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May 13, 2025

To whom it may concern:

Company name: Yakult Honsha Co., Ltd.
Representative: Hiroshi Narita,
President and Representative Director
(Securities code: 2267, TSE Prime Market)

Notice of Receipt of Shareholder Proposal Documents and Yakult Board of Directors' Opinion

Yakult Honsha Co., Ltd. (the "Company" or "Yakult") received a document (the "Shareholder Proposal Document") from our shareholder DALTON KIZUNA (MASTER) FUND LP (the "Proposing Shareholder") indicating its intent to make shareholder proposals (the "Shareholder Proposal") at the 73rd Ordinary General Meeting of Shareholders (the "Shareholders Meeting") to be held on June 25, 2025. We hereby notify that the Board of Directors unanimously resolved to oppose all Proposals in the Shareholder Proposal at its meeting held today.

1. Proposing Shareholder

DALTON KIZUNA (MASTER) FUND LP

2. Contents of the Shareholder Proposal

(1) Items

(a) Amendment of the Articles of Incorporation regarding measures to realize management that is conscious of the cost of capital and stock price

(b) Share repurchase

(c) Amendment of the Articles of Incorporation concerning the cancellation of treasury shares

(d) Cancellation of treasury shares

(e) Approval of the compensation amount regarding the restricted stock unit plan

(f) Amendment of the Articles of Incorporation concerning the structure of outside directors

(2) Summary and reasons for the Proposals

As stated in the attached "Contents of the Shareholder Proposal."

Please note that the attached "Contents of the Shareholder Proposal" presents the original text of the relevant sections of the Shareholder Proposal Document submitted by the Proposing Shareholder.

3. Opinion of the Yakult Board of Directors regarding the Shareholder Proposal

(1) Opinion of the Yakult Board of Directors

The Yakult Board of Directors **opposes all Proposals in the Shareholder Proposal**.

(2) Reasons for opposition

(a) **Amendment of the Articles of Incorporation regarding measures to realize management that is conscious of the cost of capital and stock price**

This Proposal requests the addition of the clause on the disclosure of our initiatives based on the request by the Tokyo Stock Exchange, Inc. ("TSE") for all Prime and Standard listed companies to take "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" dated March 31, 2023 (the "TSE Request") and the "Key Points and Examples Considering The Investor's Point of View in Regard to Management Conscious of Cost of Capital and Stock Price" dated February 1, 2024 (the "Key Points and Examples") in our Corporate Governance Report and website.

The Company's ROE has consistently exceeded our cost of capital, and our ROE and PBR have also consistently surpassed the levels of ROE and PBR mentioned in the TSE Request as indicating profitability and growth issues. In addition, the Company makes necessary disclosures in accordance with the TSE Request, such as disclosure of our cost of capital and profitability, including in the Corporate Governance Report.

Furthermore, based on our corporate philosophy, "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular," Yakult Group aims to be an enterprise that develops together with local communities by helping to create lifestyles where people can feel healthy and happy, and have a sense of purpose in life. To realize this, we conducted an analysis and evaluation of the current situation regarding our cost of capital, profitability, and market value based on the TSE Request and the Key Points and Examples among other things and prepared a new Medium-term Management Plan covering six years from FY2025 to FY2030 (the "New Medium-term Management Plan"). This plan was announced on May 13, 2025.

The New Medium-term Management Plan will establish a positive cycle of funds through operating cash flow generated by investments that prioritize business growth while aiming for balance sheet control to ensure proper capital allocation. Our approach to cash allocation and

balance sheet management includes enhancing shareholder returns by reducing short-term liquidity by approximately 130 billion yen, implementing share repurchases in the amount of 100 billion yen or more, and distributing around 150 billion yen in dividends.

We will steadily implement the measures outlined in the New Medium-term Management Plan and continue to analyze and evaluate our cost of capital, profitability, and market value. We will strive to achieve profitability that exceeds the cost of capital by maintaining dialogue with the stock market and utilizing our assets and liabilities.

As stated above, the Company diligently promotes management that is conscious of the cost of capital and stock price based on the TSE Request and continuously makes necessary and sufficient disclosures regarding our initiatives. Therefore, we believe the Proposing Shareholder's suggestion of "insufficient consideration and disclosure" is unwarranted.

