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Statement of Purpose regarding the Campaign as the Largest Shareholder of JAPAN PURE CHEMICAL CO.,LTD. (4973)

Hibiki Path Advisors Pte. Ltd.

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1． Introduction and Summary

Hibiki Path Advisors (hereinafter referred to as "we" or “Hibiki”) has decided to launch a public campaign, including shareholder proposals, in our capacity as the largest shareholder of JAPAN PURE CHEMICAL CO.,LTD. (hereinafter referred to as "the Company" or “JPC”), one of our portfolio companies, with the aim of securing the common interests of all shareholders. Accordingly, we hereby disclose this Statement of Purpose regarding the campaign.

As we manage long-term capital primarily on behalf of domestic and international pension funds, we assess companies from a multi-faceted perspective, focusing on factors such as “stock price undervaluation relative to intrinsic corporate value” and “the ability to engage in constructive dialogue with management to enhance value together.” Without being swayed by short-term price movements or quarterly results, we invest from a medium- to long-term perspective. While we are commonly labeled as an “Activist Investor", <u>our fundamental approach is to engage constructively and cooperatively with management. We earnestly conduct dialogue with our investees, and only when there is an irreconcilable divergence of views regarding shareholder value, we consider submitting shareholder proposals as a last resort.</u>

In light of the circumstances outlined in this statement, we, as the largest shareholder, have determined that it is necessary to exercise our shareholder rights on the following five items at this year’s Annual General Meeting of the Company, in order to protect and enhance the common interests of all shareholders. We respectfully request your support and encourage you to actively exercise your shareholder rights should you agree with our opinion.

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① **(AGM item 1) Plan to oppose the transition to a company with an Audit and Supervisory Committee through the change of the Certificate of Incorporation (*1)**

② **(AGM Item 2 candidate 3) Opposition to the reappointment of Director and Honorary Advisor Masao Watanabe to the Board. (AGM Item 2, 3, 4) With regard to the other Director nominees, we plan to oppose the election of eight individuals (including the alternate candidate), excluding Mr. Tomoyuki Kojima and Ms. Momoe Kuromatsu (*1)**

③ **Shareholder proposal (Item 10): Enhancement of stock-based compensation for Directors (excluding Outside Directors)**

④ **Shareholder proposal (Item 11): Partial amendment to the Articles of Incorporation regarding the decision-making body for matters such as surplus dividends**

⑤ **Shareholder proposal (Items 12 and 13): Strengthening of shareholder returns to improve ROE (including share buybacks and increased dividends)**

*1 As of PM 5:00 on May 30 (Japan Standard Time), the time this document was issued, we have requested meetings with key members of the Company's Board of Directors but have not yet received a final response from the Company regarding whether the meetings will take place. If the meetings are held, we plan to make a final decision regarding ① (Item 1) our policy on the proposed transition to a company with an Audit and Supervisory Committee through the change of the Certificate of Incorporation and ② (Item 2, 3, 4) our policy on the election of Directors other than Director and Honorary Advisor Masao Watanabe. If there are any changes to our current policy as a result, we will disclose the rationales and details separately.

If only the two individuals for whom we do not oppose reappointment at this moment are re-elected at this General Meeting of Shareholders, it is anticipated that the Company will no longer meet the statutory minimum number of Directors required under the Companies Act for a company with a Board of Directors. In that case, as the largest shareholder and a shareholder that has been engaging with the Company for a long period of time, we intend to work closely and cooperatively with the Company's new management team. Under such collaboration and cooperation, we expect the new management to promptly identify new Director candidates who can contribute to the Company's essential growth and long-term corporate value, and request the new management team to convene an extraordinary general meeting of shareholders to request approval.

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Since initiating our investment in the Company in 2018, we have maintained nearly seven years of long-term, constructive dialogue with the aim of enhancing corporate value. Along the way, at the 2023 and 2024 Annual General Meetings, we have presented shareholder proposals to seek a mandate from our fellow shareholders regarding the direction of our engagement. Notably, in 2024, approximately 40% of shareholders supported our proposal—a figure we estimate represents around 60% of those effectively independent from Company management. That said, we have consistently taken a collaborative stance, mainly pursuing corporate transformation through private discussions.

During this process—amid a continued undervaluation of the Company's stock relative to its intrinsic value—we increased our ownership stake, and as of the end of March 2025, we have become the largest shareholder with approximately 18% of voting rights. This reflects our strong confidence in, and commitment to, the Company's business model and growth potential.

Most recently, we disclosed our letter titled "Request for Consideration Regarding the Privatization (Japanese Only)", which was sent to the Company's Board of Directors on September 9, 2024. Since then, we have continued to engage in good-faith efforts through various approaches, including the delivery of multiple private letters, a series of in-depth, face-to-face discussions with President Kojima and other members of the management team, as well as meetings with the Outside Directors. Throughout this process, we have consistently urged the Company to announce a mid-term business plan incorporating bold and fundamental measures to enhance corporate value. However, we could not receive a satisfactory response from the Company.

Accordingly, on March 28, 2025, we submitted a proposal outlining six concrete measures to enhance corporate value, along with a response deadline. While remaining mindful of insider information, we consistently expressed our openness to engaging earnestly in dialogue aimed at reconciling differences in views. Despite this, no opportunity for constructive exchange was ever offered. Then, in late April 2025, a series of disclosures—including a medium-term management plan—was abruptly released. To be honest, the content appeared entirely disconnected from the discussions held thus far, and we are deeply disappointed that our proposals have not received due consideration..

The management team did not only lower the original operating profit target for FY3/25 (the final year of the previous medium-term plan) from 1.5 bn yen to approximately 0.5 bn yen as of the FY3/24 full-year results announcement—representing just 33% of the initial target—but also allowed actual performance to remain at that same low level. On top of that, we also recognized four major issues in the recently announced medium-term plan:

(1) The responsibility of management for the significant shortfall against the original plan remains unclear
(2) No prompt revision of the business strategy was made, despite the apparent failure of the previous strategy
(3) Even after nearly a year spent, the newly announced medium-term plan presents no growth strategy beyond a reliance on M&A
(4) Key business targets—such as revenue and operating profit—have not been disclosed

In light of these, we have growing concerns regarding the Company's management capabilities.

Given the continued disregard for our earnest proposals as the largest shareholder, lack of efforts to enhance corporate value, and the significant governance concerns that persist, we have come to the difficult conclusion that friendly engagement—aimed at working collaboratively with management—can no longer be effective to serve the best interests of all shareholders. Regrettably, we find ourselves compelled to shift toward a course of action centered on a more assertive exercise of shareholder rights.

In our view, the primary cause of this flawed governance lies in two factors. First is the continued dominance of Director and Honorary Advisor Masao Watanabe, who has retained effective control of JPC for approximately 25 years since the Company's MBO, despite completely failing to generate corporate value during his term. Second is the uniquely structured Board of Directors (including Independent Directors), where repeated appointments from limited corporate groups have created conditions that hinder effective oversight.

Despite such governance failure, we find it utterly disappointing for the JPC Board of Directors' intention to propose again for the reappointment of Mr. Watanabe in this year's General Meeting of Shareholders but additionally establish an Audit and Supervisory Committee structure that appears to significantly delegate authority to Internal Executive Directors which appear to potentially further strengthen Mr.

Watanabe's de facto control. The Company has tried to persist with a board composition that appears to be a continuation of the existing structure, which demonstrates not only a complete lack of reflection on the prolonged destruction of corporate value but also a troubling unwillingness to listen to the legitimate voices of shareholders. Under the banner of a so-called "second founder," the Company has effectively deified Mr. Watanabe, thereby forfeiting a critical opportunity for fundamental transformation.

This issue is not unique to the Company; rather, it is one of many cases that underscore the excessive concentration of managerial authority in the hands of Directors rather than shareholders—a structural issue that has contributed to Japan's decades-long economic stagnation. From this standpoint, we are committed to addressing the matter not only as a shareholder concern but also as a vital step toward reinforcing the role of capital markets and clarifying the legal position of shareholders in Japan. We approach this challenge with a strong sense of purpose and responsibility, as an engagement-focused fund.

Through this campaign, we strongly hope that the Company's Board of Directors will reexamine its role as the body entrusted by shareholders to enhance corporate value and achieve meaningful reform of the management structure to unlock the Company's true potential, allowing it to thrive as a world-class niche leader. As the largest shareholder, we are firmly committed to driving this transformation, and we will pursue it with unwavering resolve, without giving up until the very end.

（Our Views on the Medium-Term Plan Disclosed in April and the Related Briefing Session）

- ROE Target: The 10% ROE target appears to be premised on the recognition of extraordinary gains from the sale of securities. However, no KPIs—including profit targets related to the core business—have been disclosed. Moreover, the growth strategy lacks any concrete explanation. As such, we find it difficult to regard this as an acceptable plan.
- Executive Compensation Structure Based on Amendments to the Articles of Incorporation: Regarding stock-based compensation, the proposed increase amounts to only around 10% of total remuneration, reflecting minimal change and remaining at a low level. Based on the disclosed compensation framework for Internal Executive Directors, stock-based compensation is intended to be linked to the achievement of financial targets—specifically ROE and TSR—outlined in the medium-term plan. However, the plan appears to assume that the ROE target will be met primarily

through gains from the sale of strategic shareholdings. In our view, this means the metric does not reflect the direct results of efforts of business improvement by management. We are concerned that such a structure allows for performance indicators to be easily inflated through discretionary financial decisions rather than genuine business improvement.

- Shareholder Returns: Despite accumulating approximately 7.6 bn yen in cash and deposits from the sale of securities—equivalent to about 1,313 yen per share—the annual dividend remains unchanged at 126 yen per share (a total of 730 mn yen and a DOE of around 5%). We do not view this level of shareholder return as sufficiently proactive.
- Reduction of Strategic Shareholdings: Progress has been slow to date, and the target timeline for reducing strategic shareholdings to below 20% of net assets has been significantly pushed back to FY3/28. Moreover, the criteria for reduction remain unclear.
- Internal Control and Management Systems: During the briefing session, management was unable to respond to a fundamental question regarding the breakdown of volume and price effects—something that should be well understood at the executive level. In addition, the occurrence of a correction in the earnings report further raises concerns about the adequacy of the Company's internal control framework.

2． JPC's Track Records Related to Corporate Value Improvement

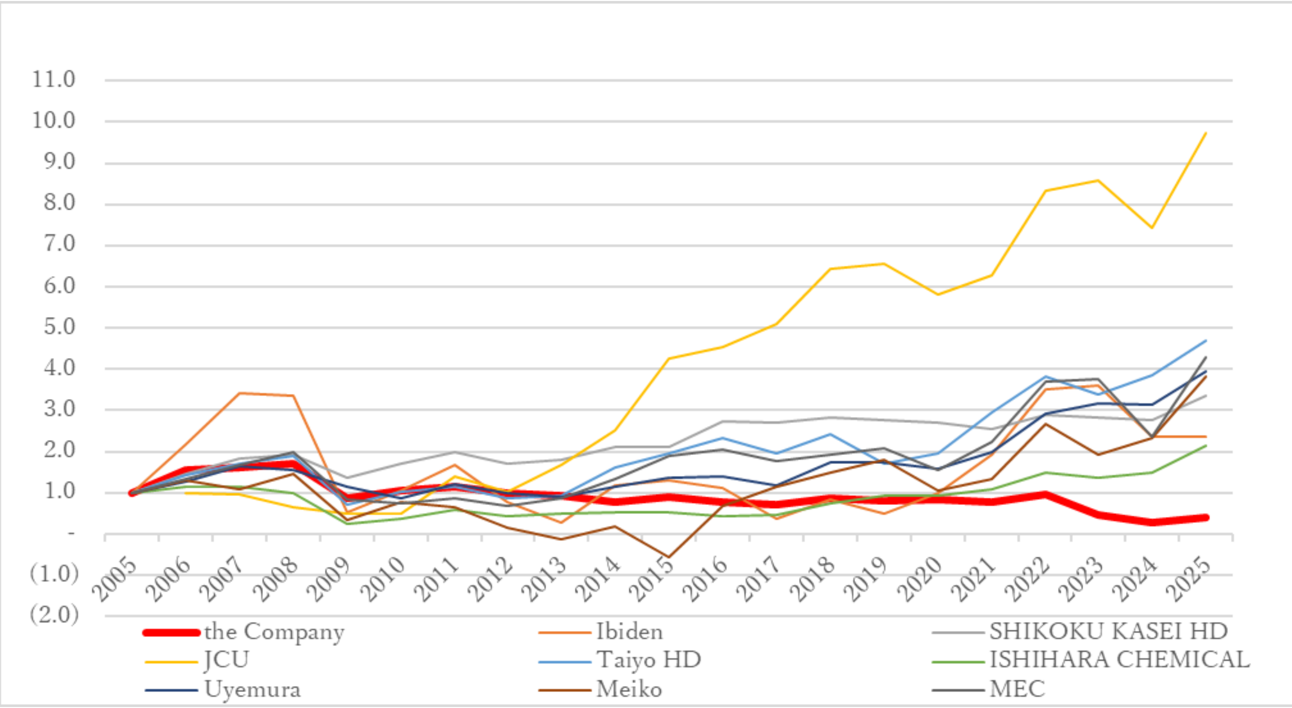
(a) JPC's Track Records Related to Corporate Value Improvement Post-Relisting

As a fundamental premise for launching this campaign, we highlight the long-standing stagnation in the Company's corporate value. Despite operating in high-growth sectors—particularly semiconductors—and possessing a strong technological foundation supported by R&D, as well as patents that serve as a moat for its business model, the Company has not demonstrated the capital efficiency or value creation one would reasonably expect from such a competitive, fabless model. Instead, the Company has remained stagnant for over 20 years, showing no meaningful improvement in business performance or capital efficiency.

