April 7, 2025

STAR MICRONICS CO., LTD.

Notice Regarding the Capital and Business Alliance, Issuance of New Shares Through Third-Party Allotment, Retirement of Own Shares, and Change in the Largest Shareholder as a Major Shareholder

STAR MICRONICS CO., LTD. (“the Company”) hereby announces that at a meeting of its Board of Directors held on April 7, 2025, the Company has resolved (i) to enter into a capital and business alliance agreement with Taiyo Unleash Acrux Holdings, LP (the “Scheduled Allottee”), which is operated and managed by Taiyo Pacific Partners L.P. (“TPP”); and (ii) to carry out the issuance of new shares through a third-party allotment to the Scheduled Allottee (the “Third-Party Allotment”) as well as the retirement of its own shares pursuant to Article 178 of the Companies Act of Japan as described below.

Furthermore, the implementation of the Third-Party Allotment will result in a change in the largest shareholder among major shareholders, as outlined herein.

I. Capital and Business Alliance Agreement

The Company has entered into the capital and business alliance agreement today with the TPP Group (the “Alliance Agreement”), which includes agreements on various measures aimed at enhancing the Company’s corporate value (the “Business Alliance”). The mission of the Alliance Agreement (the capital alliance pursuant thereto being hereinafter referred to as the “Capital Alliance” and the Business Alliance together with the Capital Alliance being collectively referred to as the “Alliance”) is to further increase its corporate value by receiving support from the TPP Group including the reinforcement of investment strategies, the advancement of capital allocation policies, and other value-creation initiatives.

1. Background of the Alliance

In the Medium-Term Management Plan announced on February 9, 2022, the Group outlined a roadmap for its “Vision for 2030”. To achieve this vision, the Group put in place the First Medium-Term Management Plan, positioning the three years from 2022 to 2024 as a period for “Building a foundation for change” and has been actively implementing various measures. Now, for the Group’s next stage of growth, the Group has formulated a new medium-term management plan (the “Second Medium-Term Management Plan”) based on the roadmap as announced on February 12, 2025, positioning the three years from 2025 to 2027, as a phase of “Driving change”.

In working toward the goals of realizing its Second Medium-Term Management Plan and ultimately its “Vision for 2030” the Group has defined a series of priority measures under its Second Medium-Term Management Plan to “Drive change” and has been actively promoting them as follows:

・Machine Tools Segment: Strengthen sales in medical-related fields, where expectations for market growth are high, expand the product lineup and technical support framework, and reinforce production bases. At the same time, take steps to strengthen software technologies

- Special Products Segment: Put priority on restoring profitability, working to consolidate production bases and revise the sales framework
- New Businesses: Aim for rapid entry into the medical business by pursuing open innovation, including acquisitions, and utilizing in-house resources
- Group-wide: Reform the corporate culture based on new human resource systems, while moving forward with initiatives to address material issues based on the Sustainability Policy

As part of "Driving change" under the Second Medium-Term Management Plan, the Group will conduct business investments in the priority business fields swiftly and promptly, as stated in "II. Third-Party Allotment, 3. Amount of Funds to Be Raised, Intended Use and Scheduled Time of Expenditure, and Rationality Thereof" below.

2. Rationale for the Alliance

As the TPP Group has been a shareholder of the Company for many years and has consistently demonstrated a deep understanding of the Group's management philosophy and policies, it has shown strong commitment by supporting the Second Medium-Term Management Plan.

TPP is (i) A pioneer in engagement investing in Japan, characterized by its numerous investment professionals and a track record of over 20 years of supporting many Japanese companies to unlock their potentials and enhance their corporate value, which can be contributed to improving the Company's corporate value through the reinforcement of the Group's business investment strategies and the optimization of its capital allocation policies; (ii) a global investment fund with an solid and broad international network that enables it to support continuous growth as well as the expansion of the Group's businesses through strengthened partnerships with diverse companies across various business fields; (iii) Maintained a longstanding relationship with the Group for over 20 years and has held more than one hundred meetings during that period, building a trust through constructive dialogue aimed at enhancing the Company's corporate value. Accordingly, from the development stage of the Second Medium-Term Management Plan, the Company proactively sought out TPP's engagement in order to receive such support, and both parties have engaged in discussions regarding measures for co-value creation.

As described in "1. Background of the Alliance" the Group, under the Second Medium-Term Management Plan and looking further ahead to its "Vision for 2030" has been actively promoting measures as in the phase of "Driving change", which is in line with the Second Medium-Term Management Plan. To promptly and flexibly implement the business investments described in "II. Third-Party Allotment, 3. Amount of Funds to Be Raised, Intended Use and Scheduled Time of Expenditure, and Rationality Thereof" the Group has an immediate need for funding. Based on a comprehensive set of considerations, as stated in "II. Third-Party Allotment, 4. Rationality of the Terms of Issuance, etc.," the Company has determined that carrying out the

Third-Party Allotment of a certain scale is the most optimal option for maximizing the Company's corporate value compared to the alternative procurement methods.

Given that (i) to (iii) above allow the Company to ensure the support in reinforcing its investment strategies and advancing its capital allocation policies, as well as strengthening partnerships with other diverse companies, and additionally in light of the longstanding relationship of trust that has been built between TPP and the Group coupled with TPP's deep understanding of the Group's management philosophy as well as the significance of the Second Medium-Term Management Plan, the Company came to the conclusion that TPP is the ideal partner for implementing measures to enhance the corporate value of the Company. Following this decision, in late February 2025, the Company made a preliminary proposal to TPP to execute the Third-Party Allotment as a means to secure project investment funds for undertaking key measures based on the Second Medium-Term Management Plan.

In response, TPP expressed its intention to underwrite this Third-Party Allotment, taking into account the following factors: (i) its sustained deep understanding of the Group's management philosophy and policies, including the newly announced Second Medium-Term Management Plan; (ii) its view that the Group must promptly implement the measures outlined in the Second Medium-Term Management Plan and that a third-party allotment is the optimal method for raising the necessary funds; (iii) its belief that by becoming the Company's largest shareholder, it can foster an even closer relationship and support the strengthening of the Group's business investment strategies and optimization of its capital allocation policies, thereby enhancing corporate value through proactive, jointly implemented measures; and (iv) its belief that such steps will help mitigate any potential economic disadvantages for existing shareholders arising from dilution.