The details of the mandatory disclosure defined in the Articles of Incorporation suggested by the Proposing Shareholder in this Proposal are matters that should be determined by the Company with certain flexibility and agility based on our management strategy and business environment. Making the disclosure mandatory in the Articles of Incorporation may restrict our flexible business strategy and capital policy; therefore, we believe it is inappropriate to include this matter in the Articles of Incorporation, which represents the fundamental norms of our corporate operation.

Due to the reasons stated above, the Yakult Board of Directors **opposes this Proposal**.

(b) **Shares repurchase**

The Company aims to enhance shareholder returns and increase its corporate value by maintaining a stable financial foundation through active growth investments for business expansion. Based on this approach, we have established KPIs for the New Medium-term Management Plan to achieve a 10% ROE, a 60% equity ratio, and a 70% total payout ratio by FY2030.

Prior to the announcement of the New Medium-term Management Plan, we decided to revise our shareholder return policy to improve capital efficiency and further enhance shareholder returns through the repurchase of shares conducted in line with our management strategy and the business environment, in addition to the progressive dividend payments to shareholders. As announced in the "Notification Regarding the Changes to Shareholder Return Policy, Determination of Matters Pertaining to Share Repurchase, and Cancellation of Shares Held as Treasury Stock" dated February 14, 2025 (the "February 14 News Release"), we will flexibly conduct share repurchase with a total payout ratio of 70% as a guideline, considering the market environment, cash flow, and other factors.

As announced in the February 14 News Release, in addition to repurchasing shares in the amount of 100 billion yen or more by FY2030, the Board of Directors resolved to repurchase up to 14

million shares, amounting to a total of 30.0 billion yen, between February 17, 2025, and June 19, 2025, in accordance with our shareholder return policy as mentioned above. Per the resolution, the Company repurchased a total of 6,439,300 shares for 19,198,054,950 yen between February 17, 2025, and April 30, 2025. We will continue to implement balance sheet control, including share repurchases, to achieve an optimal capital structure based on our management strategy and the business environment. The Company's total payout ratio for the fiscal period ended March 2025, which includes the total annual dividend of 64 yen, is 75.2%.

This Proposal requests the repurchase of 30 million shares of the Company's common stock for a total of 100 billion yen within one year from the conclusion of this Shareholders Meeting. If the share repurchase requested in this Proposal by the Proposing Shareholder is executed, the total payout ratio using the fiscal period ended March 2025 will reach 295%, or 4.2 times the 70% KPI for the Company's total payout ratio set forth in the New Medium-term Management Plan. Additionally, considering that the Company's profit attributable to owners of the parent for the fiscal period ended March 2025 was 45.5 billion yen, the aggregate share repurchase price presented in the Proposal, which is 2.2 times this figure, is excessive to achieve within the short period of one year from the conclusion of the Shareholders Meeting. This Proposal assumes a request for a share repurchase of 100 billion yen separate from the 100 billion yen share repurchase announced by the Company. Implementing the share repurchase requested in this Proposal together with the share repurchase announced by the Company would require a cash outflow of 200 billion yen, which is equivalent to 31.8% of our net assets, causing a significant impact on the Company's financial status.

Furthermore, the Company plans to continuously implement measures that include expanding overseas sales and enhancing research and development, which require a certain level of investment. If this Proposal is approved, the Company will lose a source of growth investment, causing the corporate activities aimed at sustainable growth and improving medium- to long-term corporate value to potentially stall, resulting in a negative impact on the shareholders' interests.

Due to the reasons stated above, the Yakult Board of Directors **opposes this Proposal**.

The Proposing Shareholder seems to assume that the Company will allocate funds obtained from the sale of strategic shareholdings to the share repurchase. However, according to the New Medium-Term Management Plan, the Company aims to gradually reduce the strategic shareholding to 5% of consolidated net assets by FY2030 as a guideline. We will review the rationale of each shareholding precisely, and decide whether to dispose of such shareholding based on the result of such review.

(c) **Amendment of the Articles of Incorporation concerning the cancellation of treasury shares**

The Company believes that the capital policy regarding its treasury shares, including the cancellation of the treasury shares, should be determined flexibly by the Board of Directors. This will be based on its management decisions, including the utilization of shares for future M&A and stock remuneration while comprehensively considering consistency with the capital policy

outlined by the Company as part of its medium- to long-term management strategy, changes in the business environment, and shareholder interests, among other factors.

