

This is an English translation of the Japanese letter sent to Fujikura Composites – Please see the disclaimer for details

FUJIKURA COMPOSITES Inc.

Gotanda JP Building, 4F

8-4-13 Nishi-Gotanda

Shinagawa-ku, Tokyo, Japan

Board of Directors

President and Executive Officer

Mr. Kenji Morita

October 24, 2025

Proposal to Enhance the Corporate Value of Fujikura Composites

Table of Contents

1. Introduction
2. Historical Background and Sources of Competitive Advantage of Your Company (Our Understanding)
3. Your Company's Intrinsic Corporate Value and Its Evaluation by the Stock Market
4. Four Proposals for Enhancing Corporate Value
5. Conclusion

1. Introduction

We are Hibiki Path Advisors (“Hibiki”, “our company” or “we”), an institutional investor based in Singapore that holds shares of your company (“FUJIKURA COMPOSITES Inc.”) in our client accounts. We are sending this letter to the Board of Directors to convey our suggestions to enhance your company's corporate value. We kindly request that all members of the Board, including external directors, review and discuss this letter, and that its contents serve as a reference for your company's future growth initiatives. Furthermore, please note that this letter will be publicly available through our company's website and other channels.

Since we manage clients' long-term capital mainly with both foreign and domestic pension funds, we evaluate companies based on various factors such as "undervaluation of stock price relative to the company's intrinsic value" and "the management's ability to engage in constructive dialogue and enhance value together." To ensure comprehensive assessment, we conduct our investments from a medium- to long-term perspective, without being swayed by daily fluctuations or quarterly performances. While we are often referred to as an “activist investor,” our basic stance is to engage in steady and sincere dialogue with management in a friendly and constructive manner. However, should a situation arise in which there is a significant divergence of views regarding the enhancement of corporate value, we are an investor that would not hesitate to submit shareholder proposals.

We would first like to present an overview of the structure of this letter. In Section 2: Your Company's Historical Background and Sources of Competitive Advantage (Our Understanding), we briefly touch on the background and rationale behind our investment in your company. Subsequently, in Section 3: Your Company's Intrinsic Corporate Value and Its Evaluation by the Stock Market, we provide our explanation of the current situation in which your company's shares are substantially undervalued by the market. Building upon that, we suggest Section 4: Four Proposals for Enhancing Corporate Value, aimed at enabling your company to achieve stronger recognition and fair valuation in the equity markets moving forward. Finally, this letter concludes with Section 5: Conclusion. We are aware that this correspondence is rather extensive and would like to express our sincere appreciation for your time and thoughtful consideration.

2. Historical Background and Sources of Competitive Advantage of Your Company (Our Understanding)

Founded by Mr. Tomekichi Matsumoto, the youngest brother who carried on the will of Mr. Zenpachi Fujikura, your company began as Fujikura Electric Wire & Rubber Co., Ltd. As Japan's first rubberized cloth factory, it started with mass-production technologies for electric wires and rubberized waterproof cloth, and later expanded its business from daily goods such as raincoats and air pillows to electrical insulation materials. In 1910, the company separated its electric wire and rubber divisions, and as the rubber division grew more independent, it became the "Fujikura General Partnership Company Waterproof Cloth Manufacturing Co." From this point, the foundational concept of "creating value by layering materials," later known as "composites", began to take shape. After being reorganized as Fujikura Industrial Co., Ltd. in 1920, your company engaged in the production of soft airships, parachutes, and airplane tires, achieving further expansion through the supply of military materials as the war intensified. Your company responded to the postwar decline in demand for these products by shifting production to civilian goods, repurposing the remaining rubber-coated waterproof fabric facilities and processes to manufacture raincoats, capes, and automobile tire tubes. This shift marks the origin of your company's flexible corporate culture—one that adapts swiftly to changing business environments without being constrained by the past.

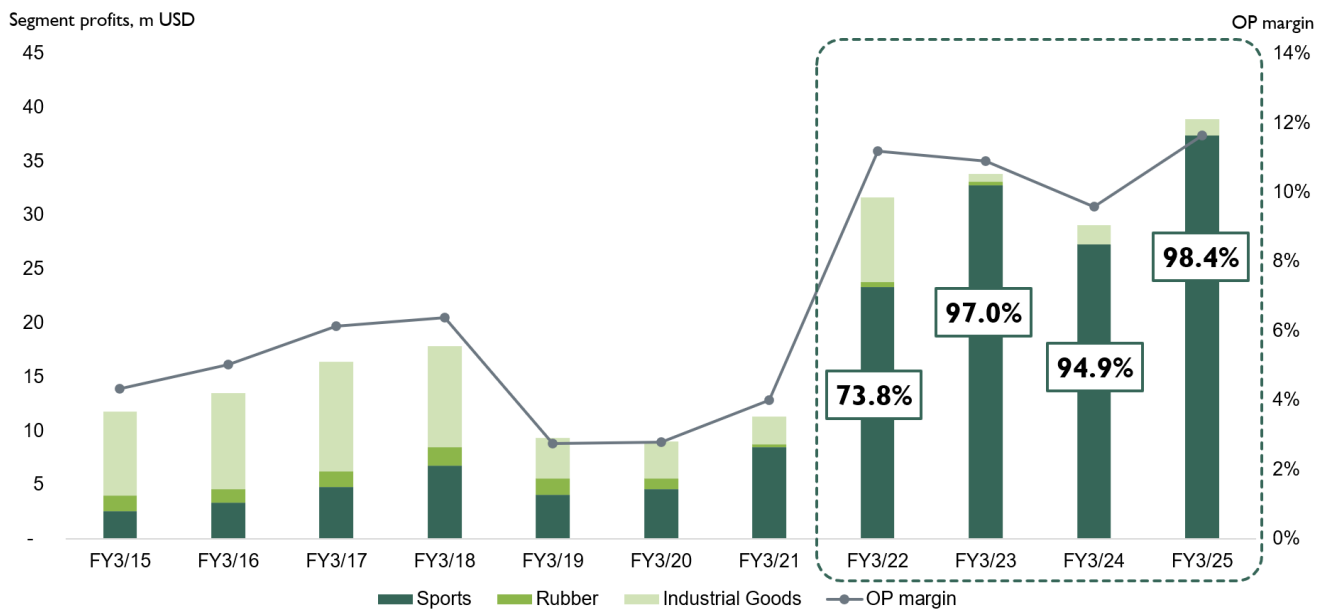
In 1948, your company changed its name to Fujikura Rubber Ltd., and after being listed in 1949, the technologies it had cultivated—stable quality control in industrial goods, uncompromising manufacturing and design standards in the lifesaving field, and consumer-oriented craftsmanship in consumer goods—were transplanted into the golf shaft business in the 1970s. In 1974, your company launched its first original carbon shaft, "Flyrun," followed by the establishment of American subsidiary, Fujikura Composite America, in 1994, and the opening of a test field in Odaka, Fukushima, in 1995, creating a structure that directly connected users with product development. We believe that the foundation built during this period is now coming into full bloom.

The rapidly growing golf shaft business temporarily slowed in the 2010s due to the global recession after 2008, which dampened demand for leisure activities, including golf, and to a broader decline in golf participation among younger generations. However, your company focused on building a resilient

supply framework by dispersing and optimizing production bases without severing the supply chain. Later, in 2019, your company changed its name to Fujikura Composites to publicly express its intent to reorganize its businesses around composite technologies beyond rubber. As the golf shaft business regained momentum with the successful launch of VENTUS, the Odaka Plant was reactivated as a core base for sporting goods and CFRP production, setting the stage for even greater growth in the future.

It is evident from the figures that the sporting goods segment has become the main driver of your company’s recent rapid growth. As shown in Figure 1, following the sharp expansion since FY3/22, approximately 98% of current operating profit is now driven by the sporting goods segment.

Figure 1: Trends in Segment Profit and Operating Profit Margin



* Segment profit excludes headquarters expenses. The percentage for the sporting goods segment represents its share of total segment profit. The operating profit margin is based on operating profit, including headquarters expenses, as presented in the profit and loss statement (P/L).

(Source: Company disclosures and Bloomberg, compiled by Hibiki)

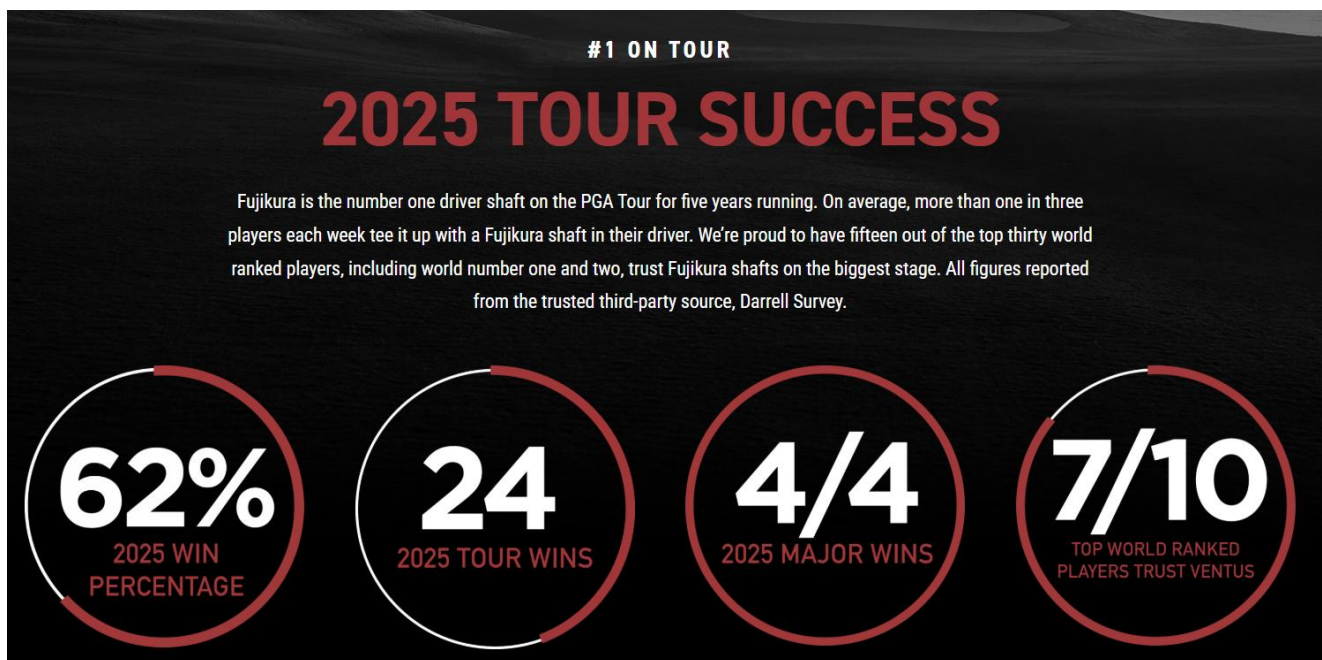
In fact, your company’s global competitive advantage in the golf shaft market has become nothing short of overwhelming. In 2025, seven of the top ten players, starting with World No.1 S. Scheffler and No. 2 R. McIlroy¹—including all the winners of the 2025 major championships²—use your products, demonstrating that your company already has a dominant presence and a proven track record among

¹ [Men’s World Golf Rankings 2025 | Official World Golf Ranking](#)

² [Fujikura Driver Shafts Dominate All Four Majors in Historic 2025 Sweep - National Club Golfer | National Club Golfer](#)

the world's top players. Among Japanese female professionals, Hinako Shibuno also uses your products³, and a review of your Facebook account suggests that usage rates on domestic tours have consistently been above 40%⁴. Supported by a brand strength unparalleled anywhere in the world and the steady global expansion of the golf market, we believe your company is well-positioned for continued stable growth in the years ahead.

