January 23, 2020

5-1, Nihonbashi 2-Chome, Chuo-Ku, Tokyo, Japan 103-6115

Teikoku Sen-I Co., Ltd.

Mr. Tokiaki Iida, Chairman & CEO

Shareholder proposals

British Empire Trust plc and AVI JAPAN OPPORTUNITY TRUST PLC (hereinafter referred to as the "Proposer") hereby submit the agenda as set out in I below (the "Agenda") as the subject matter and the proposal (the "Proposals") as set out in II below to the 94th Ordinary General Meeting of Shareholders of Teikoku Sen-I Co., Ltd. (the "Company") which will be held in late March of 2020 as a shareholder who have held more than 1% voting rights among all voting rights or more than 300 voting rights of the Company since 6 months prior to the date hereof in accordance with Article 303 (2) of the Companies Act, and requests to the Company to send the content of the Agenda in accordance with Article 305 (1) of the Companies Act and Article 93 of the Enforcement Order of the Companies Act.

No. 1 Proposed Agenda

1 Appropriation of Surplus

2 Acquisition of treasury shares

No. 2 Summary of Proposals and Reasons for Proposals

1 Appropriation of Surplus

The appropriation of surplus shall be made subject to the following terms:

This proposal, if the Board of Directors of the Company also submits the agenda of the appropriation of surplus to the 94th Ordinary General Meeting of Shareholders, will be additionally proposed independently of such proposal.

(i) Type of assets to be distributed

Money

(ii) Amount of Dividend to be paid per share

The amount of the dividend to be paid per share shall be obtained by deducting the amount of dividend of surplus per common stock proposed by the Board of Directors at the Ordinary General Meeting of Shareholders and approved at the Ordinary General Meeting of Shareholders from 76 yen (or 76 yen, if the Board of Directors does not propose the appropriation of surplus at the Ordinary General Meeting of Shareholders)

(iii) Matters concerning the allotment of dividend asset and the total amount thereof

The amount of dividend per share as prescribed in (ii) above per common stock (the total dividend is calculated by multiplying the dividend per share by the total number of outstanding common stocks (excluding treasury shares) as of December 31, 2019

(iv) The day on which the appropriation of surplus becomes effective

Business day following the date of the Ordinary General Meeting of Shareholders

(v) Commencement Date of Dividend Payment

Seven business days after the day following the date of the Ordinary General Meeting of Shareholders

(2) Reason for the proposal

Over the past five years cash and cash-equivalent and short-term investments securities on The Company's consolidated balance sheet have increased by an average of 14% each year, such that cash accounts for 37.0% of total assets as of September 30, 2019. This is a gross misallocation of capital and the level of cash greatly exceeds any amount that could be productively invested.

The Company has a strong and profitable core business that generates an abundance of free cash flow (net income + D&A – increase in working capital – maintenance capital investment (estimated as D&A)). Companies can allocate their free cash flow in four ways: 1) fund growth initiatives through capital investment or M&A 2) pay down debt 3) return cash to shareholders through dividends or buybacks or 4) do nothing and let the cash accumulate. It is the last option (item 4 above) that The Company has chosen, ballooning its balance sheet to the detriment of corporate value.

Over the past five years we estimate that The Company has generated ¥15bn of free cash flow. Approximately ¥3bn has been invested in growth capital initiatives and ¥4bn paid to shareholders through dividends, leaving ¥8bn of accumulated non-productive cash. Thus, only 44% of the cash generated over the past five years has been allocated to productive uses, the rest sits idly on the balance sheet.

The Company's weak response to previous arguments for higher payouts to shareholders show the company's lack of strategy and misunderstanding surrounding capital efficiency. Baseless and vague responses such as "the expansion of internal reserves is essential for the survival and development of the company", and "as a company aiming for growth around disaster prevention business, a sound financial foundation serves as a precious basis to fund business developments and to maintain social trust", gives little reassurance that the Company is practicing the tenets of good balance sheet management, and provides no clarity on what the company's optimum level of cash is.