The Proposal seeks to amend the Articles of Incorporation to make the cancellation of shares a matter for resolution at the Shareholders' Meeting. If approved, along with "(d) Cancellation of treasury shares" proposed by the Proposing Shareholder, all of the Company's treasury shares will be cancelled (except for the number of shares deemed necessary for the implementation of stock remuneration by the Yakult Board of Directors). In this case, the Company will be unable to flexibly utilize its treasury shares as a method of capital policy being considered based on the medium- to long-term management strategy. Accordingly, this will restrict the options available to the Yakult Board of Directors for management decisions and may impair the shareholders' interests.

Therefore, we believe that allowing the Board of Directors to resolve the cancellation of the treasury shares in accordance with Article 178 of the Companies Act, rather than having this decision made by the shareholders' meeting, will facilitate flexible and agile utilization of the treasury shares as a method of capital policy aligned with our medium- to long-term management strategy, which will contribute to enhancing our corporate value.

Furthermore, as announced in the February 14 News Release, the Board of Directors meeting held on February 14, 2025, resolved to repurchase up to 14 million shares, amounting to a total of 30.0 billion yen, between February 17, 2025, and June 19, 2025. This move aims to improve capital efficiency and further enhance shareholder returns through the repurchase of shares, conducted in line with the business environment, and to cancel all repurchased shares. According to the resolution, the Company repurchased a total of 6,439,300 shares between February 17, 2025, and April 30, 2025, all of which will be cancelled.

The Company will continue to explore methods for utilizing treasury shares as part of our capital policy, grounded in the medium- to long-term management strategy aimed at enhancing our corporate value.

Due to the reasons stated above, the Yakult Board of Directors **opposes this Proposal**.

(d) **Cancellation of treasury shares**

This Proposal seeks to cancel all treasury shares held by the Company (excluding the number of shares deemed necessary for the implementation of stock remuneration by the Yakult Board of Directors), subject to the approval of the above Proposal "(c) Amendment of the Articles of Incorporation concerning the cancellation of treasury shares".

As stated in the opinion of the Yakult Board of Directors against "(c) Amendment of the Articles of Incorporation concerning the cancellation of treasury shares," the Company will be unable to flexibly and agilely utilize its treasury shares as a method of its capital policy being considered based on the medium- to long-term management strategy. Accordingly, it will restrict the options

available to the Yakult Board of Directors for management decisions and may impair the interests of shareholders.

In response to the Shareholder Proposal, the Yakult Board of Directors reviewed whether the cancellation of treasury shares currently held by the Company was necessary. However, the Board determined that the cancellation of treasury shares mentioned in the Proposal was unnecessary at this time, from the viewpoint of the change in the business environment, shareholders' interests and others.

The Yakult Board of Directors will continue to consider the cancellation of treasury shares if it determines that such cancellation will enhance our corporate value and benefit shareholders based on the prevailing circumstances.

Due to the reasons stated above, the Yakult Board of Directors **opposes this Proposal**.

(e) **Approval of the compensation amount regarding the restricted stock unit plan**

(i) Process of determination of remuneration for the Company's directors

Regarding matters pertaining to the nomination and remuneration of directors, the Company has established the Nomination & Remuneration Committee as an advisory body to the Board of Directors (the "Nomination & Remuneration Committee"). This aims to strengthen the independence and objectivity of the Board's functions, as well as its accountability, with independent outside directors comprising the majority(Note). Concerning the policy on determining remuneration for individual directors, the method of calculation, and individual remuneration are resolved by the Board of Directors based on consultation with the Nomination & Remuneration Committee. The Board of Directors delegates the determination of individual remuneration amounts, including fixed and performance-based components, to the Nomination & Remuneration Committee.

(Note) Outside director Katsuyoshi Shinbo passed away on February 8, 2025, and retired from his position as a director on the same day. This has led to a temporary change in the composition of the committee, which now consists of four members: two internal directors and two independent outside directors. Moving forward, we will continue to focus on the committee structure from the perspectives of independence and objectivity.

More specifically, based on the submission by the Nomination & Remuneration Committee, the Company's remuneration system aims not only to realize "Shirota-ism," which is the foundation of our business, but also to make management more responsible for business results and to promote increased value-sharing with shareholders. It consists of fixed remuneration, performance-based remuneration (short-term cash incentives), and stock remuneration (long-term stock incentives).