In this section, we aim to present our assessment of how the Company has eroded corporate value over time, based on an objective evaluation of past performance. To this end, we will compare the Company with its industry peers and examine key indicators—(i) operating profit, (ii) capital efficiency, and (iii) total shareholder return—without incorporating subjective judgments.

To begin, we would like to direct attention to the following chart. It illustrates how much each company's absolute operating profit has multiplied since 2005, using the 2005 level as a baseline of 1. The Company has seen its operating profit decline to approximately 0.4 times the 2005 level, indicating not only a lack of growth but a significant drop in performance. In contrast, industry peers have at a minimum doubled their operating profits over the same period. Notably, JCU—one of the Company's strategic shareholdings—has expanded its operating profit by nearly tenfold.

Figure 1: Operating Profit Trends Over the Past 20 Years (Indexed to FY03/05 = 1)



※JCU is indexed to FY3/06 as the base year.

※For companies with a December fiscal year-end, comparisons are made against other companies as of three months later, at the end of March.

※Due to fiscal year-end changes (MEC since 12/2017, Shikoku Kasei since FY12/2022), linear interpolation was applied to connect the March and December fiscal periods.

(Source: Created by Hibiki from Bloomberg)

While it is easy to offer excuses—such as differences in business domains making direct comparisons inappropriate—we believe such arguments are unconvincing considering the outcomes of more than 20 years of corporate activity. Identifying growth areas, formulating strategies that fully leverage the

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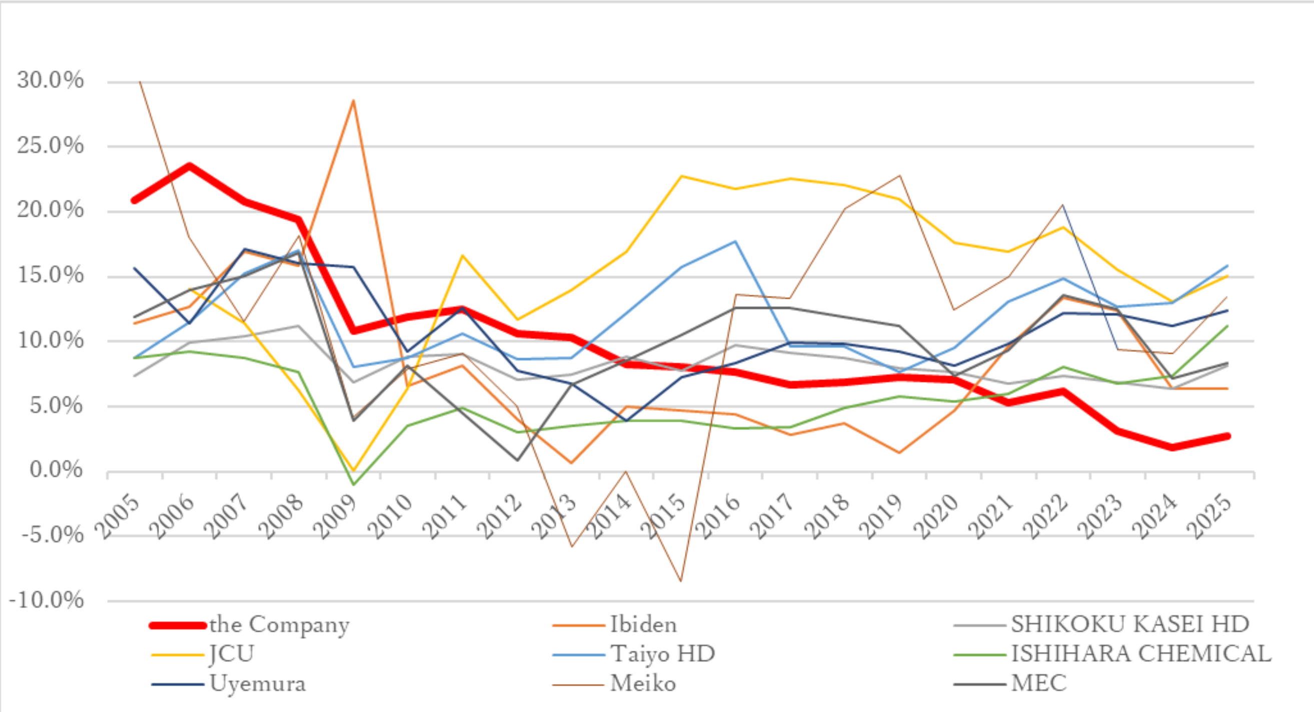
Company's strengths, and deploying management resources to cultivate new revenue streams are fundamental obligations of any leadership team. The fact that these responsibilities have been consistently neglected is made unmistakably clear by the Company's extremely poor performance figures.

That said, we agree that looking only at the absolute amount of operating profit is not enough to judge how well a company is managed to increase its value. For example, even if operating profit gets smaller, it can still make sense for a company to focus on more profitable areas, sell off unnecessary assets, and return capital to shareholders. From this point of view, we would now like to compare similar companies to see how they have improved their returns on equity over time.

Figure 2: ROE Trends of Each Company Over the Past 20 Years



※JCU after FY3/06

※For companies with a December fiscal year-end, comparisons are made against other companies as of three months later, at the end of March.

※Due to fiscal year-end changes (MEC since 12/2017, Shikoku Kasei since FY12/2022), linear interpolation was applied to connect the March and December fiscal periods.

(Source: Created by Hibiki from Bloomberg)

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Frankly, when we prepared this chart, we could not help but feel a deep sense of regret as the largest shareholder who has long supported the Company. Around 2006 to 2008, the Company clearly demonstrated higher value creation—reflected in superior ROE—than any of the industry peers shown in the chart. Its ROE well exceeded the commonly assumed minimum capital cost of 8%, and it proudly stood out as a highly profitable enterprise. However, over the following two decades, the Company's return on equity has continued to decline without showing any meaningful rebound. This prolonged and consistent decline in capital efficiency is, regrettably, a "result grounded in fact." In this context, we are keen to hear directly from the management team of the Company as to how this performance can be justified—particularly as part of the legacy of Director and Honorary Advisor Watanabe, who refers to himself as the Company's "Second Founder", a point we will elaborate on later.

Please note that the ROE mentioned above uses a different figure from the one presented by the Company. Generally, ROE is calculated by dividing net profit by equity. However, this figure typically includes recurring and extraordinary income and losses. As a result, for example, if we refer to the Company's financial results for the FY3/25, its operating profit remains at only 0.5 bn yen. Yet, due to a gain of 1.5 bn yen from the sale of investment securities (which is three times the operating profit), the Company presents an ROE of over 10%. When we exclude this gain from the sale of investment securities—unrelated to the Company's core business—and calculate net income in a simplified manner, the post-tax profit comes down to approximately 370 mn yen (after deducting estimated taxes of about 27% from the 500 mn yen).

This results in an ROE of around 2.7%, which gives a very different impression. From our perspective, ROE based on pure business operation outcomes is important when evaluating the Company's management capabilities.

Figure 3：FY3/25 result and FY3/26 forecast of the Company

Year ending March 31, 2026 (Forecast)

- Strong demand for servers/data centers is expected to be driven by strong demand growth for generative AI.
- Demand for consumer products such as smartphones and PCs is expected to recover moderately
- There are concerns about a prolonged inventory adjustment in the automotive sector due to a slowdown in demand for electric vehicles, while the timing of a full-fledged recovery in the industrial equipment sector remains uncertain.
- Profit increased only slightly due to increased expenses from upfront investments.
- Impact of U.S. trade policy on global economy remains uncertain

(Million yen)	2025 Mar	2026 Mar	Compared to Initial plan
Net Sales	12,611	14,000	+11.0%
Operating Profit	502	510	+1.5%
Ordinary Profit	657	670	+1.9%
Gain on sales of investment securities	1,512	N/A	–
Net Profit	1,579	500	△68.3%
Annual Dividends Per Share(¥)	126円	126円	+0円
ROE	11.3%	3.7%	–
DOE	5.2%	5.4%	–

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(Source: From the Company's disclosure)

Finally, the following chart illustrates how this prolonged business underperformance has impacted the common interests of shareholders from the perspective of Total Shareholder Return (TSR). While the outcome is unsurprising given the preceding discussion, it is nonetheless striking: shareholders who trusted the Company and held its stock for 20 years—believing in the management led primarily by Director and Honorary Advisor Watanabe—have received significantly lower economic returns compared to shareholders who invested in the Company's industry peers. For instance, if an individual had invested their hard-earned savings of 10 mn yen in this company to prepare for the future, the investment would have only grown to about 19 mn yen (an annualized return of 3.3%). In contrast, a similar investment in top-performing competitors could have grown to around 100 mn yen. Such a vast difference can have a dramatic impact on the life plans of individual investors, and we believe this outcome reflects a serious failure to fulfill management's responsibility to its shareholders.

(Note: Assuming a standard minimum cost of capital of 8%, the return should have been about 4.8 times the original investment.)

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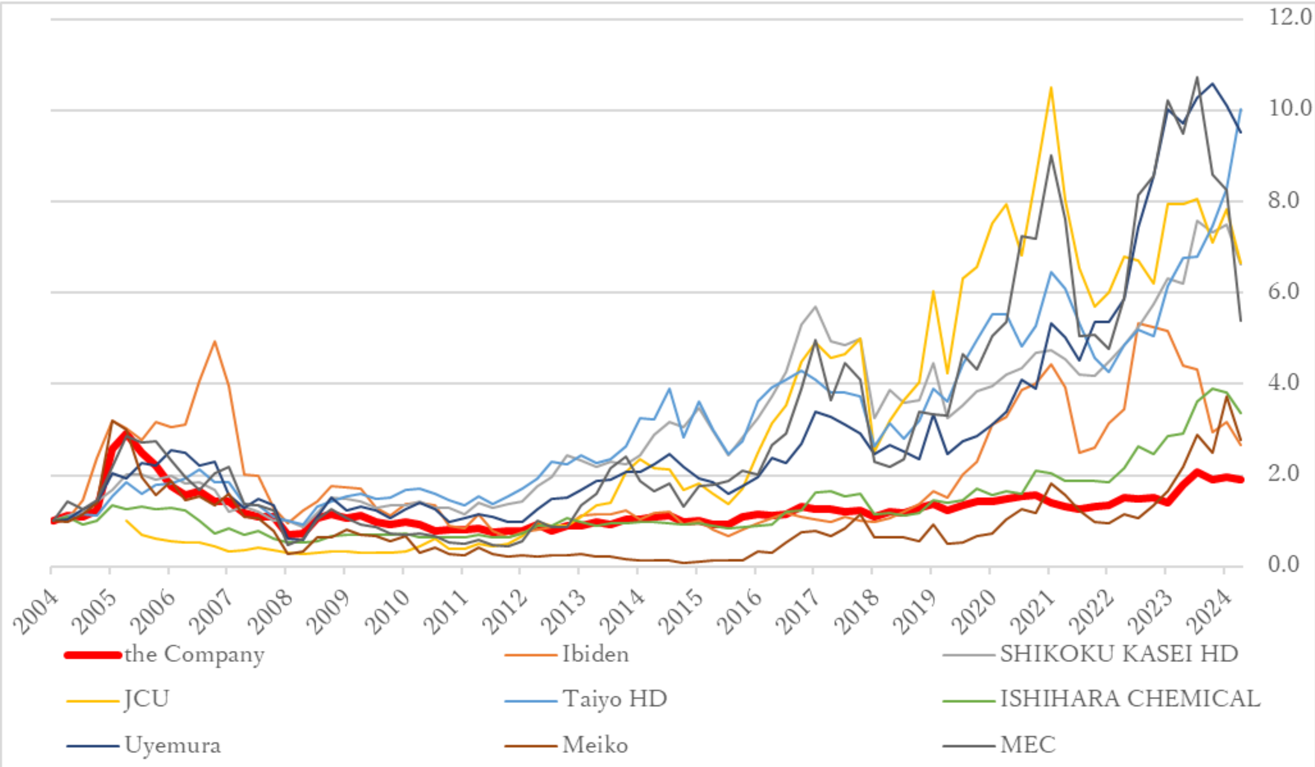
Figure 4: TSR of Each Company Over the Past 20 Years (Indexed to 1 as of End-December 2004)



Note: JCU's TSR is calculated using the end of March 2006 as the base of 1.

