding 'Principal 5.2 Dialogue with Shareholders' despite the request of the code.

JDL, however, has not accepted our request for the meetings at all. Although we hold large share of JDL, not only the director in charge of public relations but the president and outside directors also rejected to have a meeting with us. Accordingly, we propose the revision of the provisions of articles to provide that JDL develops the dialogue with shareholders as expected as a listed company.

(2) Disposition of the reserve

① Dividend of the fiscal year end :

According to its annual Consolidated Financial Statements for the Nine Months Ended December 31st, 2015, JDL owes only about 15.2 billion yen of interest-bearing debts (including 12.4 billion yen of short-term and long-term lease liabilities), although it keeps about 30.7 billion yen of cash and deposits, about 16 billion of securities, and about 13.7 billion yen of investment securities, the sum of which was about 60.3 billion yen. The balance between those assets and interest-bearing debt was about 45.1 billion yen which equals to about 85% of market capitalization of JDL (53.1 billion yen) as of April 20th, 2016.

Consolidated net assets of JDL as of the end of December 2015 was about 81.3 billion yen (about 2,395 yen per share) and the forecast of consolidated net profit of this fiscal year is 2.8 billion yen (179 yen per share). Based on these figures, ROE (net profit on equity) would be about 3.4%. Also, based on the announcement by JDL that its forecast of dividend per share is 40 yen, dividend on equity would be about 1.67%. In brief, compared to its huge capital, ROE and dividend on equity of JDL are both extremely low. Further, the share price of JDL as of April 20th, 2016, is 1,564 yen per share which represent 0.65 times of PBR, which is significantly lower than 1.15, the average PBR of TSE 1st listed companies.

Since JDL does not need huge reserve on its balance sheet and its share price is sufficiently discounted, it should return surplus funds to shareholders. Since these returns lead to increase shareholders' value and its share price, JDL should drastically increase its dividend from its reserve. Under the current circumstances of negative interest rate, such surplus reserve held as cash and its equivalent may virtually decrease its value.

Besides, since the amount of increased dividend is supposed to be within the current net profit, it will not damage the state of cash and deposits on its balance sheet.

② Withdrawal from general reserve and transfer into earned surplus carried forward:

JDL's general reserve, which has no specific purpose or use, is an extraordinary huge amount when considering the size of the company. Since PBR of JDL is far below the average as mentioned above, JDL should withdraw the reserve and transfer it into earned surplus carried forward in order to execute flexible dividend policy.

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