Following the receipt of this response and the selection of the TPP as the Scheduled Allottee, the Company has resolved to enter into the Alliance Agreement concluded today, thereby further solidifying the mutual trust and ensuring the seamless and sustained enhancement of the Company's corporate value.

3. Details of the Alliance

(1) Details of the Capital Alliance

Under this Third-Party Allotment, the Company will allot 16,108,300 shares of the Company common stock to the Scheduled Allottee. After the completion of this Third-Party Allotment, the Scheduled Allottee's voting rights in the Company are expected to represent 36.14% (including the voting rights owned by the TPP Group), making the Scheduled Allottee the largest and a major shareholder of the Company. Having the Scheduled Allottee serve as the largest major shareholder will, in the Company's view, ensure a close collaborative relationship under this Alliance. the Company expects that by leveraging the TPP Group's international network, it can strengthen partnerships with diverse companies across different business fields and thereby achieve further growth and enhance corporate value in the future.

Additionally, the Company will procure approximately ¥25,000 million through this Third-Party Allotment under the Capital Alliance. The funds raised will be applied, in accordance with the Second Medium-Term Management Plan, to implement various measures swiftly in order to "Drive change" as described in "II. Third-Party Allotment, 3. Amount of Funds to Be Raised, Intended Use and Scheduled Time of Expenditure,

and Rationality Thereof" below. Furthermore, by raising capital in this manner, the Company will reinforce the adequacy of its capital base, which supports its financial standing, and allow for future cash flows generated by the Company's business to be allocated toward growth investments.
Based on a comprehensive set of considerations, the Company recognizes that by promoting the Business Alliance with the TPP Group through this Alliance, while simultaneously making the Scheduled Allottee the largest shareholder of the Company, it can accelerate the enhancement of the Company's corporate value and thereby expand the common interests of the Company's shareholders as it brings about a synergistic effect.

(2) Details of the Business Alliance

The main points of this business alliance are as follows:

1. Substantive review of the Company's mid- to long-term business strategy options with an Unfettered outside perspective
2. Strengthening of the Company's business investment strategies
3. Advancement of the Company's capital allocation policies

In addition to these initiatives, we will continue to examine and discuss measures aimed at further enhancing the Company's corporate value.

4. Other

To enhance the effectiveness of this alliance, under the Alliance Agreement, the Company grants the Scheduled Allottee and TPP the right to nominate one candidate for the Company's Board of Directors on the condition that the full amount of payment for the allocated shares is made. Should the Scheduled Allottee and TPP exercise this right, the Company has agreed to place on the agenda of the next General Meeting of Shareholders of the Company (held after such nomination) a proposal to elect the nominated individual as a Director, as well as to take any other necessary procedures.
Furthermore, under the Alliance Agreement, the Company has agreed that in the event it intends to issue or dispose of shares, share acquisition rights, bonds with share acquisition rights, convertible bonds, or other securities or rights that can be converted into shares to any third party other than the Scheduled Allottee and TPP (excluding the issuance of shares through the exercise of existing share acquisition rights and the issuance of shares under the director stock compensation plan approved at the Annual General Meeting of Shareholders held on March 27, 2025), or if it intends to take any other actions that could affect the voting rights ratio of the TPP Group (including through organizational restructuring), the Company will, in advance, notify the Scheduled Allottee and TPP of the details and conditions and obtain prior written consent from the Scheduled Allottee and TPP.
Through this alliance, as described in "IV. Change in the Largest Shareholder Who Is a Major Shareholder" the Scheduled Allottee will become the largest major shareholder of the Company. Both parties agree, by entering into this Alliance Agreement, to promote the Alliance while respecting the independence of the Company's management.
Through this Alliance with the TPP Group, the Company will strive to achieve further growth and at the

same time, it will continue to actively pursue the creation of new growth opportunities beyond this Alliance going forward in order to maximize its corporate value. We respectfully request the continued support and encouragement of all stakeholders.

5. Overview of the Capital and Business Alliance Partner

(1) Name	Taiyo Unleash Acrux Holdings, LP	
(2) Location	Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands	
(3) Title/Name of Representative	No applicable matters.	
(4) Description of business	Investment	
(5) Paid in capital	Not disclosed due to lack of consent for disclosure.	
(6) Establishment date	Not disclosed due to lack of consent for disclosure.	
(7) Matters Concerning the General Partner or an Equivalent Entity	Name	Taiyo Pacific Partners L.P.
	Location	5300 Carillon Point, Kirkland, WA 98033, USA
	Name and contact information of representative	No applicable matters.
	Amount of capital contribution	Not disclosed due to lack of consent for disclosure.
	Description of business	Investment
	Principal investor(s) and investment ratio(s)	Not disclosed due to lack of consent for disclosure.
	Title/Name of Representative	COO Christine Watanabe
(8) Principal investor(s) and investment ratio(s)	Not disclosed due to lack of consent for disclosure	
(9) Relationship Between the Parties		
	Capital Relationship	As of today (April 7, 2025), the TPP Group holds 1,196,400 shares of the Company's common stock.
	Personnel Relationship	No applicable matters.
	Business Relationship	No applicable matters.
	Status as a Related Party	No applicable matters.

(Notes) 1. The Location, Description of business and the General Partner of the Scheduled Allottee are provided based on explanations from TPP.

2. Certain details concerning the Scheduled Allottee have not been disclosed due to lack of consent for disclosure. According to information provided, the Scheduled Allottee and TPP are non-public entities, and their capital structure and investment information are regarded as highly confidential.

6. Schedule

(1) Date of Board of Directors' resolution regarding the Alliance and Third-Party Allotment	April 7, 2025
(2) Date of execution of the relevant agreement for the Alliance and Third-Party Allotment	April 7, 2025
(3) Payment period for the Third-Party Allotment and	From April 23, 2025, to May

commencement date of the Alliance	30, 2025

7. Outlook

Subject to the effectiveness of the securities registration statement submitted to the Kanto Local Finance Bureau, the Company plans to enter into a firm commitment agreement with the Scheduled Allottee based on the Alliance Agreement, receive payment from the Scheduled Allottee during the payment period from April 23, 2025, to May 30, 2025, and complete this Third-Party Allotment.

