

17th October 2023

YAIZU SUISANKAGAKU INDUSTRY CO.,LTD.
11-1, Surugaku-minamichou, Shizuoka City,
Shizuoka 422-8067, Japan

Subject: Our view on the letter received from Director Uchiyama

Dear Members of the Board:

We have received a letter from Takehiko Uchiyama, Director and Managing Executive Officer at YAIZU SUISANKAGAKU INDUSTRY CO., LTD. ("YSK"), informing us about the letter dated 15th August 2023. We welcome individual directors expressing their views to us, and our policy is to accept favourably that they have told their opinions, even if they differ from ours. However, we want to convey our views on the following points to ensure we understand the issues correctly.

The tender offer that YSK decided to endorse at the Board of Directors' meeting on 4th August 2023 (the "Tender Offer"). In the Offer, YSK's main bank and major shareholder, THE SHIZUOKA BANK, LTD. ("The Shizuoka Bank"), YSK 's main bank and major shareholder, is scheduled to provide a loan to the Offeror (the "Transaction"). In addition, Mr Yoshihiro Nagasawa became an advisor to YSK in July 2022, just one month after he retired from Shizuoka Bank, and became a director of YSK in June 2023. We then pointed out the issue of Mr Nagasawa's appointment as a member of the Special Committee. However, in response to our remarks, Mr Uchiyama stated that "(Mr Nagasawa) retired from Shizuoka Bank in June 2022, and there is no reason for him to decide on consideration of Shizuoka Bank concerning the Transaction." He seems to think that this is a good thing.

To begin with, several institutional investors voted against the proposal to appoint Mr Nagasawa for corporate governance reasons, including doubts about his independence. In addition, concerning the selection of special committee members, it is expected that "in the context of an acquisition (even if they are independent outside directors), a person

who lacks independence in connection with the acquisition should be excluded". In this respect, given that we received a response from Mr Uchiyama to our question regarding special committee, which must consist only of disinterested members required to be more strictly independent members, which lacked a corporate governance perspective, stating that "(Mr Nagasawa) is retired from Shizuoka Bank (and) there is no reason for him to make decisions with Shizuoka Bank in mind", we are of the opinion that the special committee members should address the issue mentioned above. In light of the problem discussed above, we have no choice but to interpret that the purpose of the '[Guidelines for Corporate Takeovers](#)' was ignored in the Tender Offer, and we are increasingly concerned that the Tender Offer itself may not have been seriously considered.

Furthermore, Mr Uchiyama claims that "the consideration and negotiation of the acquisition loan source for the Tender Offer were conducted by the Offeror, and neither YSK nor Mr Nagasawa was involved in any way in this." However, that is not the point. In the first place, since YSK judged the Offeror's takeover offer to be sincere and expressed an opinion in favour of the Offeror, it naturally confirmed whether or not it had the support of the takeover funds. If that is the case, then there is a suspicion that Mr Nagasawa, as a member of the special committee, encouraged YSK to support the takeover offer based on the fact that the takeover offer was to be funded by Shizuoka Bank, from which he hails.

Kind regards,

Satoru Matsuhashi

Founder CEO at Nanahoshi Management Ltd.