Figure 2: Usage rate of your company's shafts in the 2025 tour



(Source: [fujikuragolf](https://www.fujikuragolf.com))

The essence of your company's competitive advantage lies in its composite technology, which achieves superior performance through the optimal integration of multiple materials rather than reliance on any single one. We believe this spirit of technological creativity has been nurtured and embedded in your company's culture. This is most visibly exemplified by VENTUS, which has significantly contributed to your company's renewed momentum. VENTUS achieves its performance by layering ultra-high modulus fibers (including so-called 70t-class) at multiple angles along the entire shaft, carefully determining the number of layers, their angles, and positions from tip to grip to suppress clubhead twisting without reducing initial ball speed. The key lies not in the function of individual materials, but in the skillful integration of fibers with different elastic ranges, orientations, layering sequences, and placements into a single composite structure — all while maintaining stable quality in

³ [“The identity of the iron shafts used by Hinako Shibuno | Fujikura 'TRAVIL' \(Part 1\)” \(Japanese Only\) | Buzz Golf](#)

⁴ [Fujikura/フジクラ/藤倉コンポジット株式会社 | Koto-ku Tokyo | Facebook](#)

mass production. The speed and precision with which materials can be combined to meet the expected performance for four professionals, along with this exceptional technical expertise, create an overwhelmingly differentiating factor that competitors cannot replicate, and serve as the foundation of trust.

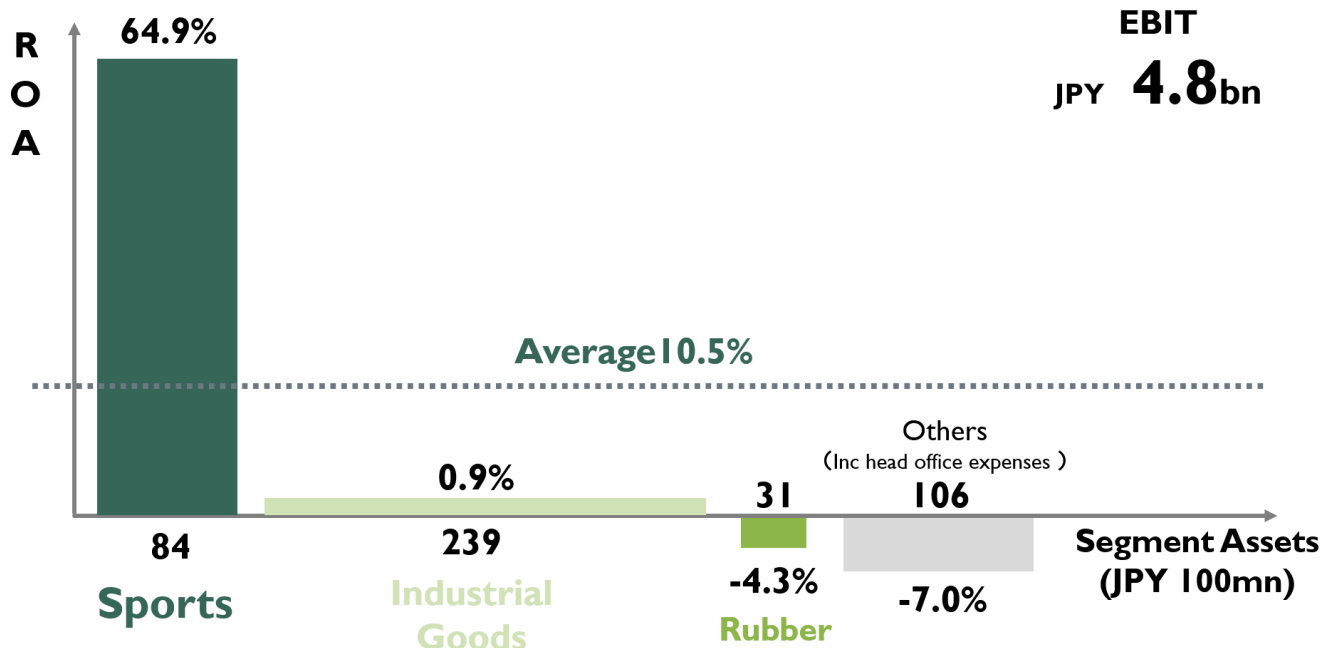
Your company has also demonstrated flexibility in its capital structure in response to changing environments. The shareholding ratio of Fujikura Ltd. (“Fujikura”), which was once a group company bearing the same Fujikura name, has decreased from over 20% in March 2024 to approximately 4.3% following the sale of its stake⁵. As cross-shareholdings are unwound and the influence of group companies diminishes, your company’s practical “independence” has increased. Concurrently, a generational shift is noticeable within the board of directors. At the Annual General Meeting of Shareholders in June 2025⁶, under President Morita, Mr. Takafumi Watanabe (born in 1971), overseeing business divisions, and Mr. Akiyasu Higuchi (born in 1973), heading the Corporate Management Division, assumed roles as internal directors, leading the execution team. We strongly expect that, under the newly formed board — one that embodies your company’s culture of forward-looking thinking, unconstrained by past practices — initiatives to enhance long-term corporate value will be realized swiftly.

In this context, one area where fundamental action is necessary to enhance corporate value is the increasingly distorted segment-level ROA (an indicator measuring the efficiency of profit generation from assets, calculated by dividing the segment profits by the segment assets). As shown in Figure 3, while the sporting goods segment delivers an impressively high ROA—thereby supporting your company’s overall ROE—its true competitiveness is obscured by substantial resource allocation to other segments. Consequently, despite having capabilities that clearly surpass those of most peer manufacturers, the sporting goods segment remains overshadowed within your company’s current business structure.

⁵ [Report of Changes in Shareholdings \(Japanese Only\)](#)

⁶ [NOTICE OF CONVOCAION OF THE 146TH ANNUAL GENERAL MEETING OF SHAREHOLDERS](#)

Figure 3: Segment-level ROA Comparison for FY3/25



* Segment assets are calculated using the average of FY3/24 and FY3/25

(Source: Company disclosures, compiled by Hibiki)

This problem also leads to misunderstandings among investors and is a major factor behind the stagnation of corporate value. Furthermore, considering your company’s culture of flexibly adapting to environmental changes, resource allocation to the sporting goods segment, which stands out in terms of growth and profitability, is proceeding more slowly than expected.

We do not mean to suggest that your company should neglect its foundational rubber-coated fabric or industrial goods businesses, which also serve as an important technological base. However, by building an adequate structure to further support the growth of the segment that is already delivering strong results, your company can reinforce its technological foundation and connect this strength to the creation of new businesses that will succeed the sporting goods segment. We believe this will be essential for your company’s long-term success for the next 100 years.

3. Your Company's Intrinsic Corporate Value and Its Evaluation by the Stock Market

Having outlined your company's competitive advantages and future potential, we now turn to its intrinsic value and the gap with the market's current assessment.

Based on our simplified DCF calculation under straightforward assumptions, we estimate your company's intrinsic value at JPY 3,750 per share, representing a 95% gap compared with the closing price of JPY 1,920 on October 15, 2025. In our standard DCF methodology, we use your company's normalized free cash flow — the level of cash generation that can be expected to be sustained under ordinary conditions — focusing primarily on the perpetual growth rate and the Weighted Average Cost of Capital (WACC), while deliberately keeping our enterprise value estimate simple.

The assumptions we used for this valuation are an FCF of JPY 3.8 bn, a perpetual growth rate of 0.5%, and a WACC of 6.4%. The assumed FCF of JPY 3.8 bn, based on the most recent NOPAT, and the perpetual growth rate of 0.5% are conservative, considering your company's ROE exceeding 10%, the medium- to long-term growth potential and competitive advantage in the sporting goods (golf shaft) segment which accounts for 98% of your operating profit, as well as the initiatives aimed at further growth through the realization of your mid-term management plan. As for the WACC of 6.4%, while there are differing opinions among investors, we have made no arbitrary adjustments and instead used the figure calculated from market data based on the Capital Asset Pricing Model (CAPM).

This estimate is based on your company's current normalized state, and even under such highly conservative assumptions, the current share price is discounted by approximately 50% compared with this intrinsic value.