In addition, under the Alliance Agreement, the Scheduled Allottee and TPP have the right to nominate one candidate for the Company's Board of Directors on the condition that the full amount for the allocated shares is paid in. However, at this time, there is reportedly no intention to immediately nominate a Director candidate.

Through this Third-Party Allotment, the Company will further reinforce the adequacy of its capital base, and will be able to dynamically advance various measures to "Drive change" under the Second Medium-Term Management Plan. Moreover, promoting this alliance with the Scheduled Allottee is expected to help increase the Company's corporate value. Since the specific content and timing of the business alliance measures have not been finalized, the impact on operating results from the current fiscal year onward, including the progress of the Second Medium-Term Management Plan, is undetermined at this time but will be announced as soon as it becomes clear.

<u>II. Third-Party Allotment</u>

1. Overview of the Offering

(1) Payment Period	From April 23, 2025, to May 30, 2025
(2) Total Number of the Issued Shares	16,108,300 shares of common stock
(3) Issued Price	¥1,552 per share
(4) Amount of Funds Raised	¥25,000,081,600
(5) Method of Offering or Allocation (Scheduled Allottee)	Third-party allotment to Taiyo Unleash Acrux Holdings, LP
(6) Other	This offering is subject to the effectiveness of the securities registration statement under the Financial Instruments and Exchange Act.

(Notes) 1. This issuance will be carried out by means of a third-party allotment, not a public offering.

2. With respect to this Third-Party Allotment, the Board of Directors has resolved that the payment period under the Companies Act will be from April 23, 2025, to May 30, 2025. The reason for setting the payment period as April 23, 2025, to May 30, 2025, is that the implementation of this Third-Party Allotment is subject to the Scheduled Allottee completing prior notification procedures under the Foreign Exchange and Foreign Trade Act of Japan concerning inward direct investment, etc. Since the completion date of such procedures cannot be definitively determined as of the date of submission of this securities registration statement (April 7, 2025), the Company has set this period.

2. Purpose and Reasons for the Offering

As stated in "I. Capital and Business Alliance" sections "1. Background of the Alliance" and "2. Reasons for the Alliance."

3. Amount of Funds to Be Raised, Intended Use and Scheduled Time of Expenditure, and Rationality Thereof

(1) Amount of Funds to Be Raised

Total amount of payments (JPY)	Estimated issuance costs (JPY)	Estimated net proceeds (JPY)
25,000,081,600	274,393,886	24,725,687,714

(Notes) 1. The estimated issuance costs include expenses such as investigation fees for the Scheduled Allottee, advisory fees, registration and license tax, and other related fees.
2. Consumption tax, etc. is not included in the estimated issuance costs.

(2) Intended Use and Scheduled Time of Expenditure, and Rationality Thereof

Of the estimated net proceeds of 24,725,687,714 yen, the Company plans to allocate funds to each of the following uses:

Specific Use	Amount (JPY in millions)	Scheduled Expenditure Period
(i) Major Renovation of Domestic Plant (Phase 1: Kikugawa South Factory)	9,011	April 2025 – December 2026
(ii) Major Renovation of Domestic Plant (Phase 2: Makinohara Factory)	5,267	May 2025 – December 2027
(iii) M&A and Other Business Investments (e.g., M&A of Medical Equipment Company)	8,759	April 2025 – December 2027
(iv) Establishment of Solution Centers	1,688	April 2025 – December 2027
Total	24,725	

Further details on each use of funds are as follows:

As noted in "I. Capital and Business Alliance, 1. Background of the Alliance" the Group aims to achieve its "Vision for 2030" under the Second Medium-Term Management Plan. Accordingly, it is promoting priority measures to "Drive change" under this plan. Since it must undertake business investments promptly and flexibly without missing opportunities, the Company believes that allocating the funds from this Third-Party Allotment to these investments is appropriate and reasonable.

(1) Major Renovation of Domestic Plant (Phase 1: Kikugawa South Factory)

In the Machine Tools Segment, the Company is investing in the renovation of its domestic plant in order to build a production structure that will support the strategy and key measures aimed at becoming a "top manufacturer of automatic lathes" Specifically, to address growing demand for automatic lathes, the Company deems it necessary to promote (a) miniaturization and precision machining and (b) labor-saving measures in the manufacturing floor. Initiatives such as increasing profitability by expanding output of core components and enhancing in-house production ratios, boosting profitability and efficiency through smart factory implementations, and achieving ZEB (Net Zero Energy Building) certification via environmentally conscious design are considered essential to advancing (a) and (b) and, by extension, ensuring future profit generation in the Company's Machine Tools Segment. Construction work for renovating Kikugawa South Factory has already begun, with completion targeted for November 2025.

The Company estimates that ¥9,011 million (representing the remaining required amount after deducting funds already paid) will be necessary to renovate Kikugawa South Factory Plant by the end of December 2026, and plans to allocate proceeds from this Third-Party Allotment for these expenditures.

(2) Major Renovation of Domestic Plant (Phase 2: Makinohara Factory)

In parallel with (1) above, the Company plans to build Makinohara Factory Plant as a core manufacturing facility for advanced models, primarily for the medical-related sector, to establish its production structure in the Machine Tools Segment. This will allow the Company to expand domestic production capacity and mitigate geopolitical risks, thereby further strengthening the functionality and enhancing the value offered by the Group's principal Machine Tools Segment.

The Company estimates that ¥5,267 million will be required for constructing Makinohara Factory by the end of December 2027 and intends to allocate proceeds from this Third-Party Allotment toward these expenses.