To ensure that remuneration functions as an appropriate incentive within the system, the proportions of fixed remuneration, performance-based remuneration, and stock

remuneration for directors (excluding outside directors and part-time directors) are set at a ratio of 70:15:15. This standard is determined based on an analysis and review of information provided by independent research organizations and trends in other companies. We believe the balanced remuneration system supports the promotion and retention of superior talent that can implement our corporate philosophy, meet the expectations of various stakeholders, including shareholders, and lead to sustainable enhancement of corporate value.

Regarding the stock remuneration, at the 71st Ordinary General Meeting of Shareholders held on June 21, 2023 (the "71st Shareholders Meeting"), the Company presented a plan for the introduction of a restricted stock unit plan for its directors (excluding outside directors and part-time directors) with an annual stock remuneration amount within 300 million yen, and the number of common stocks to be issued or disposed of limited to 150,000 shares (the figures indicate the number of stocks adjusted for the stock split on October 1, 2023). This plan aims to provide incentives for sustainable improvement of corporate value and to promote increased value-sharing with shareholders, seeking the approval of the shareholders. This was approved with a significant approval ratio of 95.9%.

As stated, the Company's current stock remuneration system for the directors is being implemented in accordance with shareholder approval and following appropriate procedures to ensure independence and objectivity driven by the Nomination & Remuneration Committee.

(ii) The reason that the introduction of the stock remuneration in the Shareholder Proposal is unnecessary

The Proposal requests the introduction of a performance-based remuneration that includes ROE and TSR (total shareholder return) in addition to the stock-based remuneration approved at the 71st Shareholders Meeting for Yakult directors (excluding outside directors and part-time directors; the same shall apply hereinafter in this paragraph). It seeks the introduction of a restricted stock unit plan designed to grant an aggregated total of restricted stocks equivalent to three times the fixed remuneration over three years if the relevant performance criteria are met (up to 800 million yen per annum, with the number of common stocks to be issued or disposed of capped at 200,000 shares per annum) (Noting that the Proposal does not state that the proposed restricted stock unit plan is to replace the existing stock-based remuneration introduced by the Company, it is assumed to be added to the existing stock-based remuneration system).

If the additional restricted stock unit plan under this Proposal is implemented and the performance criteria are met, it will result in the granting of restricted stock units exceeding three times the fixed remuneration over three years, in addition to the existing stock-based remuneration. The Company's current officer remuneration system sets the fixed remuneration ratio at 70%. If the proposed plan is introduced and the fixed remuneration amount is maintained, the total remuneration for directors is expected to increase several

times compared to the current level. This would create an excessive remuneration system that lacks balance with the current fixed and performance-based remuneration, which is designed to serve as an appropriate incentive. As such, it would significantly diverge from the Company's current policy on the determination of remuneration for individual directors.

Furthermore, if a performance-based incentive system that includes ROE and TSR is added to the existing performance-based remuneration in accordance with the Proposal, it would create a remuneration system that excessively leans toward performance-based remuneration. We believe this would significantly deviate from the balanced remuneration system that the Company currently considers appropriate.

Due to the reasons stated above, the Yakult Board of Directors **opposes this Proposal**.

Before the resolution of this Directors' opinion, the Nomination & Remuneration Committee deliberated on the Proposal and consulted with the Board of Directors. The Board resolved this opinion based on the submission from the Nomination & Remuneration Committee.

The Company will continue to explore the development of a remuneration system aimed at enhancing corporate value. This includes increasing the proportion of stock remuneration for the Company's directors and introducing stock remuneration for employees to boost their incentive to improve corporate value.

(f) Amendment of the Articles of Incorporation concerning the structure of outside directors

(i) Process of determination of candidates for the Company's directors

The Company has established the Nomination & Remuneration Committee, an advisory body to the Board of Directors, with the majority consisting of independent outside directors (the "Nomination & Remuneration Committee") to strengthen the independence, objectivity, and accountability of the Board's function regarding director nomination and compensation. The nomination of candidates for directors is determined by the Board of Directors in consultation with the Nomination & Remuneration Committee.