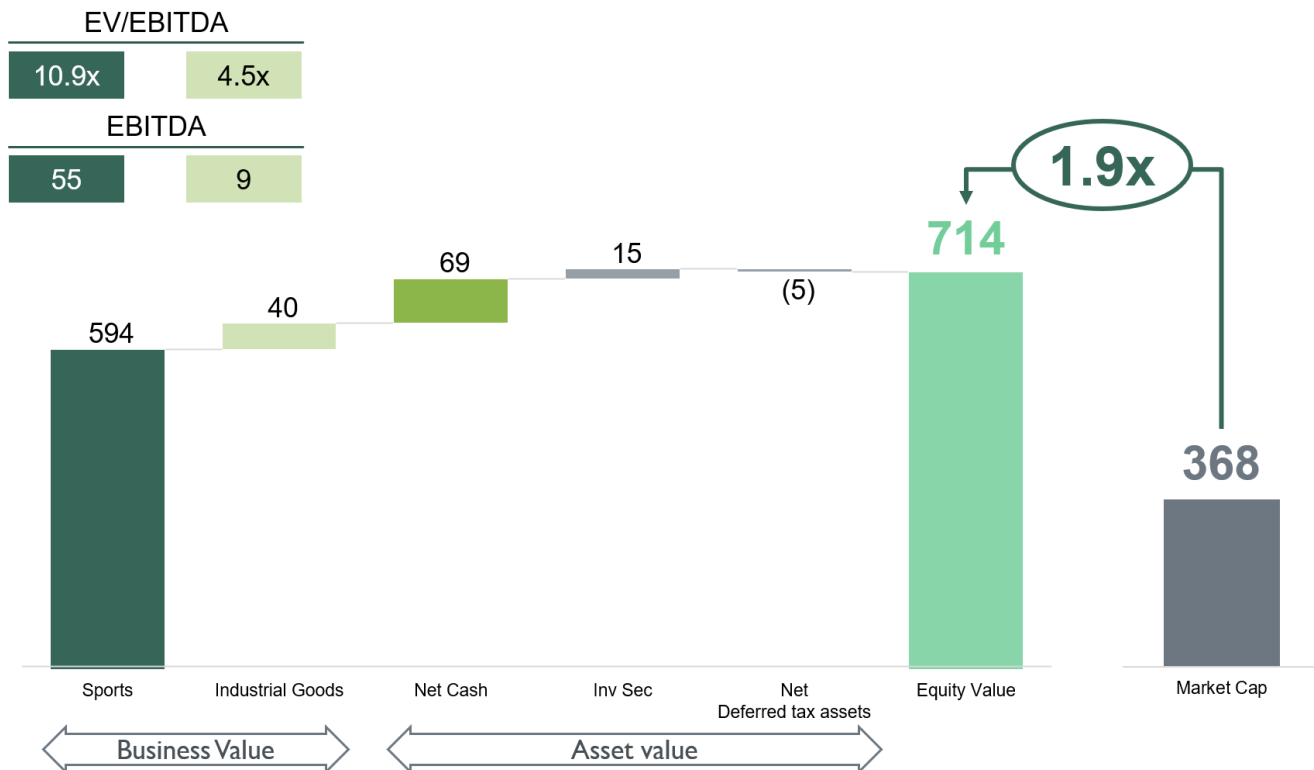
Your company also operates a conglomerate business portfolio comprising three segments: sporting goods, industrial goods, and rubber-coated fabric. Since the profitability and growth prospects differ significantly between the sporting goods segment and the other two segments, we conducted a Sum-of-the-Parts (SOTP) valuation, shown in Figure 4, as an alternative perspective to the earlier DCF analysis. The SOTP approach estimates the value of each business individually and then aggregates them to derive the theoretical enterprise value of your company as a whole. By applying EV/EBITDA

multiples from comparable companies to each segment according to its characteristics, this method allows the intrinsic value of each distinct business to be fully reflected, even for a company operating multiple businesses with widely varying profiles.

In valuing your company, we calculated the business value by selecting domestic sports-related companies for the sporting goods segment, selecting rubber-related companies for the industrial goods segment, and multiplying each segment's EBITDA for FY3/25 by the industry-average EV/EBITDA multiples of comparable companies (as listed in Figure 5). The rubber-coated fabric segment, having posted a recent deficit, was assigned a business value of zero and therefore not included in the calculation. Adding net non-operating assets to the business values of the sporting goods and industrial goods segments yields a theoretical equity market capitalization of JPY 71.4 bn. When translated to a per-share value, this amounts to JPY 3,726, meaning that your stock price of JPY 1,920 is discounted by roughly 50% compared with the SOTP theoretical value (essentially in line with the discount implied by our DCF analysis). Notably, the sporting goods segment, which inherently possesses a business value of approximately JPY 60 bn, is not being properly valued in the market due to the conglomerate discount.

Figure 4: SOTP Analysis

Unit : JPY 100mn



* Segment EBITDA figures are for FY3/25, calculated by allocating corporate (indirect) expenses to each segment in proportion to their share of total sales. Net cash is based on FY3/26 Q1, while investment securities and net deferred tax assets are as of the end of FY3/25. The share price is based on the closing price as of October 15.

(Source: Company disclosures and Bloomberg, compiled by Hibiki)

Why has the market valuation remained significantly below its intrinsic value? We believe the underlying reasons are: (i) market misunderstandings (insufficient recognition of your company as a sporting goods manufacturer and perceived uncertainties on maintaining the growth and profitability of the sporting goods segment); and (ii) Lack of market confidence in management (skepticism toward maintaining an inefficient business portfolio and the absence of a rational capital policy). We urge you to address each of these factors to enhance corporate value and achieve further growth.

① Market Misunderstanding

First, while your company operates through three main business segments, your website presents “Five Areas Supported by FUJIKURA COMPOSITES”: *Better Life, Monozukuri, Energy, Human Lives, and Leisure*⁷. Although the majority of profits are generated by the sporting goods segment centered on golf shafts, the decision to divide the business into five areas—and to place “Leisure” at the very

⁷ [Our Business | FUJIKURA COMPOSITES Inc.](#)

end—naturally prompts the market to question, “Is the company truly focused on the golf shaft business?” and “What, ultimately, is its core business?” In this sense, your company may have unintentionally contributed to this misunderstanding.

In particular, given that your company has long been associated with its founding rubber-coated fabric business and its industrial goods business—which have historically been emphasized in external communications—we believe that the recent significant shift in your profit composition has yet to be fully recognized by the market. As a result, your company may not be receiving a valuation that accurately reflects its current business reality.

In fact, a relative comparison within the sports and rubber industries clearly illustrates how market misperceptions are reflected in valuation. The stock market’s assessments of sports-related and rubber-related companies diverge significantly: the average EV/EBITDA is 10.9x for sports companies versus 4.5x for rubber companies, and the average P/E ratio is 20.8x for sports-related versus 8.7x for rubber-related, representing roughly a 2.5-fold difference in each case. Since your company generates nearly all of its profits from the sporting goods business, it should, in principle, be valued as a sports company. However, your EV/EBITDA of 4.3x and P/E of 8.4x suggest that the market is instead valuing your company more like a rubber company, particularly those in the 5100 securities code range.

Figure 5 : Comps

(Unit: JPY 100 mn, x)

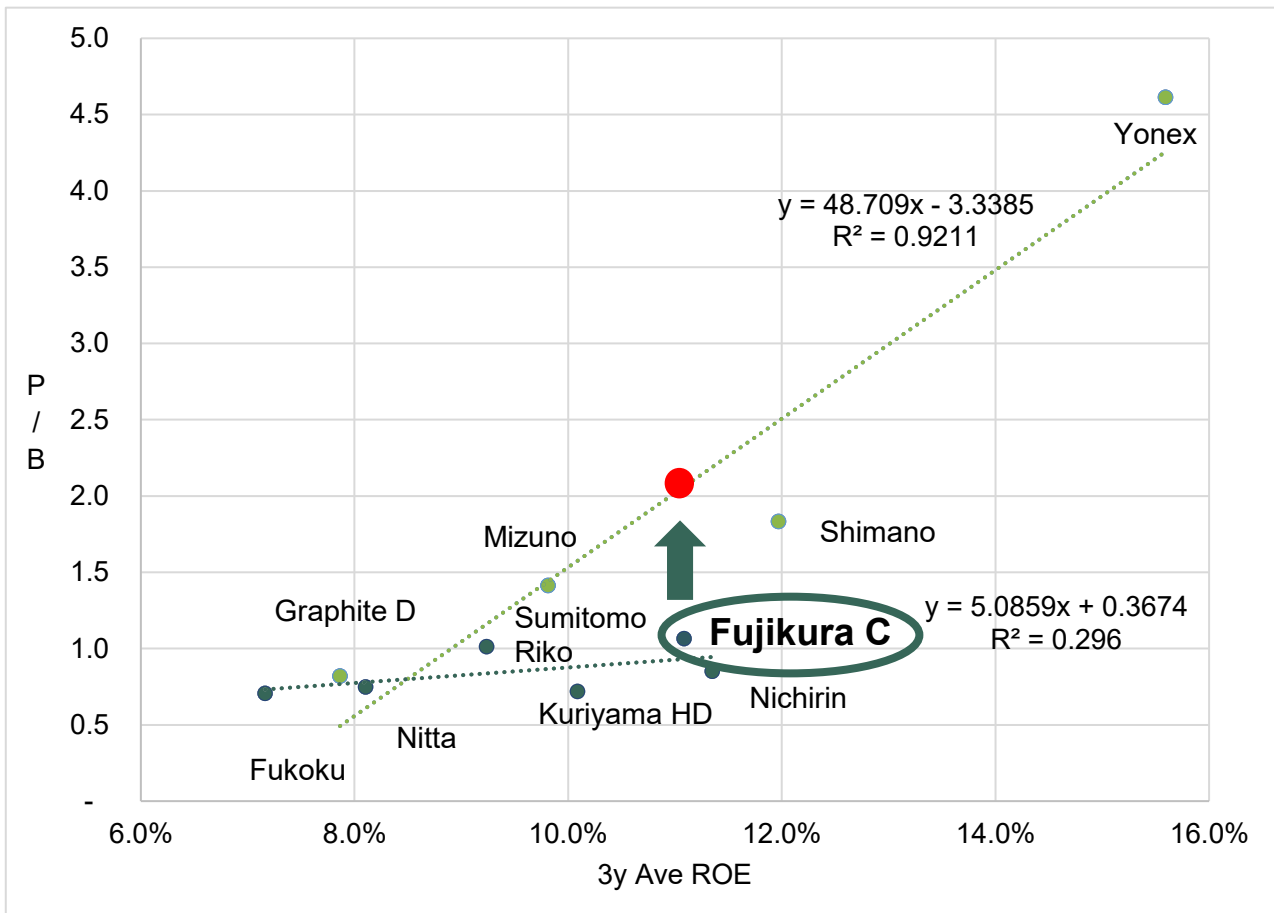
Code	Name	Market Cap	EV	EV / EBITDA (Current FY)	EV / EBITDA (Next FY)	PER (NTM)	PBR	3y Ave ROE	Equity Ratio
5121	Fujikura C	368	304	4.3	4.0	8.4	1.1	11.1%	72.0%
Sports companies									
7936	ASICS	26,375	26,301	16.8	15.0	30.1	10.9	20.1%	45.3%
7309	SHIMANO	15,382	10,788	14.5	11.8	23.7	1.8	12.0%	92.1%
7906	YONEX	3,281	3,095	15.3	14.4	26.3	4.6	15.6%	63.4%
8022	MIZUNO	2,210	2,016	8.1	7.6	13.0	1.4	9.8%	71.9%
7839	SHOEI	885	742	7.1	6.4	13.2	2.9	27.8%	84.2%
7847	GRAPHITE D	41	15	3.9	2.8	18.7	0.8	7.9%	74.3%
Ave				10.9	9.7	20.8	3.8	15.5%	71.9%
Rubber companies									
5191	SUMITOMO RIKO	2,153	2,321	3.3	3.3	9.7	1.0	9.2%	53.9%
5186	NITTA	1,135	758	8.5	8.3	8.9	0.7	8.1%	85.7%
5184	NICHIRIN	475	280	2.3	2.3	8.4	0.9	11.3%	77.0%
3355	KURIYAMA HD	324	295	5.4	4.9	8.6	0.7	10.1%	63.7%
5185	FUKOKU	293	313	3.1	3.0	8.2	0.7	7.2%	57.9%
Ave				4.5	4.3	8.7	0.8	9.2%	67.6%

* Earnings figures are based on Bloomberg consensus estimates. For Graphite Design and Nichirin, where no Bloomberg estimates are available, EV/EBITDA for the current fiscal year is based on company guidance, and for the next fiscal year on *Shikiho* estimates. For P/E, Graphite Design uses the average of the company's guidance EPS for FY2/26 and *Shikiho*'s forecast EPS for FY2/27, while Nichirin uses *Shikiho*'s forecast EPS for FY12/26. Stock prices are based on the closing price as of October 15.

