Japan Catalyst, Inc.

Raising Issues Regarding the Protection of Minority Shareholders' Interests in the Tender Offer for NIPPO CORPORATION

TOKYO, September 24, 2021 – Japan Catalyst, Inc. (hereinafter referred to as "JCI") carries out an engagement investment strategy towards Japanese companies through the Monex Activist Mother Fund (hereinafter referred to as "MAMF"), for which JCI provides investment advice.

NIPPO CORPORATION (hereinafter referred to as "NIPPO"), a portfolio company of MAMF, recently announced that ENEOS Holdings, Inc., the parent company of NIPPO, and The Goldman Sachs Group, Inc. plan to launch a tender offer through a special purpose company. NIPPO expressed its support for the tender offer and recommended that its shareholders tender their shares.

This tender offer falls under the category of "Acquisition of a controlled company by the controlling shareholder (such as a parent company taking a listed subsidiary private)," which is considered to be a structural conflict of interest under the " Fair M&A Guidelines " issued by the Ministry of Economy, Trade and Industry. As such, JCI carefully examined the contents of the tender offer to ensure that the interests of minority shareholders were adequately considered.

As a result of our investigation, we regret to inform you that we are unable to determine that the Board of Directors and the Special Committee of NIPPO have made the best effort to negotiate and make decisions in consideration of the interests of minority shareholders in the process of considering the tender offer, and we have doubts about the recommendation to tender the shares at the current tender offer price, which is the most important condition. Therefore, we have come to believe that there is room for reconsideration.

We believe that applying for the tender offer under the current conditions would not fulfill our accountability to the beneficiaries*[1] of the investment trusts, so that we decided today to sent a letter (attached) to NIPPO's Board of Directors and Special Committee proposing to : 1) obtain a valuation report and fairness opinion from a new financial advisor; 2) conduct an active market check (i.e. pursuit of potential acquirers); and 3) conduct a comparison with a special dividend.

Although it is JCI's policy to make proposals to investees undisclosed in principle, we decided to take this proposal public because the tender offer has already been announced. We believe it is necessary to consider the proposal at an early stage because of the scheduled commencement of the tender offer, and it is desirable for all other shareholders to decide whether or not to apply for the tender offer.

In the future, the Japanese market is expected to see an increase in the number of mergers and acquisitions with the aim of dissolving parent-subsidiary listings due to the trend of strengthening corporate governance. As a market participant, we believe that we should not overlook the fact that every time this happens, there will be a situation such as this tender offer that raises concerns about the protection of minority shareholders' interests, i.e., the tender offer price is too low in light of actual financial conditions. We hope that the expression of our opinion will lead to further discussion on the tender offer and, by extension, on the protection of minority shareholders in M&A transactions with a high degree of conflict of interest.

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*[1] The beneficiaries here are the beneficiaries of the Baby Fund of Monex Activist Mother Fund.

September 24, 2021

To the Board of Directors of NIPPO CORPORATION
To the Special Committee of NIPPO CORPORATION

Japan Catalyst, Inc.

Japan Catalyst, Inc. invests in your company through the Monex Activist Mother Fund, for which we provide investment advice, and we have been in continuous dialogue with you through IR interviews since our meeting last September.

We would like to take this opportunity to ask the Board of Directors and the Special Committee to reconsider the fact that you expressed your support for the tender offer and recommended that shareholders tender their shares in the "Announcement of Opinion Regarding Planned Commencement of Tender Offer for the Company Shares by Roadmap Holdings GK". We are sending this proposal to the Board of Directors and the Special Committee.

We are making this proposal because we believe that the tender offer price, which is the most important condition to the interests of minority shareholders, has been set low in the tender offer. With respect to the appropriateness of the tender offer price, the Board of Directors and the Special Committee have largely relied on the share valuation reports and fairness opinions of the financial advisors appointed by each of them. However, the content of the valuation is questionable, and it appears that the valuation was made based on calculation conditions that unfairly reduce the appropriate stock price of your company.

In addition, in this case, there has been no active market check, and negotiations have been conducted exclusively with the offeror. Although it is theoretically possible for other potential acquirers to make a counterproposal after the announcement of the tender offer, it is not an appropriate decision from the perspective of protecting the interests of minority shareholders to expect a counterproposal after the announcement of the deal in the Japanese market, where the implementation of counterproposals is far from common.