(Source: Created by Hibiki from Bloomberg)

(b) The 3 Key Areas Where the Company Falls Short

One of the fundamental causes behind the prolonged business underperformance described above was detailed in the letter we publicly released last October, titled "About Letter to the Board of Directors in Japan Pure Chemical Co., Ltd." In this letter, we explained what we believe are the three key areas of insufficiency that have hindered the Company from realizing its full potential:

① Lack of resources for business development (customer relations)

② Lack of resources for research and development

③ Lack of resources for management and oversight

Due to the Company's extremely small number of employees and the high cost of goods sold resulting from the use of expensive precious metals such as gold and platinum, its revenue per employee is technically higher than that of its peers.

Although operating profit per employee used to be high in line with the Company's strong value-added capabilities, it has declined over the past three fiscal years up to FY2023 to 7.2 mn yen per person, falling below the industry average due to a decrease in value-added capability. The number of employees at each company as of FY2024 has not yet been fully disclosed, but we do not believe any significant change in the overall trend.

Figure 5: Revenue and Operating Profit per Employee over the Past 3 Years

(JPY mn)		Sales per employee			Operating Profit per employee		
Code	**Name**	**FY2021**	**FY2022**	**FY2023**	**FY2021**	**FY2022**	**FY2023**
4973	**the Company**	**425.3**	**361.2**	**233.1**	**27.3**	**12.6**	**7.2**
4626	Taiyo HD	45.8	45.9	47.4	8.4	7.5	8.2
4099	SHIKOKU KASEI HD	44.7	37.8	50.0	6.9	5.2	6.4
4975	JCU	44.3	49.9	46.2	16.4	17.1	14.9
4462	ISHIHARA CHEMICAL	70.2	74.5	75.6	8.7	7.8	8.5
4971	MEC	27.4	30.0	26.1	7.2	7.4	4.6
Average		**46.5**	**47.6**	**49.1**	**9.5**	**9.0**	**8.5**

Note: For companies with a fiscal year ending in March, employee numbers have not yet been updated, so the comparison is up to FY2023.

(Source: Created by Hibiki based on each company's securities reports)

The Ratio of Profit to Gross Profit (RPG)—calculated by dividing operating profit by gross profit—serves as an indicator of a company's capacity to reinvest in growth. It reflects the amount remaining after deducting selling, general, and administrative expenses (SG&A), including fixed-cost-heavy items such as R&D, from gross profit, which represents the value generated through customer relationships. In this metric as well, the Company has experienced a substantial decline, with RPG falling from 54.8% (FY2021) to 30.9% (FY2024). This sharp drop suggests that rising burdens from sales-related costs (such as R&D and travel), labor expenses, and obligations associated with being publicly listed (e.g., disclosure and investor relations) have not been effectively managed. The Company appears to be struggling to adapt to recent external pressures, such as inflation, resulting in the continued erosion of its core value creation capacity.

Figure 6: RPG (operating profit divided by gross profit) for the past 4 years

(JPY mn)		Operating Profit / Gross Profit			
Code	**Name**	**FY2021**	**FY2022**	**FY2023**	**FY2024**
4973	**the Company**	**54.8%**	**36.0%**	**25.8%**	**30.9%**
4626	Taiyo HD	41.9%	37.3%	37.3%	39.3%
4099	SHIKOKU KASEI HD	36.9%	34.3%	33.9%	35.2%
4975	JCU	57.2%	56.5%	53.0%	56.5%
4462	ISHIHARA CHEMICAL	37.5%	34.1%	34.9%	42.5%
4971	MEC	42.3%	40.8%	30.0%	41.1%
Average		**43.1%**	**40.6%**	**37.8%**	**42.9%**

(Source: Created by Hibiki based on each company's securities reports)

In a business environment where inflation is expected to persist, it is essential not only to develop products that generate revenue well above the Company's total costs—including fixed costs—but also to secure sufficient resources for initiatives necessary to support price negotiations with customers. Given the Company's apparent shortage of such resources, it is not surprising that its profitability is lagging behind.

Next, ② in the comparison of R&D resources with other companies, the Company continues to allocate a significantly smaller amount than its peers. We believe that it is extremely difficult to maintain its technological strength — the source of its competitive advantage — especially in highly competitive fields such as semiconductors and batteries. On the other hand, given that its R&D expenses are already high relative to its operating profit, it seems unrealistic for the Company to further increase its R&D burden on its own.

Figure 7: Comparison of R&D Expense Metrics Over the Past Three Years

(JPY mn)		R&D/Sales			R&D / Operating Profit		
Code	**Name**	**FY2021**	**FY2022**	**FY2023**	**FY2021**	**FY2022**	**FY2023**
4973	**the Company**	**1.8%**	**2.0%**	**3.0%**	**28.7%**	**56.7%**	**96.8%**
4626	Taiyo HD	3.7%	4.6%	5.9%	20.1%	28.1%	34.0%
4099	SHIKOKU KASEI HD	2.6%	2.5%	2.8%	16.6%	18.3%	21.9%
4975	JCU	4.0%	3.9%	4.3%	10.7%	11.4%	13.2%
4462	ISHIHARA CHEMICAL	5.5%	5.4%	5.6%	44.6%	51.3%	49.9%
4971	MEC	8.8%	8.1%	8.7%	33.6%	33.2%	48.9%
Average		**4.9%**	**4.9%**	**5.5%**	**25.1%**	**28.4%**	**33.6%**

Note: Since R&D expenses disclosed in the securities report were not yet available at the time of preparation, the comparison is made up to FY2023.

(Created by Hibiki based on each company's securities reports)

Lastly, with respect to issue ③ — the lack of resources for management and oversight — in addition to resolving the aforementioned issues ① and ②, the Company is also expected to engage in meaningful capital market dialogue, including quarterly and English-language disclosures. Furthermore, it should operate a corporate planning function capable of comprehensively monitoring such developments and overseeing strategy execution from a holistic perspective. Additionally, if the Company intends to position M&A as a central pillar of its growth strategy, it must be prepared to undertake tasks such as creating long lists of targets, conducting due diligence, negotiating acquisition terms, and formulating and implementing post-merger integration (PMI) plans. Given that the Company had only 52 employees as of the end of FY2024 (link is only in Japanese), it is not difficult to imagine that the demands of such comprehensive management would exceed its organizational capacity.

Securing the management resources necessary to enhance and sustain competitiveness in the Company's business areas, as outlined above, constitutes one of the most fundamental and critical responsibilities of corporate management. It is also defined as a key component of execution strategy in the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry (METI), which outlines principles for dialogue between companies and investors. However, the Company has continued to erode investor trust while remaining in a state where no clear policy for securing management resources has been presented.

(c) The Company's Qualification as a Publicly Traded Company

As outlined in Chapter 2 (b), we believe that, given the Company's current circumstances, it lacks a sufficiently robust framework to ensure proper and reliable disclosure of information to investors. Rather than pursuing the benefits that a public listing is intended to offer, the Company appears to treat remaining listed as an objective in and of itself.

As we mentioned in our 2024 letter to portfolio companies titled "Merits and Challenges of Being Publicly Listed in the Era of Unsolicited Takeovers," we believe that the most important significance of being a publicly listed company lies in its role as a powerful means to win in a highly competitive environment. Specifically, it enables a company to secure market support by increasing its stock valuation and strengthening its comparative advantage, thereby facilitating dynamic growth strategies through M&A and fundraising. However, the Company appears to have made little effort since its re-listing following the MBO to leverage a rising share price to raise growth capital from the market. Instead, it has continued to accumulate non-operating assets and bear listing costs that are excessive relative to its corporate scale, which we believe has led to the continued erosion of shareholder value.

Stock exchanges, as part of their role in protecting investors, conduct listing examinations to determine whether a company's shares are appropriate for trading by a wide range of market participants. In this context, the Company's financial indicators do not meet the standards required for listing on the Prime Market. From this perspective, one could reasonably view the Company as not fully meeting the qualifications expected of companies listed on the Prime Market — a platform intended for active trading by a wide range of investors —and instead being allowed to maintain its listing solely due to historical circumstances.

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Figure 8: Comparison Between Tokyo Stock Exchange Listing Criteria for the Prime Market and the Company's status (Unmet Requirements)

Items	Initial Listing Standards on Prime Market	Current status of the Company
Market Capitalization	25 bn yen or more (Estimate at Time of Listing)	**NOT SATISFIED** 18.9 bn yen as of 31/3/2025
Profits and Revenue	The applicant company should satisfy either of the following a. or b.: a. Aggregated profits over the last two years are JPY 2.5 billion or more b. Last year's revenue is JPY 10 billion or more and market capitalization is estimated to be JPY 100 billion or more at time of listing	**a. NOT SATISFIED** 0.55 bn yen (FY3/24) + 0.66 bn yen (FY3/25) = 1.21 bn yen **b. NOT TO BE SATISFIED** Sales: SATISFIED – 12.6 bn yen as of FY3/25 Mkt Cap.: NOT TO BE SATISFIED - never reached 100 bn yen and the current level is 18.9 bn (31/3/2025)

(Source: Created by Hibiki based on materials disclosed by the Japan Exchange Group and the Company)

In practice, the Company's various disclosures and investor communications have shown frequent errors, such as corrections to earnings reports. Furthermore, during earnings briefing Q&A sessions, the Company has been unable to provide basic breakdowns—such as separating sales forecasts into volume and unit price—raising doubts as to whether management is even conducting fundamental business monitoring. On the strategic front, the Company does not clearly articulate a growth strategy beyond M&A initiatives. The Company has also set its ROE target—including gains from the sale of strategic shareholdings, which are subject to discretionary control by the management—as a key performance indicator, while delaying the reduction of these holdings, a move that runs counter to broader societal expectations for stronger financial discipline. From the perspective of the largest shareholder, such actions are far from acceptable, and we view the Company as far from being in a position to earn the trust expected of a publicly listed company.

(d) Going-Private as a Worth Considering Option

While the Company continues to show disregard for its shareholders and fails to establish a proper framework befitting a listed company, the capital market's awareness of shareholder value has grown significantly over the past two to three years as noted in our aforementioned article titled "About Letter to the Board of Directors in Japan Pure Chemical Co., Ltd.,". Disclosure requirements have increased, and the Tokyo Stock Exchange has also been raising expectations for listed companies through revisions to listing rules and other initiatives. Going forward, it is undeniable that there is a clear direction toward greater selectivity even within the Prime Market, and the question of "what it means to remain a listed company" is now being reexamined across the market as a whole.

With respect to the Company's apparent stance toward capital market trends—responding not proactively, but rather in a reactive, follow-the-leader fashion—unless the Company is intentionally taking a contrarian position against prevailing market directions, the Company is simply failing to respond proactively.

A defining characteristic of the Company lies in its small workforce, composed of a highly capable and elite group of professionals. As a long-standing shareholder, we fully understand and appreciate the value of this strength. However, compared to large corporations that consistently generate stable profits in excess of 5 bn yen, we cannot help but feel that the Company, due to its limited scale, lacks adequate resources in several critical areas: (1) research and development, (2) sales and customer engagement, (3) planning and coordination of external partnerships, and (4) investor relations and capital market communications.