(Source: Bloomberg, compiled by Hibiki)

A similar pattern emerges when analyzing P/B ratios, clearly revealing a deep-rooted market misperception. Figure 6 plots the three-year average ROE against P/B. When we categorize companies into sports-related and rubber-related groups and fit respective trendlines, we see that for sports companies, P/B expands in tandem with rising ROE, whereas for rubber companies, P/B remains structurally suppressed even as ROE improves — a clear divergence in how the market values them. As illustrated in Figure 5, this stems from the market's low growth expectations for rubber-related companies, which caps their P/E multiples and, consequently, depresses their P/B ratios. If the market were to properly recognize your company as one with growth and profitability characteristics comparable to sports-related peers, your company's P/B should, even at the current ROE level, trade comfortably above 2.0 — a level that more accurately reflects its intrinsic value and growth potential.

Figure 6: Scatter Plot of P/B versus Three-Year Average ROE



* Using the comps from Figure 5, we created a scatter plot and fitted trendlines separately for sports-related and rubber-related companies. Compared with the sports sector average, ASICS shows a higher P/B relative to ROE, while SHOEI shows a lower P/B relative to ROE; therefore, they were treated as outliers and excluded from the correlation analysis. The rubber-related group includes your company. Share prices are based on the closing price as of October 15.

(Source: Bloomberg, compiled by Hibiki)

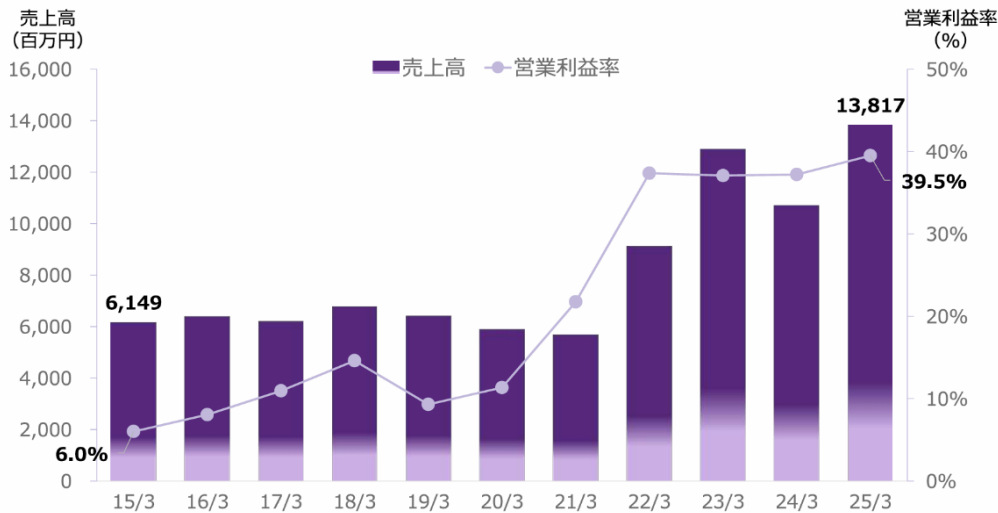
In addition to a lack of recognition of your company’s core business, concerns about the future prospects of the sporting goods segment—specifically its ability to sustain or improve growth and profitability—are also factors contributing to its undervaluation. As noted in Chapter 2, your company’s golf shaft business holds a dominant global position. As shown in Figure 7, since FY3/22, the business has achieved remarkable growth, with the sporting goods segment posting an extraordinary profitability with operating profit margin of approximately 40% and an ROA of around 65%.

Figure 7: Trends in Sales and Operating Profit Margin of the Sporting Goods Segment
(Japanese Only)

スポーツ用品セグメントの領域拡大



- 右肩上がりで急成長
- 自社ブランドのアフタマーケット市場で高い利益率を確保



Copyright©FUJIKURA COMPOSITES Inc. ALL RIGHTS RESERVED

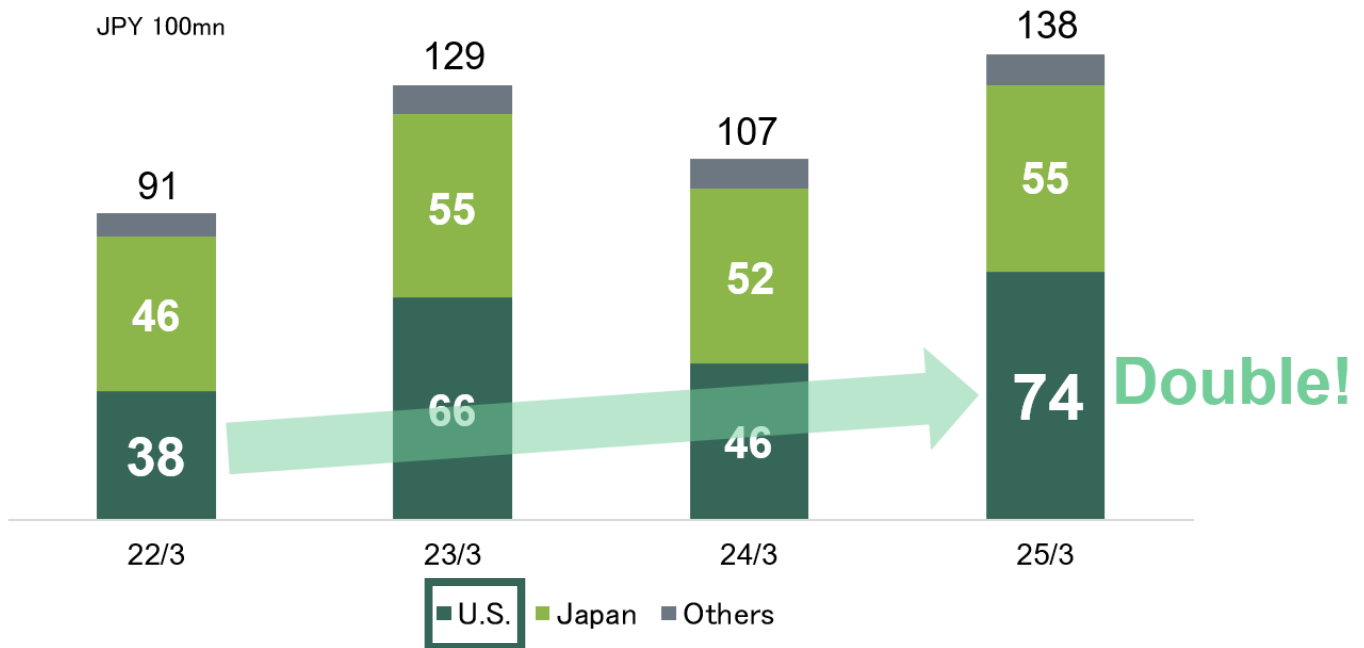
7

(Source: [7th Medium-Term Management Plan \(Japanese Only\)](#))

Looking more closely, as shown in Figure 8, sales in the U.S. have doubled between FY3/22 and FY3/25 (CAGR of 24%), while the segment's operating profit margins have also improved. The strong trust and track record among top global golf players, including world No. 1 S. Scheffler and No. 2 R. McIlroy, have been positively received by amateur golfers as well, which we see as evidence of your company's rapidly growing presence in the key U.S. market.

Moreover, in the current global trend of re-shaft becoming widely adopted, we believe that a brand like yours, which focuses thoroughly on the shafts and provides optimized products, is experiencing even stronger tailwinds than traditional major golf club manufacturers that sell club heads and shafts as a single unit.

Figure 8: Sales Trends of the Sporting Goods Business by Region



(Source: Bloomberg, compiled by Hibiki)

While it is clear that your company has achieved remarkable growth to date, from an investor’s perspective, it is natural to question “how such significant performance expansion was accomplished in a short period” and “whether this growth rate and profitability can be sustained going forward.” We feel that your company has not provided sufficient explanations to address these questions. We will review the reflection on the previous mid-term management plan in the materials of the [7th Mid-Term Management Plan \(Japanese Only\)](#) disclosed on June 25 of this year. Under Basic Strategy Policy 1, “Improvement of sales and profit margins” was set forth, and “Expansion of sports equipment’s brand recognition” was included as one of the strategies, and, as noted earlier, the results achieved were extremely impressive.

However, regarding the reasons behind this growth, the explanation in the materials on page 5 (Appendix 2) is limited, such as “golf shafts are expanding in both market size and share” and “our shafts maintain high profit margins in the aftermarket,” and almost no concrete explanations were provided during the briefing session. As a result, investors’ questions remain unresolved, and concerns such as “what exactly is impressive” or “was this just a one-time homerun” may lead some investors to hesitate to invest.

② Lack of market confidence in management

As mentioned above, we recognize that your company's excellent business performance is the result of the dedicated efforts of your management team and employees, for which we are grateful as shareholders. However, from the perspective of communication with the capital markets and commitment to enhancing corporate value, we feel that management's initiatives have been insufficient and have not gained enough trust from the markets.

We regard the allocation of management resources as the most critical management agenda, as it has the greatest potential impact on a company's overall growth. From the perspective of examining the "distorted segment ROA" discussed in Chapter 2 in more depth, Figure 9 summarizes the detailed allocation of resources by segment in the most recent period. It is a significant issue that, the sporting goods segment that generates nearly all of your company's profits receives only about 18%–28% of total management resources (in terms of people, assets, and capital) while the industrial goods segment, which contributes only about 4% of profits, receives as much as 65%–74% of total resources. Viewed solely from this perspective, your company is neglecting its responsibility as a publicly listed firm to maximize corporate value by allocating resources intensively to its "best-owner" business — the one that generates the highest returns. In particular, when a relatively small-scale company with recent annual revenue of around JPY 41.3 bn spreads management resources across three business segments and five business domains while actively investing in less profitable areas, it becomes difficult for investors to have confidence that your company can consistently outperform competitors in each business domain.

