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Yamabiko Corporation
Board of Directors
Representative Director, President & CEO
Mr. Hiroshi Kubo

July 24, 2026

Proposal to Enhance Yamabiko's Corporate Value

Contents

1. Introduction

We are Hibiki Path Advisors (Hibiki Path Advisors SPC since January 2026; hereinafter collectively referred to as "we," "us," or "our"), an investment manager that holds shares in Yamabiko Corporation (hereinafter referred to as "you," or "Yamabiko") in accounts managed on behalf of our clients. We are writing today to present President Kubo and the Board of Directors with a number of proposals that could further enhance your corporate value. We respectfully ask that this letter be circulated to all members of the Board, including the outside directors, and that its contents be discussed by the Board as a whole. We also intend to make this letter publicly available on our website at an appropriate time following its delivery to you.

We manage capital entrusted to us by institutional investors in Japan and overseas, as well as by Japanese corporations and individuals, with a long-term investing mindset. In doing so, we assess candidate companies from a number of perspectives, including whether their shares trade at a significant discount to their intrinsic value and whether we can engage constructively with management and work together to enhance that value. Our investment horizon is therefore firmly medium-to-long-term, rather than driven by day-to-day share-price movements or quarterly earnings.

We are often broadly categorized as an activist investor. Our approach, however, is somewhat different from what that label may imply. As a general principle, we seek to engage with management in a friendly and constructive manner, sharing our views on how corporate value can be enhanced. At the same time, where our views and management's diverge materially on how shareholder value should be enhanced, and where we believe that a shareholder proposal would serve the common interests of shareholders, we retain the flexibility[1] to put forward such a proposal ourselves.

Since attending your second-quarter results briefing for FY12/25 in August 2025, we have continued to engage in meaningful dialogue with you on how to enhance corporate value through earnings briefings, individual IR meetings, a tour of your Morioka plant, and other opportunities. We have also taken the initiative to deepen our understanding of your business and industry, including by attending the recent "Landscaping and Greening Machinery Exhibition 2026 in Tokyo" and "CSPI 2026." Our interest in your business has only deepened. You own a powerful portfolio comprising the ECHO, KIORITZ, and Shindaiwa brands, and we believe you still have considerable room to grow. At the same time, we firmly believe that the market's current valuation of your shares does not fully reflect your intrinsic value. We have therefore prepared this letter, including the proposals set out below, in the hope that we may help close that valuation gap.

Before turning to the substance of the letter, we would like to briefly outline its structure. In Section 2, "History and the Sources of Your Competitive Advantage," we set out our understanding of your fundamental strengths from a historical perspective. In Section 3, "Current Market Valuation and the Factors Behind It," we discuss

[1] Another important feature of our approach is that we often submit shareholder proposals while maintaining a constructive relationship with management. In our view, exercising shareholder rights does not in itself imply a complete adversarial stance.

why your current share price, in our view, does not adequately reflect those strengths and the factors that may be contributing to this valuation gap. We then turn in Section 4, “Our Proposals,” to a number of specific measures designed to help communicate your strengths more effectively to the equity market and achieve a valuation that better reflects those strengths. Finally, Section 5, “Closing Remarks,” concludes the letter. This is a lengthy letter running to several dozen pages, but we sincerely request that you read it in full to digest it thoroughly.

2. History and the Sources of Your Competitive Advantage

Above all, what we find most compelling about your business is the strong global presence in Outdoor Power Equipment (hereinafter referred to as “OPE”)—including brushcutters, power blowers, and chainsaws—underpinned by proven technological capabilities. We understand that Yamabiko, as a whole, commands a high global market share, particularly in professional-grade, engine-powered handheld products, and that your position in North America is especially strong. Your three core brands—ECHO, KIORITZ, and Shindaiwa—were familiar even to us, despite our not being industry professionals, which speaks to the strength and recognition these brands have built.

Intrinsic value of a company is built over a long history, layer by layer, much like sediment. When we begin investing in a company, we therefore start by seeking to understand in depth its history of struggles and successes, as well as the path dependency that has shaped the business into what it is today. Your business, Yamabiko, is no exception. To truly understand where your strengths come from, we felt that simply looking at developments over the past four or five years would not be enough. We therefore went back to the very beginning and carefully traced the path you have taken since your founding. Our conclusion is that the development of your competitive strengths can broadly be understood through the following three pillars. We would first like to share this outside perspective with you.

Pillar 1: The History of Landscaping and Urban Green-Space Development
Pillar 2: The Rise of ECHO
Pillar 3: Merger

The first pillar is the history of landscaping and urban green-space development. As urbanization, urban expansion, and suburbanization accelerated rapidly in the United States after World War II, owning a detached house with a yard increasingly became a symbol of success—the so-called “American Dream.” The resulting practical need to maintain residential and urban landscapes, together with public policies aimed at improving the urban environment, laid the foundations for the distinctive market that exists today.

The second pillar examines how you, despite being a relatively late entrant into this field, succeeded in winning a foothold in the market. By focusing on the actions and strategic choices you made along the way, we seek to better understand what defines you as a company.

The third pillar is management integration. Yamabiko was established in 2008 through the merger of your two predecessor companies, Kioritz Corporation (hereinafter referred to as "you" or "Kioritz Corp.") and Shindaiwa Corporation (hereinafter referred to as "you" or "Shindaiwa Corp."). We look back at how this bold decision enabled you to overcome the double blow of a strong yen and increasingly stringent environmental regulations.

Taken together, these three pillars allow us to trace your journey through this relatively little-known but highly specialized OPE market and understand the strength of your corporate backbone. This, to us, is precisely where a meaningful part of your intrinsic value lies.

Pillar 1: The History of Landscaping and Urban Green-Space Development

(1) The Origins of Green-Space Maintenance

The first pillar concerns the history of the market itself. The origins of OPE lie in Europe, where the idea of living in harmony with nature had long been woven into everyday life. The lawn mower is generally considered to have originated in England in 1830, when Edwin Beard Budding invented a machine that transferred the force generated by pushing from a roller to a rotating blade.

Britain and France had long been home to magnificent castles and palaces, where aristocrats and landowners created elaborate gardens as expressions of status and power. Landscaping was therefore already deeply embedded in Europe's social and cultural fabric. In the nineteenth century, however, maintaining such landscapes required extensive manual labor, often using tools such as scythes. Beautifully maintained grounds were therefore a privilege enjoyed by only a small segment of society.

The lawn mower helped bridge that gap. It brought genuine innovation to landscaping by making it possible to achieve a more uniform finish with far less physical effort.

Figure 1: One of the Oldest Surviving Lawn Mowers (Budding Lawn Mower No. 1623)

(Source: [Museum of Gardening])

The chainsaw is also generally considered to have originated in Europe, specifically Germany[2]. An early form was invented in 1830 by orthopedic surgeon Bernhard Heine, and in 1926 Andreas Stihl patented an electric chainsaw and began commercial production. The company he founded, now known globally through the STIHL brand, continues to command a powerful position in the OPE market today.

What this history shows is that OPE originated not in the United States—which in most respects is now the world's largest market—but in Europe, where the climate and way of life had long fostered a culture of coexisting with nature. At this early stage in the development of OPE, neither Kioritz Corp., founded in 1947, nor Shindaiwa Corp., founded in 1952, even existed. Yamabiko therefore entered the market later and was by no means pioneer in the category. This starting point is important in understanding what followed, as we discuss later in this section.

Let us return to the history of OPE. Although OPE originated in Europe, its development gradually spread to the United States during the nineteenth century as large numbers of European immigrants crossed the Atlantic in search of a new life. The first U.S. patent relating to a lawn mower was granted in 1868, and New York's first golf course opened in 1888.

In our view, however, the most important factor behind the growing interest in green-space maintenance was the rapid concentration of people in America's urban centers. According to U.S. Census data[3], the population of New York City rose from just 60,515 in 1800 to 515,547 in 1850—a dramatic increase in only half a century. This rapid urbanization brought with it a range of public-health problems[4]. As one response, Frederick Law Olmsted and others designed Central Park, which remains a treasured part of life for New Yorkers today. As the population exploded, awareness also grew of the importance of deliberately creating and maintaining green spaces within the urban environment.

[2] https://www.husqvarna.com/au/learn-and-discover/history-of-the-chainsaw-celebrating-60-years/?srsltid=AfmBOoqs_q-1UxVt4QhnWFy--pAwn1UGN9Nbcj7C7a7EbaOQxDjfHzhY
[3] https://www.census.gov/about/history/historical-censuses-and-surveys/decade-facts.1900.html#list-tab-2036066290
[4] https://collections.nlm.nih.gov/bookviewer?PID=nlm:nlmuid-63140820R-bk

Figure 2: Manhattan Before and After the Opening of Central Park

(Source: CENTRAL PARK CONSERVANCY, OLMSTED NETWORK)

Olmsted's own thinking appears to have been strongly influenced by Europe. According to the Olmsted Network[5], he visited Birkenhead Park in Liverpool, England, in 1850. The experience convinced him that public parks should also be introduced in the United States. He later worked on the design of Central Park with the English-born Calvert Vaux, providing another clear example of the European influence behind the project.

Of course, Olmsted and his contemporaries were primarily concerned with the design of parks, and their ideas alone were not enough to trigger the full-scale expansion of the OPE market. What mattered, however, was that the idea of bringing nature into the urban environment was also beginning to take root in the United States. We believe this gradual shift in values helped lay the foundation for the version of the "American Dream" that we discuss next.

(2) The Postwar "American Dream"

The real breakthrough for the OPE market came after World War II, as the end of the war triggered a major social transformation in the United States. Large numbers of veterans returned home, but the country was initially unable to meet their housing needs. According to an article published by Yale University[6], around six million returning veterans were forced to stay with relatives or friends after leaving the military, while another 500,000 lived in temporary housing.

The suburbs emerged as the answer to this severe housing shortage. Land was more readily available, making it possible to build detached homes with larger yards at relatively affordable prices. Government support for home purchases under the GI Bill also contributed to the rise of both suburban living and homeownership[7]. North America was, of course, already blessed with abundant natural surroundings. As people's lives increasingly

[5] https://olmsted.org/frederick-law-olmsted/life/
[6] https://yalebooks.yale.edu/2025/04/23/how-levittown-set-the-stage-for-todays-housing-crisis/
[7] According to the BBC, the share of Americans living in suburbs rose from 17% in 1920 to 31% in 1960. Over the same period, U.S. Census data shows that the national homeownership rate increased from 45.6% to 61.9%.

extended beyond the urban core and into the suburbs, owning a detached suburban home with a well-maintained yard gradually became embedded in the American imagination as a symbol of social success—in other words, as part of the "American Dream."

As ordinary households came to own yards of their own, maintaining them became an immediate practical need, and consumer demand for OPE expanded accordingly. Put differently, OPE became an essential tool for maintaining the very symbol of social status that these households had worked to achieve, and the market entered a period of rapid expansion.

Levittown, developed in 1947 in part to accommodate returning veterans, provides a good illustration. Large numbers of relatively affordable detached homes were built there, but residents were also expected to help preserve the attractive appearance of the newly developed community. During the grass-growing season, for example, they were required to maintain their lawns once a week[8]. This suggests not only that the number of households needing to maintain a yard was rising rapidly, but also that the lawn was already becoming a standard feature of suburban life.

Gardening magazines in the 1950s and 1960s reportedly carried a number of editorials[9] lamenting the competitive pressure among neighbors over whose lawn was better maintained. To us, this is a telling anecdote: the condition of one's yard had become closely associated with social standing and with how one was perceived by the surrounding community. It was through this process that OPE, supported by America's lawn culture, took root in everyday American life.

Despite this rapid expansion of the consumer OPE market, ECHO Incorporated (hereinafter referred to as "you" or "ECHO Inc."), now one of your key subsidiaries and originally established as part of Kioritz Corp.'s operations, was not established in the United States until 1972. Shindaiwa Corp. did not establish its own U.S. subsidiary until 1982. This brings us to our second pillar, where we trace your path in North America, focusing primarily on Kioritz Corp. and ECHO Inc.

[8] https://apcentral.collegeboard.org/series/america-on-the-world-stage/lawn-and-landscape-world-context-1945-2000
[9] https://smithsoniangardens.wordpress.com/2016/03/15/the-great-american-lawn/

Pillar 2: The Rise of ECHO

In the 1970s, the U.S. market was dominated by established domestic manufacturers such as Homelite and McCulloch, as shown below. At first glance, a newcomer from Japan might have seemed to have little chance of breaking into such a market. Yet that is exactly what you did. Tracing how this happened is an essential piece of the puzzle in understanding your strengths.

