The Keihin Co. Ltd.
Mr. Mitsunobu Sugiyama
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(the "**Company**")

By email: keihinir-toiawase@eg.keihin.co.jp

Paris, France, February 10, 2025

Strategic proposals to ensure the Company is aligned with corporate governance best practices

Dear Chairman,

We represent a group of French individual investors collectively holding around 60,100 shares, approximately 0.93% of the Company's share capital.

First and foremost, we would like to express our admiration for the quality of your management, which has enabled the Company to repay most of its debts over the last few years while recording steady growth in book value per share. These achievements reflect exemplary management, and we congratulate you on them.

As long-term shareholders, our approach is constructive and aims to strengthen the Company's governance practices, particularly in alignment with the Tokyo Stock Exchange guidelines of 31 March 2023 (the '**Guidelines**'). These Guidelines request that companies listed on the Standard Market ensure "*management that is conscious of cost of capital and stock price*", which supplement the principle resulting from article 5.2 of the Japan's Corporate Governance Code[1] that requires management to allocate resources with sufficient consideration for "*profitability and capital efficiency*".

We are also pleased that our requests, aimed at improving the corporate value of the Company, are also fully in line with the framework set by the Company itself which strongly encourages shareholder dialogue[2] and aims to "*improve [the] corporate value on a long-time and sustainable basis*"[3].

Our proposals cover three complementary areas in order to improve (**1)** the insufficient balance sheet profitability and market valuation, (**2)** the Company's communication and (**3)** the alignment of interests between the Company and its management.

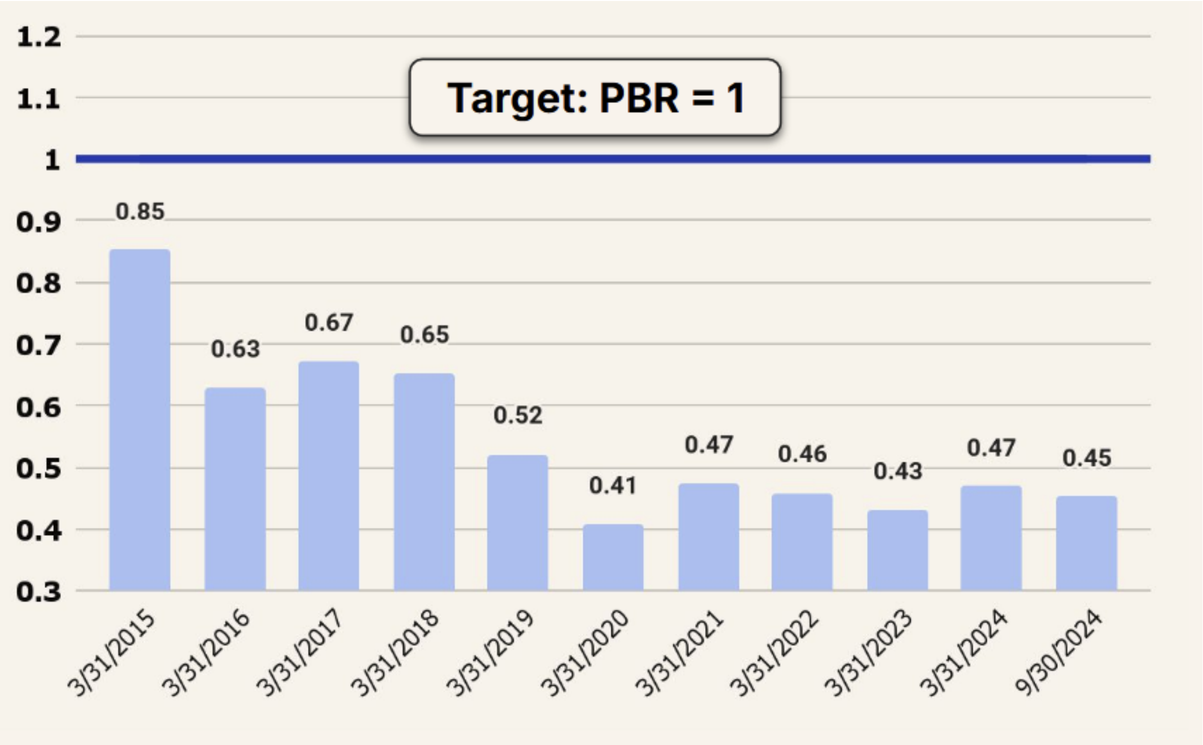
[1] Tokyo Stock Exchange, *Japan's Corporate Governance Code Seeking Sustainable Corporate Growth and Increased Corporate Value over the Mid- to Long-Term*, 11 June 2021.
[2] Principle 5 set in the last corporate governance report dated 28 June 2024: "*Dialogue with Shareholders in order to contribute to sustainable growth and the improvement of corporate value over the medium to long term, we will disclose necessary information to shareholders in a timely and appropriate manner and strive to engage in constructive dialogue with shareholders*".
[3] Article 4 of the Company's Code of Conduct.

1. <u>Improvement of the insufficient balance sheet profitability and market valuation</u>

Regarding **balance sheet profitability**, we encourage that the Company aims to increase ROE to 15%, a level that would reflect optimized operational management aligned with shareholder expectations.