Figure 9: Segment Information (FY3/25)

	FY3/25 (JPY bn)	Sports	Industrial Goods	Rubber	Others	Total
Performance	Revenue	13.8	23.7	3.4	0.3	41.3
	Operating profit	5.5	0.2	(0.1)	0.0	5.6
	<i>% of Total</i>	98%	4%	-2%	1%	100%
Resource Allocation	Assets	9.3	24.6	3.0	0.2	37.1
	<i>% of Total</i>	25%	66%	8%	1%	100%
	Capex	0.7	1.5	0.1	0.0	2.4
	<i>% of Total</i>	28%	65%	5%	2%	100%
	R&D Expense	0.3	1.1	0.2	0	1.5
	<i>% of Total</i>	18%	71%	11%	0%	100%
	Number of Employees	431	1,682	127	42	2,282
<i>% of Total</i>	19%	74%	6%	2%	100%	

(Source: FY3/25 Securities Report and Bloomberg, compiled by Hibiki)

Next, regarding investor concerns over capital policy, we note that while your company has long maintained an equity ratio target (consolidated base, net assets divided by total assets) of 60%, even after the recent share repurchase from Fujikura in the previous fiscal year, the ratio still stands at 72%, surpassing the target by 12%, which we feel is a significant problem. The equity ratio target of 60% or higher has been disclosed as early as the FY3/17 securities report. Although the same target has been carried over into the current mid-term management plan, there is no explanation as to why the goal has not been met thus far, giving the impression that the target has simply been rolled forward without reflection. From an investor's perspective, this raises concerns such as whether "your company will once again fail to meet the target under the current plan and leave the matter unresolved," or whether "management assumes that simply setting a target is sufficient and that investors will not follow up on its achievement." Because capital policy is fully controllable and directly influences key efficiency metrics such as ROE—one of the most important KPIs for investors—repeated failure to achieve the target over many years means a lack of managerial execution and commitment, undermining investor confidence.

In addition, and in connection with the discussion on the equity ratio, we consider the ROE target of 10% in the current mid-term management plan to be notably conservative. Your company's ROE already reached 14.8% in FY3/22, when the sporting goods segment entered a strong growth phase,

and stood at 11.3% in FY3/24, again exceeding the 10% threshold. Despite this track record, the current plan merely carries over the same target from the previous plan, effectively setting an ROE goal below the level already achieved. The plan also states that profitability will be further enhanced and that, as mentioned above, the equity ratio will be reduced. Yet, despite these stated policies, the ROE target remains lower than the actual level — a clear inconsistency. As we have repeatedly emphasized, ROE is one of the most critical KPIs for investors. Setting an unduly conservative target, or one lacking logical coherence with other management policies, casts doubt on management's commitment to improving corporate value and its grasp of corporate finance fundamentals.

4. Four Proposals for Enhancing Corporate Value

Based on the issues discussed above, we propose the following four recommendations to maximize your company's corporate value:

- (1) Substantial enhancement of IR activities — including more detailed disclosure of the sporting goods business' growth strategy and the regular hosting of investor briefings to improve market understanding.**
- (2) Strengthening of shareholder returns — with the goal of achieving ROE of 17% and an equity ratio of 60% by FY3/28, through a combination of a DOE of 12% and share buybacks totaling approximately JPY 10 bn over three years.**
- (3) Expansion of stock-based compensation for internal directors and employees**
- (4) Rigorous implementation of business portfolio management**

(1) Substantial enhancement of IR activities — including more detailed disclosure of the sporting goods business' growth strategy and the regular hosting of investor briefings to improve market understanding.

First, we request a substantial improvement of IR activities to correct market misunderstandings (i.e., to enhance recognition as a sporting goods company and highlight your company's competitive advantages in the sporting goods business). Specifically, we recommend: (i) expanding disclosure of information on the sporting goods business in IR materials, and (ii) holding dedicated investor briefing sessions on the sporting goods business. Your company's profitability is already dominated by the sporting goods business, in which golf shafts form the core. By aligning IR activities with this reality and prominently featuring the sporting goods business, you can correct the market's bias in perceiving your company as primarily a rubber-related firm. In particular, providing detailed IR disclosure on the golf shaft business will allow investors to accurately understand its competitive advantages.

Especially, your company has achieved success in a niche area of golf equipment, carbon shafts. General investors are not very familiar with such niche markets, and given your company's relatively modest market capitalization, major institutional investors may not find it worthwhile to conduct an in-

depth analysis on their own. Therefore, it is essential to provide a minimum level of disclosure that would make more investors interested enough to take a deeper look. Specifically, I would like to request more detailed communication with investors regarding:

(i) the outlook for the carbon golf shaft market and its regional characteristics, (ii) your company's positioning, competitive advantages, and expected market share within that market, (iii) growth strategies in your main markets (the U.S. and Japan), including expansion in the aftermarket segment, (iv) business expansion strategies in untapped regions outside the U.S. and Japan, and (v) future prospects beyond the shaft business.

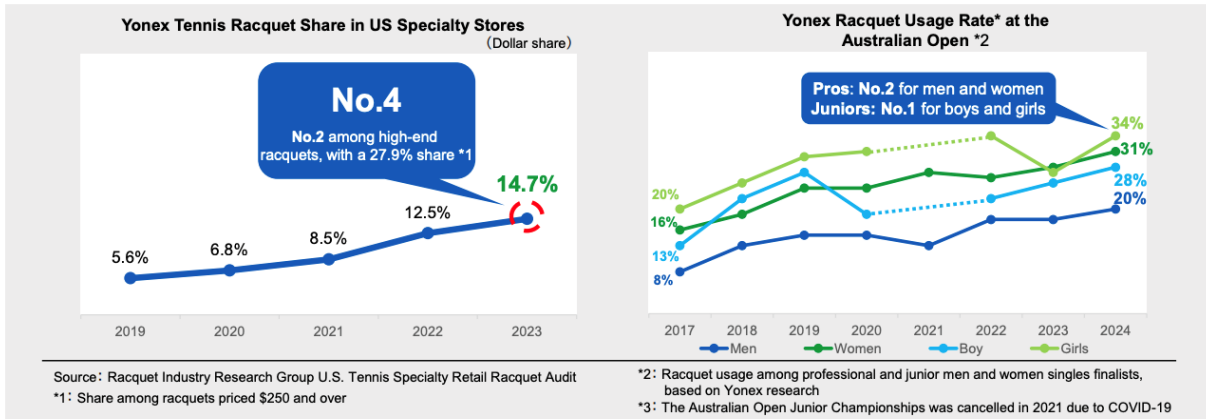
When we conducted our research on your company, we found that your disclosure materials did not provide any clear insight into the factors driving rapid growth in the U.S. market, which has been the main engine of your golf shaft business expansion. As a result, we had to rely on external sources and conduct multiple interviews to gain a deeper understanding. Furthermore, although your company currently appears to have limited business activity in Europe and other parts of Asia (excluding Japan), we understand that these regions also represent sizable potential markets, even if not as large as the U.S. It remains unclear how your company plans to approach these untapped markets going forward. We believe that proactive and transparent communication with the market on these points would contribute significantly to enhancing your corporate value.

Here, as an example of effective investor relations (IR) communication that successfully highlights a company's strong market position even in a highly competitive environment, I would like to introduce one of our portfolio companies, Yonex Co., Ltd. ("Yonex"). Yonex is well known as the world's leading manufacturer of badminton equipment, but it has also been focusing on the North American market with the aim of making tennis its second major business pillar. In this context, after much trial and error, Yonex managed to effectively showcase its presence in the tennis market through a single slide in its IR presentation materials, as shown below.

Figure 10 : Yonex’s Presence in the Tennis Market

Geographic Footprint: US Tennis

Both Yonex’s market share and usage rate by top athletes are on an upward trend. We will expand the Yonex fan base and aim to become the No.1 tennis brand.



Opportunities for Further Growth

- **Expanding the Yonex fan base to a wider range of players**
Creating a product lineup for casual players, investing in grassroots activities, and enhancing communication.
- **Becoming the overall No.1 tennis brand, including shoes, strings, and apparel**
Promoting the quality and performance of Yonex products by creating more opportunities for consumers to try out our products.

© 2024 YONEX Co., Ltd. 22

(Source: Yonex [FY3/24 Presentation: Financial Results](#))

This slide was first disclosed in May 2024, Yonex clearly presented compelling evidence of its rising market share in U.S. tennis specialty stores, as well as time-series data showing the increase in racket usage at the Australian Open, one of the four Grand Slam tournaments. While tennis has a global market far larger than that of badminton⁸, it is also an intensely competitive field dominated by long-established brands such as Wilson, Head, and Babolat. Yonex has generally been perceived as a challenger in this field. However, the narrative and data in this disclosure intuitively demonstrated that (i) Yonex had already established a solid market position, and (ii) its market share is steadily increasing. These tangible facts resonated strongly with foreign investors who have recently shown growing interest in Japanese equities and consequently helped draw greater attention to Yonex.

In fact, supported by strong business performance, Yonex’s share price, which had been trading around the JPY 1,000–<1,400 range at the beginning of 2024, rebounded significantly, reaching the JPY 1,700 level by the end of May 2024, the highest since autumn 2023. Since then, through various disclosure improvements implemented at our request up to the time of this letter, the stock price has

⁸ According to Global Information, [the badminton market size](#) in 2023 was USD 3.3 bn, while [the tennis equipment market size](#) was USD 5.08 bn.

continued to rise sharply, now trading around JPY 4,000. While Yonex had made similar disclosures intermittently in the past⁹, this case clearly demonstrates that a well-crafted and impactful presentation of information can make a significant impression on the market. Although Yonex had already achieved high market share and steady growth in badminton, essentially reaching a “whale” state in that segment, the market came to recognize that the tennis business represented a new growth driver. As a result, Yonex’s P/E range rose sharply (thereby lowering its cost of capital). Given that your company, too, enjoys strong brand recognition overseas, we hope you will consider IR initiatives that prominently showcase your overwhelming advantage in the global golf shaft market.

Patient and ongoing communication is essential to eliminate market misunderstandings. We sincerely hope that you will strengthen your investor relations by not only expanding and emphasizing the section on your sporting goods business in IR materials and regular financial results briefings, but also by holding dedicated sporting goods business briefings on a regular basis and conducting investor roadshows—particularly targeting overseas investors in the U.S., where interest in your brand is expected to be high. We understand that your company currently does not have a dedicated IR department; however, as of April 2025, the Tokyo Stock Exchange has required companies to establish appropriate disclosure systems and include relevant information in their Corporate Governance Reports¹⁰. We encourage your company to consider expanding resources to further enhance communication and engagement with investors.