Finally, it is also necessary to consider whether the interests of minority shareholders can be maximized through financial strategies other than the tender offer. We are concerned that the emergency of considering the pros and cons of the tender offer may have caused the company to neglect the consideration of methods other than the tender offer.

To dispel the concerns of the stock market and truly protect the interests of minority shareholders, we would like to propose the following measures.

Sincerely yours

Proposal Details

1. Obtaining a share valuation report and fairness opinion from a new financial advisor

Considering the results of the DCF analysis, the business plan, the discount rate, the perpetual growth rate, and your company's first quarter financial situation as described in the press release, the free cash flow used by each financial advisor as a premise for calculating the terminal value is in the range of 19-20 billion yen for the fiscal year ending March 2024, the final period of the business plan. However, this assumption does not appear to be appropriate. First of all, the reason why the free cash flow is much lower than the 45 billion yen operating income projected in the business plan for the fiscal year ending March, 2024, even after taking into account income taxes, is that it reflects the new three-year management plan formulated by your company on May 11, 2021, which assumes that capital expenditure will exceed depreciation expenses. Since you are making capital expenditure, you must be expecting a return on your investments, and in fact, the medium- to long-term management vision that you have announced calls for ordinary income of 55 billion yen in FY2030 (fiscal year ending March, 2031).

In other words, the valuation currently being made by the respective financial advisors are based on the assumption that your management team will not be able to generate returns in future periods that exceed the capital expenditure that will be made under the new three-year management plan, and that it will therefore be difficult to achieve the numerical targets of the medium- to long-term management vision, and that such wasteful investments will continue on a permanent basis. Based on your company's management performance to date, we are convinced that such an assumption underestimates your company's management, and we believe that a higher evaluation should be made.

In addition, the business plan states that it does not assume that the tender offer will be executed, but this assumption is also inappropriate from the perspective of protecting the interests of minority shareholders. The Ministry of Economy, Trade and Industry's " Fair M&A Guidelines " clearly states that "with respect to value that cannot be realized without executing the transaction, although general shareholders will be squeezed out by the transaction, it is fair that general shareholders should also enjoy an appropriate portion of such value. " Therefore, if the tender offer will result in corporate value enhancement effects such as expansion of overseas business and growth of the real estate development business (the "synergies") as described in the press release, it would be a fair procedure and negotiation from the perspective of protecting the interests of minority shareholders to reflect such synergies to a certain extent in the tender offer price.

In order to resolve the above issues, we propose that you appoint a new financial advisor who can appropriately evaluate your company's management and synergies, obtain a share valuation report and a fairness opinion, and then reconsider the fairness of the tender offer price.

2. Proactive Market Check (Pursuit of Potential Acquirers)

Since the terms and conditions of the tender offer have been publicly announced, many potential acquirers may consider a transaction similar to the tender offer. Therefore, we suggest that your company state that it is open to receiving a counterproposal from a potential acquirer and that it will seriously consider the offer if it is received. In addition, we suggest that your company, through its financial advisors, approach possible potential acquirers, particularly financial buyers who are co-investors with ENEOS Holdings, Inc. (hereinafter referred to as "ENEOS").

3. Comparison with Special Dividend

In order to determine whether the tender offer is in the best interest of minority shareholders, it is necessary to compare not only the terms of the tender offer but also other options. Under the tender offer, your company will use approximately 195 billion yen from cash equivalents to repurchase your company's shares held by ENEOS, and then effectively raise approximately 145 billion yen in debt (To be precise, your company's creditworthiness will enable the offeror to raise approximately 145 billion yen (calculated from the difference between the amount of the tender offer to minority shareholders of approximately 205 billion yen and the amount of the investment in the offeror by ENEOS and The Goldman Sachs Group, Inc. of 60 billion yen)).

In other words, since your company can utilize up to approximately 340 billion yen (approximately 2,840 yen per share) for financial strategies, it is necessary to compare whether the TOB will contribute to the interests of minority shareholders rather than your company maintaining its listing and paying a large special dividend.

Since the tender offer is a major management decision for your company, we suggest that you carefully compare it with other possible options.