

15th August 2023

YAIZU SUISANKAGAKU INDUSTRY CO.,LTD.
5-8-13 Kogawashinmachi, Yaizu City,
Shizuoka, Japan

Subject: Issues of the Tender Offer and Request on Withdrawal of the Opinion in Favour of the Tender Offer

Dear Members of the Board:

YSK disclosed the opinion in Favour of the tender offer (the "Tender Offer") at the Board of Directors' meeting on 4th August 2023. The price of the Tender Offer (the "Offer Price") is JPY 1,137, which equals a price-to-book ratio ("P/B ratio") of only 0.7 times. On the other hand, looking back at YSK's share price over the last five years, for example, there have been periods when the share price was higher than JPY 1,137, and the P/B ratio was more than 0.7 times. Therefore, although the current share price is above the Offer Price, if the Tender Offer is taken place, there will be shareholders who will be unreasonably squeezed out at a level of only 0.7 times the P/B ratio, which is lower than the share price at the time of purchase.

In addition, as described below, it can be pointed out from the Offer Registration Statement dated 7th August 2023 that the Tender Offer does not respect the interests of the shareholders. For YSK, the true purpose of the Tender Offer is to delist the shares to eliminate YSK's plaintiff status as a shareholder who has filed a claim for damages of JPY 640 million against Representative Director Jun Yamada and another director (1 and 3) and to provide Shizuoka Bank with opportunities for loan transactions amounting to up to JPY 10 billion (2). We strongly suspect the delisting is inappropriate in favour of interests other than YSK's shareholders.

As mentioned above, the Tender Offer, which is suspected of having an unreasonable Offer Price for shareholders and an inappropriate purpose that gives priority to interests other than those of shareholders, is not in line with the intent of "The Guidelines for Corporate Takeovers (Draft)" (the "Guidelines") issued by the "FairAcquisition Study Group" launched by Ministry of Economy, Trade and Industry ("METI"). We, therefore, request that YSK withdraws the opinion in favour of the Tender Offer.

I. Appropriateness of YSK's offer and the Offer Price

The amount of 1,231 yen that YSK has offered as the lower limit of the Offer Price was less than 1x P/B ratio, but there is no statement of the basis for the calculation of this JPY 1,231. After accepting the lower limit of JPY 1,231 on 4th July 2023, on 25th July 2023, the Offeror reneged on its promise and offered a price approximately 10% lower than the lower limit. Nevertheless, YSK ultimately decided that the Offer Price of JPY 1,137 without a fairness opinion had a certain reasonableness.

The responsibility of directors is to maximise shareholder value. In particular, as the Tender Offer is intended for delisting and may be the last opportunity for shareholders to benefit from their investment in YSK, the appropriateness of the transaction terms in terms of price is essential¹. Therefore, YSK should not have prioritised delisting but should have prioritised the interests of the shareholders and rejected the unreasonable Offer Price of 1,137 yen for shareholders.

II. the appointment of a person from Shizuoka Bank with a suspected conflict of interest as a member of the Special Committee

"None of the Special Committee members has any particular interest in the Offeror or the Transaction." The statement states. However, the funds of up to JPY 10 billion required for the Transactions, including the Tender Offer, will be financed by a loan from YSK's main bank, The Shizuoka Bank, Ltd. ("The Shizuoka Bank"). Suppose the Special Committee members sincerely consider the Tender Offer from the interests of shareholders. In that case, they should be able to decide in favour of the Tender Offer as described in 1. Nevertheless, the fact that the Special Committee recommended the resolution of an affirmative opinion means that we must suspect that someone like Mr Yoshihiro Nagasawa, who puts his interests ahead of the shareholders, misled the special committee in its deliberations.

1 the appropriateness of the transaction terms in terms of price will be particularly important to shareholders because it is the last opportunity for shareholders to gain benefit (including a control premium) from their investment in the target company's stock. - 3.2.2 Differences in Acquisition Ratio and Acquisition Consideration, the Guidelines page.24

III. Lack of policy on climate change risk response

There is no mention of climate change risks: at YSK's Annual General Meeting in June 2023, the proposal regarding the transition plan towards net zero was rejected by 78% of the votes against. Meanwhile, after the AGM, YSK established a Sustainability Committee, which includes a climate change risk response. We considered YSK's reaction reasonable because the shareholder proposal marked a certain number of favouring votes. We understand that YSK recognised the importance of this and set up the committee. If that is the case, YSK should explain to the shareholders the policy, including the Offeror's climate change risk response, before the delisting. Given that such important issues have yet to be clarified, we have no choice but to conclude that YSK did not seriously examine the Tender Offer from the shareholders' perspective and proceeded with its decision-making with a priority on delisting.

If the Tender Offer, which is suspected of inaccurate information disclosure and misguidance to shareholders, is taken place², not only will the interests of the shareholders be permanently damaged, but the immaturity of the stock market in Japan will be highlighted, which is not only contrary to the purpose of the Guidelines but also goes against the trend towards the development of the Japanese stock market.

We want to reiterate our request that YSK withdraws the opinion regarding the Tender Offer.

Kind regards,

Satoru Matsuhashi

Founder CEO at Nanahoshi Management Ltd.

2 Disclosing inaccurate information or providing or disclosing misleading information to Shareholders - 4.3 Preventing Acts that Distort Shareholder Decision-Making, the Guidelines page.37

NOTHING IN THIS DOCUMENT AND ENCLOSED DOCUMENTS OR ANY INFORMATION PROVIDED HEREIN SHOULD BE CONSTRUED AS AN OFFER, INVITATION, MARKETING OF PRODUCTS, ADVERTISEMENT, INDUCEMENT, OR REPRESENTATION OF ANY KIND, OR ANY ADVICE OR RECOMMENDATION, TO BUY OR SELL ANY INVESTMENT PRODUCTS OR TO MAKE ANY TYPE OF INVESTMENT, OR AS AN OPINION ON THE MERITS OR OTHERWISE OF ANY PARTICULAR INVESTMENT OR INVESTMENT STRATEGY UNLESS INDICATED OTHERWISE. THE INFORMATION SHOULD NOT BE RE-TRANSMITTED, REPRODUCED, OR PUBLISHED WHOLE OR IN PART. ANY UNAUTHORIZED USE IS STRICTLY PROHIBITED.