We support the Company allocating capital to promising growth projects or undertaking value accretive M&A. The Company has built a secure financial base on which to do so. But there is no justification for continuing to add cash to the pile and the Company's strong financial position permits higher returns to shareholders.

The Company's dividend forecast of ¥40 per share, for a payout ratio of 26%, will only worsen the problem. Before more corporate value is lost, and in order to reduce the rate of cash accumulation, we propose that the Company pay a dividend of ¥76 per share, amounting to a payout ratio of 50%.

2 Acquisition of treasury shares

(1) Summary of the agenda

Pursuant to the provisions of Article 156 (1) of the Companies Act, the Company will acquire its common shares within one year from the conclusion of the Ordinary General Meeting of Shareholders to the maximum extent of 1,200,000 shares in total, 2 billion yen as total acquisition price (provided, however, that if the total amount of the acquisition amount falls below the "Distributable Amount" provided in Article 461 of the Companies Act, the maximum amount of the acquisition amount shall be reduced to the amount permitted under the Companies Act.

(2) Reason for the proposal

Cash and investment securities, such as the Company's stake in Hulic, as of September 30, 2019, account for 70% of the Company's total assets (the Company's stake in Hulic accounts for 30% of balance sheet assets, cash 37% and other investment securities 3%). We estimate that these assets generate a very poor return on capital of 1%. This has the effect of lowering the Company's ROE to 7%, below the minimum 8% established in Professor Ito's report on corporate sustainable growth, August 2014, and below our estimation of the Company's cost of capital. The Company's low return on equity is harming corporate value and explains why the Company's high-quality business trades on a price-to-book ratio of 1.2x. With a more efficient balance sheet, the Company could comfortably achieve a ROE in excess of 15% which would lead to a much higher price-to-book ratio.

We question why the Company has allocated 30% of the consolidated balance sheet assets to Hulic, an unrelated, non-core "strategic investment". The Company has so far failed to provide a convincing justification, vaguely arguing that the business relationship enhances corporate value, that there is the possibility of collaborating to develop the Company's real estate and that the Company can promote the introduction of its disaster prevention equipment in real estate projects developed by Hulic. By failing to quantify supposed benefits and risks, or return in relation to its cost of capital the Company has ignored principle 1.4 of the Corporate Governance Code that states "the board should specifically examine whether the purpose of holding a cross shareholding is appropriate and whether the benefits and risks cover the company's cost of capital".

In the absence of quantitative evidence, we do not believe that any possible benefits from a business relationship with Hulic justify a ¥23bn (value of the Company's stake in Hulic as of December 31, 2019) allocation of capital. the Company could significantly reduce its stake in Hulic, while still retaining the benefits of a business relationship.

In order to reduce the misallocation of assets on the balance sheet and improve ROE, we propose that the Company undertake a buyback of 1,200,000 shares in total, and ¥2,000,000,000 as the upper limit (3.3% of the Company's outstanding shares at the share price as of January 17, 2020). While we cannot dictate how the funds for the buyback are raised, we note that a ¥2bn share buyback can be funded from selling just 10% of the Company's stake in Hulic.

The demand by this proposal letter is submitted in the name of the Proposer based on the authorization granted by the Management Agreement attached hereto. By this Power of Attorneys, the Proposer is authorized to Asset Value Investors Limited (“AVI”) to submit to make an proposal which is to be submitted to the 94th Ordinary General Meeting of Shareholders of the Company.

If the Board of Directors of the Company does not have an intention to state “reason of proposal” of each agenda as set out in this proposal letter without any change, please notify to the law firm who is an agent of AVI. If you intend to contact to us, please contact with the said law firm concerning other matters. Please also be informed that AVI will announce the content of the shareholders proposal submitted at an appropriate timing.

Agents of AVI: 9th floor of Shin-Kokusai Bldg. 4-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo,
Iwaida Partners, Lawyers Maki Kumagai, Kazuhiro Kawamura, Shoichi Seino

[Signature page of AVI]