(3) M&A and Other Business Investments (e.g., M&A of Medical Equipment Company)

The Company has laid out a new business development strategy aiming to enter the medical business (medical equipment business) by leveraging the technological capabilities honed since its founding. Its goal is to establish a business scale of at least ¥5 billion in sales by 2030. As the first phase of this plan, the Company is preparing to launch a component business targeting medical equipment manufacturers in close collaboration with its Machine Tools Segment. In the second phase, to swiftly build manufacturing capabilities and develop sales channels, the Company is promoting M&A activities targeting medical equipment manufacturers. Furthermore, as a preliminary investment for a third phase, the Company is pursuing open innovation activities, such as investing in and partnering with startup companies, accelerating its search efforts, and making LP investments in venture capital (VC) funds. Under this three-phase investment policy, the Company is currently evaluating multiple potential target companies, separating projects into short-term and long-term categories, and simultaneously assessing several candidates. While no specific M&A deals have been finalized at present, the Company is proceeding in a manner that allows it to pivot to the next candidate even if an agreement is not reached with one particular target, and it plans to disclose information in a timely manner according to future progress.

The Company estimates that ¥10,000 million will be required by the end of December 2027 for such investments to advance the priority measures under the Second Medium-Term Management Plan for "Drive change," and plans to use proceeds of ¥8,759 from this Third-Party Allotment to cover a portion of these costs.

(4) Establishment of Solution Centers

To strengthen its sales framework in the Machine Tools Segment, the Company established a Solution Center (within the Kikugawa Factory in Shizuoka Prefecture) in July 2020 and an Asia Solution Center (in Shanghai, China) in September 2022. At these centers, the Company aims to fortify its sales structure—especially for the medical-related field—by (a) permanently exhibiting the latest cutting-edge machines, (b) providing sales support through training sessions on machining techniques and maintenance for distributors and engineers, (c) enhancing customer satisfaction by offering optimal solutions via test machining and operator training, and (d) building a user support system through coordination among the various Solution Centers, thereby enriching both before- and after-sales services. Furthermore, the Company plans to open a European Solution Center (in Zurich,

Switzerland) by the end of 2025 (construction has already begun) with the aim of achieving an even more efficient and effective sales system.
The Company estimates that ¥1,688 million (representing the remaining amount after deducting any already paid expenses), including anticipated maintenance costs for the European Solution Center in the fiscal years ending December 2026 and December 2027, will be required by the end of December 2027 for the establishment of these Solution Centers. The Company intends to fund these expenses using proceeds from this Third-Party Allotment.

Pending their allocation to the intended uses, the funds raised will be managed through bank deposits.

4. Rationality of the Terms of Issuance

(1) Basis for Calculating the Payment Amount and Its Specific Details
Following discussions with the Scheduled Allottee, the issue price for this Third-Party Allotment was set at 1,552 yen, which represents a 9.88% discount from the closing price of the Company’s common stock on the Prime Market of the Tokyo Stock Exchange on April 4, 2025, the business day immediately preceding the date of the Board of Directors’ resolution for this Third-Party Allotment.
The discount rates against the average closing price of 1,999 yen for the one-month up to the preceding business day is 22.36%, against the average closing price of 1,954 yen for the three-month period is 20.57%, and against the average closing price of 1,931 yen for the six-month period is 19.63%. The reason for adopting the closing price on the business day immediately preceding the Board resolution date is that it was judged to appropriately reflect the Company’s current objective corporate value at this point in time.
Moreover, the decision to discount the issue price by 9.98% was reached through discussions and negotiations with the Scheduled Allottee, considering factors such as the Company’s stock price trends, its funding needs, and the impact on existing shareholders. As a result, the Company concluded that issuing shares at a price discounted by 9.98% from market value was appropriate. Accordingly, the issue price was set at 1,552 yen, which is 9.98% of the closing price of 1,724 yen for the Company’s common stock on the Prime Market of the Tokyo Stock Exchange on April 4, 2025 (the last trading day prior to the date of the Board of Directors’ resolution for this Third-Party Allotment).
The Company believes that the basis for calculating the above issue price is consistent with the “Guidelines for the Handling of Third-Party Allotments” (established on April 1, 2010) by the Japan Securities Dealers Association, and the price was decided after sufficient consultation with the Scheduled Allottee. Furthermore, the Company considers that this issue price also complies with said guidelines and does not fall under the category of “particularly favorable” as prescribed in Paragraph 3, Article 199 of the Companies Act. Based on this determination, and after sufficient deliberation on the purpose of this financing, alternative procurement methods, and the terms for issuing new shares through this Third-Party Allotment, the Company’s Board of Directors unanimously resolved that the issuance is neither particularly favorable to the Scheduled Allottee nor constitutes a favorable issuance, and is therefore lawful.
As stated in “7. Matters Related to Procedures Under the Corporate Code of Conduct” below, the Company established a committee with the same composition as the Audit and Supervisory Committee—namely three members, including three Outside Directors—to serve as a third-party committee for the purpose of obtaining an opinion on the necessity and appropriateness of this Third-Party Allotment. Acting as the third-party committee,

the Audit and Supervisory Committee submitted an opinion (summarized in “7. Matters Related to Procedures Under the Corporate Code of Conduct—<Summary of the Third-Party Committee’s Opinion on the Necessity and Appropriateness of This Third-Party Allotment>” below) stating that the new share issue price under this Third-Party Allotment is not particularly favorable to the Scheduled Allottee and is lawful.

(2) Basis for Determining That the Number of Shares Issued and the Scale of Dilution Are Reasonable

The number of new shares to be issued through this Third-Party Allotment will result in dilution of 38.93% relative to the Company’s total of 41,373,034 shares outstanding as of December 31, 2024 (or 50.70% relative to the Company’s 317,717 voting rights as of December 31, 2024).

Nevertheless, as described in “3. Amount of Funds to Be Raised, Intended Use and Scheduled Time of Expenditure, and Rationality Thereof” section (2) “Intended Use of Funds and Scheduled Time of Expenditure, and Rationality” the Company has certain funding needs. In an environment where the outlook remains uncertain due to surging resource prices, prolonged inflation, extended interest rate hikes in the U.S. and Europe, and foreign exchange fluctuations—further compounded by the market impact of the U.S. Trump administration’s tariff policies making it more difficult to secure large-scale financing over a longer horizon— the Company believes it necessary to raise equity-based capital rather than relying on loans. This is partly due to concerns that debt financing via indirect methods may weaken its financial base if interest-bearing liabilities become too large. Furthermore, a public offering or a rights offering to existing shareholders is considered unsuitable because (i) in a public offering, the participation rate of general investors is uncertain, and (ii) in a shareholder allotment, the participation rate of existing shareholders is uncertain, which casts doubt on the Company’s ability to raise sufficient capital. While it might be possible to attract new investors through a third-party allotment of stock acquisition rights by limiting the risk of a stock price decline, if the stock price does indeed fall, the exercise of such stock acquisition rights may not progress, leaving uncertainty as to whether the Company’s funding needs can be met.