Figure 3: U.S. Gasoline Chainsaw Market Share in the Early 1970s

	1970	1971	1972	1973
Homelite	35%	31%	28%	28%
McCulloch	33%	33%	27%	27%
Remington/Desa			8%	12%
Beaird-Poulan			8%	12%
Stihl			7-8%	6%
Roper			6%	
Pioneer			4%	
Skil			3%	
Echo			1%	

*While the source does not explicitly state whether the figures are based on units or value, the surrounding context suggests that they are likely unit-based.

(Source: The Chain Saw Industry in 1974)

We believe that one of the key catalysts behind the breakthrough achieved by Kioritz Corp. and ECHO Inc. was the severe drought[10] that struck California in the 1970s. The green suburban communities that had grown alongside the American Dream generated large quantities of fallen leaves and dry grass. Until then, the common way of clearing them had been to wash them into roadside gutters using a hose. As drought-driven water shortages led cities to prohibit this practice, however, residents were left without a practical way to dispose of leaves and grass.

The solution was the power blower developed by Kioritz Corp. Kioritz Corp. was founded in 1947 as Kyoritsu Noki Co., Ltd., originally an agricultural machinery company, and grew through products including agricultural chemical sprayers. Then, in a genuinely serendipitous turn, you observed that some users—particularly during periods of drought—were operating the equipment without attaching the chemical tank and were instead using it simply to generate airflow. This observation led you to apply your existing technology in a new way and develop a dedicated blower[11].

[10] https://www.titantec.com/es/blog/when-did-leaf-blowers-become-popular/
[11] Having reviewed a range of sources, we understand that there are differing accounts, but many identify Kioritz and ECHO as having developed the world's first power blower.

In 1976, when the drought was particularly severe, you introduced what is understood to have been the world's first handheld power blower[12], responding quickly to an emerging market need. We understand that even today, power blowers remain one of your mainstay product categories in the United States, second only to brushcutters in your sales mix.

What strikes us is how quickly you were able to identify and respond to an entirely new source of demand. For a company that had entered the OPE market well after the established players, the power blower provided an important foothold from which to build market share.

Figure 4: Power Blowers, Then and Now

*The model on the left is the world's first handheld power blower; the model on the right is a recent model.

(Source: Your websites)

Through a combination of your own technology and a quick response to a real social need, ECHO rapidly built brand recognition. But a single successful product is not enough to create a lasting franchise. ECHO, of course, did not end up as a one-hit wonder. Today, it stands alongside STIHL and Husqvarna as one of the top-tier brands in the global OPE market. It is therefore natural to conclude that ECHO's success rested on more than a single fortunate product launch. In our view, the strategy that supported its long-term success can broadly be divided into three elements:

1. Thorough localization and insulation from Japan-bashing
2. A consistent focus on professional and semi-professional users
3. Clear differentiation by price point and sales channel

First, let us turn to the first element: (1) thorough localization and insulation from Japan-bashing. ECHO Inc. was established in 1972, when it was incorporated as KIORITZ CORP OF AMERICA—a name that plainly positioned it as the U.S. arm of Kioritz Corp. A meaningful change came six years later, in 1978, when it adopted its current name, ECHO Incorporated. According to Kioritz Corp.'s corporate history[13], the ECHO brand had

[12] https://www.yamabiko-corp.co.jp/history_k/ (Japanese only)
[13] https://www.yamabiko-corp.co.jp/history_k/ (Japanese only)

been in use since at least 1963. We therefore view the 1978 name change as evidence of a clear strategic decision by management to position ECHO as the flagship brand for the U.S. market. This localization went further in 1985, when you built a new facility in Lake Zurich[14], Illinois, expanded local production, and increasingly created employment as a local U.S. company.

Placing the ECHO brand at the center of the business and adapting your operations thoroughly to the local market was a remarkably astute decision by management at the time. Trade tensions between Japan and the United States had flared intermittently since the 1970s, and by the late 1980s had escalated into the intense anti-Japanese sentiment and boycott movements commonly referred to as "Japan-bashing." Political tensions were also running high, at times creating an openly hostile environment for Japanese companies.

We believe your localization strategy materially reduced your exposure to those risks. "ECHO" is an ordinary English word and does not immediately evoke Japan in the minds of most consumers. Unlike the unfamiliar name "KIORITZ"—and unlike Toyota, Nissan, or Honda, which were immediately recognizable as Japanese—ECHO was far less likely to become an obvious target of anti-Japanese sentiment.

At the same time, whether or not this was an explicit objective, you were also expanding local production. By building a manufacturing presence in the United States and creating local jobs, you reduced the risk of being criticized as merely a foreign manufacturer exporting into the U.S. market. In that sense, the production footprint itself helped insulate you from unnecessary political and protectionist pressure.

Of course, looking at Kioritz Corp.'s financial performance alone, the period was by no means easy. The sharp appreciation of the yen and other external factors beyond management's control created significant headwinds. Even so, thorough localization appears to have helped mitigate their impact. At the very least, the ECHO brand emerged from this difficult period with its position intact—and ultimately stronger.

Looking at Yamabiko today, it is hard not to be struck by how powerfully decisions made thirty or forty years ago continue to shape who you are. To us, this is a clear example of the path-dependent nature of intrinsic value. By deliberately shedding an overtly Japanese identity and truly living by the principle of "when in Rome, do as the Romans do," you were already practicing a form of localization and brand strategy that would later become conventional wisdom. What these decisions reveal is a distinctly pragmatic management mindset: substance over symbolism, and results over appearances.

Second, we think that (2) your consistent focus on professional and semi-professional users—and the downside resilience this gave your earnings—has been another reason you have endured for more than fifty years. As described in ECHO Inc.'s corporate history[15], the oil crisis of the early 1970s created a surge in demand for small,

[14] https://www.echo-usa.com/press-releases/echo-incorporated-celebrates-its-50th-anniversary
[15] https://www.echotools.com/en_us/about-echo/our-history/timeline

affordable chainsaws, as households increasingly turned to firewood as a cheaper source of heating. U.S. chainsaw sales reportedly more than doubled from around 750,000 units in 1971 to approximately 1.71 mn units in 1973[16]. ECHO Inc. captured part of this demand with products such as the CS-302. Importantly, however, you did not abandon your fundamental focus on professional and semi-professional users.

That consistency ultimately helped protect the business. Chainsaw demand fell sharply in the 1980s. Global chainsaw sales, which stood at around 5.8 mn units in 1980—including roughly 3 mn units in the United States[17]—had declined to around 3.4 mn units by 1984[18]. Companies that had aggressively pursued the temporary surge in demand generated by the oil crisis struggled badly when the market turned. McCulloch, then owned by Black & Decker, fell into losses[19] and was eventually sold. ECHO Inc., by contrast, avoided anything close to that level of distress.

We believe you were able to avoid such a crisis because a clear focus on core competence was already deeply embedded in the management of Kioritz Corp. and ECHO Inc. Kioritz Corp. was not simply an agricultural machinery or OPE company. Its true strength lay in the ***technology*** required to manufacture compact, high-performance engines. This capability was significant enough that, beginning with its autumn 1969 edition, the Shikiho Online for a time described Kioritz Corp. under the headline, "Transforming into an Engine Manufacturer." Kioritz Corp. also supplied standalone engines to other manufacturers on an OEM basis, suggesting that its engine technology was already well recognized within the sector.

Against this background, it was natural for you to maintain a consistent focus on high-output products for more demanding users, from that period through to today. Professional landscapers and forestry workers use OPE as tools of their trade. Their demand is therefore less dependent on temporary consumer booms and is likely to grow more steadily over time. This, in turn, made your business less exposed than many competitors to fluctuations in end-market demand.

This takes us slightly beyond the historical narrative, but our assessment is that your core competence today remains the high-output engine—the very heart of OPE. This view is based partly on how you present your OPE business[20], where the development of proprietary, higher-output engines remains a key theme, and partly on what we have learned through our discussions with you. While you have decentralized final product assembly closer to end markets, you continue to maintain an integrated, in-house engine production system at your Yokosuka plant[21], where you produce more than 2 mn two-stroke engines annually[22]. To us, this appears to be a highly strategic choice: protecting the part of the product where the greatest value is created, while continuously

[16] https://academyci.com/wp-content/uploads/2020/04/Chain_Saw_Industry_in_1974.pdf
[17] https://www.cpsc.gov/Newsroom/News-Releases/1980/Commission-Approves-Mandatory-Approach-Toward-Reducing-Chain-Saw-Injuries-From-Kickback
[18] https://www.encyclopedia.com/books/politics-and-business-magazines/andreas-stihl
[19] https://www.encyclopedia.com/social-sciences-and-law/economics-business-and-labor/businesses-and-occupations/black-decker-corp
[20] https://www.yamabiko-corp.co.jp/english/corporate/business/ope/
[21] https://jsite.mhlw.go.jp/kanagawa-hellowork/content/contents/002158219.pdf (document not available as of the publication date)
[22] https://www.yamabiko-corp.co.jp/english/sustainability/activities/quality/

maintaining and strengthening your competitive advantage. By keeping this process in-house and operating it on an integrated basis, we believe you are able to: (a) differentiate your products through high-specification engines; (b) maintain cost competitiveness; (c) ensure consistently high quality; and (d) accumulate the tacit knowledge required to respond quickly to increasingly stringent environmental regulations.

Over many years, these capabilities have contributed directly to the product differentiation and regulatory responsiveness that continue to set you apart from competitors today, as we discuss later in this letter. Part of this analysis is necessarily our own interpretation from the outside. But that is precisely why it matters. The value created by your engine technology is not immediately visible to investors and, in our view, remains one of the most important components of your intrinsic value that the market still fails to appreciate.

Returning to our main discussion, let us turn to the third and final element: (3) differentiation by price point and sales channel. From the 1980s onward, changes in the market environment gradually weakened the position of domestic U.S. manufacturers. Competition, however, did not disappear. You still had to compete with players such as Stihl, which we regard as one of the leading companies in the OPE market today. To avoid being pushed out of the market and continue growing, you needed to carve out a clear position of your own. We therefore examine this third element through the way ECHO differentiated itself from—and found room to coexist with—STIHL. The strategy had two main components: positioning professional-grade products at somewhat lower price points than comparable STIHL products, and securing a major new sales channel through The Home Depot (hereinafter referred to as "Home Depot") in 1994.

Price differentiation was closely intertwined with distribution strategy. STIHL has long adhered to its principle of "No service, no sale[23]," maintaining its premium brand position by selling exclusively through authorized dealers and avoiding discounting. ECHO, by contrast, entered the U.S. market in the 1970s as a late-arriving Japanese brand. However capable you were of producing high-quality professional products, and however successful the power blower had become, it would have been difficult to command the same premium brand image as an established player such as STIHL overnight.

You therefore carved out a position in professional-grade products at somewhat lower price points than comparable STIHL products. Even today, ECHO products are generally known to be priced below their STIHL equivalents[24]. At first glance, this may look like little more than a lower-margin strategy and therefore an unattractive one. We do not see it that way.

Perhaps partly because of the centralized engine production system discussed above, ECHO products have built a reputation for being relatively light, easy to use, and highly reliable. As a result, you did not necessarily need to build the same extensive service infrastructure that supports STIHL's business model. The longer

[23] https://streamer.gulfcoast.edu/TECH/kallan/MAN3503/SWOT Project/Stihl Inc. Case.pdf
[24] https://shopping.yahoo.com/home-garden/outdoor/articles/stihl-chainsaws-great-smart-money-014500892.html

warranties generally offered on ECHO products also appear to reflect your confidence in their quality. Put differently, we believe you understood your competitive advantages in both cost and quality and translated them directly into your sales strategy. One might describe this as a strategy of being "slightly cheaper" without ever "selling yourself cheap."

We believe this combination of cost competitiveness and consistent product quality also helped you secure Home Depot as a major distribution channel. In its early years, ECHO Inc. sold primarily through a broad network of distributors and dealers. Stihl was also particularly strong in dealer-based distribution, making direct competition inevitable and placing a natural limit on how far ECHO Inc. could expand through essentially the same channel. Given ECHO's strength in high-output products, some overlap with STIHL was unavoidable. Rather than competing head-on across the board, however, you introduced a subtle shift (i.e. miss-direction) in positioning and found room to grow in the semi-professional segment—users who sit between professionals who rely frequently on OPE for their livelihood and ordinary consumers who use such equipment only occasionally for DIY or household purposes.