To achieve this objective, the first financial lever should be reducing unproductive capital on the balance sheet, particularly through the rationalization of cross-shareholdings and optimization of excess cash. Additionally, exploring the possibility of leveraging the balance sheet could be beneficial. These resources could be better allocated either to stimulate growth through strategic investments, or to be redistributed to shareholders in order to improve their return and reinforce market confidence.

The market valuation is not satisfactory either, given the evolution of the price-to-book ratio in recent years:



The Guidelines underline that "*a PBR below 1 is one indication that the company has not achieved profitability that exceeds its cost of capital, or that investors are not seeing enough growth potential*", and the Tokyo Stock Exchange expects the Company to set "*policies for improvement and specific targets related to profitability and market valuation*".

Furthermore, we believe that this discount is significantly greater than indicated, due to a conservative valuation of fixed assets. This highlights the urgent need for corrective measures to reduce this unjustified increasing discount.

In order to achieve a greater PBR, share buybacks and dividend increase are considered by the Guidelines as "*effective means of improving profitability*".

We therefore encourage strengthening shareholder returns by:

- Implementing an opportunistic and substantial share buyback program – financed through available cash, debt, or the disposal of non-strategic assets – would create significant value for shareholders. By repurchasing and canceling its own shares, the company would effectively reduce its share capital, addressing the current discount and enhancing earnings per share. Moreover, this initiative would send a strong and positive signal to the market and all shareholders, reflecting confidence in the Company's future prospects and commitment to capital efficiency.

- Reinforcing the dividend distribution policy: the Company is profitable and has no debt, so there is no longer any need to increase shareholders' equity by incorporating profits into reserves. In these circumstances, we believe it would be appropriate to set a target annual payout ratio (including dividends and share buybacks) of at least 50 %.

  In this respect, principle 1-3 of the last corporate governance report provides that the Company "*considers returning profits to shareholders to be one of its most important management priorities, and our basic policy is to pay stable dividends while securing the necessary internal reserves to respond to future corporate growth and changes in the business environment*".

- Gradually divest cross-shareholdings to free up capital, enhance financial transparency, and finance a three-to-five-year growth plan.

2. Improvement of the Company's communication

Land and buildings represent the largest physical assets on the Company's balance sheet. However, despite the importance of this information, the annual reports does not provide sufficient detail to identify the owned warehouses and their current market value.

We encourage the company to publish: (i) a detailed list of the land and buildings it owns, including key information such as their location and use, and (ii) an annual valuation of these assets. This initiative would enhance transparency for shareholders and could be carried out internally or, if necessary, with the support of external experts, as management deems appropriate.

Developing an English-language investor relations website would enhance the Company's appeal to international investors and ensure equal access to information for both Japanese and foreign shareholders[4].

3. Alignment of interests between the Company and its management

The Guidelines state that: « *As part of such efforts, remuneration plans for management could be used as a sound incentive for sustainable growth, for example by including indicators related to profitability and improvement of corporate value in the calculation of executive remuneration* ».

It is essential that shareholders and management share a common objective: improving the Company's market value.

We therefore encourage the Company to implement such management incentives, aligned with strategic performance indicators.

[4] "*Ensuring the rights and equality of shareholders*" in accordance with principle 2.1 set out in the last corporate governance report.

These KPIs should include financial targets such as a ROE above 15%, a significant reduction in cross-shareholdings, and an adjustment of the PBR ratio to 1, guaranteeing a better valuation of the Company. At the same time, social criteria should be integrated to reinforce employee loyalty and attractiveness in a sector characterized by a chronic shortage of talent, and notably: effective encouragement to take paid leave and maternity leave, and the implementation of incentives to encourage the commitment and retention of talent in a competitive environment.

Best in-class examples

To gain perspective, we looked at several Japanese competitors that have successfully implemented measures aligned with the Tokyo Stock Exchange recommendations to enhance corporate value and improve market perception. Their initiatives could provide useful insights into the best practices:

Best-in-class listed comparables
As of 19-12-2024

	Senko Group (9069)	Hamakyorex (9037)	Nikkon Holdings (9072)	Sankyu Inc. (9065)	Seino Holdings (9076)	Sumitomo Warehouse (9303)	Keihin Co (9312)
PBR	**1,21**	**1,12**	**1,02**	**1,00**	**0,95**	**0,85**	**0,45**
Using low interest indebtness	✅	✅	✅	✅	✅	✅	x
Strategic plan (3 / 5 years) disclosed	✅	✅	✅	✅	✅	✅	x
Pay-out[(1)]	40%	28%	40%	41%	128%	64%	22%
Objective of reducing cross-shareholdings	not disclosed	not disclosed	✅	not disclosed	not disclosed	✅	x
Repurchasing shares	✅	✅	✅	✅	✅	✅	x
IR website in English	✅	✅	✅	✅	✅	✅	x

[(1)] last full year

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We sincerely believe that our proposals will strengthen shareholder confidence in management and enhance the Company's reputation, ensuring long-term support for its growth.

We would be grateful if you could provide us with a response in the near future so that we can initiate a constructive dialogue, bearing in mind that any measures you consider appropriate for the Company should, in our view, be announced no later than the time of next earning results announcement scheduled on 10 May 2025.

Finally, one of the shareholders we represent frequently travels to Japan and would be honored to meet with management to discuss our proposals in detail.

Best regards,

Aurélien Beltrame, Franck Cuillerier, César Mourot

On behalf of the French shareholder group
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