(2) Strengthening of shareholder returns — with the goal of achieving ROE of 17% and an equity ratio of 60% by FY3/28, through a combination of a DOE of 12% and share buybacks totaling approximately JPY 10 bn over three years.

As mentioned earlier, your company has already achieved an ROE target of 10%, and in the current medium-term plan, you aim to further improve profitability while continuing to pursue a reduction in the target equity ratio to 60%. Against this backdrop, we find the 10% ROE target, which is lower than the

⁹ As of October 2025, within the range of financial results presentation materials available on [the official Yonex website](#) from FY3/18 onward, [the FY3/19 Q2 Financial Results Presentation](#) (p.14) represents the oldest comparable disclosure example.

¹⁰ [Measures and Points in Preparation for Making IR System Development Mandatory](#)

current level, to be contradictory. Based on the analysis described later, we propose that, assuming an equity ratio of 60% is achieved by FY3/28, the ROE target be set at 17%, as shown in Figure 11.

The ROE target level has been calculated using DuPont analysis (Appendix 3), which your management team is already familiar with, as it was used in progress reports during the previous medium-term plan.

Figure 11: Logic Behind ROE Target Calculation

ROE	17.0%	
Profitability	11.0%	<ul style="list-style-type: none"> • NOPAT JPY 5.0 bn / Revenue JPY 45.1 bn – NOPAT: OP JPY 6.6 bn × (1 – 10y Ave tax rate 25%)
×		
Efficiency	0.93x	<ul style="list-style-type: none"> • Average over the past four years since FY3/22, when the sports business achieved remarkable growth
×		
Leverage	1.67x	<ul style="list-style-type: none"> • 1 / 60% (Company's target equity ratio)

Note: The profit margin is the NOPAT margin calculated using the operating profit target for FY3/28 from the medium-term plan and your company's average tax rate of 25% over the past 10 years. The turnover ratio is the average over the past four years since FY3/22, when your golf business experienced significant growth. Leverage is derived inversely from your target equity ratio of 60%.
(Source: Company disclosures and Bloomberg, compiled by Hibiki)

First, for profitability: based on your FY3/28 operating profit target in the medium-term plan, we applied the past 10-year average tax rate of 25% to estimate NOPAT (after-tax operating profit) of JPY 5 bn, equivalent to 11% of sales. Next, for turnover: we used the four-year average of sales / total assets since FY3/22, when the sporting goods business began to expand significantly—0.93x. Finally, leverage equals total assets/equity; thus, using your target equity ratio of 60% (equity/total assets), we applied its inverse, $1 / 60\% = 1.67x$. As a result, we recommend setting the ROE of 17% as your FY3/28 target.

Assuming an ROE of 17% and a net profit of JPY 5 bn (based on NOPAT derived from the operating profit target for FY3/28), the appropriate level of shareholders' equity is estimated to be approximately JPY 29.5 bn (5 bn / 17%). This implies that around JPY 5 bn of shareholders' equity needs to be

reduced by FY3/28. Since the most recent fiscal year's ROE is 11.3%, improving capital efficiency through more proactive use of dividends and share buybacks will be essential. Therefore, we propose a DOE (Dividend on Equity) ratio of 12%. However, dividends alone at a DOE of 12% will not sufficiently reduce shareholders' equity, so share buybacks will also be necessary. Depending on future performance and stock price trends, we recommend implementing a flexible share buyback in parallel to achieve an equity ratio of 60% and an ROE of 17%. According to our estimates, this would total slightly under JPY 10 bn over three years.

Compared with your current targets, this proposal would raise ROE by 1.7 times and DOE by 3 times, which may appear to be demanding. However, these figures are not arbitrarily set by us, but are objectively derived based on your own stated targets and past performance. We respectfully ask for your sincere consideration.

Regarding the interpretation of the phrase "60% or higher" in the equity ratio target, we have confirmed during the FY3/25 financial results briefing held on June 13, 2025, as well as through subsequent IR interviews, that your policy is to reduce shareholders' equity to around 60%. In addition, at this year's annual general meeting, we asked whether setting an ROE target of 10% and a DOE of 4% might be too conservative considering your company's current capabilities and the 60% equity ratio target. In response, President Morita stated that discussions on this matter will be held among both internal and external directors going forward. Since the 60% equity ratio target has already been in place as of FY3/17, we sincerely expect President Morita—who has served as Representative Director since 2016—to lead your company as its top executive toward enhancing corporate value and achieving these goals during the current medium-term management plan period.

(3) Expansion of stock-based compensation for internal directors and employees

Now, we would like to turn the topic to an expansion of equity-based compensation for directors (excluding outside directors) and employees. We believe that in enhancing corporate value, it is important that those who have actually worked hard on the ground also share in the fruits of that effort. While your company has already implemented an equity compensation system for both directors and employees, we believe there is room for further expansion.

Figure 12: Target Shareholding Levels for Executives

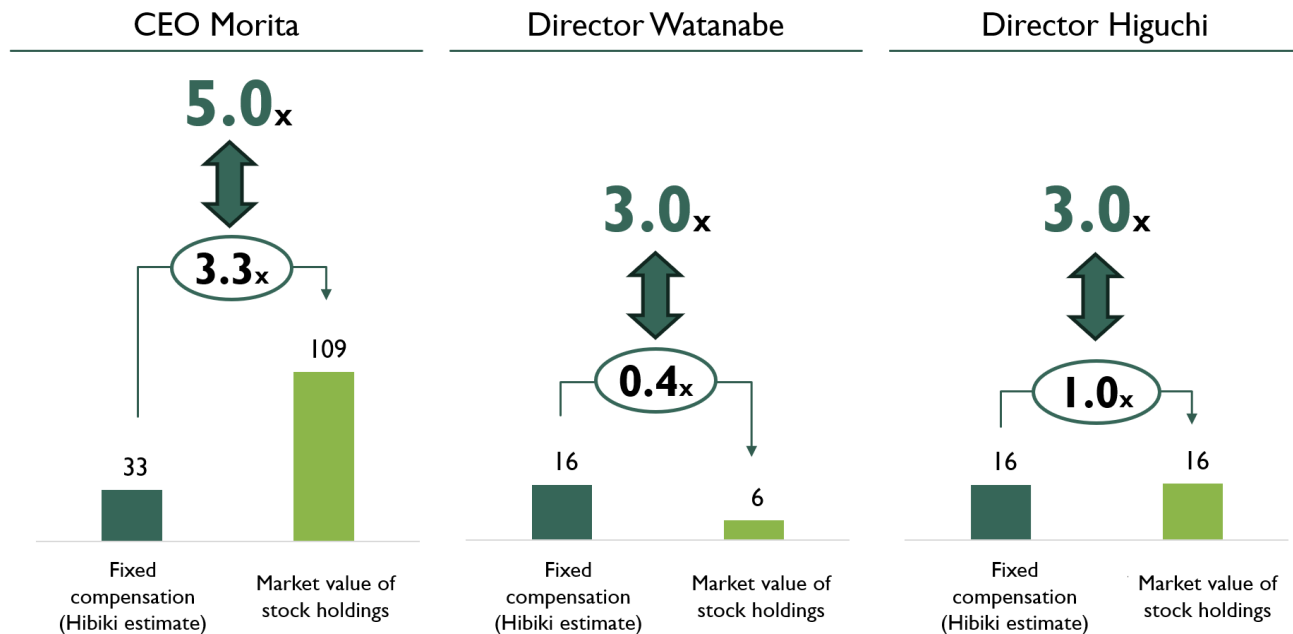
Level	Requirement
CEO	5 times salary
EVP/SVP	3 times salary
VP	1 times salary

(Typical outside director requirements range between 2 to 3 times retainer.)

(Source : [Meridian Compensation Partners](#))

Figure 12 shows the recommended stock ownership levels for executives, as indicated by Meridian Compensation Partners, a leading U.S. compensation advisory firm. For example, for CEOs of U.S. publicly listed companies, it is recommended that they hold shares equivalent to five times their annual fixed compensation, while executives at the EVP/SVP level should hold shares equivalent to three times their annual fixed compensation. From our perspective, we would like your company to increase the level of equity-based compensation for all directors (excluding outside directors) so that they can promptly reach these recommended ownership levels. Regarding employees, we do not specify exact figures, but we hope that their equity-based compensation can be increased to a level where all employees can broadly and consistently focus on enhancing corporate value.

Figure 13: Value of shares held by your company’s internal directors (excerpted from the meeting materials in April 2025)



*1: Fixed compensation is used FY 24/3 directors (excluding Directors who are Audit & Supervisory Committee members and Outside Directors) JPY 98mn. Based on a web research comparison of compensation differences between the CEO and other directors, CEO Morita's compensation is estimated at JPY 33 mn, while the four other directors each receive an estimated JPY 16mn
2: Based on closing price on 8 April 2025
3: Bar chart unit is JPY mn

Source: Company securities reports, other public information

Here, we introduce Sanrio Co., Ltd. (“Sanrio”) as a successful case of stock-based compensation. Sanrio fell into the deficit in FY3/21 amid the COVID pandemic, and its share price slumped to around JPY 400-800 during 2020-2021. In the midst of this crisis, President and CEO Tomokuni Tsuji, who took office in 2020, declared a “second founding” of Sanrio and adopted an unprecedented long-term commitment-based stock compensation plan. The introduction of stock-based compensation progressed in stages: it began in 2021 with a plan for directors, followed by an allocation to approximately 800 employees (around 55% of all staff excluding temporary employees) in January 2025 ([reference document, Japanese only](#)). Furthermore, an additional allocation is planned for January 2026, covering around 955 employees (roughly 65% of all staff) ([reference document, Japanese only](#)). Through this process, stock-based compensation has been expanded to include employees who directly drive corporate value.

The results are evident in the recent success of Sanrio. The company’s performance has improved significantly (operating profit increased from a loss of JPY 3.3 bn in FY3/21 to JPY 51.8 bn in FY3/25), and the stock price has risen 10- to 15-fold. In practice, it appears that executive officers who received

allocations in 2022 have secured unrealized gains of roughly ten times their allocated amount, and it can be inferred that regular employees who received allocations in 2024 have secured unrealized gains roughly equivalent to their allocated amounts.

Through swift decision-making, executives and employees can enjoy financial benefits that are commensurate with their efforts to enhance corporate value. For your company, we believe that now—when the stock price is significantly undervalued—is precisely the right time to thoroughly strengthen equity-based compensation.

(4) Rigorous implementation of business portfolio management

For a company to maintain its vitality over the long term, it must continuously and carefully review its business and product portfolio in line with market changes. One could even argue that it is precisely the mission of top management to promote continuous renewal and evolution from this perspective. It is hard to imagine anyone disagreeing with this view.