Although Home Depot is a home-improvement retailer, it has long maintained a relatively strong orientation toward products for professional and more demanding users[25]. From that perspective, the relationship made strategic sense for both sides. For ECHO Inc., Home Depot offered an opportunity to expand into an adjacent customer segment without moving far away from your core competence. For Home Depot, ECHO provided a lineup of professional and semi-professional products at price points that remained accessible to its existing customer base. The ease of use and reliability of ECHO products also made them particularly well suited to a large home-improvement retailer, where after-sales support is naturally less intensive than at a specialist dealer. In this way, a relatively clear division of territory emerged between ECHO and STIHL, two brands with particular strength in high-output OPE.

Today, our understanding is that your engine-powered OPE products have an almost exclusive presence at Home Depot. Here again, we can see a path-dependent outcome of management decisions made through careful analysis of both the market environment and the competitive landscape.

Importantly, this did not mean abandoning professional users who require more hands-on support. Even today, we understand that dealer sales still account for roughly half of ECHO Inc.'s revenue[26]. Rather, Home Depot enabled you to capture a gap in the market that existed precisely because ECHO products were reliable and easy to use. At the same time, we understand that you have carefully differentiated the support and product lineup offered through each channel so as to avoid excessive conflict with your own dealer network[27].

[25] https://ir.homedepot.com/~/media/Files/H/HomeDepot-IR/2026/thd-annualreport-2025.pdf
[26] https://ssl4.eir-parts.net/doc/6250/ir_material_for_fiscal_ym1/37071/00.pdf (Japanese only)
[27] https://www.youtube.com/watch?v=_q89o0Wj7vo

We have now examined three elements of ECHO's development in North America: (1) thorough localization and insulation from Japan-bashing, (2) a consistent focus on professional and semi-professional users, and (3) differentiation by price point and sales channel. Taken together, these examples reveal what we see as an important characteristic of your management: the ability to assess your own strengths and potential risks calmly, avoid unnecessary risks, and still find room to grow. At a more abstract level, your success can also be understood as the disciplined execution of what Michael Porter described as a focus strategy[28]—carefully choosing where to compete and then building a strong position within that chosen space.

We now turn to our third and final pillar: The Merger.

Pillar 3: The Double Blow of Yen Appreciation and Environmental Regulation —and the Merger

The 2008 merger between Kioritz Corp. and Shindaiwa Corp. offers an important lesson for understanding who you are today: you were able to turn adversity into an opportunity to strengthen the business. A 2018 episode of TV Tokyo's "The Unknown Gulliver—Excellent Company File[29]" broadly described the background to the integration as follows:

- A wave of environmental regulation emerged in the 1990s;
- Responding to it required substantial financial resources; and
- The two companies therefore chose to move beyond their rivalry and pursue coexistence and mutual growth.

Indeed, the operating environment surrounding OPE began to change materially around this time. Ironically, OPE—equipment used to maintain the natural and living environment—was itself increasingly brought within the scope of environmental regulation. In 1990, California introduced its CARB SORE regulations, bringing small engines under full-scale emissions regulation. At the federal level, the 1990 Clean Air Act Amendments were followed by a succession of EPA regulations. Requirements continued to be introduced and tightened into the early 2000s, forcing OPE manufacturers to respond continuously.

Meeting these environmental standards required significant investment in R&D and production-line conversion, in some cases involving a fundamental rethink of product design itself. This was no small burden in an already challenging business environment. For Japanese manufacturers, the sustained appreciation of the yen following the 1985 Plaza Accord added further pressure. Kioritz Corp. recorded an operating loss in FY11/86, as did Shindaiwa Corp. in FY12/86, and both companies subsequently reported operating losses on several occasions. As discussed earlier, this period also followed the sharp contraction of the U.S. chainsaw market. Both

[28] https://www.masterclass.com/articles/focus-strategy
[29] https://txbiz.tv-tokyo.co.jp/gulliver/vod/post_153949 (Japanese only)

companies had therefore already been weakened financially, leaving them with limited resources to devote to increasingly demanding environmental compliance. On top of this came intensifying price competition from emerging-market manufacturers[30]. Taken together, we suspect that this era of environmental regulation may well have been the most difficult period you had faced in the previous fifty years.

That said, the years immediately preceding the Merger—when environmental regulation was at its most demanding—also gave you an opportunity to expand your market presence and sales. Between 2002 and 2007, the EPA progressively tightened emissions standards for engines used in handheld products[31], forcing manufacturers across the industry to respond. Both Kioritz Corp., through ECHO Inc., and Shindaiwa Corp. introduced compliant products into the North American market and achieved sales growth. Shindaiwa Corp., for example, recorded a 40% year-on-year increase in brushcutter unit sales in FY3/07[32].

Profits, however, did not increase to nearly the same extent, as shown in Figure 6. With no clear end in sight to further regulatory tightening, continued investment appeared inevitable, while it remained uncertain whether either company could sustainably bear the burden alone. In that sense, both companies may have been experiencing a form of "regulatory fatigue." President Kubo was seconded from Mitsui & Co. USA to ECHO Inc. from April 2005 through the end of 2007, serving as Vice President. We can only imagine that he was personally at the center of these efforts, dealing simultaneously with increasingly demanding environmental requirements and the need to differentiate ECHO commercially in the U.S. market.

Your competitors were, of course, struggling with the same regulatory pressures. In overseas markets, where M&A was generally more commonplace than in Japan, this helped trigger a rapid wave of industry consolidation, particularly in the United States. As Figure 5 illustrates, the 2000s saw a remarkable series of transactions across the industry. Familiar names in Japan such as Ryobi, Zenoah, and Zama were all involved in significant changes in ownership or industry structure. Some transactions were effectively restructurings of distressed or bankrupt businesses. Most strikingly, even Homelite—a brand that had once held a dominant position in the U.S. OPE market—was ultimately sold by its then-owner, John Deere & Company.

[30] https://yamabiko.g.kuroco-img.app/files/topics/6874_ext_4_1.pdf
[31] https://www.federalregister.gov/documents/2000/04/25/00-7887/phase-2-emission-standards-for-new-nonroad-spark-ignition-handheld-engines-at-or-below-19-kilowatts
[32] https://yamabiko.g.kuroco-img.app/files/topics/6874_ext_4_1.pdf

Figure 5: Selected Examples of OPE Industry Consolidation in the 2000s

Year	Event
2000	MTD Products acquired Ryobi's U.S. outdoor products business
2000	STIGA Group was established
2001	MTD Products acquired the assets of Garden Way following its bankruptcy
2002	TTI acquired Homelite's OPE business
2002	Simplicity acquired Snapper
2004	Briggs & Stratton acquired Simplicity
2007	Husqvarna acquired Gardena
2007	Husqvarna acquired Zenoah's OPE business
2008	Stihl acquired ZAMA

(Source: Company disclosures and various media sources*)

* LAWN & LANDSCAPE(1, 2, 3), STIGA, TROY-BILT, TTI, Husqvarna(1, 2), Stihl

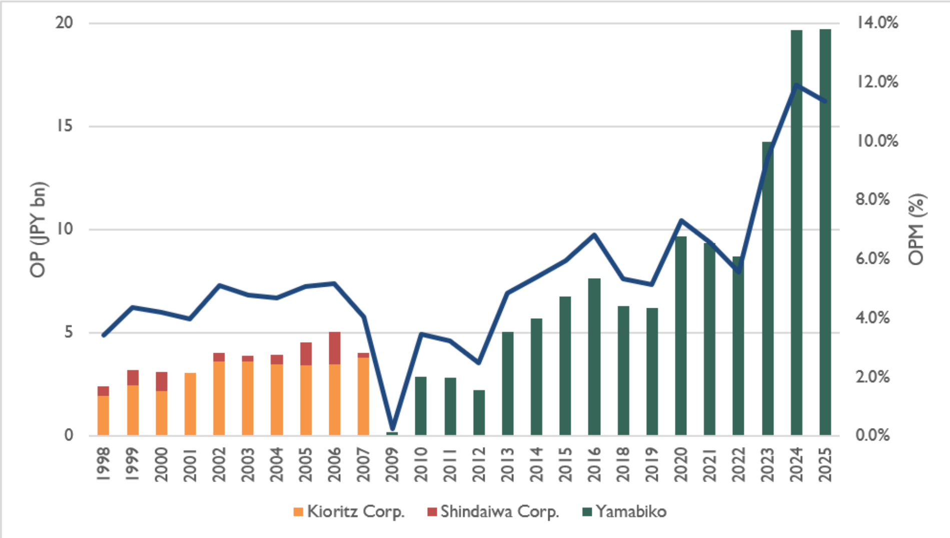
Against this backdrop—and likely encouraged in part by the broader wave of industry consolidation—Kioritz Corp. and Shindaiwa Corp. decided to integrate their businesses in 2008. At the time, Shindaiwa Corp. still retained a strong owner-led character. Yet the two companies once again chose substance over appearances. We believe this was a critically important decision that helped set the stage for the growth that followed. There was a several-fold difference in scale between the two companies at the time: Shindaiwa Corp. had a market capitalization of just around JPY 4 bn, while Kioritz Corp. was valued at more than JPY 15 bn. Despite this gap, the two companies chose to build the new organization on an equal footing. This constructive approach strongly supported a forward-looking integration and helped the two corporate cultures come together relatively smoothly.

The choice of "Yamabiko" as the name of the new company appears to have reflected a similar philosophy. The name seems to have brought the idea behind the ECHO brand back home: "yamabiko" is precisely the Japanese word for an "echo". At the same time, the image of voices resonating throughout the group may also have helped encourage the smooth cultural integration of the two organizations.

Looking back, the impact of the integration was significant. For the first several years following the integration, consolidated operating profit remained below the simple combined operating profit of the two companies before the integration. It then turned upward and, despite some fluctuations along the way, has followed a broadly exponential growth trajectory, as shown in Figure 6. Profitability also improved substantially. In the pre-integration period represented as 2007 in Figure 6, the two companies generated a combined operating margin of approximately 4%, calculated by dividing their combined operating profit by their combined revenue. By 2025, you had reached an operating margin of 11%. Revenue also continued to grow steadily despite the headwinds from environmental regulation, rising from JPY 76.9 bn in 2009 to JPY 174.0 bn in 2025—an increase of nearly JPY 100 bn.

Changes in the external market environment have, of course, also played a role. But looking at the scale of this transformation, it is difficult not to see the benefits of the integration itself: deeper management resources, greater operating efficiency, and economies of scale. To us, this is another example of your ability to turn adversity into a source of growth—to recognize changes in the times and use them to your advantage.

Figure 6: Operating Profit for the Ten Fiscal Years Prior to the Merger and Thereafter



*For the pre-integration period, figures represent the simple sum of consolidated operating profit for Kioritz Corp. and Shindaiwa Corp. For the post-integration period, figures represent Yamabiko's consolidated operating profit. The pre-integration operating margin is calculated by dividing the simple sum of the two companies' operating profit by the simple sum of their revenue.
*For 1998–2007, figures combine Kioritz Corp.'s fiscal year ending in November of the relevant year with Shindaiwa Corp.'s fiscal year ending in March of the following year. For 2009–2016, figures refer to the fiscal year ending in March of the following year. From FY2018 onward, figures refer to the fiscal year ending in December of the relevant year.
*FY2008 and FY2017 are excluded due to irregular fiscal-year periods.

(Source: Bloomberg; your securities reports)

We have so far used these three pillars to get closer to understanding what makes you distinctive. OPE originated in Europe, but the market expanded dramatically in the United States after World War II alongside the rise of the American Dream. You entered that market as a latecomer. The power blower—born almost unexpectedly from an existing technology—provided the initial breakthrough, but what followed was anything but accidental.

Through thoughtful localization, a disciplined focus on core competence, and careful differentiation by price point and sales channel, you turned that initial opportunity into a lasting franchise and gradually built the foundations of the brand strength you enjoy today.

You later faced another period of adversity in the form of tighter environmental regulation and an unfavorable currency environment. Here again, you responded decisively through the Merger, ultimately building the highly profitable business you have today.

Over the past forty to fifty years, you have repeatedly encountered both tailwinds and headwinds. What stands out to us is your ability to turn both into opportunities for the next stage of growth. Looking back at this history, we see the strength of your corporate backbone—and this is precisely where a significant part of your intrinsic value lies.

For more than 200 thousand years, Homo sapiens has battled with nature in order to survive, evolved, expanded the frontiers of human settlement, passed through an era of mass industrialization, and only gradually begun to rediscover the importance of living along with nature. As environmental degradation and global warming continue to intensify, we believe the range of applications for OPE could expand significantly. Planned urban greening to mitigate the heat-island effect, the maintenance of natural habitats to protect plant and animal species, and sustainable forestry and reforestation are just a few examples. Across all these areas, OPE can serve as a behind-the-scenes enabler of the environmental stewardship needed for the sustainable development of human society. Having traced your long history, we strongly believe that you have the potential to play a leading role as one of the key players in this market.

