

Nanahoshi Management Ltd.
Founder CEO
Satoru Matsushashi
13 October 2022

YAIZU SUISANKAGAKU INDUSTRY CO.,LTD.
Executive Officer,
General Manager of Corporate Planning Department
and General Manager of IR Group
Mr Masatami Nakashima

RE: Summary of the dialogue on 12 October 2022

To Mr Masatami Nakashima,

Thank you very much for taking the time to meet with us yesterday. The following is a summary of what we said during the dialogue. We want your answers to items 1 and 2 of the 'Matters we would like you to answer' section by the end of this month.

Mr Daisuke Kurioka, President of KURIYA CO. (formerly worked at Rheos Capital Works Inc.), provided advice on YSK's medium-term management plan; he attended the meeting yesterday but said very little. Although we have responded to YSK's request to invite people other than YSK's executives and employees to the meeting, we would like to ask you to refrain from inviting people other than YSK's executives and employees to the meeting next time (even if their comments would broaden the discussion or deepen the dialogue), as they will serve no purpose and will not make any comments. Please refrain from attending the meeting.

The following questions require your response.

1. Whether you would like to have the opportunity to explain to President Yamada or the Board of Directors the approach to the cost of capital, responsibilities as a director and the relationship between shareholder value and capital efficiency.
2. Could you publish the investigation report on the mislabelling issue of your products identified in 2019? If not, whether it would be possible for us to voluntarily inspect and copy the minutes of the board of directors meeting when it was resolved not to file a claim for damages against Ms. Mariko Ishikawa (as mentioned by Ms. Nakashima during the interview), as well as the minutes of the board of directors' meeting.
3. The procedure for participating in the next result briefing (which was not mentioned yesterday) and whether or not a Q&A session will be held.

Our opinions

1. We would like you to explain any unclear points in the current medium-term management plan at the next briefing; if you can respond to the request below before the next briefing, please let this request go.

2. We would like YSK to aim for a prime market listing rather than opting for the traditional market. To this end, we would appreciate YSK to withdraw the current medium-term management plan, which YSK acknowledges will not increase the market capitalisation (of tradable shares) even if it is achieved and announce a new medium-term plan as soon as possible based on the following points.
 - i. Re-examinations of the level of YSK's cost of equity, which it recognises to be less than 5%, and disclosure of the basis for the calculation
 - ii. An assessment of the appropriateness of the target ROE level of 5%, considering the abovementioned cost of equity
 - iii. Conduct a fundamental review of YSK's current business portfolio from the perspective of capital efficiency rather than making it a given
 - iv. To carry out M&A activities using borrowings as the source of funds instead of using treasury shares and cash reserves as the source of funds (treasury shares shall be cancelled).
3. Stop share buy-backs, as there is a risk that the low liquidity of YSK's shares will further reduce shareholder returns. And instead of share buybacks, we would like you to strengthen shareholder returns by increasing dividends and setting a DOE target to improve the current low share price valuations.
4. If posting a significant amount in a separate reserve fund ensures business continuity in the event of a disaster requiring mobility, we would like the entire amount of the separate reserve fund to be reversed to ensure mobility.

As we mentioned at the meeting, there is no need to contact us directly only for amendments to the Environmental Report or disclosures on the labour environment and human rights. We want YSK to inform your shareholders, investors and others widely via the What's New section of YSK's website.

Again, we are serious about improving YSK's shareholder value. We urge YSK to seriously consider and implement measures to increase shareholder value rather than unconditionally supporting poor-quality advisers or working to maintain the status quo.

Best wishes,

Satoru Matsuhashi