Delays in the full-scale commercialization of fundamentally innovative products such as EPIG and DIG, despite their early-stage development, deterioration in earnings caused by slow implementation of price increases during a period of rapid inflation, and the absence of bold financial strategies that anticipate future trends—all of these issues point to potential structural limitations in the Company's organizational ability to sustain and grow its business as a publicly listed enterprise.

Regrettably, developing outstanding products through excellent engineering and successfully expanding those products into a profitable and growing business are two entirely different challenges. In light of the environment described above, we are once again compelled to question the Board of Directors' continued adherence to maintaining listed status as a principle, rather than as a means to achieve long-term value creation.

From our perspective, in order for the Company to fully leverage its strengths and continue to grow, it may be more effective—not to remain as a standalone publicly listed company—but rather to join a larger corporate group, while preserving its core business domain, thereby creating an environment where it can focus on its unique strengths. We currently feel this is the most direct path to resolving the challenges it faces. That said, we also believe that taking the Company private with a private equity investment firm is a path that should also be seriously considered. This would free the Company from the burdens of quarterly disclosures and the demands of investor relations and engagement with a large number of shareholders—obligations it must confront as a listed company—and at the same time allow it to absorb the management expertise such investment firms can offer.

With the Tokyo Stock Exchange reforms advancing, listed companies now face an increasingly heavy administrative to-do list, which is expected to grow even further. In this context, it is becoming clear that it is not necessarily efficient for a company of modest size to maintain a solo listing if its goal is to maximize its corporate value. In the case of the Company as well, we believe it is important to not only consider management strategies based on "continuous changes from the current state," but also to weigh more "discontinuous" scenarios. For the sake of employee development and maximizing shareholder value, we would like to encourage a renewed examination of whether continuing to be listed is truly the best course—or whether taking the business private could, in fact, be the more effective path toward maximizing corporate value.

3． Primary Issues Related to JPC's Governance Structure

(a) Director and Honorary Advisor Watanabe's Power Structure: Origins and Consequences

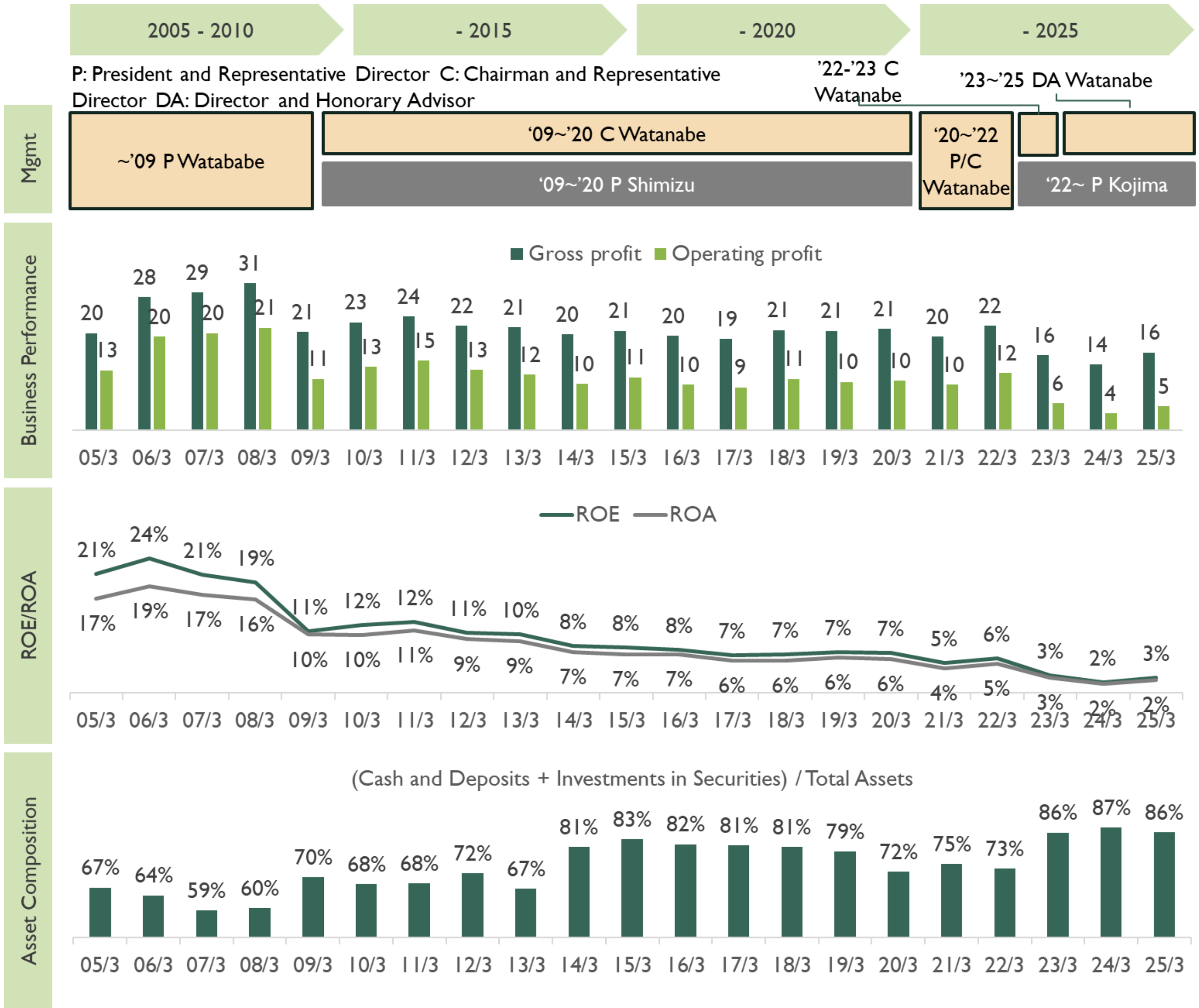
What, then, is the most fundamental cause behind the problems described so far? We believe it lies in the presence of Mr. Masao Watanabe, who led the Company for many years as its Representative Director and who continues to reign effectively as the top decision-maker in his current role as Director and Honorary Advisor. (Note: He is a different person from Internal Senior Director Motoki Watanabe.) We believe that the most meaningful way to improve the Company's governance would be for shareholders to vote against Mr. Watanabe's reappointment and to have him step down from any position that holds executive responsibility.

Let us briefly outline, in chronological order, how we believe Mr. Watanabe came to establish his dominant position. The background is explained in detail in the 2009 Diamond Online article titled "The Management Evolution Theory of Masao Watanabe, President of Japan Pure Chemical, the 'Small Giant'

Supporting the Global IT Industry (Part 2),(only in Japanese)" but the origin can be traced back to the Company's management buyout (MBO) in 1999. After building a track record at Japan Trading Co., Ltd., Mr. Watanabe joined the Company in May 1986 as President and Director. When then-owner Seiichi Serizawa was considering selling the Company, an internal faction, including Mr. Watanabe, opposed the sale. After a period of back-and-forth, the decision was made to carry out an MBO led by Mr. Watanabe.

Around that time (May 1999), Mr. Watanabe became the President and Representative Director, solidifying his status as a "Second Founder" of the Company. Even after handing the presidency over to his brother-in-law, Mr. Shigeki Shimizu, in June 2009, Mr. Watanabe remained involved in management as the Chairman and Representative Director. In April 2020, he returned as the Chairman, President, and Representative Director, and in April 2022, resumed the role of the Chairman and Representative Director. Although he officially concluded his tenure as a Representative Director in June 2023, we believe he still effectively reigns at the top of the organization in his current capacity as **Director and Honorary Advisor**. One might assume that someone who has held power for nearly a quarter of a century must have produced strong results and earned the high regard of shareholders. However, we believe the reality is quite different. In fact, as shown in Figure 9 below, the data clearly indicates that Mr. Watanabe has failed to deliver results as a manager of a publicly listed company.

Figure 9: Business Performance Trends During Mr. Watanabe's Continued Managerial Control



Note: The numerator for ROE/ROA is calculated by multiplying operating profit by (1 – tax rate) for each year.

(Source: Created by Hibiki based on Bloomberg and the Company's securities reports)

Some of what follows overlaps with what has already been stated, but allows us to briefly reiterate this point. First, regarding business performance: over the past 20 years, the Company has shown virtually no growth. In fact, both gross profit and operating profit have shown a consistent decline over time. Despite possessing world-class technological and research capabilities that are the envy of its peers, the Company has clearly failed to achieve business growth or expand its capacity to create added value. Moreover, when excluding the effects of selling cross-held shares, both ROE and ROA—based solely on core operating profit—are visibly on a downward trend. This reflects not only the stagnation of the Company's earnings (the numerator in ROE/ROA), but also poor balance sheet management (the denominator), which we believe has been largely neglected by the management. This failure is especially evident in the asset composition trend graph shown below. The Company currently holds excessive levels of cash and cash equivalents and investment securities—far beyond what would be considered appropriate for a company of its size. Most recently, these two asset categories together accounted for about 86% of total assets.

We are concerned that this reflects an intentional strategy: to maintain a firm grip on control by ensuring ample liquidity and reinforcing insider-dominated ownership through cross-shareholdings. In our view, this behavior runs directly counter to the true mission of corporate leadership—to improve corporate value on behalf of shareholders. Rather than focusing on its own corporate growth, the Company has prioritized investing in peer and adjacent companies in which it has influence, and ironically, while the Company itself has declined in business, the growth of those peers has only served to reinforce the Company's financial safety. This is a regrettable historical trajectory. As described above, it is clear that Mr. Watanabe, as a corporate executive of a listed company, should have stepped down much earlier to make way for a younger generation of capable and energetic leadership. Nevertheless, he continues to dominate the Company in his current role as Director and Honorary Advisor, effectively creating a dual-power structure with the current Representative Director. We believe this governance failure—stemming from a second-founder-style regime like Mr. Watanabe's—closely resembles the current controversy surrounding Mr. Hisashi Hieda, Director and Honorary Advisor of Fuji Media Holdings (referred to hereafter as "FMH" and its affiliated companies).

In contrast, Mr. Noriyuki Inoue, credited as the architect of Daikin Industries' remarkable growth (increasing sales more than tenfold since becoming president), transitioned to the role of Honorary Chairman in 2024. He now serves as a "Representative Executive Officer" advising on global strategy, in a position subordinate to the Board of Directors—a notable example of appropriate governance reform.

Mr. Hieda joined FMH in April 1961. By 1980, he had become Director of Programming, and in 1988, at the young age of 50, he rose to the position of President and Representative Director (reference: FMH Securities Report) (Japanese Only). Later, in 1992, he successfully reduced the influence of the founding family and firmly solidified his position. Although Mr. Hieda was originally expected to be a reformer, even after stepping down as Representative Director in 2017, he assumed the role of Director and Honorary Advisor and shifted to a position focused on maintaining his own power. According to a recent report

(Japanese Only) by a third-party committee investigating serious incidents involving FMH, the following issues were identified:

"Mr. Hieda controls personnel decisions at the Bureau Director level and above; only his yes-men are promoted; he holds considerable influence over personnel matters.", "Mr. Hieda's resignation is essential. He has a large influence over the management structure, continues to control all personnel decisions for CX, FMH, and the Fujisankei Group, and the management team should be overhauled to eliminate his influence.", "It's strange that everyone seems to be working solely with Mr. Hieda in mind."

The report revealed that many officers and employees questioned the lack of objectivity in personnel decisions. It also confirmed that Mr. Hieda was responsible for making all executive appointments, including those of the President and Representative Director, revealing the absolute nature of his authority. This case clearly illustrates how someone who once contributed to a company's prosperity can, by continuing to wield overwhelming power for many years, become deified and rule from behind the scenes, ultimately having a profoundly negative impact on the Company's governance.

We are deeply concerned that issues similar to those described above appear to be occurring within the Company as well. The deified figure of Mr. Watanabe seems to compel even Mr. Tomoyuki Kojima, the Company's President and Representative Director—who should rightfully serve as the highest executive authority—to act with undue deference. In our view, this has significantly hindered the Company's ability to implement agile and necessary reforms. For example, during the financial results and medium-term plan briefing held on Monday, April 28, 2025, we asked President Kojima to answer the rationale for Mr. Watanabe's continued position as Director and Honorary Advisor. However, his response—rather than providing a straightforward answer, his response resembled a politician's evasive statement— appeared to be entirely deferential and protective of Mr. Watanabe. While he cited Mr. Watanabe's industry expertise and network as reasons for retaining him, we found a deep disconnect when it came to the legal and logical basis for his remaining in office as a Director.