On the other hand, securing a substantial amount of capital through a third-party allotment will ensure liquidity on hand, enabling the Company to promptly carry out various measures to “Drive change” under the Second Medium-Term Management Plan. This would accelerate the achievement of the “Vision for 2030” which lies beyond the Second Medium-Term Management Plan, and contribute to enhancing the Group’s corporate value.

Based on the foregoing, the Company believes that conducting a third-party allotment of an appropriate scale, which is optimal compared to alternative procurement methods, will maximize its corporate value. Moreover, the Scheduled Allottee has expressed its intent to hold the Company’s shares as its largest shareholder over the long term, which is expected to mitigate any potential economic disadvantages for shareholders arising from dilution. In order to ensure the certainty and expediency of raising funds, the Company believes that issuing new shares through this Third-Party Allotment is essential for advancing the priority measures of “Drive change” under the Second Medium-Term Management Plan. Therefore, the Company determined that both the number of shares to be issued and the scale of dilution arising from this Third-Party Allotment are reasonable.

5. Reasons for Selecting the Scheduled Allottee

(1) Overview of the Scheduled Allottee

As stated in “I. Capital and Business Alliance” section “4. Overview of the Capital and Business Alliance Partner” The Company has been informed by the Scheduled Allottee that TPP has the necessary authority under a discretionary investment management agreement to make investments on behalf of the Scheduled Allottee. In addition, the Company requested a background check from Tokucho Co., Ltd. (11-8 Nihonbashi Odenmacho, Chuo-ku, Tokyo; Representative Director and President: Kazue Arakawa), an independent investigative agency, to ascertain whether the Scheduled Allottee, its principal investor, and the general partner (including any officer of said general partner) of the Scheduled Allottee (collectively referred to as the "Scheduled Allottee Affiliates") have any connections to anti-social forces. As a result, no report was made indicating that the Scheduled Allottee Affiliates constitute or have any relationship with anti-social forces.

Based on the above, the Company has determined that the Scheduled Allottee has no relationship whatsoever with anti-social forces, and has submitted a written confirmation to that effect to the Tokyo Stock Exchange ("TSE").

(2) Reason for Selecting the Scheduled Allottee

As stated in "I. Capital and Business Alliance" sections "1. Background of the Alliance" and "2. Reasons for the Alliance"

(3) Holding Policy of the Scheduled Allottee

Under this Third-Party Allotment, the Scheduled Allottee is expected to become the largest shareholder of the Company, and it has expressed its intention to hold the Company's shares on a long-term basis as the largest shareholder.

In addition, the Company plans to obtain a written undertaking from the Scheduled Allottee stating that if it transfers all or part of the new shares acquired through this Third-Party Allotment within two years from the date of payment, it will report the details of such transfer to the Company; that the Company will report those details in writing to the Tokyo Stock Exchange; and that the reported details will be made available for public inspection.

(4) Confirmation of the Assets Required for the Scheduled Allottee's Payment

The Company confirmed, through a copy of a loan certificate from the financial institution from which the principal investor of the Scheduled Allottee is expected to receive financing, that there should be no issue concerning the certainty of payment for this Third-Party Allotment.

6. Major Shareholders and Shareholding Ratios After the Offering

Before the Third-Party Allotment (As of December 31, 2024)		After the Third-Party Allotment	
Taiyo Unleash Acrux Holdings, LP	3.76	Taiyo Unleash Acrux Holdings, LP	36.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	18.54	The Master Trust Bank of Japan, Ltd. (Trust Account)	12.31
Custody Bank of Japan, Ltd. (Trust Account)	10.89	Custody Bank of Japan, Ltd. (Trust Account)	7.23
THE BANK OF NEW YORK MELLON 140042	5.46	THE BANK OF NEW YORK MELLON 140042	3.63
Michi Suzuki	1.95	Michi Suzuki	1.29
STATE STREET BANK AND TRUST	1.91	STATE STREET BANK AND TRUST	1.27

COMPANY 505103		COMPANY 505103	
STATE STREET BANK WEST CLIENT - TREATY 505234	1.57	STATE STREET BANK WEST CLIENT - TREATY 505234	1.04
Nippon Life Insurance Company	1.54	Nippon Life Insurance Company	1.03
THE BANK OF NEW YORK MELLON 140040	1.51	THE BANK OF NEW YORK MELLON 140040	1.00
STATE STREET BANK AND TRUST COMPANY 505227	1.17	STATE STREET BANK AND TRUST COMPANY 505227	0.77

(Notes) 1. Major shareholders and shareholding ratios before this Third-Party Allotment are based on the number of shares registered in the shareholder registry as of December 31, 2024 (excluding treasury shares).

2. Each ratio above is rounded to the nearest thousandth.

3. The pre- and post-increase shareholding ratios of the Scheduled Allottee include the shares owned by the TPP Group as of today (April 7, 2025).

4. The post-increase shareholding ratio after this Third-Party Allotment is calculated by adding the number of new shares issued through this Third-Party Allotment to the total number of shares registered in the shareholder registry as of December 31, 2024 (excluding treasury shares).

7. Matters Related to Procedures Under the Corporate Code of Conduct

The number of shares to be issued in this Third-Party Allotment is expected to be 16,108,300 shares (corresponding to 161,083 voting rights), resulting in dilution of 38.93% relative to the Company's total of 41,373,034 shares outstanding as of December 31, 2024 (or 50.70% relative to the 317,717 voting rights as of December 31, 2024).

Accordingly, since the dilution rate is 25% or higher, this Third-Party Allotment constitutes a large-scale third-party allotment. In order to raise funds through this Third-Party Allotment, the Company must either confirm the shareholders' intent via a resolution of the General Meeting of Shareholders or obtain an opinion on the necessity and appropriateness of such a third-party allotment from a third-party committee that is sufficiently independent of management, pursuant to Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange.

