

Toshihiko Shiozaki
Representative Director and Chairman of the Board of Directors

Members of the Board of Directors

Bunka Shutter Co., Ltd

5th October 2026

Dear Mr Shiozaki,

I write to you once again on behalf of Nippon Active Value Fund, a London-listed publicly traded investment trust, NAVF Select, a Delaware limited partnership, and Dalton Investments, Inc, an investment advisor registered with the United States Securities & Exchange Commission. Collectively, these entities and clients advised by these entities currently own 13,694,600 shares of Bunka Shutter Company, Ltd. (hereinafter "Bunka" or the "Company"), which constitutes 18.97% of the outstanding shares of the Company. We believe that we are, therefore, collectively your largest shareholder.

Please accept our congratulations on the results of the vote at the Annual General Meeting (the "AGM") of the Company. We note the election of all the candidates for the Board of Directors put forward by the Company and the rejection of our proposals, as well as the resolution to maintain the 'poison pill' directed specifically at our shareholding. We would like to reassure you that **we will not be purchasing any additional shares in the Company without the approval of the Board**. We have no desire or intention to trigger the defence mechanism that you have installed.

We note the considerable energy and resources that have been deployed to create the poison pill, which have come at the expense of all shareholders. Given such diligence on the defensive front, it seems only natural that equal effort should be directed towards more constructive measures to embrace stakeholders. To promote a greater alignment of economic interest between the Company, its employees and all shareholders, we recommend giving every employee a genuine sense of ownership through awarding restricted stock.

Accordingly, we are considering submitting the following shareholder proposal to the 2027 AGM:

Our Proposal

We propose that the Company conducts share buybacks of 5% of total share outstanding and uses the acquired treasury shares for a restricted stock plan under which every full-time employee of Bunka Shutter and its consolidated subsidiaries (excluding temporary staff) should receive restricted shares equivalent to ¥500,000 in value (hereinafter the "Employee RS").

Outline Proposal

- Eligible recipients: All full-time employees of the Company and its consolidated subsidiaries
- Grant value: ¥500,000 equivalent per person
- Estimated total number of shares: For approximately 5,500 employees, 1,490,000 shares total number of shares required 1,490,000 shares or 2.0% of total shares outstanding (72.2 million)
- Form: Restricted stock – with a restriction period of approximately 5 years
- Method: Grant of monetary remuneration claims, leading to in-kind contributions, and thus the elimination of treasury shares

Reasons for the Proposal

1. Alignment of employee and shareholder interests

By enabling all employees who support the business on the ground to hold Company shares, daily improvements in operations, quality, and customer service will become more closely linked to their own performance and financial interests. Ownership should foster a stronger sense of involvement and encourage a longer-term perspective on value creation.

2. Talent retention and engagement

Equity-based compensation plans for employees have become increasingly common among listed companies and have shown positive effects on retention and motivation. Although the Company has already set up an Employee Stock Ownership Association, we believe RS is the best method to provide shares for employees and create stronger alignment between business operations and ownership. The downside of an Employee Stock Ownership Association is that it requires the employees to put up cash to purchase the shares. Employees may not have the resources to put up cash. An Employee RS obviates this need and is more desirable because the benefits of business improvement can be widely shared with all employees. While Bunka's average length of service is commendably long, further strengthening its human capital remains important for maintaining competitiveness. The revised version of the 2026 Corporate Governance Code recommends investment in human capital. We continue to believe that the Company needs constantly to improve retention of its most talented staff.

3. Extremely limited dilution

Even at current share price levels of around ¥1,850 per share, the total number of shares involved would represent a very modest fraction of outstanding equity, just 2%. The mid- to long-term benefits arising from improved employee motivation and productivity would more than offset this modest dilution. Happy employees mean better business. By combining an Employee RS with a 5% share buyback and the cancellation of any remaining treasury shares, such limited dilution is not material.

4. Governance and corporate culture

Extending a sense of ownership beyond senior management to all employees should help cultivate a healthy corporate culture and support sustainable growth, building on the already strong existing business foundation. While it is concerning that the Company's current remuneration structure allows the Chairman and CEO to determine his own pay with minimal input from the external director, it is clearly desirable to incentivize your employees through the award of shares.

5. Limited impact on the EBITDA margin

The Company will experience a one-time increase in non-cash expenditure due to the increase in share-based employee compensation. However, this will have no impact on the Company's earning capacity as measured by the EBITDA margin. Equity analysts will add back share-based compensation to reach an EBITDA number for the purpose of year-over-year comparisons. Since it is not a cash expense, the EBITDA margin of the Company will not be affected. The employees of the Company can enjoy increased compensation, and the Company's cash position will not be affected.

This proposal is designed to enhance the Company's corporate value and is in the best interests of all shareholders. Improved employee engagement leads to better corporate value. We are happy to discuss the detailed design of the plan constructively with the Board and relevant departments. For now, we believe it is appropriate to put this rather straightforward proposition, that employees should be given a stake in the Company's future, to the forthcoming AGM. We have always valued alignment between shareholders, management and employees. With this suggested structure, the Company's success also leads to wealth creation for each individual employee.

We remain committed to continuing our constructive engagement with you and to helping enhance Bunka's mid- to long-term corporate value. We would be grateful for your kind consideration of this proposal.

Yours sincerely,



Paul ffolkes Davis
Chairman
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