

Japan Catalyst, Inc.

Shareholder Proposal to SHIMAMURA Co.,Ltd. (8227)

TOKYO, April 17, 2024 – Japan Catalyst, Inc. (hereinafter referred to as "JCI") implements an engagement investment strategy with regards to Japanese listed companies through the Monex Activist Mother Fund ("MAMF", a Japan-registered mutual fund) and the Japan Catalyst Fund ("JCF", a Cayman-registered corporate-type investment fund), to which JCI provides investment advice.

We have been engaged with SHIMAMURA Co., Ltd. ("SHIMAMURA"), a key investment for MAMF and JCF, from a long-term perspective. SHIMAMURA has built its steady growth on a unique and superior business model, establishing processes in both product appeal and sales power that we believe are unmatched by competitors. At present, SHIMAMURA stands as an excellent company that has secured a solid position with a major infrastructure supporting apparel sales nationwide.

With the aim of further increasing corporate value and improving capital efficiency, we have made a shareholder proposal* for SHIMAMURA's 71st Annual General Meeting of Shareholders to be held in May 2024, requesting the introduction of a Dividend on Equity ratio (DOE) of 5% into the Articles of Incorporation, effective from the dividend for the fiscal year ending February 2025. We hope that this shareholder proposal will serve as a catalyst for introducing appropriate capital discipline at SHIMAMURA and transforming it into a company that excels not only in operational efficiency but also in capital efficiency.

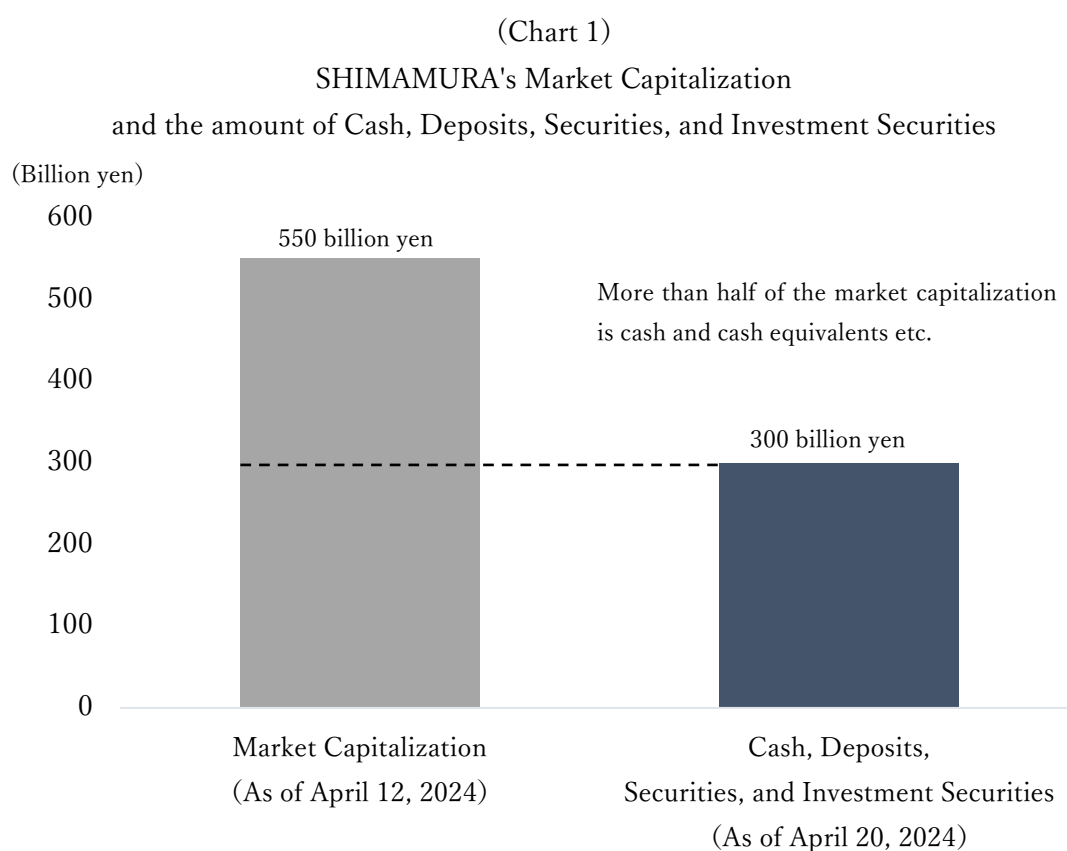
SHIMAMURA's business has shown remarkable resilience, with a steady increase in its levels of cash and deposits, even amid the rapid deterioration of the business environment due to the unprecedented COVID-19 pandemic. As of April 12, 2024, SHIMAMURA's market capitalization was approximately 550 billion yen, and the total of cash, deposits, securities, and investment securities amounted to approximately 300 billion yen as of February 20, 2024 (see Chart 1), indicating a sufficient level of retained earnings compared to the recent expenditures on tangible fixed assets in the last three fiscal years: 8.2 billion yen (fiscal year ended February 2022), 4.4 billion yen (fiscal year ended February 2023), and 7.6 billion yen (fiscal year ended February 2024). We believe that even if SHIMAMURA implements the proposed 5% DOE dividend policy and proceeds with aggressive new store openings according to its corporate plan, it will be possible to maintain its current and expected level of retained earnings and a conservative financial approach, without any negative impact on its business operations.

We understand that the psychological hurdle for SHIMAMURA's board of directors, which has maintained a conservative shareholder return policy for many years, to significantly raise shareholder returns is high. However, if the current capital discipline is maintained, capital efficiency is expected to decline. SHIMAMURA itself has commented, following our shareholder proposal, at the financial results briefing

for the fiscal year ended February 2024 and during its medium-term management plan presentation for 2027, that the current return policy may lead to further accumulation of retained earnings and deterioration in its return on capital.

We hope that this shareholder proposal will serve as a catalyst for SHIMAMURA to conduct management with a heightened awareness of capital efficiency, significantly increase its corporate value, and achieve value creation for all stakeholders as stated in its management philosophy.

Through dialogue with various stakeholders, JCI is committed to promoting genuine corporate governance reform, aiming to advance Japan's capital markets, enhance corporate and stock values, and ultimately improve the productivity of Japan as a whole.



(Prepared by JCI based on publicly available information.)

*JCI has been delegated the authority to act as a sub-agent in this shareholder proposal by Monex Asset Management, Inc., the proxy agent for the Monex Activist Mother Fund.

This material is an English translation of a Japanese announcement made on the date above. Although the Company intended to faithfully translate the Japanese document into English, the accuracy and correctness of this English translation is not guaranteed and thus you are encouraged to refer to the original Japanese document.