

20th October 2023

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

Subject: Necessity for Increasing Shareholders' Value of YSK

Dear Members of the Board:

While the tender offer that concluded on 18th October (the "Transaction") was unsuccessful, it's noteworthy that the Board supported it on 4th August 2023.

It is imperative for the Board to delve into the reasons behind the Transaction's lack of success. In light of this, we urge the Board to announce strategies to increase shareholders' value. We hope to see a P/B ratio of 1x or higher by the time of the First-half result announcement or at the result briefing as initially projected. Our stance on increasing shareholders' value in YSK remains unwavering. As we've suggested before, measures like boosting dividends marking the same level as the cost of equity (while avoiding share buybacks, which have shown to be inefficient previously) and enhancing the approach to climate change risks can be beneficial.

Given the recent outcome of the Transaction, we'd like to emphasise the following points:-

- Fulfil the directors' duty to increase shareholders' value or step down from the role at YSK.
- Don't execute share buybacks that have proven ineffective in the past.
- Set the amount of the dividend per share in FY2023 at the equivalent of 10% Dividend on Equity ratio ("DOE", approximately 166 yen per share dividend), which is the same level as the cost of equity, and continue to pay a dividend equivalent to 10% DOE onwards.
- Provide transparency regarding the fees associated with the Transaction, specifically those paid to the special committee, financial advisors, and legal counsel.
- Implement other matters not duplicated above in the contents of the campaign website.

Kind regards,

Satoru Matsuhashi

Founder CEO at Nanahoshi Management Ltd.