From the perspective of sustainable growth and enhancement of the medium- to long-term corporate value of the Company, our baseline requirements for a potential director include position-appropriate abilities, personality, and insight, along with extensive knowledge and experience, as well as a thorough understanding of group management. We also seek a Board of Directors with a diverse structure that fosters open-minded discussion. To this end, the board structure is determined based not only on the Company's employees but also on top-level managers of Yakult Group marketing companies and experts in various fields, consistently aiming to place the right person in the right role.

The roles of outside directors expected by the Company are "to provide advice and appropriate supervision on business execution to the Company's management from

objective perspective" based on each director's expertise, experience and other relevant factors. The Company aims to further strengthen its management by having various talented individuals as outside directors on the board to receive advice and supervision from broad perspectives.

As mentioned above, the Company selects suitable candidates for directors with a focus on sustainable growth and enhancing the medium- to long-term corporate value of the Company, based on consultation with the Nomination & Remuneration Committee. Additionally, we determine the structure of the Board of Directors by considering the balance of skills of each candidate and the diversity in the board.

(ii) The reason we believe the proposed Company's Board of Directors have an optimal structure that contributes to sustainable growth and improving medium- to long-term corporate value

The Company's Board of Directors currently consists of 14 members, including five independent outside directors. We believe the Board has enhanced shareholder returns by engaging in constructive discussions to realize our corporate philosophy, improve medium- to long-term corporate value, actively invest in growth fields, and maintain a stable financial base.

If the Proposal on the appointment of directors to be submitted by the Company at the Shareholders' Meeting is approved, the Board of Directors will consist of six independent outside directors out of a total of 14, which includes two women and one foreign national. Therefore, we believe that the diversity of the Board of Directors has been secured. Additionally, all six independent outside directors are experts in their fields, including a lawyer, a corporate management professional, an academic, and a securities analyst, each possessing specialized knowledge, diverse experience, and a deep understanding of corporate governance.

Therefore, the effectiveness of governance in promoting sustainable growth and enhancing medium- to long-term corporate value will be sufficiently secured by the Company's Board of Directors after the Shareholders' Meeting, and we do not believe it is necessary for outside directors to comprise the majority.

(iii) The reason we believe establishing a clause in the Articles of Incorporation requiring that outside directors comprise a majority is unnecessary

The Corporate Governance Code "Principle 4.8 Effective Use of Independent Directors" states that "if a company listed on the Prime Market believes it needs to appoint the majority of directors ... as independent directors ... should appoint a sufficient number of independent directors" and requires the appointment of a majority of directors as independent directors as necessary, based on considerations of the circumstances surrounding the company. It does not require all companies listed on the Prime Market to appoint the majority of directors as

independent outside directors.

If, as in the Proposal, a clause requiring that the majority of directors must always be outside directors is established in the Articles of Incorporation, it would restrict the discussion on the vision for the Board of Directors and the range of candidates for directors. This would prevent the consideration and structure of an optimal Board of Directors as may be needed from time to time.

Due to the reasons stated above, the Yakult Board of Directors **opposes this Proposal**.

Prior to the resolution of this Directors' opinion, the Nomination & Remuneration Committee deliberated on the Proposal and consulted with the Board of Directors. The Board of Directors resolved on this opinion based on the submission from the Nomination & Remuneration Committee.

To strengthen the governance system that contributes to enhancing the corporate value, the Company will continue to consider increasing the number and ratio of independent outside directors, as well as the role of the Board of Directors, which includes appropriate skills that contribute to the enhancement of the corporate value. This will be carried out by the Nomination & Remuneration Committee and the Board of Directors in consultation with the Nomination & Remuneration Committee.

4. Request to the Shareholders

As stated above, Yakult Board of Directors opposes all Proposals in the Shareholder Proposal.

We ask the shareholders to carefully consider the exercise of voting rights concerning this Shareholder Proposal.

The Company will continue to engage in constructive dialogue with our shareholders while striving to achieve sustainable growth and enhance medium- to long-term corporate value.

Reference 1: Website for the New Medium-term Management Plan

< https://www.yakult.co.jp/english/ir/library/pdf/Medium-term_Management_Plan_2025_2030_en.pdf >

Reference 2: Website for the February 14 News Release

< https://www.yakult.co.jp/english/news/file.php?type=release&id=173950697433.pdf >

End of document

Attachment：Contents of the Shareholder Proposal

*This document is the original text of the relevant sections of the Shareholder Proposal Document submitted by the Proposing Shareholder.