In the next section, we shift our perspective considerably. We move from your history and underlying strengths to how your shares are currently viewed by the capital markets. Drawing as far as possible on objective data, we first examine your current valuation and the factors behind it, before setting out our proposals for how we believe the valuation gap can be closed.

3. Current Market Valuation and the Factors Behind It

Having looked back through your history, we have set out what we believe to be the fundamental strengths of your business. We regard Yamabiko as one of the world's leading OPE manufacturers, alongside Stihl and Husqvarna. Yet we do not believe this is adequately recognized by the equity market. In our view, there is roughly 100% upside from your current share price to our estimate of your intrinsic value per share[33]. We would therefore like to examine what lies behind this valuation gap and why it has persisted.

(1) Current Valuation and the High Cost of Equity

As shown in Figure 7, selected companies with well-recognized brands in the OPE market[34] have traded at an average P/E ratio of around 22x over the past five years[35]. Yamabiko, by contrast, has traded at an average of just 7.6x.

Figure 7: P/E Multiples of Selected OPE Companies

(unit: x)

Company	5 yrs avg. P/E	Range upper limit	Range lower limit	5 yrs avg. disct. rate
Yamabiko	**7.6**	**8.7**	**6.5**	**13.2%**
Makita	28.9	49.9	7.9	3.5%
Husqvarna	20.6	26.6	14.6	4.9%
TORO	22.5	26.1	18.9	4.4%
Stanley Black & Decker	17.2	23.7	10.7	5.8%
Comps avg.	**22.3**	**31.6**	**13.0**	**4.6%**
Comps median	**21.6**	**26.4**	**12.7**	**4.6%**

*Data accessed on July 6, 2026
*Husqvarna figures are based on Class B shares
*The implied discount rate is calculated as the inverse of the P/E ratio

(Source: Bloomberg)

As a simple theoretical exercise, the P/E multiple can be expressed under the Dividend Discount Model (hereinafter referred to as "DDM") as follows:

$$\mathrm{P/E} = \frac{\text{Payout Ratio}}{\text{Cost of Equity} - \text{Expected Growth Rate}}$$

[33] Based on the closing share price of JPY 3,775 as of June 30, 2026, compared with the present value of our target price of approximately JPY 7,580. Our target price of JPY 9,340 is based on our estimated FY12/28 EPS of JPY 467, the final year of the current Medium-Term Management Plan, and a target P/E multiple of 20x. As the target price represents a value two years forward, we discount JPY 9,340 at the 11% cost of equity discussed later in this letter: JPY 9,340 / $(1 + 0.11)^2$, resulting in a present value of approximately JPY 7,580. This calculation does not incorporate potential share buybacks or other measures contemplated in the Medium-Term Management Plan.

[34] As discussed in the previous section, we did not include some of the companies in our analysis as we concluded that, given the respective areas of strength of each company, it is not a direct competitor in North America.

[35] While Husqvarna's valuation has declined significantly in recent years due to weak earnings performance, its five-year average P/E multiple has remained around 20x.

For simplicity, if we assume a 100% payout ratio, this becomes:

$$\text{P/E} = \frac{1}{\text{Cost of Equity} - \text{Expected Growth Rate}}$$

Let us then make one further, deliberately strong assumption: that the market expects the same growth rate from Yamabiko and Makita, a leading power-tool manufacturer. This is, if anything, a highly conservative assumption for Yamabiko, given that your historical EPS and BPS growth rates have generally been higher than Makita's[36]. As shown in Figure 7, Yamabiko's average P/E over the past five years has been 7.6x, compared with 28.9x for Makita. Under the assumptions of a 100% payout ratio and identical expected growth, the difference between the inverse of those P/E ratios represents the difference in the cost of equity implied by the market.

Implied cost of equity differential: Yamabiko (13.2%) − Makita (3.5%) = 9.7%

In other words, despite your strong market position and superior historical growth record, your shares trade at a substantially lower multiple. The implication is that the market is assuming a cost of equity for you that appears difficult to justify. Even allowing for the possibility that the market does not fully recognize—or perhaps misunderstands—your historical growth story, the gap is strikingly large. It is difficult to prove with certainty what exactly drives this difference. But if we simply listen to the message coming from the market through your share price, one feature stands out: your share-price volatility, and consequently your beta, are significantly higher than those of your peers. Under the Capital Asset Pricing Model ("CAPM"), the cost of equity is expressed as follows:

$$\text{Cost of Equity} = \text{Risk-Free Rate} + \beta \times \text{Market Risk Premium}$$

[36] Please refer to Appendix 1.

Figure 8: Adjusted Share-Price Volatility and Beta by Company (as of June 2026)

	Volatility			β		
Company	2 yrs	3 yrs	5 yrs	2 yrs	3 yrs	5 yrs
Yamabiko	**39.0%**	**36.6%**	**34.0%**	**1.36**	**1.29**	**1.21**
Makita	32.2%	30.6%	32.8%	1.11	1.06	1.11
Husqvarna	31.4%	30.8%	33.2%	1.08	1.13	1.17
TORO	27.6%	30.7%	29.1%	0.96	1.00	0.99
Stanley Black & Decker	38.2%	35.0%	35.9%	1.16	1.16	1.15
Comps avg.	32.3%	31.8%	32.8%	1.08	1.09	1.10
Comps median	31.8%	30.8%	33.0%	1.09	1.09	1.13

*Husqvarna figures are based on Class B shares
*Volatility is calculated as the standard deviation of weekly share-price returns, annualized by multiplying by $\sqrt{52}$
*The benchmark indices used for beta calculations are TOPIX for Yamabiko and Makita, the S&P 500 for The Toro Company and Stanley Black & Decker, and the OMX Stockholm 30 for Husqvarna

(Source: Bloomberg)

What does this high beta actually tell us? In simple terms, the market appears to be saying: "Yamabiko somehow looks ***riskier*** than its peers..." The risk perceived by the market can reflect many different factors—company size, governance, liquidity, and so on. For fundamentally oriented investors, however, one of the most important considerations is the volatility—or, more precisely, the predictability—of earnings. Take an extreme example. Suppose investors have no idea whether operating profit next year will double, halve, or even turn into a loss. In such a situation, the stock naturally attracts investors willing to make a binary bet, while longer-term fundamental investors are more likely to stay away. Liquidity then becomes thinner, trading more speculative, and share-price volatility higher. The obvious question, then, is this: Are Yamabiko's earnings actually more volatile than those of its peers? Let us examine the numbers.

Figure 9 below compares the standard deviation of year-on-year quarterly gross profit growth, which we use as a relatively reliable indicator of the stability of a company's underlying competitive position[37].

Figure 9: Gross Profit Volatility by Company

	3 yrs	5 yrs	10 yrs
Yamabiko	**13.4%**	**12.1%**	**15.9%**
Makita	16.7%	20.2%	17.3%
Husqvarna	14.8%	24.0%	22.3%
TORO	9.1%	14.9%	13.3%
Stanley Black & Decker	20.3%	21.4%	17.3%

(Source: Bloomberg)

As the figures show, the volatility of your underlying business is actually lower than that of your peers. This leaves us with a striking contradiction. Based on historical results, your business has been more stable than the

[37] For each quarter, the year-on-year change in gross profit was calculated, and the population standard deviation of those year-on-year changes was then used as the measure of volatility. The three-year calculation uses 12 quarters from 2023 to 2025, the five-year calculation uses 20 quarters from 2021 to 2025, and the ten-year calculation uses 40 quarters from 2016 to 2025. Years are generally presented on a calendar-year basis; for example, Q1 refers to January–March. The only exception is The Toro Company, which has a January quarter-end, and therefore its calendar-year Q1 is defined as February–April.

peer group as a whole and has also delivered strong growth. Yet your share price is more volatile, and the cost of equity implied by the market is substantially higher. Given your long track record, your competitive position in the OPE market today, and your strong profitability, we see this as a remarkable mismatch—and one that we do not believe should be allowed to persist.

(2) Why Does the Market Assign Yamabiko Such a Low Valuation and High Cost of Equity?

In our view, there are two principal reasons why your shares continue to be valued at a discount to comparable companies and why the market demands such a high cost of equity:

- Insufficient market recognition (to the Brand Equity)
- Concerns over an increasingly bloated balance sheet

Insufficient Market Recognition — Brand Equity Not Reflected in the Share Price

Nearly eighteen years have passed since the Merger that created Yamabiko, yet we believe the capital markets still fail to make a clear connection between your corporate name and your (very strong) brand equity. For companies such as Makita, Husqvarna, The Toro Company, and Stanley Black & Decker, the corporate name is closely associated with at least one of their principal brands[38].

Among professionals working in agriculture, forestry, and landscaping, it may be common knowledge that ECHO, KIORITZ, and Shindaiwa are your brands. In the capital markets, however—and particularly among foreign institutional investors—we do not believe this connection is nearly as well established. To us, this represents a significant missed opportunity in terms of maximizing value. Brand equity is, after all, a reflection of customer trust. It supports pricing power and the ability to generate excess returns, and should therefore command a higher corporate valuation.

In particular, we believe improving recognition among foreign investors is an urgent priority. More than 70% of your revenue is generated overseas, and the ECHO brand enjoys strong recognition internationally, particularly in the United States. Yet foreign investors currently hold around 20% of your shares, substantially below the machinery-sector average of 36.5%[39]. In short, you already have an extremely powerful hook for foreign investors, but your brand equity is not yet being fully leveraged in the capital markets.

As an example of how stronger brand recognition can translate into a higher valuation, we think the strategy pursued by Nakanishi Inc. (hereinafter referred to as “Nakanishi”), headquartered in Tochigi Prefecture, offers useful lessons for you. We discuss the case in greater detail in Appendix 2. Nakanishi was already highly

[38] Each company also owns, or has previously owned, brands that do not share the corporate name.
[39] https://www.jpx.co.jp/markets/statistics-equities/examination/um3qrc000001nwjv-att/j-bunpu2024.pdf (Japanese only)

competitive globally by 2000, when the autumn edition of the Shikiho described it as the "world's No. 2 manufacturer of dental handpieces." From around 2012, however, the company became much more proactive in its investor relations, prominently communicating the bold message that it was the "undisputed No. 1" in its field. Between 2011 and 2015, Nakanishi's EPS increased by 37%, while its P/E multiple expanded dramatically from approximately 9x to 21x. The combination of earnings growth and a substantial re-rating drove the share price to more than triple over those four years.

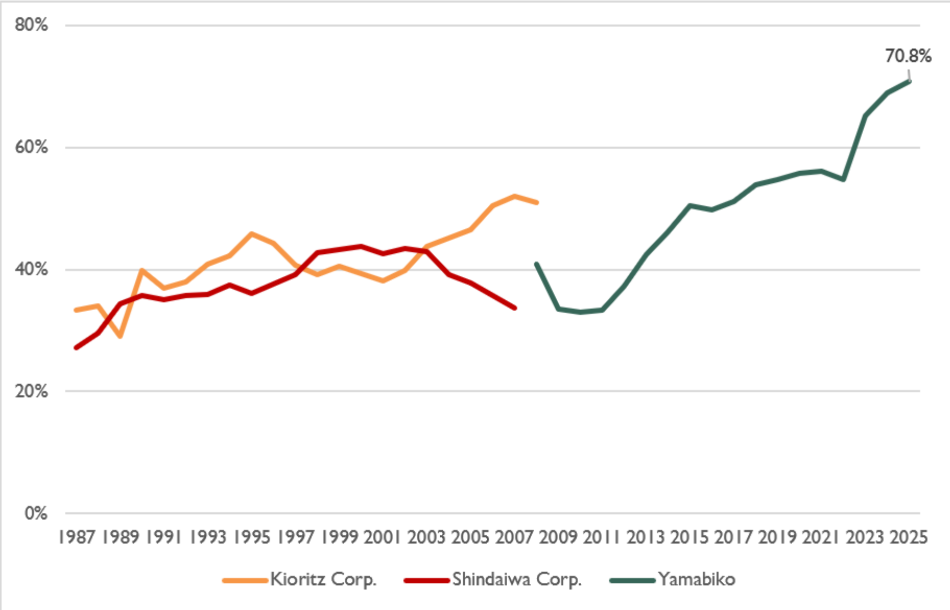
Concerns Over an Increasingly Bloated Balance Sheet

The merger enabled you to achieve a much higher level of profitability, which in turn accelerated the accumulation of equity on your balance sheet. By the end of FY12/25, your equity ratio had risen above 70%—a level that can reasonably be described as overcapitalized. We believe this has created a concern in the capital markets that further capital accumulation will lead to a continued deterioration in capital efficiency. In effect, investors may have become anchored to the expectation that equity will continue to build up on your balance sheet (i.e. anchoring bias). We guess this expectation has become one of the factors behind your valuation discount.