Your company, which has its origins in industrial goods including rubber-coated fabric, has successfully entered the consumer goods field of golf shafts and is now leading the entire company through this business segment—a rare case in which such a transformation of the business portfolio has succeeded almost unexpectedly. However, to maximize corporate value in today's VUCA era, it is of course important to further grow star businesses. At the same time, for businesses facing challenges such as declining profitability, it is critical to calmly assess whether the causes are structural within the industry and your company, or merely temporary. Based on that assessment, additional capital investment should be controlled, and, if necessary, bold management decisions—including business spin-offs or mergers with other companies—may be required.

The foundation of effective portfolio management lies in setting the right metrics that capture the true performance of each business. This requires going beyond simple P&L profitability to a detailed ROIC analysis that breaks down its underlying drivers. Without such accurate measurement, management cannot make informed decisions, and organizations inevitably fall into inertia—maintaining the status quo and repeating only incremental reforms. While this inertia-driven approach may have sufficed

during periods of rapid economic growth, in today's environment—especially across many manufacturing industries—the unchecked expansion of fixed costs and the weakening of both domestic and global demand have created chronic overcapacity, resulting in structurally declining profitability.

In today's environment, if your company seeks to grow as an independent entity, it must continuously reassess its business portfolio and optimize resource allocation to strengthen overall growth and profitability. As noted earlier, with ROA differing drastically across segments—approximately 65% in sporting goods, 1% in industrial goods, and negative in rubber-coated fabric—fundamental restructuring is required.

Specifically, for the industrial goods and rubber-coated fabric businesses, where profitability remains challenged, it is essential to evaluate sub-segments at the business unit level along two key axes: ROIC (Return on Invested Capital) and market growth potential. For areas identified as underperforming, we recommend establishing a one- to two-year timeframe to examine and implement targeted ROIC improvement measures—such as SKU rationalization, pricing adjustments, cost reductions, and business model reforms. This process will enable your company, based on clear logic and evidence, to determine whether more decisive management actions—such as spin-offs or strategic combinations with other companies—are necessary.

It is still fresh in memory that your former parent company, Fujikura Ltd., successfully revitalized itself through bold structural reforms in 2020—an experience your company undoubtedly observed firsthand. The following excerpt is from [an article from The Nihon Keizai Shimbun published in August 2024](#).

From the standpoint of “selection and concentration”—simultaneously addressing underperforming operations while swiftly reinforcing core earnings drivers—Fujikura's approach closely parallels the challenge your company now faces.

“We were not able to execute proper selection and concentration of the businesses we should focus on. I wanted to make it clearer how much we invested and earned in each business,” said President Okada. (...) In driving structural reform, the company calculated ROIC at a more granular sub-sector level. Within the core energy and ICT businesses, it broke down operations into around ten categories to assess capital efficiency. ‘The ROIC was low,’ President Okada explained, in reference to the decision to exit the overseas power infrastructure business. (...) The 100-day plan also outlined strengthening of the optical fiber business, shifting from a China-centric model toward the U.S. and Europe markets, and targeting hyperscale data centers that handle massive volumes of data.”

For your reference, I would like to introduce two corporate examples. The first is Toshiba, which illustrates the pitfalls of business portfolio management, and the second is Daiwabo, a company that boldly and forward-lookingly attempted to reform its business portfolio.

Case 1 Toshiba’s accounting scandal:

Toshiba is a company that needs little introduction and, in many respects, can be said to represent Japan itself. Formed in 1939 through the merger of Shibaura Engineering Works Co., Ltd., strong in heavy electrical equipment, and Tokyo Electric Company, strong in light electrical equipment and lighting, Tokyo Shibaura Electric Co., Ltd. (Toshiba) went on to support Japan’s postwar economic growth as a pioneering comprehensive electronics manufacturer. The case we present here concerns the failure of conglomerate management between 2006 and 2017—a period that remains one of Japan’s most notable corporate governance crises. This is written to recall that period and ensure that the lessons from that management failure are not forgotten.

The origin of the problem dates back to 2006, when Toshiba, aiming to become a global leader in nuclear power, acquired the U.S. nuclear equipment giant Westinghouse Electric (WH) for approximately JPY 540 bn. However, amid intense competition with GE, the top management’s “acquisition-first” approach led to inadequate due diligence, and problems surfaced immediately after the deal. As performance deteriorated and criticism of the WH acquisition mounted, top executives imposed excessively ambitious profit targets—known internally as “Challenges”—on divisions outside WH, and this practice quickly spread throughout the company.

In February 2015, accounting irregularities came to light following an inspection by the Securities and Exchange Surveillance Commission related to construction-in-progress accounting standards. A subsequent third-party investigation confirmed that over JPY 150 bn in profits had been overstated between FY2008 and FY2014. Disputes with the external auditor also surfaced, putting Toshiba on the brink of delisting. Ultimately, cumulative losses exceeded JPY 1 tn, leading WH to file for Chapter 11 bankruptcy in 2017. In 2018, Canada's Brookfield Group acquired WH, effectively marking Toshiba's withdrawal from the overseas nuclear business. Yet even after this, the company continued to struggle with structural issues, eventually being taken private by a consortium led by Japan Industrial Partners.

The rise and fall of Toshiba offers enduring lessons that should be regarded as two key "cautions" in business portfolio management. The first is that when a diversified portfolio lacks appropriate benchmarks for each individual business, the company may appear to have stable overall performance, but in reality, this masks growing inefficiencies. This false sense of stability can foster complacency in risk-taking and capital allocation decisions—especially when ROIC-based management discipline is absent. The second caution is the danger of the "relay race mindset", in which one division is expected to compensate for another's underperformance. While the spirit of teamwork and "passing the baton" is often admired as a Japanese virtue, in management it can easily distort accountability. When carried too far, it causes business units to lose sight of their core purpose and long-term trajectory, undermining motivation among executives and employees. As soon as relationships between divisions evolve from synergy into dependency, irrational value transfers occur—and as morale declines, the risk of misconduct inevitably rises.

After going private, Toshiba advanced a more disciplined "selection and concentration" approach, aiming to place each business under the best possible ownership. For instance, it resolved long-standing issues in its China elevator business by forming a capital and business alliance with Midea Group, leveraging economies of scale in the Chinese market and transferring a 58% stake to the partner. As a result, in FY3/25, consolidated operating profit reportedly surged fivefold YoY to JPY 198.5 bn, with an operating profit margin of 5.6%.

Learning from past mistakes, both management and front teams have demonstrated a renewed commitment to growth, pursuing it with determination and discipline. This marks an encouraging step forward—fueling expectations for Toshiba’s revival in its new form.

Case 2 the management reform of Daiwabo Holdings:

Another insightful case is the strategic initiatives in business restructuring of Daiwabo Holdings Co., Ltd. (“Daiwabo HD”). Established in 1941 as Daiwabo, the company began as a textile manufacturer and has built a history spanning more than 80 years. It entered the industrial machinery business in 1949, and in 1982 founded Daiwabo Information System Co., Ltd. (“DIS”) with just 10 employees. DIS steadily expanded in line with Japan’s digitalization trend and, by FY3/23, had become the company’s core pillar, generating over JPY 800 bn in sales—accounting for more than 90% of consolidated revenue and operating profit. Despite this success, Daiwabo HD continued to face a persistent “conglomerate discount,” as it remained associated with its legacy textile and machinery operations.

Amid these circumstances, the company positioned the [medium-term management plan](#) announced in 2021 as a *“period of challenge toward business model transformation for sustainable growth.”* The plan marked a turning point, introducing ROIC-based targets and KPIs tailored to each business unit to monitor progress and improve capital efficiency. With a clear focus on corporate value creation, Daiwabo HD pursued management practices conscious of its hurdle rate. As part of strengthening its business portfolio, the company announced in February 2023 [the acquisition of all shares of Alphatec Solutions Co., Ltd.](#) (formerly part of Mitsubishi Chemical Systems, Inc.), taking a proactive step to reinforce its core IT business.

Building on this foundation, Daiwabo HD proceeded to its final stage of portfolio reform. In May 2023, the company disclosed that it was considering the divestiture of the textile business, and in November of the same year, it officially announced the spin-off structure with the partner of the textile business. By FY3/23, the textile segment represented only about 7% of total sales and roughly 5% of operating profit, while accounting for 16% of total segment assets (excluding shared assets) and earning an ROA of just 2%. The capital-intensive nature of the business made it structurally difficult to achieve the high

asset turnover characteristic similar to the IT segment. Moreover, with ESG-related investments expected to rise, management faced mounting challenges in resource allocation.

Amid these circumstances, guided by the questions “Are we the best owner?” and “Can we create sustainable value?”, the company thoroughly discussed the ideal structure of its business portfolio based on concrete and verifiable indicators such as ROIC. As a result, (i) even though the textile business was its origin and (ii) after recording a substantial special loss of JPY 17 bn (over 50% of operating profit for FY3/24), the company announced the transfer of a majority stake in the business and its spin-off through a partnership with a private equity investment firm—one that preserves the business’s potential for future growth. I fully recognize that this was by no means an easy decision; however, as a shareholder at the time, I felt it was the best possible course of action, both for enhancing Daiwabo HD’s corporate value and for enabling the textile business, despite the special loss, to pursue a scenario in which it could further increase its own business value. Furthermore, while leveraging the private equity partner’s expertise in structural reform and business growth, Daiwabo HD also indicated that it would maintain a 15% ownership stake, signaling its intention to continue supporting the textile business’s growth even after independence. Thus, while this marks a new beginning, the relationship between the two entities will remain intact.

Figure 14: Criteria for Optimizing Daiwabo HD's Business Portfolio

Considerations for Optimization of the Business Portfolio

We are currently considering matters concerning existing business using the following points at issue for optimization of the portfolio of businesses that will contribute to the improvement of the group's corporate value.

Status	Point at issue	Overview
Verification complete	Who is the best owner?	<ul style="list-style-type: none"> The company (Daiwabo Holdings) evaluated the entity (best owner) that would be able to maximize the value of each subject business. Specifically, the company evaluated whether it had been possible to support the maximization of business value through five measures: business synergies; superiority in fund procurement; strategy formulation; headquarters functions and resources; and positive involvement in operations, with regard to each subject business.
	Is sustainable value creation possible?	<ul style="list-style-type: none"> The company evaluated each subject business from the perspective of whether it could generate capital profitability in excess of capital costs into the future under the group system. Specifically, we evaluated the business environment surrounding each business (market attractiveness x position in the market), analyzed whether the ROIC of each business would be able to exceed the business-specific WACC over the next five years and evaluated the degree of value generation.
Currently under consideration	Implementation of optimal strategic options	<ul style="list-style-type: none"> We are currently advancing considerations also including strategic options that will contribute the most to corporate value (strengthening based on business transfers, stock transfers, spin-offs, implementation of additional M&A, etc.) and plan to execute such measures at the optimal time. We plan to allocate resources appropriately if we will obtain consideration from the implementation of strategic options.