Therefore, the Company decided to obtain an opinion on the necessity and appropriateness of the third-party allotment from a committee that is sufficiently independent of management. Specifically, the Company established a third-party committee ("Committee") comprising three individuals Messrs. Seiichi Nishikawa, Motoki Sugimoto, and Itsue Miyata, who are Outside Directors and Audit and Supervisory Committee members of the Company and requested their views on the necessity and appropriateness of this Third-Party Allotment.

Below is a summary of the opinion on the necessity and appropriateness of this Third-Party Allotment obtained by the Company from the Committee dated April 6, 2025.

<Summary of the Third-Party Committee's Opinion on the Necessity and Appropriateness of This Third-Party Allotment>

After careful deliberations during five separate committee sessions and a thorough review of the submitted materials, the Committee acknowledges the necessity of this Third-Party Allotment and further judges that the terms and conditions are reasonable, in that the issue price is not particularly advantageous to the Scheduled Allottee and is lawful. The specific grounds for this conclusion are as follows:

1. Necessity of Third-Party Allotment (Validity of the Reasons for Conducting the Third-Party Allotment)

The Committee finds that the Company has justifiable grounds for raising funds through this Third-Party Allotment and that there is a recognized need for the Company to raise such funds through this method, for the following reasons:

Specifically, in its medium-term management plan announced on February 9, 2022, the Group presented a roadmap toward its "Vision for 2030" It has been recognized that the Group has promoted various measures to achieve this vision by designating the three-year period from 2022 to 2024 as a phase of "Building a foundation for change" under the first medium-term management plan.

Looking ahead to the Group's next phase of growth, it formulated the Second Medium-Term Management Plan covering the fiscal years from December 2025 to December 2027, positioned as "Drive change" under the same roadmap, and publicly announced it on February 12, 2025. As part of its efforts to achieve the Second Medium-Term Management Plan and eventually the "Vision for 2030" the Group has set out various priority measures pursuant to the Second Medium-Term Management Plan to "Drive change" Consequently, it is deemed necessary for the Company to promptly and flexibly invest in business operations without missing timely opportunities.

In these circumstances, with a clear need for funds to carry out such business investments swiftly, the Scheduled Allottee expressed its intention to underwrite this Third-Party Allotment. Given that the planned amount to be raised is approximately ¥26.0 billion, the Company recognizes that raising such a substantial sum in a timely and assured manner will significantly strengthen its financial base by expanding its equity capital and ensuring sufficient on-hand liquidity to sustain business operations. From a management perspective, the Committee deems this approach both rational and the most effective means to realize these objectives in the short term.

Furthermore, the size of this Third-Party Allotment is also regarded as highly reasonable, as the Committee has confirmed that the Company intends to link it to the specific business investment projects promoted as priority measures for "Drive change" under the Second Medium-Term Management Plan, thereby enabling timely and flexible business investment.

In addition, with regard to the prospective underwriter of this Third-Party Allotment, the Committee confirmed through its hearings that the TPP Group has been a shareholder of the Company for many years and has consistently shown a deep understanding of the Group's management philosophy and policies. In particular, the TPP Group strongly supports the recently announced Second Medium-Term Management Plan.

Specifically, TPP is (i) a pioneer of engagement investment funds with a large number of investment professionals and a proven track record of enhancing corporate value at many Japanese companies for over 20 years, thereby contributing to strengthening the Group's business investment strategy and optimizing its capital policy, (ii) equipped with an international network that can support continuous growth and business expansion through strengthened partnerships with diverse companies in different industries, and (iii) has had a relationship with the Group for more than 20 years, with over 100 meetings to date, establishing a strong foundation of constructive dialogue aimed at enhancing corporate value. At the stage of formulating the Second Medium-Term Management Plan, the Company proactively accepted TPP's engagement to discuss measures to enhance corporate value. From the Committee's direct confirmation through hearings, it was clear that TPP's support for reinforcing the Company's investment strategies, advancing its capital allocation policy, and strengthening partnerships with other companies is indeed feasible. It was also recognized that a relationship of trust has been built over many years, and that TPP has a deep understanding of both the Group's management philosophy/policies and the significance of the Second Medium-Term Management Plan. Therefore, the Company's conclusion that TPP is the ideal partner to execute measures for enhancing the Company's corporate value is found to be reasonable. Considering TPP's thorough familiarity with the Group's operations and the surrounding management environment—as well as its consistently deep understanding not only of the Group's management philosophy and policies but also of the Second Medium-Term Management Plan—the Committee recognizes sufficient rationality in the Company's decision to select the Scheduled Allottee as the underwriter.

In conclusion, for the reasons stated above, the Committee finds that the Company has justifiable grounds for raising funds through this Third-Party Allotment and that it is necessary for the Company to do so.

2. Appropriateness of This Third-Party Allotment

As set forth below, the Committee recognizes that this Third-Party Allotment is lawful, that it is appropriate compared with other financing methods, and that the terms of the allotment are appropriate. Accordingly, the Committee judges that issuing new shares under this Third-Party Allotment is appropriate.

2.1 Lawfulness of This Third-Party Allotment

2.1.1 Applicability as a Favorable Issuance

This Third-Party Allotment does not constitute a favorable issuance, as explained below:

Specifically, as noted above, through discussions with the Scheduled Allottee, the issue price was set at 1,552 yen, representing a 9.98% discount from the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on April 4, 2025, the business day immediately preceding the date of the Board of Directors' resolution for this Third-Party Allotment, which aligns with the "Guidelines for the Handling of Third-Party Allotments" issued by the Japan Securities Dealers Association (JSDA).

In other words, under these JSDA guidelines, if the issue price in a third-party allotment of shares with a market price is at or above 0.9 times the closing price on the business day immediately prior to the issuance decision—and absent any special circumstances such as the closing price being formed under the influence of anomalous factors—the allotment in question is generally considered not to be offered at a "particularly favorable price" as set forth in Article 199, Paragraph 3 of the Companies Act. Given that no such special circumstances exist in this

Third-Party Allotment, the issue price does not constitute a “particularly favorable price”.