We duly respect the fact that you have set an ROE target of 14%, well above the TOPIX average of approximately 10%. What is still missing, however, is a clear statement of management's ***intent*** regarding the optimal capital structure in light of where your balance sheet stands today—in other words, a visible commitment to capital discipline. The absence of such discipline is one of the underlying reasons why your valuation remains low and your implied cost of equity remains high.

Before the Merger, the equity ratios of Kioritz Corp. and Shindaiwa Corp. generally remained at around 40%, as shown in Figure 10. Since then, however, your equity ratio has risen steadily, reaching 70.8% in FY12/25. Given the periods of weak earnings experienced by both predecessor companies, we can understand why strengthening the balance sheet may once have been an important management objective. As discussed above, however, the volatility of your underlying business is now relatively low compared with that of your peers. Against this backdrop, it is increasingly difficult to avoid the conclusion that your current level of capitalization is excessive.

Figure 10: Historical Equity Ratio



*For Kioritz Corp., fiscal-year labels refer to the fiscal year ending in November of the same year. For example, FY1987 refers to FY11/87.
*For Shindaiwa Corp., fiscal-year labels refer to the fiscal year ending in either December of the same year or March of the following year. For example, FY1987 refers to FY12/87, while FY1997 refers to FY3/98.
*For Yamabiko, fiscal-year labels refer to the fiscal year ending in either March of the following year or December of the same year. For example, FY2009 refers to FY3/10, while FY2018 refers to FY12/18.

(Source: Securities reports of the respective companies)

We should also acknowledge that the capital policy set out in your Medium-Term Management Plan 2028[40], announced in February this year, represents a clear step forward from the previous plan of 2025[41]. The new plan includes an illustrative cash-allocation framework, the introduction of a 30% payout ratio, an explicit reference to the possibility of share buybacks, a commitment to improving capital efficiency, and a substantially higher ROE target. This marks a meaningful improvement from the previous plan, in which the principal capital-policy objectives were stable dividends and an ROE target of 10%. Even so, we believe one important piece is still missing: a clear framework for capital discipline. Without a clear view of how much capital you actually need to retain, investors still lack sufficient confidence that you can achieve—and sustainably maintain—your ROE target.

[40] https://ssl4.eir-parts.net/doc/6250/ir_material_for_fiscal_ym10/199519/00.pdf
[41] https://ssl4.eir-parts.net/doc/6250/ir_material_for_fiscal_ym10/160149/00.pdf

4. Our Proposals

We now turn to our specific proposals, which fall into two broad areas:

(1) Improved Market Recognition, with a Sustainable 20x P/E as a Long-Term KPI,
(2) Commitment to Disciplined Shareholder Returns and Capital Efficiency.

(1) Improved Market Recognition, with a Sustainable 20x P/E as a Long-Term KPI

First, we propose that you pursue a set of initiatives aimed at sustainably achieving a P/E multiple of 20x or higher. Importantly, this is not an arbitrary or emotionally driven target. It has a clear theoretical basis.

As discussed earlier, under the DDM: P/E = Payout Ratio / (Cost of Equity − Expected Growth Rate). Using your target payout ratio of 30%, and applying the sustainable growth formula under the DDM: ROE of 14% × (1 − 30% payout ratio) = 9.8%. If we then conservatively assume a cost of equity of 11%[42], taking into account your beta and the upward trend in JGB yields, the theoretical P/E ratio would be 25x. Even after applying a discount for your relatively small market capitalization and limited market recognition, we believe that a P/E multiple of at least 20x is an appropriate level for you to target.

To move toward that objective, we propose two initiatives:

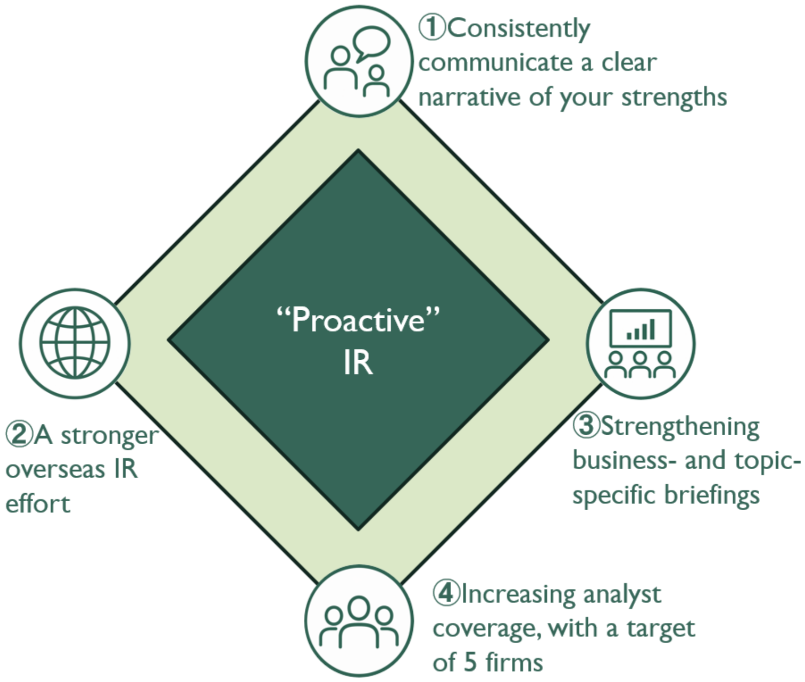
(i) further strengthening of proactive IR activities; and
(ii) changing your English corporate name.

(i) Further strengthening of proactive IR activities

As a practical framework, we recommend treating the four initiatives shown below as the four corners of a single IR strategy, supported by clear KPIs, timelines, and a roadmap through which progress can be managed on a PDCA basis. As a manufacturing company, we suspect that this type of structured approach may come quite naturally to you.

[42] Assuming a risk-free rate of 2.6% and a market risk premium of 6%, applying Yamabiko's historical beta range of 1.2–1.4 implies a cost of equity of approximately 9.8–11.0%. This is a highly conservative assumption, as it does not incorporate the beta-reduction measures discussed later in this letter. The actual cost of equity could therefore be lower, implying a correspondingly higher theoretical P/E multiple.

Figure 11: Overview of Our Proposals for More proactive IR



(Source: Hibiki)

The first initiative, and one that can be started immediately, is ① "Consistently Communicate a Clear Narrative of Your Strengths." As of the end of June 2026, still, roughly 4,000 companies are listed on the Tokyo Stock Exchange—almost the same number as in the United States, despite the U.S. economy being more than three times larger. It is often argued that Japan simply has too many listed companies. At the same time, Japan's declining population is placing pressure on the domestic pool of long-term pension assets, while the unwinding of cross-shareholdings is changing the traditional shareholder base. Against this backdrop, expanding the number of institutional and individual investors willing to hold your shares over the medium to long term is nothing less than an imperative.

In Chapter 10 of our 2023 letter to portfolio companies, "Six Suggestions[43]," we discussed the importance of attracting constructive shareholders. Competition for investor attention is already beginning to resemble a game of musical chairs. In such an environment, your limited market recognition puts you at a clear disadvantage, because investors may not immediately understand what makes you special. IR is one of the most direct ways to change that. At every point of contact with investors, we would encourage you to lead consistently with one simple message: ***"We are one of the world's leading OPE manufacturers, and we own brands that people already know."***

[43] A Historiographical Study of the Cross-Shareholding Structure in Japan and our Six Suggestions to the Management

The route through which an investor first encounters a potential investment idea varies widely. Some begin with an earnings presentation, while others start with a corporate website, analyst report, conference, or individual meeting. In today's increasingly digital world, however, investors face an overwhelming flood of corporate information and must spend considerable time and energy deciding what deserves further attention. The reality is simple: if the first piece of material an analyst sees fails to generate genuine interest, the research process may stop there, with attention moving quickly to another company. To attract and hold that interest, what is needed is not simply more IR, but an approach closer to the marketing concept of a unique selling proposition (hereinafter referred to as "USP").

The earnings materials of The Toro Company[44] (hereinafter referred to as "Toro"), with which you also have a business relationship, provide a useful example. Earnings presentations often become little more than a financial update accompanied by a few additional comments. Toro begins with its earnings highlights, but before moving into the detailed financial discussion, it devotes three pages to explaining the company itself, its brand portfolio, and even its "Investment Thesis"—in other words, why an investor should own the stock. That is precisely the mindset behind a USP. The materials are accessible even to an investor encountering Toro for the first time. We believe its relatively high five-year average P/E multiple of 22.5x illustrates how valuation can be built over time through the accumulation of such seemingly basic efforts. We recognize that you may feel some reluctance to repeat the same message in every earnings presentation. In our view, however, repetition is necessary. There will always be investors seeing your materials for the first time, and each of them needs to be given a clear reason to remain interested.

[44] https://www.thetorocompany.com/static-files/f4755ee6-5f43-4eb8-8ac8-d6687a8b796a

Figure 12: Toro's Disclosure Materials

(Source: Toro IR website)

We believe ② a stronger overseas IR effort is another particularly important opportunity for Yamabiko. As discussed earlier, foreign ownership of your shares remains low relative to the international scale of your business. We therefore see considerable room for improvement. Importantly, you already possess the raw material needed to attract overseas investors: ECHO is already a well-recognized brand. We would specifically encourage you to consider two measures: simultaneous interpretation for earnings briefings and overseas roadshows.

The rationale for simultaneous interpretation is straightforward. Removing the language barrier would allow overseas analysts and investors to participate in your earnings briefings live, rather than having to access the information only after the event. The rationale for overseas roadshows is somewhat different. Analysts based in Japan do not always have an intuitive sense of the size and depth of the OPE market. Overseas investors—and particularly those in the United States—live in an environment where they are far more likely to encounter your products and understand the relevance of the category in everyday life. Our hypothesis is therefore simple: the story of your competitive strength may actually be easier to communicate abroad than at home.

We also propose ③ strengthening business- and topic-specific briefings. Companies with multiple businesses often hold business- or topic-specific events once or several times a year outside the regular earnings cycle. Ajinomoto, for example, held four IR events in FY3/26 in addition to its quarterly earnings briefings[45].

[45] https://www.ajinomoto.co.jp/company/en/ir/event/business_briefing.html

Unlike a regular earnings presentation, these events allow management to explain the strengths of a promising business area and its medium- to long-term vision in greater depth. They can therefore be a particularly effective way to build investor expectations around future growth. ISEKI, with which we understand you have a good relationship, provides another recent example. In April 2026, it held business briefings focused on its European operations and domestic large-machinery strategy[46]. These events appear to have succeeded both in communicating the company's growth opportunities and in reinforcing the impression that management was becoming more proactive in IR.

You are already beginning to move in this direction, with a robotics business presentation planned alongside your second-quarter results briefing for FY12/26. We believe an "ECHO Incorporated Investor Day" could be particularly effective. Such an event could also serve as an introduction to the OPE market itself, allowing you to reach a broader group of investors, including those who cover machinery companies and exporters more generally. By clearly communicating both the strength of the ECHO brand and the value of ECHO Inc. as a business, we think you could substantially broaden your potential investor audience in Japan and overseas. The same approach could be applied to your other businesses whenever there is a meaningful topic to discuss. By communicating individual business stories at the right moments, you can maintain investor attention on a more continuous basis.

Finally, we propose that ④ you increase analyst coverage, with a target of five securities firms. Broader analyst coverage offers several benefits. First, it increases basic awareness of the company itself, including your equity story, key catalysts, and other fundamental information. Analyst reports also create additional points of contact between you and potential investors. Second, broader coverage creates a wider range of views on both earnings and valuation. Because analysts actively follow the company and update their forecasts, greater coverage can help reduce the risk of violent share-price movements caused by unexpected earnings surprises. In other words, broader coverage can improve predictability, which in turn can reduce the risk premium demanded by the market.

Analyst coverage also plays a practical role at the very beginning of the research process for institutional investors. Investors commonly review existing coverage and analyst reports before beginning their own research. They may also speak with sell-side analysts about the company, its key catalysts, and its industry before approaching management directly. Analyst coverage is therefore, in principle, clearly beneficial.