In addition to the example above, we have had numerous engagements in the past with President Kojima and other members of the executive team. On many of these occasions, we could not help but observe repeated instances of deference toward Mr. Watanabe. These episodes make clear why we are so concerned that Mr. Watanabe's presence is having a highly negative impact on the Company's governance. Individuals who should be able to take bold action and achieve results as new-generation leaders are instead restrained by the preferences of someone who failed to deliver results as a past Representative Director. The Company is thus unable to undertake proper reforms as a listed entity, and we cannot help but feel a deep sense of disappointment. In light of the above, we strongly believe that Mr. Watanabe must step down from his position as Director in order to improve the Company's governance. Additionally, considering his age—born January 26, 1940, now 85 years old—it is difficult not to question whether he retains the capacity and vigor required to remain at the forefront of management in a publicly listed company.

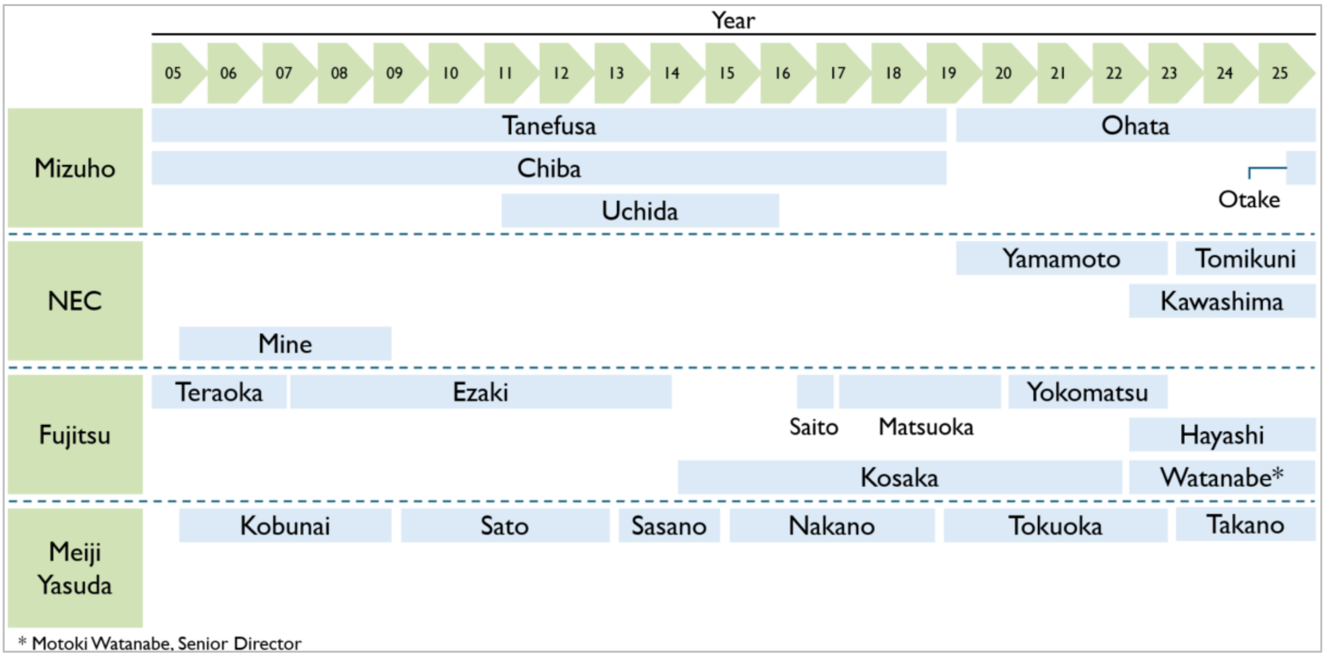
We therefore urge shareholders to vote against Mr. Watanabe's reappointment and to help push the Company toward becoming an entity governed by a truly sound governance structure.

(b) Concerns Regarding the Independence of the Board of Directors Supporting the De Facto Control Exercised by Director and Honorary Advisor Watanabe

We also have concerns regarding the composition of the Board of Directors, which appears to be influenced by the kind of deference mentioned above. Specifically, there are concerns about the actual independence of the Board, as individuals from certain companies have continuously served as Directors and auditors (both internal and external) over the years. The companies in question include the following:

- Mizuho Bank, Ltd. and its group companies (hereinafter collectively referred to as "Mizuho")
- Fujitsu Limited (hereinafter "Fujitsu")
- NEC Corporation (hereinafter "NEC")
- Meiji Yasuda Life Insurance Company (hereinafter "Meiji Yasuda")

Figure 10: Directors and Auditors with Similar Backgrounds (approximately 20 Years)



(Source: Created by Hibiki based on the Company's securities reports from FY3/06)

What we are particularly concerned about is the substantive independence of board members with Mizuho backgrounds. Individuals from Mizuho have continuously been offered Outside Director positions since at least 1999, when the MBO was conducted. Notably, current Outside Director Mr. Yasutoshi Ohata (hereinafter "Mr. Ohata") was featured in a Diamond Online article titled "The Evolution of Management by Mr. Watanabe, President of JPC – the 'Small Giant' Supporting the Global IT Industry (Part 2) (Japanese Only)" as the person in charge of the MBO at that time during his tenure at Mizuho. Given the circumstances under which he later joined the Board, it is presumed that Mr. Ohata holds a strong attachment to the Company and built a reasonably close relationship with Mr. Watanabe through the MBO process. Mr. Watanabe has also stated that the MBO, which was a rare case at the time, brought Mizuho approximately 8 bn yen in capital gains[1]. It is therefore reasonable to assume that Mr. Ohata's standing within Mizuho rose as a result of the MBO, and that remains a highly memorable matter for him as well. Given this background, it would not be unreasonable to harbor doubts as to whether Mr. Ohata has been able to fulfill his supervisory and evaluative role over Mr. Watanabe's two decades of management from a truly independent perspective that reflects the common interests of shareholders.

[1] Toyo Keizai Online, "Small Group Sticking to Simple Management, the Essence of Japan Pure Chemicals(Japanese Only)"

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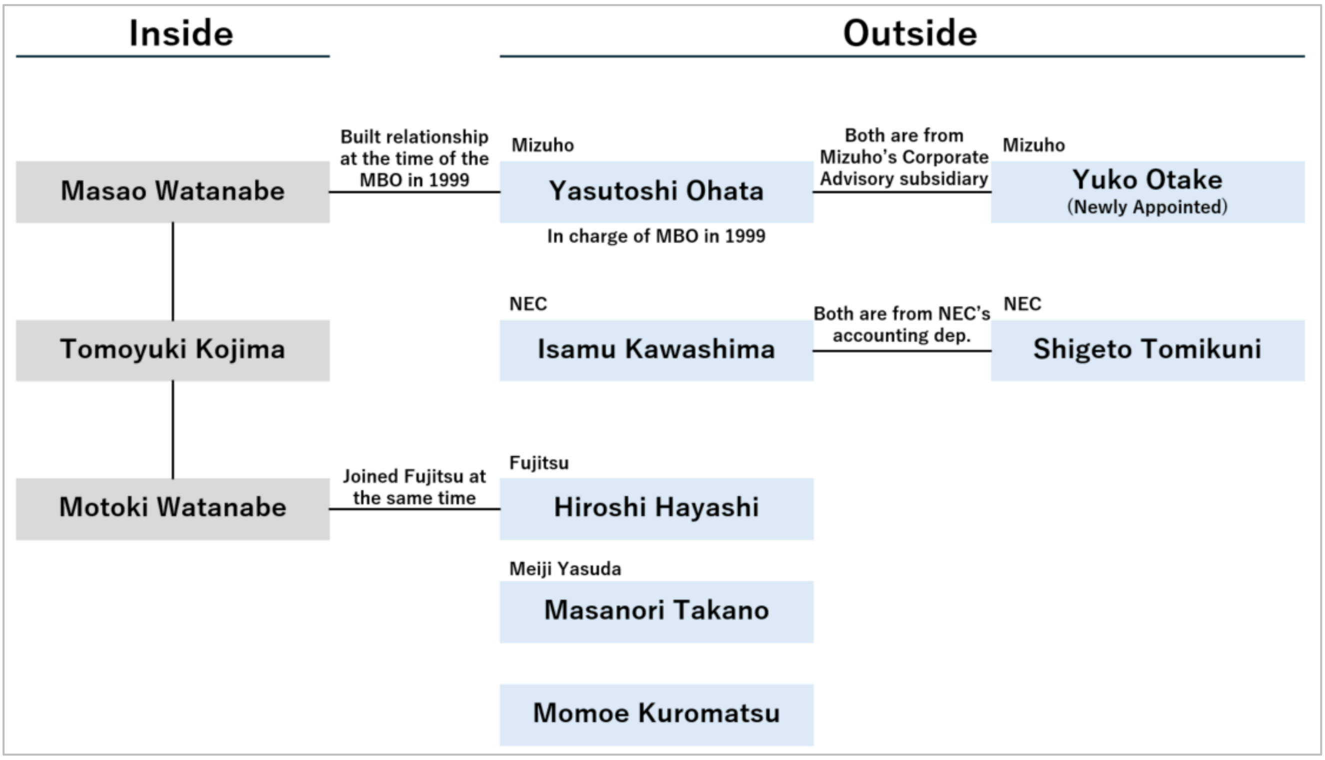
Furthermore, upon reviewing the composition of the ten Director nominees (exclude the alternate candidate) newly disclosed in conjunction with the transition to a company with an Audit and Supervisory Committee, we note the following: two are from Mizuho (Mr. Yasutoshi Ohata and Ms. Yuko Otake), two from Fujitsu (Mr. Motoki Watanabe and Mr. Hiroshi Hayashi), two from NEC (Mr. Isamu Kawashima and Mr. Shigeto Tomikuni), and one from Meiji Yasuda (Mr. Masanori Takano)—meaning that seven of the ten nominees (exclude the alternate candidate) come from companies that have historically supplied past Directors and Auditors. The continued appointment of Outside Directors and auditors with similar backgrounds raises concern: contrary to the Company's stated emphasis on strengthening governance, the Board composition process appears—at least externally—to be progressing through deeply entrenched, continuous, and personalized relationships. Given that the Company is in a situation where discontinuous corporate transformation is required, we have strong concerns about this matter.

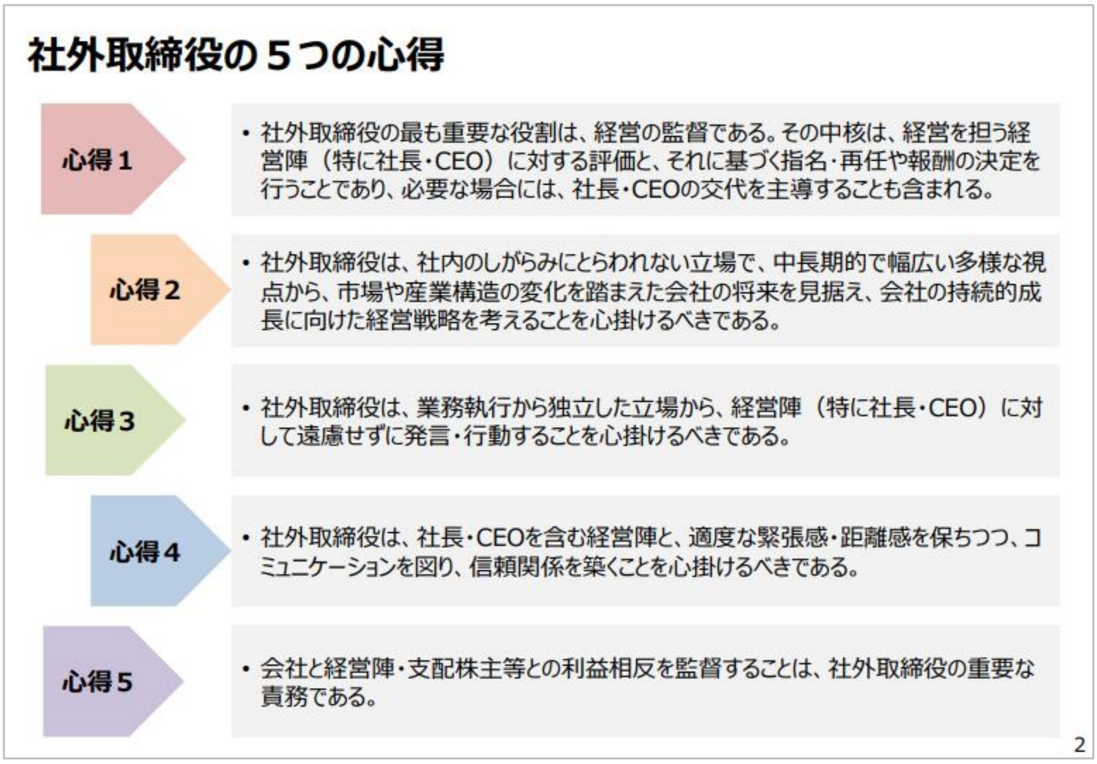
Figure 11: Relationship Chart of Director Nominees for the 2025 Annual General Shareholders' Meeting



(Source: Created by Hibiki based on the company's annual securities reports, timely disclosures, and various web searches.)

