

April 28<sup>th</sup>, 2021

To Whom It May Concern,

Strategic Capital, Inc.

Tsuyoshi Maruki, President & CEO

**Re: Shareholder Proposal to BUNKA SHUTTER CO., LTD.**

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 Bunka Shutter Co., Ltd. (hereinafter referred to as "Bunka Shutter" or the "Company" as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 26<sup>th</sup>, 2021, we notified Bunka Shutter 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 27<sup>th</sup>, 2021, Bunka Shutter certainly received the documents of the proposal.

We would like to explain the context of our proposal as following;

1. Overview of our proposal and
2. The detailed translation of our proposal.

1. Overview of our proposal

① Excessive accumulation of equity capital

The Company's equity capital ratio is already high at around 50% and if the Company continues current level of shareholder returns, the equity capital will only build up and capital efficiency will decline.

We propose a 100% dividend payout ratio to prevent further build-up of equity capital.

② Abolish the poison pill

If the Directors of Bunka Shutter wish to prevent the takeover, the best way is to manage the Company and increase the valuation of its stock price so that the acquirer will give up the takeover. If they are not confident of such management, they should resign their post. Taking into consideration these factors, we propose to abolish the takeover defense measures.

③ Low stock valuation

The stock price valuation of Bunka Shutter had been below its liquidation value and is now

as low as such value. The Company has never disclosed the view regarding the cost of capital or capital efficiency, so it is possible to say that management of the Company may not be aware of the cost of capital.

We propose the Company disclose WACC and its basis of calculation in order to raise management's awareness of the cost of capital and help improve its valuation.

④ Sell cross-shareholdings

As of March 31, 2020, the Company held cross-shareholdings and cash amounting to 60% of its market capitalization. Not only reducing capital efficiency, the price movement of the listed shares impacts the stability of the Company's financial results.

We propose to sell the cross-shareholdings within one year and to use the proceeds from the sale to increase shareholder value. We hope the excess cash to be used as a source of funds for investing or payout as dividends.

2. The detailed translation of our proposal

① Appropriation of Surplus

A) Type of dividend

Cash

B) Allocation and the total amount of dividends

The amount obtained by deducting 1) the amount of dividend payment from surplus per common share of the Company which will be proposed by the Board of Directors of the Company at the 75<sup>th</sup> Annual General Meeting of Shareholders and approved thereat, 2) the amount of dividend payment from surplus which will be determined by the Board of Directors of the Company prior to the day before the 75<sup>th</sup> Annual General Meeting based on articles 39 of the Articles of Incorporation and 3) the interim dividend amount of JPY12.5, from JPY100. In case Earnings Per Share rounded down to the nearest integer in 75<sup>th</sup> fiscal period (hereinafter referred to as "actual EPS") is different from JPY100, JPY100 in the previous paragraph shall be replaced with actual EPS.

The total amount of dividends is calculated by multiplying the dividend amount per the one common stock described above by the number of shares subject to dividend payment as of the record date of voting rights at the 75<sup>th</sup> Annual General Meeting of Shareholders.

C) Effective date of dividend payment from surplus

The day after the 75<sup>th</sup> Annual General Meeting of Shareholders is held.

If the Board of Directors of the Company submits the proposal on appropriation of surplus at the 75<sup>th</sup> Annual General Meeting of Shareholders, this proposal will be submitted to make an additional proposal separately from such proposal.

- ② Abolition of the measures to prevent large-scale acquisition of shares of the Company (takeover defense measures)

Abolish the "Measures to prevent large-scale acquisition of shares of the Company (Takeover Defense Measures)" approved at the 74<sup>th</sup> Annual General Meeting of Shareholders.

- ③ Revision of the provisions of articles with regard to disclosure of cost of capital

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

#### CHAPTER VIII. COST OF CAPITAL

(Disclosure of Cost of Capital)

Article 43. The Company shall disclose, in the Corporate Governance Report (hereinafter referred to as "Report") which it submits to the Tokyo Stock Exchange, its Weighted Average Cost of Capital and its basis of calculation which it comprehends at the point of within 1 month before the submittal of the Report.

- ④ Revision of the provisions of articles with regard to the Dissolution of Cross-Shareholdings

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

In the event Proposal ③ "Revision of the provisions of articles with regard to disclosure of cost of capital" is rejected, the chapter and article number will be adjusted as appropriate.

#### CHAPTER IX. DISSOLUTION OF CROSS-SHAREHOLDINGS

Article 44 (Dissolution of cross-shareholdings)

The Company shall sell all the cross-shareholdings, as of the effective date of the revision of the Articles of Incorporation, immediately during the 76<sup>th</sup> fiscal period.

Contact Information  
Dan Kato  
81-3-6433-5267