For these reasons, we would encourage you to take active steps to increase coverage from the current two firms to five. For comparison[47], Makita is covered by 14 firms, Husqvarna by 8, Toro by 6, and Stanley Black & Decker by 18. Securities firms naturally tend to prioritize companies with larger market capitalizations and higher liquidity. However, analysts are also attracted to companies that offer strong growth potential or appear clearly

[46] https://www.iseki.co.jp/global/cms/upload/pdf/ir/zplan_2026.04_e.pdf
[47] As of June 30, 2026

undervalued. We therefore believe a target of five firms is entirely realistic for you. Achieving this will, however, require continuous outreach and deliberate relationship-building with securities firms. Securing analyst coverage has a strong sales element, much like attracting investors themselves. Even where coverage does not begin immediately, maintaining relationships over time helps ensure that you remain on analysts' radar and increases the likelihood that coverage will begin when the timing is right.

We fully recognize that many of the initiatives discussed above require significant preparation and will inevitably increase the workload of the IR team. Even so, we strongly believe that closing the substantial discount in your share price is one of the most important paths toward maximizing corporate value. We therefore strongly feel that it is imperative for you to recognize these initiatives as an urgent priority and move from discussion to execution.

(ii) Change the English Corporate Name

A more fundamental way to address the disconnect between your corporate name and the brands you own—and the fact that the name "Yamabiko" does not immediately call ECHO, KIORITZ, or Shindaiwa to mind—is simply to align the corporate name more closely with the brand. We fully recognize that changing a corporate name is no trivial undertaking. It requires an amendment to the Articles of Incorporation and therefore approval by special resolution at a General Meeting of Shareholders, while also potentially involving meaningful switching costs. Even so, we believe that changing your English corporate name, in particular, should be a high priority.

Your current English name, Yamabiko Corporation, is a romanization of the Japanese name and carries little immediate meaning or familiarity for overseas investors. This may appear to be a relatively minor issue at first glance, but we believe it is in fact one of the factors limiting your recognition among international investors. We would therefore encourage you to consider a change. Even a name such as "ECHO Global Corporation," for example, could make a meaningful difference.

Corporate name changes are, in fact, far from unusual in Japan today. According to data compiled by Japan Exchange Group, 74 listed companies changed their corporate names in 2025 alone. There is also a long history of companies changing their names to align more closely with their best-known brands, including Nippon Kogaku → Nikon, Matsushita Electric Industrial → Panasonic, Nihon Gaishi → NGK, and Sohgo Security Services → ALSOK. We fully appreciate that the name Yamabiko carries considerable meaning, particularly given the history of the Merger between Kioritz Corp. and Shindaiwa Corp. and the desire to bring the two organizations together. At the same time, one of the ideas embedded in the name itself is precisely that of an "echo"—the English meaning of "yamabiko" and the name of the ECHO brand in the United States, which became one of the foundations of your global expansion. We therefore do not believe that linking your English corporate name more explicitly with ECHO would mean moving away from the history or philosophy behind Yamabiko. If anything, it would not erase the idea behind Yamabiko; it would make that idea more legible to a global audience.

We now turn to the rear wheel of the bicycle—the source of propulsion: our proposals on financial policy.

(2) Commitment to Disciplined Shareholder Returns and Capital Efficiency

To maximize corporate value, we would like to propose the following four specific measures:

i. **Cancellation of Treasury Shares;**
ii. **Introduction of DOE;**
iii. **Establishment of a Target Capital Structure; and**
iv. **Increasing the Weight of ROE in Performance-Linked Stock Compensation.**

Cancellation of Treasury Shares

The first measure, which can be implemented immediately, is to cancel the majority of the treasury shares you currently hold. Going forward, whenever you conduct a share buyback, we would also encourage you to adopt prompt cancellation of the repurchased shares as a general rule. We believe this would send a clear message to the market that management is firmly committed to enhancing shareholder value.

The fundamental purpose of a share buyback is to concentrate value on a per-share basis—in other words, to increase the value attributable to each existing shareholder. Under the Companies Act, however, treasury shares are shares issued by a company and held by that same company (Article 113, Paragraph 4), and therefore remain legally part of its issued shares. At the same time, the shareholder rights attached to those shares are effectively suspended. Among other restrictions, treasury shares carry no voting rights (Article 308, Paragraph 2) and are excluded from distributions of surplus (Article 453). Importantly, a share buyback alone does not reduce the total number of issued shares. That number is reduced only when the treasury shares are formally cancelled under Article 178 of the Companies Act—in other words, when the shares legally cease to exist.

This is where a gap can emerge between the company's perspective and that of investors. Because treasury shares are already excluded from the share count used to calculate EPS in Japanese financial reporting, the economic benefit of a buyback may appear to have already been fully realized on the surface. But continuing to hold a large pool of treasury shares creates two sources of uncertainty for investors:

① the capital structure becomes less transparent, because a meaningful portion of issued shares remains in existence legally while the associated shareholder rights are suspended; and

② investors are left with the possibility that those shares could be reissued in the future, creating potential dilution.

For investors, this can therefore remain a source of uncertainty and perceived risk.

Cancelling the treasury shares removes that uncertainty at once. It also makes the message from any future share buyback considerably stronger: shares are not merely being temporarily taken out of circulation, but permanently removed. In 2011, you repurchased shares from Mitsui & Co., then a major shareholder[48]. Following subsequent allocations, a portion of those shares has remained on your balance sheet to this day. As of the end of Q1 of FY12/26, treasury shares represented approximately 7.3% of your issued shares. If all of these shares were cancelled, the fully diluted value per share would theoretically increase by approximately 7.8%[49].

Against this backdrop, it is desirable that treasury shares already acquired should, as a general rule, be cancelled promptly rather than held indefinitely, thereby reducing the total number of issued shares. This is not a request we make only of Yamabiko; it is something we consistently ask of all our portfolio companies. Should you require capital in the future for growth investment, M&A, or other strategic purposes, you can raise it at that point through new equity issuance or corporate bonds, as many U.S. companies do, rather than relying solely on bank borrowings. By engaging with the capital markets at the time the need arises, you can choose the financing method that offers the best cost of capital under the circumstances. In our view, corporate value maximization is built through precisely this kind of discipline: taking each step today so that, when the time comes to invest aggressively for growth, you are in a stronger position than your competitors to act.

Introduction of DOE

DOE, or Dividend on Equity, measures dividends as a percentage of equity—or, equivalently, dividends per share as a percentage of BPS.

Your current dividend policy is "Continue to pay stable dividends based on past dividends with a target payout ratio of approximately 30%." There is, however, an important blind spot in a payout-ratio-based policy: it does not necessarily provide a high degree of predictability. For example, if earnings temporarily decline, should the dividend also be reduced? And what exactly does "stable dividends" mean in practice? We are aware of a number of companies where boards have had to spend considerable time and energy debating precisely these questions. Dividends are, of course, extremely important. Introducing DOE, however, would turn much of this debate into

[48] https://ssl4.eir-parts.net/doc/6250/tdnet/865708/00.pdf (Japanese only)
[49] (1 / (1-3,201,362 treasury shares / 44,108,428 total outstanding shares)) - 1

a simple formula linked to equity. This would remove a significant source of uncertainty and allow the Board to devote more of its valuable time and attention to broader strategic issues.

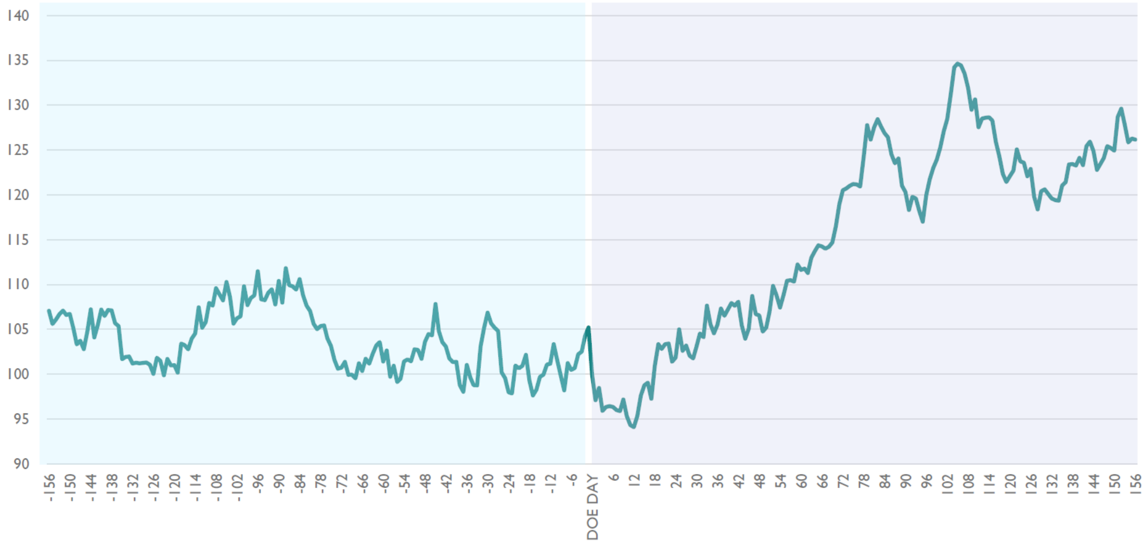
DOE also provides inherently greater predictability because dividends are calculated from a stock variable—equity—rather than directly from yearly earnings. As retained earnings accumulate, the dividend base grows proportionately. This greater predictability should, in turn, positively affect how shareholders and investors assess risk. Because DOE preserves the underlying philosophy of a stable dividend while ensuring that short-term earnings volatility has little impact and that no discretion can enter the mechanism, it has the effect of reducing the beta that we identified earlier as a major issue for you.

One well-known example is Marui Group. In May 2023, the company introduced a dividend policy based on DOE of 8%, using own capital (equity minus minority interest) as the denominator. By March 2025, two years later, its beta had fallen to 0.49 from 1.11 at the time of introduction. Assuming a market risk premium of 6%, that reduction in beta alone would imply a 3.72 percentage-point reduction in the cost of equity. We believe this illustrates just how meaningful the potential impact can be. There were of course other circumstances at work, including a substantial dividend increase from DPS of JPY 59 in FY3/23 to JPY 101 in FY3/24 following the introduction of DOE. But investors would not hold the shares for the long term—and beta would not decline sustainably—unless they had confidence that the higher dividend level itself was durable. In that sense, we believe the market has clearly placed significant value on the predictability offered by DOE-based dividend policies[50].

We have also conducted our own analysis. Figure 13 below looks at five representative companies that introduced DOE as part of their dividend policies from 2020 onward and ranked highly in terms of both liquidity and market capitalization: NGK Corporation, Daiichi Sankyo, Obayashi Corporation, Sumitomo Corporation, and Gunze. For each company, we indexed the share price relative to TOPIX to 100 in the week when the introduction of DOE was announced, tracked relative share-price performance for three years before and after that point, and then calculated the simple average across the five companies. Naturally, earnings performance and other company-specific factors also influenced share prices[51]. Even so, the analysis suggests that the introduction of DOE was associated with a positive valuation response.

[50] https://www.nikkei.com/article/DGKKZO88093490W5A410C2DTB000/ (Japanese only)
[51] Please refer to Appendix 3 for further details on the methodology and other supplementary information.

Figure 13: Share-Price Performance (weekly) Before and After the Introduction of DOE

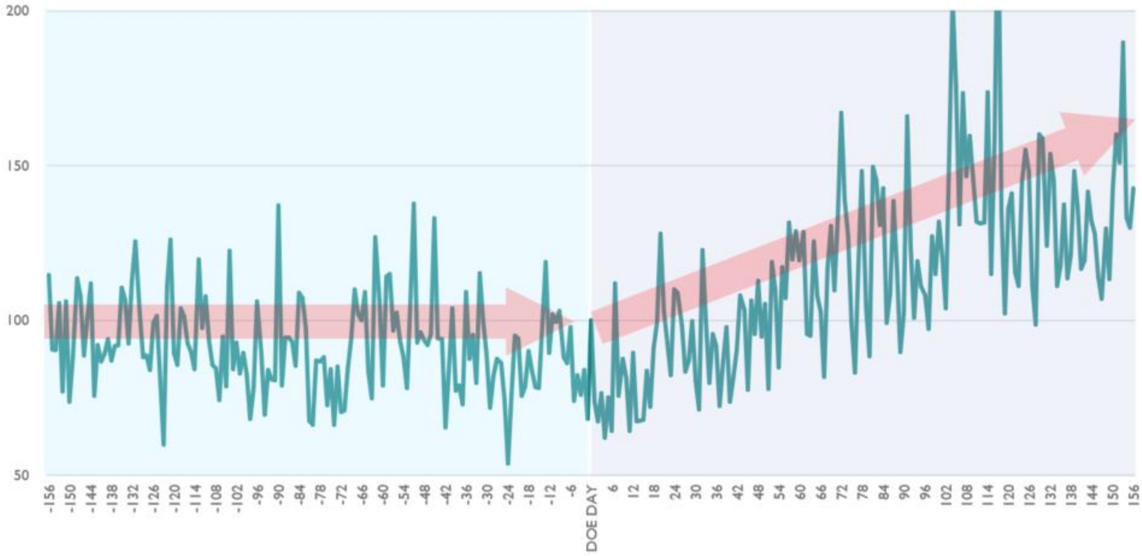


*For each company, the share price relative to TOPIX in the week when DOE was announced is indexed to 100. Weekly relative share-price performance is then measured for 156 weeks, or three years, before and after the announcement, and the simple average across the five companies is calculated.