Given the fact that for many years, External Director and Auditor positions have been passed on to multiple individuals with similar backgrounds, it is extremely difficult to be convinced that substantial independence is being secured—even if formal requirements are met. While Independent Directors are expected to uphold responsibilities such as those listed below, how many among the current external board members of this company, where corporate value continues to stagnate, are truly capable of fulfilling these duties and speaking candidly to Internal Executive Directors without deference? Is it not the case that those who are supposed to safeguard the Company's governance have instead shifted into roles where, alongside Internal Executive Directors, they prioritize maintaining their own status, potentially aligning themselves with so-called 'activist defense' tactics driven purely by self-interest?

Figure 12: The Five Principles for Outside Directors



（Source: METI, "Overview of the Practical Guidelines on the Role of Outside Directors (Japanese Only)"）

(c) Rising Concerns About Transparency After Shifting to a Company with Audit and Supervisory Committee

On March 25, 2025, the Company announced its transition to a company with an Audit and Supervisory Committee. In this announcement, the reasons cited for the transition included delegating authority over important business execution decisions to Executive Directors to promote faster and more efficient decision-making, and strengthening oversight functions by granting Directors who are Audit and Supervisory Committee members (a majority of whom are Outside Directors) voting rights at Board meetings. The transition is described as being intended to strengthen and enhance the Company's corporate governance and internal control systems. In the disclosure related to the amendment of the Articles of Incorporation on April 25, 2025, Chapter 4: Directors and the Board of Directors, Article 32 (Delegation of Decisions on Important Business Execution to Directors) states: 'Pursuant to Article 399-13, Paragraph 6 of the Companies Act, the Company may, by resolution of the Board of Directors, delegate all or part of decisions on important business execution (excluding the matters listed in Paragraph 5 of the same article) to Directors.' This indicates the Company's intention to transition to a structure in which important business execution can be carried out at the discretion of Internal Executive Directors based on resolutions of the Board.

However, we believe that the Company has not provided sufficient explanation or information and we do not see a compelling need for the transition to a company with an Audit and Supervisory Committee. On the contrary, we have serious concerns that such a shift may increase the risk of weakened governance—due to factors such as the delegation of important business execution to Individual Directors, the potential for insufficient discussion and recordkeeping at the Board level, and the loss of independent audit authority previously held by statutory auditors. We are deeply concerned that these developments may ultimately contribute to reinforcing the de facto control of the Company by Mr. Watanabe.

The statutory auditor system has a long history, dating back to the enactment of the Commercial Code in the Meiji era. Over time, efforts have been made to elevate the status of auditors. However, due to issues such as the de facto control of auditor appointments by the Board of Directors, the system of companies with nominating committees, etc., was introduced with amendments to the Commercial Code in the early 2000s. Later, as this system did not become widely adopted, the structure of companies with audit and supervisory committees—offering easier implementation—was established through the 2014 revision of the Companies Act.

The companies with nominating committees, etc. structure, modeled after the U.S. system, aims to separate management from execution and mandates the establishment of three committees—nominating, compensation, and audit—each with a majority of Outside Directors. However, as of now, only about 4% of companies listed on the Tokyo Stock Exchange Prime Market have adopted this structure, indicating limited acceptance. According to Professor Takahashi of Dokkyo University's Faculty of Law in his paper

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"The Current State and Future Challenges of Companies with Audit and Supervisory Committees", two main reasons are cited:

1. The powers of the three committees under Japan's system are even stronger than those in the U.S., and decisions made by the committees cannot be overturned by the Board of Directors.
2. There has been resistance from Representative Directors to allowing Outside Directors to take the initiative in appointing and determining compensation for fellow Directors, the source of authority needed to perform their own duties as a Representative Director.

In a company with a Board of Corporate Auditors, the Board of Directors functions as a management board that makes decisions on individual business executions. In contrast, in a company with a nominating committee, etc., the Board of Directors is positioned as a monitoring board, delegating core management matters to the respective committees—such as the nominating, audit, and compensation committees—where the majority of members are Outside Directors. On the other hand, in a company with an Audit and Supervisory Committee, while the Board of Directors primarily retains the authority to make decisions on individual business executions—similar to companies with a Board of Corporate Auditors—it is institutionally required to appoint at least two Outside Directors. This framework aims to strengthen the supervision of Internal Executive Directors by Outside Directors. Where necessary, the system allows for institutional flexibility, enabling a hybrid governance structure between a management board and a monitoring board; for example, important business decisions can be delegated to certain Directors either through resolutions by a Board of Directors composed mostly of Outside Directors or by provisions in the articles of incorporation. The underlying purpose of this system is considered to be the enhancement of governance functions through the involvement of Independent Outside Directors (Source: Civil Affairs Bureau, Ministry of Justice, "Supplementary Explanation on the Interim Proposal for the Revision of the Companies Act," December 2011).

The Corporate Governance White Paper 2025 for Tokyo Stock Exchange (English version has not been published yet) notes that one possible factor behind the increase in companies adopting a Company with Audit and Supervisory Committee structure is the revision of the Corporate Governance Code in 2021. Specifically, whereas the previous Code (Principle 4-8) required listed companies to appoint at least two Independent Outside Directors, the 2021 revision raised this standard for Prime Market-listed companies to require that at least one-third of the Board be Independent Outside Directors. […omitted] In response to this higher requirement, some companies that have adopted a Company with Board of Corporate Auditors structure may have changed to a Company with Audit and Supervisory Committee structure, reappointing former independent outside corporate auditors as Independent Outside Directors who serve on the Audit and Supervisory Committee to comply with the new Code. Given this context, it is difficult to conclude that these transitions were driven primarily by a genuine intent to strengthen governance.

In light of the above considerations, while the Company appears to be aiming for a transition to a structure that enables the delegation of authority to Internal Executive Directors through resolutions of the Board of Directors—by shifting to a Company with an Audit and Supervisory Committee and amending its Articles of Incorporation—we believe that such a change would significantly transform the role expected of the Board and constitute a fundamental shift in the Company's governance framework. Accordingly, we consider this to be a particularly significant and consequential decision.

Under such a premise, at the briefing session for institutional investors and analysts held on April 28, the Company explained that the reason for its proposed transition to a Company with an Audit and Supervisory Committee is to strengthen its governance structure in anticipation of business expansion following the M&A.

However, as will be detailed later, the Company currently lacks sufficient internal personnel with expertise in M&A and the subsequent PMI and has expressed an expectation for advice and support from Outside Directors. Given that the Company does not yet have the necessary knowledge and execution capability at the executive level to realize the pillars of growth outlined in its medium-term management plan, proceeding at this stage with a transition to a structure in which the Board of Directors' delegates executive decision-making and shifts its role toward auditing and supervision is not advisable. Rather, it would be more appropriate to first achieve growth and demonstrate tangible results in improving corporate value and then consider transitioning to the new governance structure. If the Company believes that transitioning now is necessary, we believe a convincing explanation must be provided as to why transitioning after achieving the current medium-term goals would be too late.

According to a corporate governance survey conducted by the Japan Association of Corporate Directors, as of August 2024 (Japanese Only), a majority of companies listed on the Tokyo Stock

Exchange Prime Market still choose the structure of a company with a Board of Corporate Auditors. Regarding board size, the TSE Listed Companies Corporate Governance White Paper 2023 (Data) (Japanese Only) published by the Tokyo Stock Exchange reports that the average number of Directors is 6.5 for companies with less than 10 bn yen in consolidated revenue, and 8.2 for those with less than 100 bn yen. Furthermore, the Ministry of Economy, Trade and Industry's practical guidelines on the role of Outside Directors (Japanese Only) state the following: "To invigorate deliberations at the Board of Directors, the first step is to increase opportunities for Directors to speak. To achieve this, in addition to securing sufficient deliberation time for the Board itself, it is important to enhance prior explanations to reduce the time required for agenda presentations, thereby streamlining board proceedings, and to limit the number of Directors to a size that enables substantive discussions." This clearly indicates that an excessively large Board of Directors, relative to the company's scale, should be avoided.

The Company's recent annual revenue has been in the range of 10 to 20 bn yen, and as of March 2025, it has only 52 employees. (As of July 2024, only 0.5% of companies listed on the TSE Prime Market had fewer than 100 consolidated employees.) In our view, under such a limited staffing structure, shifting to a board structure with 10 Directors, representing approximately 20% of the total workforce, may slow down decision-making and may lead to a deterioration in governance.

There are several cases where transitioning to a company with an Audit and Supervisory Committee has been accompanied by a reduction in the number of Directors, thereby improving decision-making efficiency. For example, Toyota Motor Corporation—one of Japan's leading manufacturers—reduced the total number of board members when transitioning to such a structure by abolishing its six-member Audit & Supervisory Board while maintaining a ten-member Board of Directors. (This was based on a prior delegation of authority to the Internal Executive Directors). In addition, as referenced in Chapter 2 of the industry comparison, MEC COMPANY LTD, which has already transitioned to a company with an Audit and Supervisory Committee, reduced its board from 8 to 7 members and has maintained this lean structure. TAIYO HOLDINGS CO., LTD. also significantly reduced its board from 12 to 7 members. That said, we believe that streamlining the Board through a transition to a company with an Audit and Supervisory Committee should only be undertaken once both a sufficiently robust internal execution structure and governance framework are in place.

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When applying the above discussion to the case of JPC, we believe that if the aim is to achieve genuine governance enhancement while also increasing the speed of decision-making, it would be more appropriate to reduce the size of the Board of Directors by limiting its membership to only those few individuals who are truly capable of making decisions related to business execution. This would enable more agile board meetings. Meanwhile, internal and external experts should remain in roles limited to providing knowledge and insight—such as an advisor—so that any gaps in expertise can be effectively supplemented. The model in which business execution is carried out in close integration with employees, under a framework subject to oversight from the auditors, appears to be far better suited to the Company's present circumstances.

(d) Governance Issues in M&A Decision-Making — A Core Pillar of the Mid-Term Plan

With respect to the Company's M&A approach, which is based on the premise of transitioning to a Company with an Audit and Supervisory Committee, the medium-term management plan disclosed on April 28, 2025, sets forth "business expansion through investment" as a core strategic theme and outlines plans to allocate 5 to 6 bn yen to M&A over the three fiscal years from FY3/26 to 3/28. This investment level appears excessive relative to the Company's estimated business value of approximately 5.7 bn yen as of the FY3/25 (calculated by deducting cash and deposits, investment securities, and the related deferred tax liabilities from its market capitalization)[2]. Given the scale of the investment, we believe that the success or failure of these M&A initiatives will be a decisive factor in shaping the Company's enterprise value.

Furthermore, there are concerns that if this M&A results in an overpayment, it may not contribute to improving ROE in the short term due to the impact of goodwill amortization and other related factors. Therefore, we believe that careful due diligence and price negotiations are necessary. From our position as the largest shareholder, we have conveyed our views on the conditions and frameworks necessary for a successful M&A to the management through multiple private letters and meetings with President Kojima. However, more than three months passed without receiving a convincing response from the Company's management. In the subsequently announced mid-term management plan, the disclosed content gives the impression that the Company, rather than thoroughly exploring a path of organic growth through self-driven efforts, adopted a simplistic assumption that its business domain could be rapidly expanded, and

[2] Based on the closing price on 31st March, 3,115 yen

accordingly positioned M&A as a core pillar of growth. This was done without adequately confronting the inherently complex and demanding processes associated with executing M&A transactions and achieving successful post-merger integration (PMI).