I. Items

1. Amendment of the Articles of Incorporation regarding measures to realize management that is conscious of the cost of capital and stock price

2. Share repurchase

3. Amendment of the Articles of Incorporation concerning the cancellation of treasury shares

4. Cancellation of treasury shares

5. Approval of the compensation amount regarding the restricted stock unit plan

6. Amendment of the Articles of Incorporation concerning the structure of outside directors

II. Summary of the Proposals and reasons for the proposals

Where formal adjustments to the chapters or clauses stated in the Proposal to amend the Articles of Incorporation become necessary due to the approval or rejection of the Proposal to amend the Articles of Incorporation and other proposals in this Shareholders' Meeting (including proposals by the Company), the chapters and clauses regarding the Proposal to amend the Articles of Incorporation shall be read as the chapters and clauses after the necessary adjustments have been made.

1. Amendment of the Articles of Incorporation regarding measures to realize management that is conscious of the cost of capital and stock price

(i) Summary of the Proposals

Add the following clauses to the Company's Articles of Incorporation.

(Underlined portions denote change)

Before change	After change
(New)	Chapter 7. Disclosure Article 40. (Disclosure regarding management that is conscious of cost of capital and stock price) The Company will, so long as it remains a listed company, review the appropriateness of its initiatives and contents of disclosure based on the "Key Points and Examples Considering The Investor's Point of View in Regard to Management

	Conscious of Cost of Capital and Stock Price" (the "Key Points and Examples") published by the Tokyo Stock Exchange on February 1, 2024, and disclose the details of the initiatives according to the items in the Key Points and Examples in its Corporate Governance Report and the Company website.

(2) Reasons for the proposal

The Tokyo Stock Exchange requested listed companies to take "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" in March 2023, as stated in the "Key Points and Examples Considering The Investor's Point of View in Regard to Management Conscious of Cost of Capital and Stock Price" published in February 2024. Companies are expected to analyze and evaluate the company "not merely whether the current P/B ratio exceeds 1 or whether the ROE exceeds 8%, but ... from multiple perspectives with regard to profitability and market valuation," and that "the key to management that is conscious of cost of capital and stock price is appropriate allocation of management resources to improve corporate value over the medium to long term, and in conjunction with the above analysis and evaluation, companies are also expected to check whether their balance sheet is in an efficient state for value creation."

The Company announced its "responses to implement management that is conscious of capital cost and stock price" and discloses its capital cost and profitability. However, the current capital allocation by the Company only invests 60% of its capital in the business and its balance sheet is deemed inefficient. Considering the Company's situation, the consideration and disclosure of appropriate allocation of management resources such as "implementing fundamental initiatives with an awareness of the appropriate allocation of management resources" and "designing a management compensation system that provides an incentive to increase corporate value over the medium to long term" is insufficient. Therefore, we submit this Proposal to ensure that the Company's response to the TSE Request is not merely formal but highly effective.

2. Share repurchase

(1) Summary of the Proposals

(a) Matters regarding share repurchase: In accordance with the provisions of Article 156, Paragraph 1 of the Companies Act, a total of up to 30 million shares of the Company's common stock, for a total of up to 100 billion yen, shall be acquired in exchange for delivery of monies, within one year from the conclusion of this Shareholders' Meeting.

(b) Other matters regarding surplus: Separately withdraw 100 billion yen of reserves and transfer the amount to deferred retained earnings.

(2) Reasons for the proposal

As stated in the Proposal for "Amendment of the Articles of Incorporation regarding measures to realize

management that is conscious of the cost of capital and stock price," the Company's balance sheet is inefficient. The current capital policy refers to the allocation of future cash flows but does not discuss the capital structure. Accordingly, for the following two points, we believe that the Company can implement share repurchase in this Proposal without any loss of business opportunity, and that this will contribute to the interest of all shareholders.

Firstly, the Company has surplus funds, even when considering the future reinvestment needs of its business. As of December 31, 2024, the Company possesses not only cash and deposits of 262.4 billion yen and investment securities worth 69.0 billion yen but also holds idle assets such as the former head office building in Shimbashi, Tokyo, along with real estate in the surrounding area (which continued to be held after the head office relocation following the acquisition of additional properties in the vicinity, estimated to be worth tens of billions of yen). The total amount of financial assets alone, excluding the value of those real estate assets, accounts for 39% of total assets at 331.4 billion yen. Furthermore, the net financial assets, calculated by deducting loans payable of 79.8 billion yen from the financial assets, amount to 251.6 billion yen, reaching 40% of net assets, resulting in an equity ratio of 67%. The Company has a stable business, and funds necessary for future reinvestments can be adequately procured from within the anticipated cash flows.