Additionally, the discount rate against the average closing price of 1,999 yen for the one-month up to the preceding business day is 22.36%, against the average closing price of 1,954 yen for the three-month period is 20.57%, and against the average closing price of 1,931 yen for the six-month period is 19.63% reflecting the rapid and sharp decline in the Company's stock price on April 4, led by the Nikkei Stock Average temporarily falling by more than 1,200 yen in trading, dropping below 34,000 yen for the first time in about 8 months. This decline was caused by global simultaneous stock market declines, which occurred in response to the 25% tariff on automobiles imported from Japan to the U.S. that came into effect on the afternoon of April 3 Japan time as part of the U.S. Trump administration's tariff policy. However, given that: (i) there is no set end date for the application period of this additional tariff measure nor any prospect of it being resolved in the future; and (ii) since this decline is part of global simultaneous stock market phenomenon thus it is not a unique circumstance to the Company that should be excluded, it can be said that the Company's stock price reflects the current economic environment surrounding the Company. Therefore, it cannot be argued that the conditions for this Third-Party Allotment conducted in accordance with these JSDA guidelines constitute a "particularly favorable price" (Article 199, Paragraph 3 of the Companies Act).

Hence, the issue price for the new shares under this Third-Party Allotment does not fall under “particularly favorable price” as stipulated in Article 199, Paragraph 3 of the Companies Act, and therefore this Third-Party Allotment is not deemed a favorable issuance under Article 201, Paragraph 1 and Article 199, Paragraph 3 of the Companies Act.

2.1.2 Other Matters Concerning the Lawfulness of This Third-Party Allotment

Aside from the issue price not being particularly favorable to the Scheduled Allottee, no significant facts have been identified that would indicate a violation of laws and regulations.

2.2 Appropriateness of Selecting a New Issuance (Third-Party Allotment) of the Company’s Common Stock (Comparison with Other Financing Methods)

As stated in section 1 above, the Company has a recognized need to raise funds through this Third-Party Allotment.

Nevertheless, amid ongoing economic uncertainties such as soaring resource prices, prolonged inflation, extended interest rate hikes in the U.S. and Europe, and currency fluctuations, compounded by the U.S. Trump administration’s tariff policies making it even more difficult to secure large-scale financing over a longer horizon, the Company believes it is necessary to raise equity-based capital rather than relying on borrowings. This is because indirect financing through bank loans could potentially weaken the Company’s financial base through an increase in interest-bearing liabilities.

However, a public offering or a rights offering to existing shareholders is considered unsuitable because public participation in a public offering and the participation rate of existing shareholders in a rights offering would both be uncertain, making it unclear whether the Company could secure sufficient funds.

Additionally, while attracting new investors by limiting the risk of a stock price decline through a third-party allotment of stock acquisition rights could be considered, there is an undeniable uncertainty that if the stock price falls, the exercise of those stock acquisition rights would stall, leaving the Company unable to fulfill its funding needs. Given the recognized need to raise funds via this Third-Party Allotment as stated above, the Company cannot ignore such uncertainty.

On the other hand, if a substantial amount of funding is achieved via a third-party allotment, the secured liquidity would enable the Company to promptly implement various measures for “Drive change” under the Second Medium-Term Management Plan, thus accelerating the realization of the “Vision for 2030” and enhancing the corporate value of the Group. The Committee found no circumstances that would overturn the Company’s recognition in this regard.

In light of the foregoing and the Company’s belief that conducting a third-party allotment of an appropriate scale—considered optimal relative to other financing methods—will maximize its corporate value, coupled with the Scheduled Allottee’s expressed intention to hold the Company’s shares as its largest shareholder on a long-term basis (thus mitigating any potential economic disadvantage for existing shareholders resulting from dilution), the Company has concluded that issuing new shares via this Third-Party Allotment is indispensable for promoting the priority measures of “Drive change” under the Second Medium-Term Management Plan. The Committee further determines that the number of shares to be issued and the scope of dilution under this Third-Party Allotment are reasonable, and it finds no reason to dispute this.

Therefore, the Committee believes that the Company’s selection of this Third-Party Allotment as its method of financing is appropriate.

2.3 Appropriateness of the Issuance Terms for New Shares under This Third-Party Allotment (Whether the Various Terms of Issuance Are Reasonable)

With respect to the terms of issuance for the new shares under this Third-Party Allotment, the Committee believes that the issue price, the number of shares to be issued, and the accompanying dilution rate are all deemed appropriate for the reasons set forth below.

First, as discussed in section 2.1.1, the issue price for the new shares under this Third-Party Allotment complies with the “Guidelines for the Handling of Third-Party Allotments” by the Japan Securities Dealers Association. Since there are no extraordinary circumstances indicating that the relevant closing price might have been formed under anomalous factors, the issue price is not deemed to be a “particularly favorable price” (Article 199, Paragraph 3 of the Companies Act), and thus is recognized as appropriate.

Next, regarding the number of new shares issued and the accompanying dilution rate, it is true that, based on the issuance size under this Third-Party Allotment, significant dilution of existing shares is expected.

However, as described below, the Committee deems the number of shares to be issued and the scope of dilution under this Third-Party Allotment to be appropriate, and finds no specific, unreasonable circumstances that would overturn that determination.

In other words, comparisons with other procurement methods show that issuing new shares through a third-party allotment is the most effective and reliable way to secure funds, though it inevitably entails a certain degree of dilution for existing shares. If the number of shares to be issued and the resulting dilution rate are closely linked to the required scale of funding, the conditions are deemed reasonable absent any unreasonable circumstances.

As stated in section 1 above, the necessity of this Third-Party Allotment has been recognized. Regarding the required scale of financing for this Third-Party Allotment, it has been confirmed that the amount is calculated in connection with the business investment the Company intends to undertake. While the need for such funding is acknowledged, the Committee finds no specific facts that would overturn the judgment of appropriateness regarding the number of shares to be issued and the resulting dilution rate.

Furthermore, as a result of this Third-Party Allotment, it is expected that the Scheduled Allottee will become the largest major shareholder of the Company, thereby enabling an even stronger relationship with the Scheduled Allottee Group and the proactive expansion of operations to increase medium- to long-term profitability. It has been recognized that this alliance is expected to produce significant benefits and contribute to enhancing the Company’s corporate value and share value.