Additionally, at the briefing held on April 28—the same day the mid-term management plan was announced—a question was raised from the audience along the lines of: "Given that the Company only has a few dozen employees, primarily in R&D, it's hard to imagine that there are many personnel with deep expertise in all areas such as M&A, PMI, finance, and legal. Is the Company truly prepared in terms of human resources?" In response, President Kojima stated that, while it is not a technical matter, he himself does not come from a management background related to M&A and acknowledged his own lack of expertise. However, he explained that an individual who had guided the Company during its MBO (management buyout) is currently serving as an Outside Director, and that a newly nominated candidate also has strong knowledge in this area. He expressed the intention to strengthen governance and proceed with the support of such individuals.

However, we have several concerns regarding this response. First, if there are not enough personnel at the operational level capable of handling M&A and post-merger integration (PMI), it is unrealistic to expect detailed and timely advice from Outside Directors in situations where immediate, day-to-day responses are required for due diligence, negotiations, and post-acquisition management. As a result, even if the external appearance of plans can be made to look solid, there is a high risk that execution will be inadequate, leading to the failure of the M&A and incurring irrecoverable losses. Furthermore, if there is an expectation that Outside Directors will make decisions that reach the execution level, does this not contradict the very intent of establishing a company with an Audit and Supervisory Committee, as previously mentioned? Under the Companies Act (Articles 399-13, Paragraphs 5 and 6), in a company with an Audit and Supervisory Committee—where the majority of the Board consists of Outside Directors—the Board of Directors may delegate decisions on important business execution matters (such as the disposal or acquisition of significant assets, or large-scale borrowing) to the Internal Executive Directors. If the Company, as stated in the mid-term plan, lacks internal execution capabilities to properly carry out M&A and PMI, and instead relies on Outside Directors for substantial support and advice, then from a shareholder's perspective, it is only natural to feel strong resistance to allowing the Board to delegate such important decisions to Internal Executive Directors under these circumstances.

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Furthermore, as for the second point, while we have already mentioned concerns regarding the substantive independence of the Outside Directors who are expected to serve as sources of advice, we believe there is a risk that appropriate decisions may not be made as a result. As President Kojima himself has stated, it is presumed that the Outside Directors from whom the Company expects insights are Mr. Ohata, who supported the Company's MBO, and Ms. Otake, who was newly appointed as an Outside Director. Since the MBO, there appears to be no capital relationship with the Company at a meaningful level, the Company has continued to accept Outside Directors from Mizuho. Ms. Otake, the newly appointed candidate of the Outside Director, previously worked at Mizuho Corporate Advisory around the same time as Mr. Ohata. We have also confirmed that before Mr. Ohata, Mr. Tanefusa, who had served as an executive of the Company for a long time, worked together with Ms. Otake as executives at another company. Given these relationships, we cannot ignore the possibility that concerns over losing the Mizuho executive seat, or deference to Mr. Watanabe, may result in a reluctance to deliver strict opinions even when rigorous judgment is required, out of consideration for the Internal Executive Directors.

Taking the above points into consideration, we must say that, from our perspective, it is premature for the Company to promote M&A as a core pillar of its business. This view also reflects the lack of management resources discussed in Chapter 2. We therefore call for a fundamental review of the Company's growth strategy and an expansion of its organizational structure to support its realization.

(e) Reluctant Response to Our Earnest Request as the Largest Shareholder

Now, while we have detailed the governance issues that we see as a major factor hindering the Company’s corporate value from the perspective of the largest shareholder, we do not claim to have definitive proof of all these matters, and it is not difficult to imagine that the Company may raise objections from that standpoint.

What we would like fellow shareholders to understand is that it has never been our intention—either from the beginning or at present—to criticize the management. The various matters we have described, along with the related analyses, are based solely on facts obtained through dialogue or reasonable inferences grounded in such facts. In our capacity as the largest shareholder, we have made sincere efforts to deepen our understanding of the Company's governance structure and to provide constructive recommendations for its improvement. To that end, we have respectfully requested the voluntary disclosure of the Board of Directors' rules and meeting minutes, as well as individual meetings with all Director candidates (excluding the alternate candidate). However, the Company has unjustifiably declined these requests, leaving us, as the largest shareholder, without sufficient information to make appropriately informed decisions.

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If our views or concerns are truly unfounded, then shouldn't the appropriate response from the Board—entrusted by common shareholders—be to proactively disclose the necessary information to the largest shareholder who is genuinely seeking understanding, to foster constructive dialogue with management, and to work together toward enhancing corporate value?

４．Our Campaign as the Largest Shareholder to Protect the Common Interests of All Shareholders

Considering the current situation, and from the standpoint of protecting the common interests of shareholders as the largest shareholder, we have decided to exercise our shareholder rights on the following five items at this year's General Meeting of Shareholders. We respectfully ask all fellow shareholders who agree with our position to actively exercise their voting rights.

① **(AGM item 1) Plan to oppose the transition to a company with an Audit and Supervisory Committee through the change of the Certificate of Incorporation (*1)**

② **(AGM Item 2 candidate 3) Opposition to the reappointment of Director and Honorary Advisor Masao Watanabe to the Board. (AGM Item 2, 3, 4) With regard to the other Director nominees, we plan to oppose the election of eight individuals (including the alternate candidate), <u>excluding</u> Mr. Tomoyuki Kojima and Ms. Momoe Kuromatsu (*1)**

③ **Shareholder proposal (AGM Item 10): Enhancement of stock-based compensation for Directors (excluding Outside Directors)**

④ **Shareholder proposal (AGM Item 11): Partial amendment to the Articles of Incorporation regarding the decision-making body for matters such as surplus dividends**

⑤ **Shareholder proposal (AGM Items 12 and 13): Strengthening of shareholder returns to improve ROE (including share buybacks and increased dividends)**

(a) For Governance Improvement: (AGM Item 1) planned opposition to the transition to a company with an Audit and Supervisory Committee through the change of the Certificate of Incorporation and (AGM Item 2 candidate 3) opposition to the reappointment of Director and Honorary Advisor Masao Watanabe; and (AGM Item 2, 3, 4) planned opposition to the election of eight other Director nominees (including the alternate candidate), excluding Mr. Tomoyuki Kojima and Ms. Momoe Kuromatsu

Firstly, **① (Item 1) We plan to oppose (※2) the Company's proposal to transition to a Company with an Audit and Supervisory Committee through the change of the Certificate of Incorporation.**

As stated in Chapter 3 (c) of this statement "Rising Concerns About Transparency After Shifting to a company with Audit and Supervisory Committee" the Board of Directors of a company with an Audit and Supervisory Committee is required by law to appoint at least two Outside Directors and aims to strengthen the supervision of Internal Executive Directors by Outside Directors. This system allows, under certain conditions, the delegation of important business execution decisions to Directors, positioning itself as an intermediate governance structure between a management board and a monitoring board. The fundamental purpose of this system is to leverage the supervisory functions of Independent Outside Directors.

Given the fundamental purpose of this system, substantive oversight by Outside Directors, predominantly composed of individuals affiliated with specific companies, cannot be expected. Therefore, we must first point out that the transition to a Company with an Audit and Supervisory Committee at the Company is, in effect, largely nominal and lacks real substance.

Moreover, as also noted in Chapter 3 (c), the Practical Guidelines on the Role of Outside Directors established by the Ministry of Economy, Trade and Industry (METI) clearly state that an excessively large board relative to the size of the company should be avoided. Given that, as of March 2025, the Company has only 52 employees, transitioning to a board of 10 Directors—amounting to approximately 20% of the workforce—risks slowing decision-making speed and potentially lowering governance standards.

Furthermore, if the Company proceeds with growth strategies including M&A, it will require more active advice and support from the Board regarding execution matters, as President Kojima himself acknowledged during the earnings briefing. Under these circumstances, this proposal to transition to a Company with an Audit and Supervisory Committee effectively entrusts even greater authority over important business execution decisions to the current management team—who have so far failed to take fundamental measures to address management challenges—while simultaneously weakening the powers of auditors (Audit and Supervisory Committee members), including their individual audit rights. This amounts to placing full trust in the incumbent executives, including Director and Advisor Watanabe, who have yet to show clear results in enhancing corporate value. From the perspective of the largest shareholder, this is a decision that we cannot accept.

With respect to ② **(Item 2 candidate 3), we oppose the Company's proposal to reappoint the Director and Honorary Watanabe.** As stated in Chapter 3 of this statement, we believe that a major reason the Company has been unable to implement fundamental measures to overcome its three critical resource deficiencies is attributable to Director and Honorary Advisor Watanabe, who has effectively held control as Representative Director for over 20 years since the MBO and has continued to exert de facto control under the title of Director and Honorary Advisor even after stepping down as Representative Director. From the perspective of enabling the Company to make bold decisions going forward and embark on a new "third founding age," we consider it indispensable that Director and Honorary Advisor Watanabe relinquish his position as Director. Under a new management structure, it is essential to establish a system whereby management, shareholders, and employees can unite to overcome the current challenges.

Regarding the proposals for the election of other Directors (Item 2, 3, 4), we are attempting to obtain the necessary information for decision-making through dialogue with the Company. However, despite requests from its largest shareholder, the Company has unreasonably refused to conduct individual meetings of up to approximately 30 minutes with all candidates (excluding the alternate candidate). Instead, it asserts that meetings only with President and Representative Director Tomoyuki Kojima and Senior Director Motoki Watanabe—along with Head of the Nomination and Remuneration committees Yasutoshi Ohata, who is believed to have a close relationship with Director and Honorary Advisor Masao Watanabe (as noted previously)—are sufficient for making an informed judgment. Accordingly, a substantial gap persists between our position—aiming to make well-informed decisions regarding Director appointments grounded in a comprehensive understanding of each candidate's qualifications and

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dedication to enhancing corporate value—and the Company's stance, which continues to reject such efforts. Consequently, we have not been provided with sufficient information to make appropriate decisions.

Furthermore, we are also concerned that, during the limited period leading up to the General Meeting of Shareholders, there will be insufficient progress in dialogue with the capital markets—dialogue that should ideally be constructive and forward-looking. As such, we have urgently requested meetings with the three Director candidates nominated by the Company. However, as of PM 5:00 on May 30, 2025, the date this document was issued, we have not yet received a final response from the Company regarding whether such meetings will be granted. If the current situation in which we are not receiving sufficient information from the Company continues, and we are to make a comprehensive judgment based on the information we do have, then from the perspective of bringing an end to the influence that Director and Honorary Advisor Watanabe, as discussed in the previous Chapters, has on the Company's management, and fundamentally reforming the structure of the Board of Directors, our current intention as of 5:00 PM on May 30 is to support only the election of Mr. Tomoyuki Kojima and Ms. Momoe Kuromatsu（※2）.

Regarding Mr. Tomoyuki Kojima, he possesses deep expertise in the Company's proprietary technologies and has demonstrated a constructive attitude by engaging in dialogue with shareholders to a certain extent, even under the influence of Director and Honorary Advisor Watanabe. Although he has yet to present clear results to shareholders regarding his ability to oversee overall management strategy and drive growth as the "Representative" Director at this point, we plan to support his reappointment on the condition that, under a renewed Board of Directors, he delivers tangible outcomes in corporate value enhancement within his one-year term（※2）. Furthermore, among the Company's Outside Directors, Ms. Momoe Kuromatsu, who is uniquely independent as she is not affiliated with any particular company mentioned in Chapter 3 (b), is expected to work alongside Mr. Kojima in taking on the role of driving transformative initiatives as a Director. Therefore, we plan to support her reappointment（※2）.

Regarding the four Audit and Supervisory Committee members (including the alternate candidate), we have been denied the opportunity to interview them[3], making it impossible for us to assess their suitability.

[3] We have not requested an interview with Mr. Masafumi Tanabu, the candidate for Director who is an alternate Audit and Supervisory Committee member.

Additionally, as we plan to oppose the Company's transition to a company with an Audit and Supervisory Committee (※2), we plan to oppose their appointment accordingly（※2）.

Regarding the other four Directors—Mr. Motoki Watanabe, Mr. Yasutoshi Ohata, Mr. Isamu Kawashima, and Mr. Hiroshi Hayashi—as outlined in Chapter 3(b), these individuals have a background of having been affiliated with specific companies, whose presence on the Board has continuously persisted over time. This raises significant doubts about their actual independence. For these reasons, we plan to oppose their reappointment（※2）. Specifically, Mr. Motoki Watanabe, who serves as an Executive Director overseeing accounting and finance, is responsible for improving asset efficiency and achieving an optimal capital structure to enhance corporate value—areas on which we have repeatedly called for progress over the past several years. However, given the lack of sufficient advancement, we plan to oppose his reappointment（※2）.

