
8th January 2026

HS Holdings Co., Ltd.

Netherlands Hills Mori Tower RoP 1307, 1-11-1 Toranomon 5-chome, Minato-ku,
Tokyo, 105-0001, Japan

Subject: Concerns Regarding the Economic Rationale for the Disposal of Daito Bank Shares and a Renewed Request for a Presentation on the Cost of Capital

Dear Mr Yasunari Harada, President:

We write in connection with the amended large shareholding reports and related filings submitted by HS Holdings Co., Ltd. (“HSHD”) on 26 December 2025 and 6 January 2026 in respect of shares in THE DAITO BANK, LTD. (the “Shares”), and to set out our views and requests arising therefrom.

In response to our prior inquiry concerning the economic rationale for the disposal of the Shares, HSHD stated that, as the acquisition price was ¥730 per share and the disposal price was ¥868 per share (being the closing price on the trading day immediately preceding the transaction), the transaction was economically rational.

However, the relevant facts warrant closer scrutiny. HSHD disposed of the majority of the Shares acquired in February 2023 approximately three years later, in December 2025. The internal rate of return of this investment (the “Investment”) amounts to no more than approximately 6.5%, even when calculated on the most generous assumptions, namely that all subsequent share price appreciation on the remaining undisposed Shares is fully captured.

As we have consistently emphasised, as a listed company, HSHD is expected to generate returns in excess of shareholders’ required return, that is, the cost of equity—the effective cost of capital imposed by the equity market.

Accordingly, if HSHD nevertheless maintains that the Investment exceeded its cost of equity despite delivering an IRR of only approximately 6.5%, we request that HSHD articulate, clearly and transparently, the level of cost of equity it assumes and the basis for that assumption. Such explanation should be set out explicitly within a properly formulated medium-term management plan.

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Conversely, when assessed against HSHD's publicly disclosed ROE target of 10% and any reasonable estimate of the cost of equity, it is difficult to see how a coherent explanation of the economic rationale of the Investment can be sustained. From our perspective, this raises serious concerns that investment decisions may be being undertaken without a clear understanding of, or discipline regarding, capital costs and capital efficiency, and instead on an ad hoc basis. We are compelled to conclude that it is precisely this lack of rigour that has enabled HSHD to assert, without adequate substantiation, that the Investment was "economically rational."

In these circumstances, if HSHD is unable to provide a more substantive explanation of the economic rationale of the Investment, we hereby renew our request that HSHD arrange an opportunity for us to deliver a presentation, focused primarily on the cost of capital and its implications for shareholders' value.

Kind regards,
Satoru Matsuhashi
Founder CEO at Nanahoshi Management Ltd.