8. Recent Three-Year Operating Results and Status of Equity Financing

(1) Consolidated Operating Results over the Past Three Fiscal Years

	Year Ended December 31, 2022	Year Ended December 31, 2023	Year Ended December 31, 2024
Net Sales	87,368,377	78,196,383	64,994,694
Operating Income	13,925,104	10,350,879	4,021,245
Ordinary Income	14,199,212	10,960,478	4,515,192
Net Income Attribute to Owners of Parent	10,298,622	8,175,492	1,855,111
Earnings per Share	271.14	218.89	53.99
Dividends per Share	70.00	60.00	60.00
Net Assets per Share	1,928.77	2,178.54	2,327.02

(2) Total Number of Issued Shares and Potential Shares as of April 7, 2025

	Number of Shares	Ratio of Issued Shares
Total Number of Issued Shares	41,373,034 shares	100.00%
Current Number of Potential Shares	820,000 shares	1.98%
Minimum Number of Potential Shares	—	—
Maximum Number of Potential Shares	—	—

(Note) Potential shares arise from standard stock options (share acquisition rights) granted to Directors.

(3) Recent Stock Price Trends

(i) Stock Prices for the Past Three Years

	Year Ended December 31, 2023	Year Ended December 31, 2024	Year Ended December 31, 2025
Opening Price	1,606	1,706	1,888
High Price	1,936	2,179	2,142
Low Price	1,560	1,635	1,701
Closing Price	1,719	1,888	1,724

(Note) Stock Prices for the year ended December 31, 2025, represent figures as of April 4, 2025.

(ii) Stock Prices for the Past Six Months

	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Opening Price	1,948	1,816	1,888	1,925	1,952	1,939
High Price	2,027	1,904	1,973	1,997	2,142	1,950
Low Price	1,747	1,812	1,852	1,876	1,932	1,701
Closing Price	1,816	1,888	1,958	1,948	1,938	1,724

(Note) Stock prices for April represent figures as of April 4, 2025.

(iii) Stock Price on the Business Day Immediately Preceding the Date of the Issuance Resolution

	April 4, 2025
Opening Price	1,800
High Price	1,805
Low Price	1,701
Closing Price	1,724

(4) Equity Finance in the Past Three Years

No applicable matters.

10. Terms of Issuance

(1) Number of shares to be offered	16,108,300 shares of the Company’s common stock
(2) Issue price	¥1,552 per share
(3) Total amount of issue price	¥25,000,081,600
(4) Increase in capital stock and capital reserve	Increase in capital stock: ¥12,500,040,800 (¥776 per share) Increase in capital stock: ¥12,500,040,800 (¥776 per share)
(5) Method of offering (Scheduled Allottee)	All new shares shall be allocated to Taiyo Unleash Acrux Holdings, LP by means of a third-party allotment.
(6) Subscription period	From Wednesday, April 23, 2025, to Friday, May 30, 2025
(7) Payment period	From Wednesday, April 23, 2025, to Friday, May 30, 2025

(8) Place to handle payments	The Shizuoka Bank, Ltd. Gofukucho Branch 1-13 Otemachi, Aoi-ku, Shizuoka City, Shizuoka Prefecture
(9) Other	(i) If amendments to the Companies Act or other laws necessitate revisions or other changes to these terms, the Company shall take necessary measures. (ii) In addition to the items stated above, all decisions regarding necessary matters for the issuance of offered shares shall be entrusted to the President and CEO of the Company. (iii) These items are subject to the effectiveness of the filing under the Financial Instruments and Exchange Act.

III. Retirement of Own Shares

The Company will retire its treasury stock pursuant to Article 178 of the Companies Act, as described below. Note that of the 9,638,227 treasury shares held by the Company as of the end of March 2025, 9,000,000 shares will be retired, excluding 638,227 shares (representing 1.54% of the total issued shares) that the Company intends to retain as treasury stock to cover possible exercises of standard stock options (share acquisition rights) and treasury stock disposals for restricted stock compensation allocated to the Company's Directors, etc.

(i)	Class of shares to be Retired	Common stock of the Company
(ii)	Total Number of shares to be Retired	9,000,000 shares (21.75% of the total number of issued shares prior to retirement)
(iii)	Total Number of shares retained without Retirement	638,227 shares (1.54% of the total number of issued shares prior to retirement)
(iv)	Scheduled Retirement Date	April 21, 2025

(Reference) After retirement, the total number of the Company's issued shares will be 32,373,034. Following the issuance of new shares under this Third-Party Allotment, the total number of the Company's issued shares will be 48,481,334.

IV. Change of the Largest Shareholder as a Major Shareholder

1. Background of the Change

As stated in "I. Capital and Business Alliance" and "II. Third-Party Allotment" in conjunction with this Third-Party Allotment under the Alliance, the Scheduled Allottee will come to own 36.14% of the voting rights in the Company (including the number of voting rights owned by the TPP Group). As a result, the Scheduled Allottee is expected to newly qualify as the largest major shareholder of the Company.

2. Overview of the Shareholder Subject to Change

The overview of the Scheduled Allottee, which will newly become the largest major shareholder, is as described in "I. Capital and Business Alliance" section "3. Overview of the Capital and Business Alliance Partner"

3. Number of Voting Rights (Number of Shares Owned) of Said Shareholder Before and After the Change, and Ratio of Voting Rights to Total Voting Rights

	Number of Voting Rights (Number of Shares Owned)	Ratio of Voting Rights Held	Ranking among Major Shareholders
Before Change (as of April 7, 2025)	11,964 (1,196,400 shares)	3.77%	4th
After Change	173,047 (17,304,700 shares)	36.14%	1st

1. The ratio relative to the total number of voting rights before the change is based on the total number of voting rights as of December 31, 2024.
2. The number of voting rights (number of shares owned) both before and after the change includes the TPP Group's shareholdings as of today (April 7, 2025).
3. The ratio to the total number of voting rights after the change is calculated by adding the number of voting rights related to the shares to be issued through this Third-Party Allotment to the total number of voting rights as of December 31, 2024.

4. Other

Each of the above changes will occur upon receipt of payment from the Scheduled Allottee and completion of this Third-Party Allotment, subject to the effectiveness of the securities registration statement filed with the Kanto Local Finance Bureau.