

Yakult Honsha Co., Ltd.
Mr. Hiroshi Narita – President and Representative Director
Board of Directors

1st April 2026

Dear Mr. Narita,

I am writing once again on behalf of the joint holders Nippon Active Value Fund Plc, NAVF Select LLC, and Dalton Investments, Inc (the “concert party”). We currently hold ●● shares in Yakult Honsha Co., Ltd. (“Yakult” or the Company), which composes ●● % of the Company’s outstanding equity. We are disappointed not to have yet received a formal response to the three principal requests embedded in our ‘No more castles!’ letter of 11th March 2026.

As stated there, we have deep concerns regarding the Company’s executive team’s skill in both calculating your real cost of capital and actually managing its allocation within the business. Even companies with strong operating businesses may still see their long-term competitiveness and corporate value eroded by poor capital allocation policies. This is precisely why shareholders should expect management to place as much, if not greater, emphasis on capital efficiency in their decision-making as they do on day-to-day operations. Specifically, with respect to Yakult, an excellent business, the probability that its full potential value is not currently being realized is a significant issue for all shareholders.

Given this concern and spurred on by our stewardship responsibility, we believe it is vital for management and the board of directors to ask themselves this simple question: “What form of ownership would maximize the value of our Company’s business?” The board, like those of all listed entities, is required to pursue the “maximization of corporate value in the common interests of shareholders.” If this objective can be better achieved under a different ownership and operating structure, then such an alternative must be fully explored.

Your company announced a new medium-term management plan in May 2025, aiming to achieve consolidated net sales of 700 billion yen, consolidated operating profit of 90 billion yen, and ROE of 10% for the fiscal year ending March 2031, with “expansion of business domains and evolution of the business model” as its core. Nevertheless, given that the initial-year plan has now been revised downward several times since its announcement, we believe market confidence in the likelihood of achieving your overall projections has significantly declined. Recent stock price falls appear to reflect such market cynicism.

Consequently, we would like to propose you proceed with a friendly management buyout (MBO) at a price of ●● yen per share. As President Narita himself stated at our recent meeting that he believes the company’s stock is undervalued, we consider this proposal sensible and proportionate. This offer includes a reasonable premium over the current share price and provides existing shareholders with an appropriate and fair exit opportunity. Furthermore, through this transaction, we believe that the Company will be able to conduct its management under a stable shareholder base as a private company, which may include private equity, strategic partners such as distributors,

and management and employees, without being subject to uncertainties in control arising from dispersed share ownership or the prospect of acquisition by third parties.

Accordingly, we propose that you interview potential sponsor candidates, evaluate their multiple proposals in a comparative and competitive manner, and then finally select who to collaborate with. If you would like help and support in identifying potential partners in this venture, we have long experience of this area of expertise and can introduce you to many private equity firms and other financial advisers, both foreign and domestic. Our concert party would be very keen to engage with you on this project and support your efforts as much as we can. If nothing else, this project may well provide you with new insights into your capital allocation policies and general business strategy. Even if ultimately not adopted, we would still expect it to enhance the quality of management decision-making.

The decision on whether to proceed with this transaction rightly rests with the board of directors. From the perspective of enhancing shareholder value, all we expect is that this proposal receives the thorough and meaningful evaluation it commands. By 'thorough and meaningful evaluation,' we do not intend a subjective or dismissive formal review driven by the biased opinions of retained financial advisers, but, rather, an objective, even-handed review of the feasibility and economic rationality of an MBO grounded in detailed assumptions, including a private shareholder structure, available financing terms, and a comprehensive and ambitious business plan.

We expect you to keep us informed of the progress of the board's deliberations on this matter. In all events, we desire your considered response to our proposal within three weeks of receipt of this missive. For the avoidance of doubt, we will be publishing both this letter and its predecessor, on our websites.

Yours sincerely,



Paul ffolkes Davis
Chairman

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