(Source: Bloomberg; Shikiho Online; company IR materials)

We observe a similar pattern in trading value, which also increased following the introduction of DOE. Trading volume itself remained broadly flat or declined slightly before and after the introduction. We believe this is consistent with these companies attracting a more stable shareholder base while maintaining or improving market liquidity through stronger share-price performance.

Figure 14: Trading Value Following the Introduction of DOE



*For each company, trading value in the week when DOE was announced is indexed to 100, and the simple average across the five companies is calculated.

(Source: Bloomberg; Shikiho Online; company IR materials)

We fully recognize that your current Medium-Term Management Plan only began in FY12/26, and that changing the dividend policy so soon after its launch would not be an easy decision. Even so, the potential benefits are numerous. These include more effective "mind share," greater predictability for shareholders, and an improvement in how the market values your shares. We therefore ask that you begin actively considering the introduction of DOE as soon as practicable.

Establishment of a Target Capital Structure

Based on your current earnings plan and financial policy, our estimates suggest that your equity ratio could rise to around 75% by the end of FY12/28[52]. At the same time, ROE would remain just below 13% on our calculations, making the achievement of your 14% target increasingly difficult. For this reason, we encourage you to introduce a clear target for your optimal capital structure.

Figure 15: Summary of Our Simplified Financial Simulation

(Unit: JPY bn)	Actual FY12/25	Forecast FY12/26	Forecast FY12/27	Forecast FY12/28
Sales	174.0	185.0	197.1	210.0
Operating Profit	19.7	21.0	23.9	27.3
Net Income	14.4	15.0	16.9	19.1
Dividends	3.7	4.5	5.1	5.7
Closing Net Assets	120.0	130.5	142.3	155.7
Closing Total Assets	169.5	180.9	193.8	208.1
Net Assets Ratio (%)	**70.8%**	**72.1%**	**73.4%**	**74.8%**
Avg. Net Assets	113.7	125.2	136.4	149.0
ROE(%)	**12.7%**	**12.0%**	**12.4%**	**12.8%**

*Dividends are assumed at a 30% payout ratio, with the number of shares outstanding at the end of FY2025, excluding treasury shares, remaining unchanged.
*FY12/26 earnings and DPS are based on your guidance. FY12/28 figures are based on the Medium-Term Management Plan, with net income estimated at 70% of the operating profit target. FY12/27 figures are calculated by applying the CAGR from FY12/26 to FY12/28 to FY12/26 earnings guidance.
*For the purpose of calculating the equity ratio, total assets are estimated under the assumptions that working capital moves in line with revenue and cost of sales, tangible fixed assets reflect planned capex and depreciation, cash and deposits move in line with earnings and the above items, and interest-bearing debt and other items remain broadly unchanged.

(Source: Hibiki estimates based on your Medium-Term Management Plan 2028 and FY12/25 full-year financial results)

For example, from a balance-sheet safety perspective, (a) even an equity ratio of 65% would already represent a very strong financial position. Under our FY12/28 assumptions, total assets would be approximately JPY 208 bn. At a 65% equity ratio, an appropriate level of equity would therefore be around JPY 135 bn. Under your current dividend policy, however, we estimate that equity would rise to approximately JPY 155 bn, JPY 20 bn

[52] Calculated based on certain assumptions, including that the earnings targets under the Medium-Term Management Plan and the FY12/26 guidance as of Q1 are achieved, no share buybacks are conducted, and the 30% payout ratio is maintained. The ROE estimate is based on the same assumptions.

above this level. (b) Alternatively, we can approach the issue from the perspective of achieving your 14% ROE target. Based on our estimated FY12/28 net income of approximately JPY 19 bn, your average equity would remain approximately JPY 12.5 bn above the level required to achieve the target.

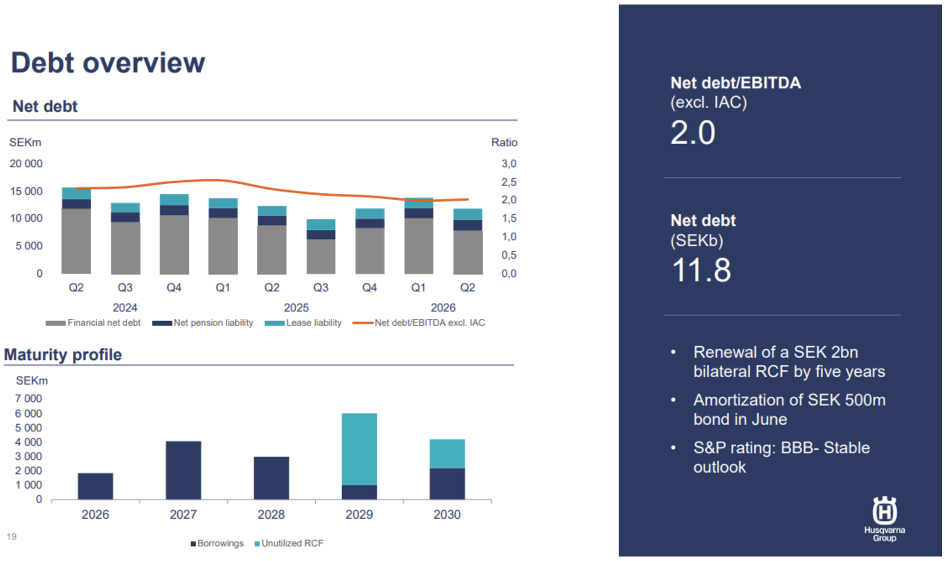
To use an analogy with the human body, we are regularly pointed out our current body weight balance using BMI (Body Mass Index). Companies are no different: regardless of where they are listed in the world, maintaining a healthy constitution is required in order to win in global competition. By clearly defining a target capital structure, management would send an important message to the market: that you are prepared to manage capital with discipline and are genuinely committed to maximizing corporate value. The old idea that "the more equity, the better the company" is a legacy of Japan's Showa-era financial system, when bank-centered indirect financing dominated corporate finance. That era has completely passed.

Another useful approach to defining an appropriate capital structure would be to use Net Debt / EBITDA. As a general rule of thumb, a ratio below 3.0x is often considered financially sound. Based on your FY12/25 EBITDA of approximately JPY 24 bn, this would theoretically imply capacity for net debt of up to around JPY 72 bn, compared with approximately JPY 5.6 bn of net cash at the end of FY12/25[53]. Husqvarna, for example, explicitly states that it intends to keep Net Debt / EBITDA below 2.5x[54]. Importantly, such a target is not merely a statement of financial conservatism. It is also, in our view, a statement of willingness to take appropriate risk: within that range, management is prepared to deploy capital proactively.

Whether you ultimately choose to disclose a specific target externally is a separate question. Even so, we believe there would be considerable value in establishing such a framework internally and carefully considering what level of financial leverage is truly appropriate for you. It is also worth noting that Husqvarna has adopted this approach despite being listed in Stockholm, a capital market that could arguably be considered less deep than Japan's. Nevertheless, the company has commanded a five-year average P/E multiple of approximately 20.6x and an average EV/EBITDA multiple of approximately 8.6x[55] over the past five years. We believe there is a useful lesson here: the market can reward a company not simply for having a strong balance sheet, but for demonstrating a clear and disciplined philosophy about how much capital it actually needs.

53 Investment securities are included in cash equivalents.
54 https://www.husqvarnagroup.com/sites/husqvarna/files/pr/202603249629-1.pdf
55 Average EV/EBITDA multiple at each fiscal year-end from FY12/21 through FY12/25.

Figure 16: Husqvarna's Net Debt Management



(Source: Husqvarna FY2026 Q2 Results Presentation)

Increasing the Weight of ROE in Performance-Linked Stock Compensation

You have already introduced performance-linked stock compensation for directors, and we feel your level of disclosure of the detailed formula in the financial reports is outstanding (not many companies show the detailed formula in Japan). As of FY12/25, we understand the formula to be as follows:

Position Title Points[a] × Performance multiplier[b] × (1 + Incentive compensation rate[c])

Max cap for all recipients: 45,000 points (JPY 250 mn); conversion rate 1 share/1 point

a: Base points determined by position. For Representative Director, President & CEO, the base is 1,950 points.
b: (Profit before tax − JPY 6.0 bn) / JPY 2.0 bn, subject to a maximum multiplier of 3.75x.
c: If the ROE target set out in the Medium-Term Management Plan is achieved, the incentive compensation rate is 0.03 in Year 1, 0.04 in Year 2, and 0.05 in the final year. If the target is not achieved, the rate is zero.

That said, we frankly believe that the current weight of the ROE-linked incentive is far too small. Even if the ROE target is achieved in the third and final year of the plan, the incentive compensation rate is only 0.05. Under the current formula, this means that the incremental award attributable to ROE represents less than 5% of the total points awarded[56]. You have set an ambitious ROE target and are seeking to achieve it. In that context, we do not believe the current formula creates an appropriate balance of incentives: the benefits of achieving the target would be reflected primarily in greater shareholder value, while management and employees would receive only a very limited incremental reward.

For example, we see little reason why the maximum incentive compensation rate could not be increased to 0.5. This would make the ROE-linked incremental portion approximately 33.3% of the total award. If anything, we

[56] 0.05 / (1+0.05)

believe such a structure would create powerful alignment, encouraging management and shareholders to view corporate value creation through the same lens (i.e. the anchoring effect). One possible criticism here is that assigning excessive weight to ROE in management compensation could incentivize capital returns ***at the expense of growth***, ultimately pushing the company toward a shrinking equilibrium. We understand this concern. At the approximately one-third weighting suggested above, however, we believe such concern, in your case, would be overstated. Management teams naturally place considerable value on stability and are responsible not only for financial targets, but also for the long-term future of the company, its employees, and their families. With that said, it is unnatural to us all to imagine management selfishly pursuing capital returns that it would knowingly undermine the long-term strength of the business. Even before considering directors' formal duties, we believe ordinary managerial judgment and responsibility would provide a natural counterbalance.

There remains a perception among some people and parts of the media that shareholder proposals by activist investors are inherently focused on short-term profits and should therefore be viewed with skepticism. That is not where the proposals in this letter come from. We have studied your history in depth, developed our own understanding of your intrinsic value, and identified a significant gap between that value and the valuation currently assigned to your shares by the market.

Through our dialogue with your team to date, we have come to see that Yamabiko approaches business judgment with flexibility and rationality, and we are encouraged by that. We therefore are more than hopeful that the proposals in this letter will be discussed actively and with an open mind by the Board and management team, and that they may serve as a catalyst for the further enhancement of your corporate value over the long term.

5. Closing Remarks

Including the histories of Kioritz Corp. and Shindaiwa Corp., you have built your business over nearly eighty years and, through that journey, created the powerful portfolio of brands you own today. In particular, we believe your presence in North America, led by the ECHO brand, is well recognized by anyone familiar with the industry. The capabilities, culture, and strategic judgment forged through this long and often difficult history form the very foundation of what we see as your intrinsic value.

And yet, much of that intrinsic value—including the strength of your brands—has still not been fully communicated to the equity market. As we have discussed throughout this letter, we believe this reflects a significant information gap between you and the capital markets. We therefore hope that you will address this gap through the two wheels we have emphasized: more proactive IR on the one hand, and a more disciplined, capital-market-oriented financial policy on the other.

We believe the timing is particularly favorable. You are not in a position where difficult measures such as a fundamental restructuring of the business portfolio or major business exits are required. On the contrary, your underlying businesses continue to offer a number of growth opportunities, including robotics and electrification. By strengthening IR and establishing greater capital discipline, we believe you can remove some of the obstacles that have prevented the market from fully recognizing the value already present in your business.

We have raised a number of issues and put forward many proposals in this letter. But they all come from the same place: our desire to support and to see your stock receive the valuation it apparently deserves. Our comments are intended as constructive encouragement from a shareholder that genuinely wants to see you succeed.