Regarding the notation of "planned" (※2), as of PM 5:00 on May 30, 2025 when this document was issued, we are in the process of requesting meetings with key members of the Company's Board of Directors, but we have not yet received a response from the Company regarding the final acceptance of these requests. Should such meetings take place, we intend to make a final decision on (i) our position on the transition to a Company with an Audit and Supervisory Committee through the change of the Certificate of Incorporation, and (ii) the appointment of Directors other than Director and Honorary Advisor Watanabe. If any changes arise as a result, we plan to disclose the reasons and details of such decisions separately.

Furthermore, if only the two Directors we support are reappointed at this general meeting, it is anticipated that the Board of Directors will not meet the legally required number of Directors under the Companies Act for a company with a Board of Directors. In that event, as the largest shareholder and a shareholder who has been engaged with the Company, we intend to work closely and cooperatively with the Company's new management team. Under such collaboration, we expect the new management to promptly select new Director candidates who can contribute to the Company's fundamental growth and enhancement of corporate value, and to submit their appointment for approval at an extraordinary shareholders' meeting.

(b) For Enhancing Corporate Value: Implementation of Shareholder Proposals

In addition to the above-mentioned governance concerns, we will submit three other shareholder proposals aimed at enhancing corporate value: ③Shareholder proposal (Item 10) Enhancement of stock-based compensation for Directors (excluding Outside Directors); ④Shareholder proposal (Item 11) Partial amendment to the Articles of Incorporation regarding the decision-making body for matters such as surplus dividends; ⑤Shareholder proposal (Items 12 and 13) Strengthening of shareholder returns to improve ROE (including share buybacks and increased dividends).

First, regarding item ③ (Item 10) — the enhancement of stock-based compensation for Directors (excluding Outside Directors) — we believe that the primary reason the Company continues to operate in a manner that neglects the common interests of shareholders is that the current compensation structure does not sufficiently incentivize management to focus on increasing corporate value and share price.

To achieve "sufficiently incentivizing management to focus on enhancing corporate value and share price", it is critical to align the interests and perspectives of management with those of the general shareholders, including the largest shareholder. Without a performance-linked compensation structure where management enjoys meaningful economic gains when the share price rises along with corporate value, and conversely incurs personal financial losses when corporate value deteriorates and the share price falls due to managerial missteps, the Company will remain trapped in a defensive, self-preserving management stance, as is currently the case.

Furthermore, as noted in the "Reason for Proposal – Item 1" section, the Company's performance has been sluggish not only in recent years but over the long term. Despite this, the monetary compensation per Director (excluding Outside Directors) has shown an increasing trend. A compensation scheme that allows monetary rewards to rise while operating profit and capital efficiency remain stagnant is fundamentally misaligned with the interests of shareholders, including the largest shareholder, and cannot be overlooked.

Under these circumstances, we strongly hope that the incentive structure will be revised so that Internal Directors receive stock-based compensation at a level equivalent to their monetary compensation every year. By doing so, we believe they will be better aligned with shareholders' perspectives and be more personally committed to driving corporate value creation. We also strongly hope that, like shareholders, Internal Executive Directors will be able to experience and cherish the gains resulting from their effort to increase corporate value. For these reasons, we have chosen to bring forward this proposal.

In response to this proposal, the Company stated in its opposing opinion disclosed on May 20, 2025 that "if, as proposed, the compensation structure for Executive Directors were to be designed so that performance-linked stock-based compensation—based on metrics such as ROE and TSR—accounts for more than 50% of total compensation, it could result in an excessively performance-weighted structure and create strong incentives to pursue short-term improvements in ROE or TSR through temporary large dividend increases or substantial share buybacks." However, we believe this view fundamentally misinterprets the nature and intent of the stock-based compensation we are proposing.

To begin with, the company's stock compensation is subject to transfer restrictions until the Director retires from their position. Even if actions such as dividend increases or share buybacks temporarily improve ROE or TSR, if these actions ultimately lead to a decline in the company's medium- to long-term value, the value of the stock compensation received will also fall. As a result, the total lifetime compensation of the Director would be reduced through the decline in share price. Because this downside risk is shared with shareholders who have a medium- to long-term perspective, the Directors' interests are naturally aligned with those of the shareholders. Moreover, if it is indeed the case that the compensation structure is excessively skewed toward performance-based pay and that this creates a strong incentive to focus on short-term ROE or TSR improvement alone, such behavior would constitute a breach of the Director's fiduciary duty of care, and such individuals would be deemed unqualified to serve as Directors.

Regarding point ④ (Item 11), Partial amendment to the articles of incorporation regarding the decision-making body for dividends of surplus, etc. —, we propose a partial amendment to the Articles of Incorporation concerning the decision-making body for dividends and other surplus distributions, as a prerequisite for submitting point ⑤ (Item 12 and 13), which relates to strengthening shareholder returns. Article 459, Paragraph 1 of the Companies Act stipulates that, in principle, matters such as dividends of surplus should be resolved at the General Meeting of Shareholders. However, under Article 44 of the Company's Articles of Incorporation, the authority originally vested in the General Meeting of Shareholders for these matters has been transferred to the Board of Directors. Thus, the Board of

Directors has the authority to make decisions on the distribution of surplus, etc., without the influence of the General Meeting of Shareholders, which in principle under the Companies Act, is supposed to have the authority to make such decisions. We believe that this provision of the Articles of Incorporation could lead to arbitrary decisions on the amount of dividends, etc., without taking into account the status of surplus assets of the Company.

We believe it is important to reaffirm the principle that shareholders are the owners of the company, and that matters which the Companies Act designates as requiring resolution by the general meeting should, as a rule, be decided by the shareholders themselves. In comparison with the proposed amendment, the current Articles of Incorporation appear to have the intent of excluding the authority of the general meeting of shareholders. We find no reasonable justification for such exclusion, and for that reason, we hereby submit this proposal.

The Company stated in its opposing opinion disclosed on May 20, 2025 that “this amendment to the Articles of Incorporation was not intended to restrict shareholder returns.”

However, as evidenced by the Board of Directors’ opposition not only to Shareholder Proposal ④ (Item 11) but also to Proposal ⑤ (Item 12 and 13) which was proposed in order to reasonably achieve the “10% ROE level” that the company has announced without considering extraordinary profits or other special factors, we must point out that this amendment is, in effect, functioning as a mechanism that limits shareholders from proposing the level of shareholder returns they deem appropriate.

Furthermore, even if the Articles of Incorporation are amended as proposed, the Board of Directors will still retain the institutional authority to resolve matters such as the distribution of surplus. Therefore, the ability to carry out timely and flexible shareholder returns will not be hindered.

In fact, a similar shareholder proposal submitted to the Company last fiscal year received support from approximately 40% of shareholders. Assuming that around 15,000 voting rights—held by shareholders presumed to be affiliated with JPC or involved in cross-shareholding relationships, based on the top 30 shareholders listed in the Toyo Keizai Kaisha Shikiho Summer 2024 edition—opposed the proposal and are excluded from the calculation, this would indicate that around 60% of general individual and institutional shareholders supported our proposal. This suggests a high degree of rationality behind our proposal.

Finally, with respect to item ⑤ (Item 12 and 13) concerning the strengthening of shareholder returns to improve ROE, as stated in our disclosed discussion material with the Company released in February 2023, we believe that the most critical issue hindering the enhancement of the Company's corporate value is the persistently low return on equity (ROE), caused by the excessive accumulation of cash and deposits and the continued holding of cross-shareholdings.

As of the end of the FY3/25, the Company holds approximately 7.6 bn yen in cash and deposits, accounting for about 47.8% of total assets and 55.8% of total net assets. In addition, investment securities amount to approximately 6.0 bn yen, representing about 37.7% of total assets and 43.9% of total net assets. Combined, these surplus assets—amounting to approximately 13.6 bn yen—account for roughly 85.5% of total assets and 99.7% of total net assets, and are, in effect, lying dormant with no direct connection to the Company's core business operations. Moreover, based on the Company's past performance, we see no meaningful contribution to earnings from the continued holding of cross-shareholdings. Despite this situation, the Company has continued to delay action. In fact, the medium-term management plan disclosed on April 28 pushed back the reduction target for cross-shareholdings from "within the next one to two years," as previously stated on March 22, 2024, to "by the fiscal year ending March 2028," representing a significant step backward.

In the opposing opinion disclosed by the Company on May 20, 2025, two main points are stated:

- That the Company believes that establishing a shareholder return policy based on a comprehensive cash allocation strategy, which takes into account growth investment strategies to strengthen the management foundation, as well as capital efficiency, financial soundness, and the business environment surrounding the Company, will lead to long-term corporate value enhancement and contribute to the joint interests of shareholders.
- That if all of the proposed resolutions were to be approved, it would impair the Company's financial soundness and flexibility for growth investments, ultimately hindering long-term corporate value creation

However, given that the simplified ROE[4], based on operating profit, has averaged less than 4% over the past five years, there is little rationale for maintaining cash and investment securities at a level equivalent to total net assets. Under such circumstances, the above counterarguments appear unconvincing and suggest that the current management's intent is to preserve excess cash and sustain cross-shareholding relationships for self-preservation purposes.

Furthermore, regarding the above-mentioned concerns about financial soundness, as outlined in "Simulation of ROE of Shareholder Return and M&A (Japanese Only)," which we used during our discussions with the Company's management in November of last year, even if the capital policy we envision were implemented together with M&A activity amounting to approximately 3 bn yen, the Company would still retain cash equivalent to roughly three years' worth of net working capital. This means a substantial amount of cash would remain on the balance sheet. Despite this, we have yet to receive any reasonable response or counter-analysis from the Company regarding the contents of our analysis. In light of this, we are deeply disappointed by the management's unwillingness to seriously consider our sincere proposal, dismissing it entirely based on intuitive concerns about increased risk, which was unsupported by any rational analysis or objective evidence.

Considering the above, we have submitted a proposal to partially amend the Articles of Incorporation and strengthen shareholder returns to improve ROE. Our objective is to fundamentally improve ROE by promptly reducing or effectively utilizing the Company's excess cash and investment securities, along with intentionally optimizing the level of net assets. As a first step in setting this direction, we are proposing these shareholder proposals to enable shareholder returns funded by approximately 7.6 bn yen in accumulated cash and deposits (equivalent to approximately 1,313 yen per share), through the partial sale of investment securities.

5. Conclusion

Over the course of several years, we have engaged with the Company in good faith, consistently standing alongside it in the hope that it would adopt bolder and more proactive measures to enhance corporate value. However, in light of the Company's response—completely disregarding the significance of our longstanding, amicable, and sincere proposals, as well as our position as its largest shareholder,

[4] Simplified calculation to include only profits arising purely from operations, excluding extraordinary gains and losses (calculated by multiplying operating profit by the tax rate for each period)

and making no effort to reconcile differing perspectives—we have determined that it is necessary to initiate the public campaign set forth in this statement.

From our standpoint, as long as the company remains publicly listed, it must face the requests of its general shareholders—including the largest shareholder—with the highest sincerity and strive to enhance corporate value, while also bearing responsibility for the outcomes, both positive and negative. If the company wishes to avoid such efforts and instead pursue its own desired direction freely as management, it should seriously consider the option of delisting, including an MBO, in order to unify ownership and management.

We believe that, amid the Company's prolonged underperformance, continuing to implement piecemeal measures while deferring fundamental decisions not only runs counter to the common interests of shareholders but also undermines the Company's competitive advantage and value creation. Such inaction ultimately harms all stakeholders, including customer transactions, business partners, and employees whose lives are tied to the Company. We respectfully ask our fellow shareholders to support our campaign from the perspective of enhancing and maximizing the common interests of all shareholders, and to exercise your voting rights proactively.

We sincerely hope that the Company will take a forward-looking approach toward enhancing corporate value. We respectfully ask the management team to give thoughtful and thorough consideration to this campaign statement and to promptly disclose and execute a plan that genuinely advances the common interests of all shareholders.

We believe the issues we are raising with the Company are not unique, but represent broader governance challenges shared by many Japanese firms, including those with strong technologies and talented employees. This shareholder proposal aims to shed light on such fundamental issues. From the standpoint of reforming Japan's capital markets to ensure they are fair, transparent, and well-functioning—and to protect the fundamental rights of shareholders—we are firmly resolved to pursue this matter with unwavering commitment.

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