Secondly, share repurchase at the current undervalued stock price will enhance the value per share (profit, net assets, dividends) and present an effective return for shareholders, even more than increased dividends. The Company's share price is currently sluggish, partially due to the decline in capital efficiency, and key indicators, including the Price Book-value Ratio (PBR) and Price Earnings Ratio (PER), are at their lowest level in two decades. At present, the intangible values of the Company, which continue to grow globally, such as technological know-how and the brand developed over the years, are undervalued by the market.

There are instances where large-scale share repurchases are delayed due to small-scale share repurchases already in place and limited liquidity. However, the Company possesses a substantial position in strategic shareholdings, including Fuji Media Holdings, Inc. ("FMH"), making it feasible to implement the size of the share repurchase in the proposal without concerns for liquidity by dissolving the cross-shareholdings. In particular, an early dissolution of the cross-shareholding with FMH, a major shareholder holding approximately 5% of issued shares (excluding treasury shares), is advisable given the recent circumstances surrounding FMH.

3. Amendment of the Articles of Incorporation concerning the cancellation of treasury shares

(1) Summary of the Proposals

Add the following Chapter and clauses in the current Articles of Incorporation.

Chapter 8. Cancellation of treasury shares

Article 41. The Company may cancel treasury shares, including the determination of the classes of shares and the number of shares for each class to be canceled, by resolution of the shareholders' meeting.

(2) Reasons for the proposal

The Company holds treasury shares equivalent to 13% of issued shares as of March 31, 2025. Holding a large amount of treasury shares may remind investors of the risk of undisciplined capital increases, resulting in the "corporate governance discount" being reflected in the stock price. In rare cases, treasury shares are not canceled when they are expected to be used for corporate mergers and acquisitions. However, as the Company's shares are undervalued, increasing capital under these circumstances will impair shareholder value. Therefore, we believe that the shareholders' meeting should have the authority to determine the cancellation of treasury shares and that they should be canceled.

4. Cancellation of treasury shares

(1) Summary of the Proposals

Subject to the approval of the Proposal on the "Amendment of the Articles of Incorporation concerning the cancellation of treasury shares," cancel all shares held in treasury. However, the number of shares deemed necessary by the Board of Directors for implementing stock remuneration shall be excluded.

(2) Reasons for the proposal

As stated in the reasons for the Proposal on the "Amendment of the Articles of Incorporation concerning the cancellation of treasury shares," cancellation of treasury shares will contribute to the enhancement of the Company's shareholder value. Therefore, if the amendment of the Articles of Incorporation concerning the cancellation of treasury shares is approved, we propose the cancellation of all shares held in treasury by the Company (excluding the number of shares deemed necessary by the Board of Directors for implementing stock remuneration).

5. Approval of compensation amount regarding the restricted stock unit plan

(1) Summary of the Proposals

The maximum remuneration for the Company's directors is 1,000 million yen per annum (excluding the employee salary and bonuses of employees serving as directors), which was approved at the Shareholders' Meeting held on June 25, 2008. Additionally, separately from and in addition to the remuneration framework above, up to 300 million yen per annum and up to 150,000 shares per annum were approved for stock remuneration (excluding the employee salary and bonuses of employees serving as directors, and excluding outside directors and part-time directors) at the Shareholders' Meeting held on June 21, 2023. We propose that directors of the Company who are eligible for the restricted stock unit plan shall be granted a monetary remuneration claim for granting restricted stock units of up to 800 million yen per annum and up to 200,000 shares. The specific timing of payment and allocation shall be determined by the Board of Directors, which shall be designed as a performance-based incentive system that includes ROE and TSR (total shareholder return) with the terms that the total restricted stock units equivalent to three times the fixed remuneration will be granted in three years if and when the relevant performance criteria are met.