Over the next one to two years, you will approach several important milestones, including the 80th anniversary of Kioritz Corp.'s founding and, not long thereafter, the 20th anniversary of the merger/business integration of the two core companies. As you move toward these milestones—and toward the next stage of growth beyond them—we sincerely wish that you will make a further leap forward as a company whose true value is properly recognized by all stakeholders, including both existing and prospective shareholders. With this encouragement, we would like to bring this letter to a close.

EOD

July 24, 2026

Hibiki Path Advisors SPC
Hibiki@3dipartners.com

Appendix 1: Adjusted Average EPS/BPS Growth Rates (CAGR) — Yamabiko vs. Makita

		3yrs CAGR (22-25)	5yrs CAGR (20-25)	10yrs CAGR (15-25)
EPS	Yamabiko	32.6%	17.2%	12.0%
	Makita	90.9%	5.6%	6.9%
BPS	Yamabiko	16.4%	15.3%	10.2%
	Makita	10.9%	9.8%	8.1%

*For Yamabiko, fiscal-year labels refer to the fiscal year ending in either March of the following year or December of the same year. For example, FY2015 refers to FY3/16, while FY2018 refers to FY12/18. FY2017 was an irregular fiscal year.
*For Makita, fiscal-year labels refer to the fiscal year ending in March of the following year. For example, FY2025 refers to FY3/26.

(Source: Shikiho Online; Bloomberg)

Appendix 2: Nakanishi's "Undisputed No. 1" Strategy

Nakanishi is a global niche leader in dental products and owns the powerful NSK brand. Overseas sales accounted for more than 88% of its revenue in FY12/25. The company had, in fact, already held a strong global position for many years. In the earliest archived edition available to us—the autumn 2000 edition—Shikiho described Nakanishi as the "world's No. 2 manufacturer of dental handpieces." Despite this competitive position, however, its valuation remained modest, with the shares trading at a P/E multiple of approximately 9.1x at the end of 2011.

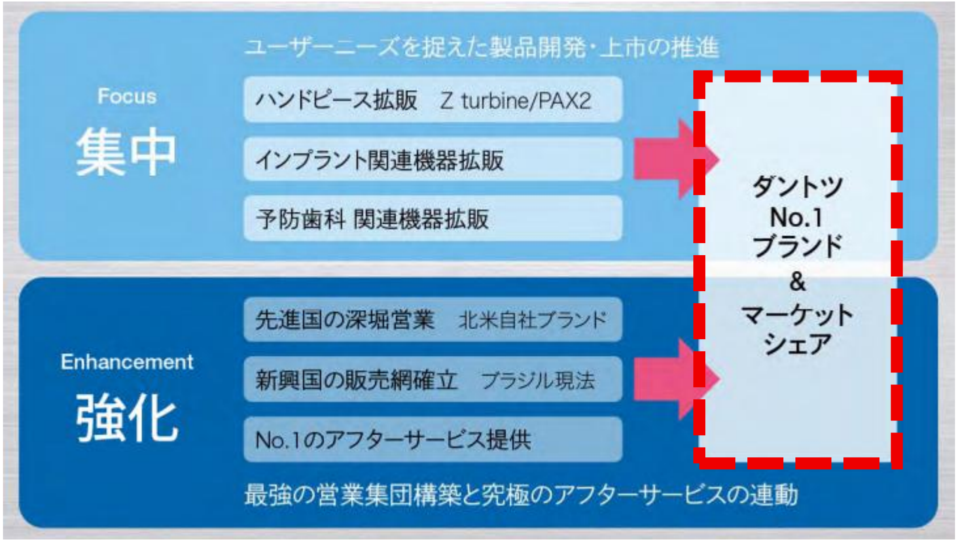
From around that time, however, Nakanishi began to make a more proactive shift in both brand communication and its IR narrative. At its full-year results briefing held on February 16, 2012, the company presented the slogan[57]:

"Undisputed No. 1 Brand & Market Share"

Nakanishi had previously used the term "undisputed" in the context of after-sales service[58], but it now extended that philosophy to the brand as a whole. From FY2013 onward, its investor materials also evolved into a much clearer and more visually accessible format. In other words, the company began to think not only about growing the business itself, but also about how that growth and competitive strength should be communicated to investors.

[57] https://www.nakanishi-inc.jp/app/wp-content/uploads/2020/10/11Q4ks.pdf (Japanese only)
[58] https://www.nakanishi-inc.jp/app/wp-content/uploads/2020/10/11Q2ks.pdf (Japanese only)

Figure: Nakanishi's "Undisputed No. 1 Brand & Market Share" Strategy (highlighted in red)



(Source: Nakanishi earnings presentation materials (Japanese only))

We believe the impact was striking. As shown in the chart below, Nakanishi's adjusted share price rose from JPY 475 at the end of 2011 to JPY 1,568 at the end of 2015—an increase of approximately 230%. EPS, by contrast, grew by only 37% over the same period. Most of the share-price appreciation therefore came from a substantial expansion in the P/E multiple. The weakening yen during this period may, of course, also have supported earnings and growth expectations. Even allowing for this, however, the expansion in Nakanishi's valuation was dramatic. Viewed alongside the changes in its disclosure and investor communication, we believe the most natural interpretation is that broader investor recognition of the company's brand strength led the market to assign a higher value to the quality of its growth, resulting in a substantial re-rating.

Figure: Changes in Nakanishi's Adjusted Year-End Share Price, EPS and P/E Multiple

	2011	2012	2013	2014	2015	Total
Price	475	574	1,003	1,703	1,568	-
EPS	52	49	54	80	72	-
P/E	9.1	11.7	18.6	21.3	21.9	-
Price change %	-	20.9%	74.8%	69.8%	-7.9%	230.4%
EPS change %	-	-6.0%	9.6%	48.3%	-10.3%	37.1%
P/E change %	-	28.6%	59.5%	14.5%	2.6%	141.0%

(Source: Bloomberg)

We believe the Nakanishi example offers several useful lessons for you. Before this shift, many investors may not have clearly associated Nakanishi's shares with the NSK brand and may simply have viewed the company as one of many precision-equipment manufacturers.

By prominently communicating its ambition to become the "undisputed No. 1," however, Nakanishi also signaled that it already possessed meaningful brand strength. At the same time, it substantially improved its broader IR activities. As recognition increased, the valuation discount narrowed. Importantly, the resulting re-rating was far greater than the underlying growth in earnings itself.

This illustrates how strongly investors can respond to brand strength. Once investors recognize that a company owns a powerful brand, they often begin to incorporate higher growth expectations into the valuation themselves. For you, the implication is straightforward: there is little reason not to communicate much more forcefully the strength already embedded in the ECHO, KIORITZ, and Shindaiwa brands.

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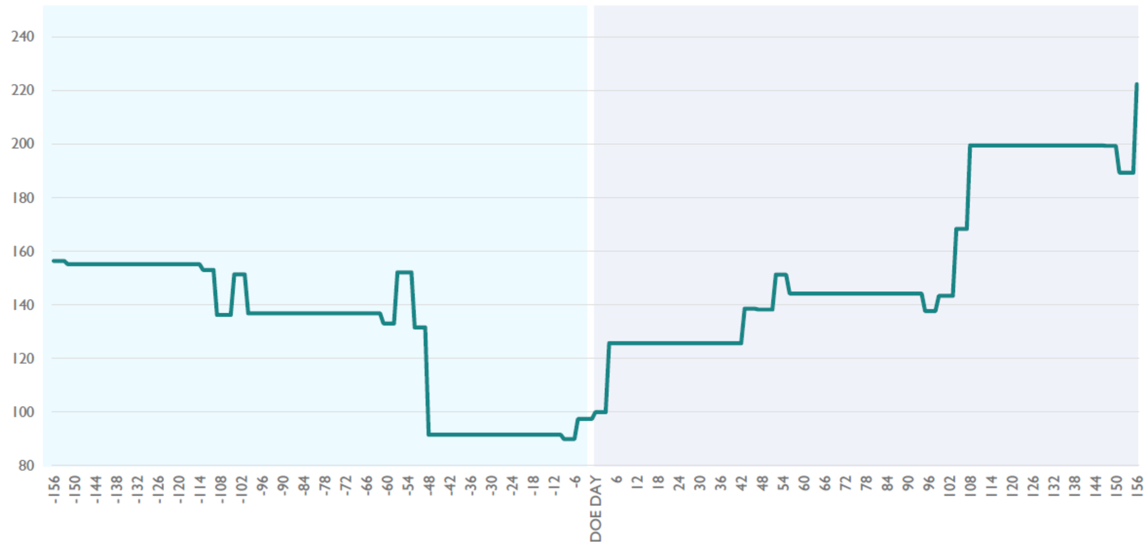
Appendix 3: Methodology for Analyzing the Impact of DOE Introduction

- NGK Corporation (5333), Daiichi Sankyo (4568), Obayashi Corporation (1802), Sumitomo Corporation (8053), and Gunze (3002) were selected as the sample companies.
- Priority was given to relatively recent cases where DOE was introduced from 2020 onward. The selected companies also have sufficiently large market capitalizations and trading liquidity, while being diversified across sectors. We therefore believe the sample is reasonably well suited to capturing the impact of DOE under the broader market environment of recent years.
- Weekly data was obtained from Bloomberg. For each company, the observation period was set at 156 weeks before and after the week in which the introduction of DOE was announced, corresponding to approximately three years in each direction based on 52 weeks per year.
- In preparing the data used in the charts, each company's value in the week of the DOE announcement was indexed to 100. The figures for the five companies were then averaged on a simple, unweighted basis in order to reduce the impact of company-specific factors.

Figure: Operating Profit Trend



* For each week, the actual operating profit for the fiscal year to which that week belongs is used. For each company, operating profit for the fiscal year in which DOE was announced is indexed to 100, after which the figures for the five companies are averaged on a simple, unweighted basis.

(Source: Bloomberg; Shikiho Online; company IR materials)

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This letter presents our assessments, estimates, and opinions regarding the business of Yamabiko Corporation ("YAMABIKO") and YAMABIKO group companies.

This letter has been prepared based on publicly available information, which we have not independently verified, and is not complete, timely, or comprehensive.

Although we believe that the information contained in this letter is accurate and reliable, we make no representation or warranty as to the accuracy, completeness, or reliability of such information, or of any statements or oral communications regarding YAMABIKO, YAMABIKO group companies, or any other companies described herein. We also assume no responsibility for any such statements or communications, including any inaccuracies or omissions therein. With respect to public companies, there may be non-public information held by such companies or their insiders that has not been disclosed by those companies. Accordingly, all information contained in this letter is presented "as is," without any warranty of any kind, and we make no express or implied representation as to the accuracy, completeness, or timeliness of such information, or the results of its use. Readers should obtain their own professional advice and make their own assessment of the relevant matters. We disclaim any obligation or liability for any loss arising from, or in connection with, the use of all or any part of the information contained in this letter, including any inaccuracies or omissions therein. Any investment involves significant risks, including the risk of a complete loss of capital. Any forecasts or estimates are provided solely for illustrative purposes and should not be regarded as indicating any upper limit of potential gains or losses. We may modify all or part of this letter without notice to any person, but we are under no obligation to provide any revisions, updates, additional information or materials in relation to this letter, or to correct any inaccuracies.

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We do not intend, either by ourselves or through other shareholders, to propose at a general meeting of shareholders of YAMABIKO that the business or assets of YAMABIKO or YAMABIKO group companies be transferred to a third party or discontinued. We also have no intention of engaging in any conduct whose purpose would be to make it difficult for YAMABIKO or YAMABIKO group companies to continue conducting their businesses in a stable and ongoing manner.

We currently beneficially own and/or have an economic interest in securities of YAMABIKO and/or YAMABIKO group companies, and may continue to beneficially own or have an economic interest in such securities in the future. With respect to our investment in YAMABIKO and/or YAMABIKO group companies, we may, on an ongoing basis and depending on various factors — including the financial condition and strategic direction of YAMABIKO and YAMABIKO group companies, the results of discussions with YAMABIKO and YAMABIKO group companies, overall market conditions, other investment opportunities available to us, and the possibility of purchasing or selling securities of YAMABIKO and YAMABIKO group companies at prices at which we desire to transact — at any time, including through open-market or private transactions after we have established a position, buy, sell, cover, hedge, or otherwise change the form or substance of our investment, including securities of YAMABIKO and YAMABIKO group companies, in any manner permitted by applicable laws and regulations, and we expressly disclaim any obligation to notify others of any such changes. We reserve the right to take any actions we deem appropriate in relation to our investment in YAMABIKO and YAMABIKO group companies. Such actions may include, but are not limited to, communications with the board of directors, management, or other investors.