©2023 Daiwabo Holdings Co., Ltd.

(Source: Daiwabo HD Disclosure Materials)

Figure 15: Overview of Daiwabo HD's Textile Business Spin-Off

Independence of Fiber Business

May 15, 2023: Our Company announced Considerations for the Business Portfolio (Independence of Fiber Business).
 November 22, 2023: Our Company resolved to transfer 85% of its shares in Daiwabo Co., Ltd. to Aspirant Group Inc.
 March 27, 2024: The share transfer was completed.

Summary of transfer of shares in Daiwabo Co., Ltd.		Capital structure after the transfer	
Outline of Daiwabo's Business	<ul style="list-style-type: none"> Manufacture, processing and sales of fiber products Controlling business activities by holding shares in operating companies 	Before the transfer	After the transfer
Consolidated financial summary* (March, 2023)	<ul style="list-style-type: none"> Net sales: ¥62.7 billion Operating income: ¥ 1.3 billion Total assets: ¥63.1 billion Net assets: ¥32.5 billion 	Daiwabo HD Voting rights 100% Daiwa Co., Ltd.	Daiwabo HD SPC owned by a fund affiliated with Aspirant Group Inc. Voting rights 15% Voting rights 85% Daiwa Co., Ltd.
Transferee	<ul style="list-style-type: none"> Aspirant Group SPC No.11 (SPC whose all outstanding shares owned by Aspirant Group Inc.) 	<p>We plan to continue to hold 15% of the voting rights for Daiwa Co., Ltd. for the time being as a period of cooperation with the aim of having a smooth transition, while maintaining certain relationships with its existing business partners, employees, and other stakeholders.</p>	
Transfer price	<ul style="list-style-type: none"> ¥9.18 billion (Equivalent to 85% of the stock value of ¥10.8 billion) The transfer price is based on an corporate value of ¥24.8 billion and takes into account working capital, interest-bearing liabilities, and other assets and liabilities, etc., as well as the amount of capital investment that the Aspirant Group plans to contribute to achieve sustainable growth for Daiwabo Co., Ltd. 		
Completion of transfer	<ul style="list-style-type: none"> March 27, 2024 		

*Financial figures on a consolidated basis managed by Daiwabo Co., Ltd. are provided for reference only, as the consolidated financial statements have not been prepared through an external accounting audit.

©2024 Daiwabo Holdings Co., Ltd.

(Source: Daiwabo HD Disclosure Materials)

While the textile business was the company's origin, its profitability could not compare with that of the IT business. I imagine that employees involved in the textile business may have felt, at least to some extent, a sense of frustration that their business was no longer the main focus. By pursuing an independent path, they can break free from such 'constraints' and work collectively toward growth on their own terms. I believe this will lead to positive outcomes for everyone involved in the textile business.

Although Toshiba and Daiwabo HD differ in their businesses, scale, and circumstances, these examples illustrate a fundamental point: for diversified companies, managing a business portfolio based on accurate measurement and understanding is critically important. Depending on the situation, it may also be necessary to make difficult decisions grounded in a correct assessment and recognition of the business—this, I hope, conveys the very essence of corporate management.

Finally, regarding the four recommendations presented earlier, they range from actions that can deliver visible results relatively quickly to more complex, long-term initiatives—particularly (4), business portfolio management—which require sustained effort and organizational commitment. As the Edo-period daimyo Uesugi Yozan once said, *"If you try, you will succeed; if you do not try, you will not. Whatever does not succeed is because one does not make the effort."* We sincerely hope your company will begin with initiatives that can be implemented swiftly, demonstrate tangible progress to the market while earning shareholder confidence, and in parallel, embark on the more challenging reforms that will promote continuous renewal and evolution.

5. Conclusion

In this letter, we have outlined a series of proposals that we believe are essential for your company to be properly valued by the market. We are fully aware that some of these may appear overly presumptuous; however, please understand that they come purely from our sincere wish, as a shareholder, to see your company achieve sustainable and long-term growth.

We believe that one of the most critical factors for enhancing your company's corporate value is for the market to fully recognize the value of the golf shaft business — a business that possesses a globally dominant brand and demonstrates growth and profitability far exceeding those of other segments. As

we noted in our investor letter “[Merits and Challenges of Being Publicly Listed](#)” dated October 24, 2024, the true significance of being a listed company lies in having a “powerful means to win in a highly competitive market.” By gaining fair market recognition and securing a comparative advantage, your company can turn the market into an ally, enabling dynamic growth strategies through M&A and capital-raising opportunities. From this standpoint, we strongly hope that you will further strengthen communication with the market and take the lead in advancing business portfolio reform to earn investor trust.

Furthermore, by using the resulting higher valuation as a driver of further growth, we hope your company will continue to deliver innovative products that benefit customers and society, while ensuring that both management and employees are rewarded appropriately, and that shareholders are compensated through rising corporate value — achieving “sanpō yoshi, “a truly win–win–win outcome” for all stakeholders.

We have offered many suggestions, but they are intended purely as encouragement and constructive feedback, with the hope that your company will receive proper recognition from the market. We sincerely hope that each point will be carefully considered and serve as a foundation for your future management and financial strategies. After over 100 years of accumulated tradition and technological expertise, we earnestly wish that, by further strengthening the focus and concentration on the golf shaft business—poised to bloom magnificently—you will lay the foundation for continued success over the next 200 to 300 years. With these thoughts, we conclude our letter.

Lastly, we would very much welcome the opportunity for a dialogue. However, regarding actual management decisions, we respectfully ask that any material information be disclosed appropriately through press releases or other timely disclosure channels, in accordance with fair disclosure principles.

Sincerely yours,

(Translated by Fumihiro Kawasaki)

October 24, 2025

9 Raffles Place, #26-01, Singapore 048619

Hibiki Path Advisors Pte. Ltd.



The accuracy of the data and information collected in the preparation of this document is taken with great care, but the accuracy is not guaranteed. In addition, this document does not solicit applications for or recommend the sale of certain securities, or provide advice on investment, legal, tax, accounting, etc. In respect of information that has been prepared by Hibiki Path Advisors (and not otherwise attributed to any other party) and which appear in the English language version of this letter, in the event of any inconsistency between the English language version and the Japanese language version of this letter, the meaning of the Japanese language version shall prevail unless otherwise expressly indicated engagement amongst all shareholders.

Appendix 1

WACC Calculation		
a	Risk Free Rate (Rf)	1.5%
b	Beta (stock's sensitivity to the market)	0.8
c	Market Risk Premium	6.0%
d	Cost of Equity (COE) =a+c*b	6.4%
e	Cost of Debt (COD) (assumed)	2.0%
f	Market Capitalization (JPY 1 bn)	36.8
g	Net Cash (JPY 1 bn), FY26/3 1Q	8.0
h	Equity Ratio	100.0%
i	Tax Rate	30.0%
j	WACC =h*d+(1-h)*e*(1-i)	6.4%

Discounted Cash Flow (DCF) Method		
k	Normalized FCF (JPY 1 bn)	3.8
j	WACC	6.4%
l	Terminal Growth Rate	0.5%
m	Enterprise Value (JPY 1 bn) =k/(j-l)	63.9
n	Net Cash (JPY 1 bn), FY26/3 1Q	8.0
o	Equity Value (JPY 1 bn) =m+n	71.8
p	Shares Outstanding after Treasury Stock (million shares)	19.2
q	Theoretical Share Price (JPY) o/p	3,750

*Net Cash is calculated using cash and deposits and interest-bearing debt for 1Q FY3/26, and investment securities and net deferred tax assets as of FY3/25 year-end. Stock price is the closing price on October 15.

(Source: Company disclosures, prepared by our firm based on BBG)

Appendix 2.

第6次中期経営計画 … 1. 売上高・利益率の向上



2023年3月期-2025年3月期
 第6次中期経営計画 フェーズ2 (成長期)

戦略方針

1. 売上高・利益率の向上

2023年3月期 (144期) 実績

- 自動車の電動化市場 (リチウムイオンバッテリー市場・モーター市場等) へのアプローチを強化
- 医療分野の生産体制の強化のため、設備投資を実施
- ゴルフシャフトは市場・シェアともに拡大
- 自動化・省人化を推進するため、(株)テクノロジーサービス社を完全子会社化

2024年3月期 (145期) 実績

- 自社ブランドシャフトはアフターマーケット市場で高い利益率を確保
- イノベーション創出を目指し、「先進技術戦略室」を設置
- Fu Yu 社 (シンガポール) と業務提携を締結
- バッテリーレス液体検知センサ発売
- 小高工場再稼働に向け、設備投資開始

2025年3月期 (146期) 実績

- 事業ポートフォリオの見直しにより、印材事業からの撤退
- 小高工場において、ゴルフシャフト及び CFRP 製産業用品の開発、製造開始 (液晶・半導体製造装置を中心とした、構造部材の加工及び組立は、2026年3月期開始)
- FC技術とテクノロジーサービス社のコラボレーションによる自動化設備製作

Copyright©FUJIKURA COMPOSITES Inc. ALL RIGHTS RESERVED

5

(Source: 7th Medium-Term Management Plan (Japanese Only))

Appendix 3.

ROE向上に対する考え方



	2023/3 (実績)	2024/3 (予想)	2025/3 (目標)	ROE向上のための施策
ROE	11.8%	10.2%	10%以上	<ul style="list-style-type: none"> ■ 10%以上の維持を目指す
(収益性) ①売上高純利益率 当期純利益 ÷ 売上高	9.7%	8.5%	↑	<ul style="list-style-type: none"> ■ 事業戦略による高付加価値品の売上高向上 ■ 自動化、省人化推進による収益性の向上
×				
(資産効率性) ②総資産回転率 売上高 ÷ 総資産	0.9回	1.0回	→	<ul style="list-style-type: none"> ■ 調達難を回避しながらの在庫圧縮 ■ 新規事業設備投資と設備稼働率向上
×				
③財務レバレッジ 総資産 ÷ 自己資本	1.2倍	1.2倍	→	<ul style="list-style-type: none"> ■ 現状水準維持を想定も市場環境や資本効率等を勘案し、自己株式を取得

Copyright©FUJIKURA COMPOSITES Inc. ALL RIGHTS RESERVED

7

(Source: [Notice Regarding Progress of the Mid-Term Management Plan \(Japanese Only\)](#))