(2) Reasons for the proposal

We believe that the most significant weakness of the Board of Directors in Japan is the small number of

shares held by each director, which leads to a lack of shareholders' perspectives. The Company's directors also hold a small number of shares, and the majority of the economic interest of the directors is in the form of basic remuneration, which is fixed amount. While some remuneration is tied to achieving performance targets, value sharing with shareholders— the purpose of the restricted stock unit plan— is insufficient. The directors must be given economic incentives to seek sustainable enhancement of corporate value for the Company and to enjoy the benefits of improved corporate value alongside the shareholders by aligning their interests with those of the shareholders.

An effective level of stock remuneration for value sharing between directors and shareholders is regarded as being equivalent to three times the fixed remuneration. Although the Company has introduced a restricted stock unit plan, the stock remuneration for the Company's directors for the 72nd fiscal year (from April 1, 2023, to March 31, 2024) totaled 72 million yen, representing only14% of the annual fixed remuneration of 504 million yen which has been paid for the Company's directors (excluding outside directors) in the same fiscal year. At this rate, the restricted stock unit plan will take approximately 21 years to achieve the level of directors' shareholding considered effective for the value sharing between directors and shareholders, which is equivalent to three times the fixed remuneration. Restricted stock units hold little value unless they are granted during the directors' term of office, so a substantial amount must be granted within a shorter timeframe.

Furthermore, almost all major listed companies in the U.S. and Europe have adopted shareholding guidelines that require continuous holding of a certain number of shares for a certain period, deemed necessary to share value with the shareholders. In the majority of cases, the top management receives three to five times the basic remuneration, and outside directors receive an amount equivalent to their remuneration after several years of a grace period. We propose that the Company's directors and other management should think beyond past conventions, aim for an ownership level that matches the global standard, and demonstrate their commitment with appropriate disclosure, and we think that they should establish a shareholding guideline.

6. Amendment of the Articles of Incorporation concerning the structure of outside directors

(1) Summary of the Proposals

To make outside directors comprise the majority of the Board of Directors of the Company, Article 17 of the Company's Articles of Incorporation shall be amended as follows.

(Underlined portions denote change)

Before change	After change
Article 17. (Number of Directors) The Company shall have up to fifteen directors. <u>2. (New)</u>	Article 17. (Number of Directors) 1. The Company shall have up to fifteen directors. 2. <u>So long as the Company remains a listed company, the majority of the directors of the Company shall be outside directors as prescribed in Article 2, Paragraph 1, Item 15 of the Companies Act.</u>

(2) Reasons for the proposal

We believe that the diversity and independence of the board of directors are essential in today's management of listed companies. A diverse board of directors comprises members who make management decisions from a broad perspective, including skills, experiences, age, nationality, and gender. An independent board of directors consists of at least a majority of independent outside directors.

The Corporate Governance Code Principle 4.8 states that "independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as industry, company size, business characteristics, organizational structure, and circumstances surrounding the company, it should appoint a sufficient number of independent directors." In addition, the Corporate Governance Code Principle 4.7 lists "appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders" as one of the roles and responsibilities of an independent outside director.

As of March 31, 2025, the Company has five outside directors among 14 directors. Although this meets the requirements of the Corporate Governance Code Principle, we believe that, by more actively seeking outside directors to represent a majority of the directors, the Company can establish a governance framework that increases capital efficiency and shareholder returns, contributing to its sustainable growth and enhancement of medium- to long-term corporate value.

Moreover, in addition to the number of outside directors, it is essential to have quality outside directors who can contribute to the Company's sustainable growth and enhancement of medium- to long-term corporate value. In this regard, the promotion of women and talented individuals with strong experience and skills as analysts should be considered.

The promotion of "talented persons with strong experience and skills as an analyst" is considered to provide a perspective of an outside investor/shareholder and serves as an effective method for enhancing corporate value through healthy risk-taking. The board of directors and investors/shareholders of listed companies typically share the goal of enhancing long-term corporate value. However, in Japan, they are often perceived as having opposing interests. Including a director who possesses the aforementioned experience and skills in the discussions and decision-making of the board will help restore a constructive relationship between the board and the stock market through healthy risk-taking, capital allocation, and improved communication with the market. The directors' skills matrix often includes explanations that directors with commercial banking backgrounds or accountants are responsible for the financing area. However, expertise in accounting and the debt market alone is inadequate for promoting "healthy risk taking," highlighting the importance of having an equity market expert.

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