

Nanahoshi Management Ltd.

Founder CEO

Satoru Matsushashi

5th June 2023

THE SHIZUOKA BANK, LTD.

President

Mr Minoru Yagi

**RE: Concern about Amakudari to YSK and transition plan proposal to YSK**

To Mr Minoru Yagi,

We are a shareholder submitting formal shareholder proposals to YAIZU SUISANKAGAKU INDUSTRY CO., LTD. ("YSK") at its AGM on 23rd June 2023. THE SHIZUOKA BANK, LTD. "SBK" is the second largest shareholder (excluding the Trust Account) of YSK. We are writing this following the announcement in the notice of convocation that Mr Yoshihiro Nagasawa from SBK, YSK's main bank, will be put forward as a candidate for the position of independent director and member of the Audit Committee at the AGM.

Recently, there has been a focus on Amakudari (descent from heaven) in Japan. Looking at the relationship between SBK and YSK, although not applicable for the most recent year, persons from SBK have been continuously appointed as directors, etc., of YSK from the AGM held from June 2001 to 2022. It is fair to say that the dispatch of directors by the main bank in its capacity as a major shareholder is not necessarily an idea that should be ruled out as long as it corresponds to the shareholding (the issue of independence is discussed below).

However, while SBK's shareholding in YSK is only around 5%, looking at the last ten years (from the AGM held in June 2013 until May 2023), the average number of persons from SBK who have been appointed to directors of YSK via SBK's related parties is 1.5 persons. The average percentage of such persons on the board of directors of YSK is 16%.

This situation cannot be said to be per the shareholding and is beyond the scope of the dispatch mentioned above of directors as a shareholder, so we cannot help but think of Amakudari (descent from the heavens) from SBK, the main bank, to YSK.

It should be noted that SBK stopped the dispatching of independent directors at the AGM in June 2022. We have been evaluating the SBK's decision from the corporate governance perspective because, aside from Amakudari, the independence of directors from the main bank or the cross-shareholding party is questionable.

After reviewing Mr Yoshihiro Nagasawa's background written on the notice of convocation, we are very concerned about the recurrence of Amakudari and the deterioration of corporate governance at YSK. We urge SBK to evaluate Mr Yoshihiro Nagasawa's independence as a director strictly and to vote against the resolution for his appointment.

According to SBK's website, SBK has set a carbon neutrality target for 2030. SBK's disclosure (strategy) under the TCFD is to "conduct engagement (interview activities) with local companies" and "conduct simultaneous interviews on carbon neutrality initiatives (abbreviated), (and) in response to the result that 70% of companies have not started taking action, the Shizuoka Bank Group will continue to raise awareness and support in the community".

YSK does not target carbon neutrality for the year 2030. However, YSK has expressed its opposition to the shareholder proposal on the development and implementation of our net-zero transition plan. We urge SBK to vote in favour of this shareholder proposal. In addition, as part of SBK's carbon neutrality initiatives, we would like to ask SBK, as a major shareholder, to encourage YSK to disclose climate change risks (i.e. reduce the cost of shareholders' equity) to increase shareholder value.

Please note that our shareholder proposals will also be submitted in addition to those relating to the transition plan described above. We are happy to discuss the shareholder proposals with SBK case-by-case.

Best wishes,  
Satoru Matsuhashi