October 17, 2024

Japan Business Systems, Inc.
Toranomon Hills Station Tower, 20F
Toranomon 2-6-1, Minato-ku, Tokyo 105-5520
FAO: President & CEO Yukihiro Makita
CC: All Company Directors

Shareholder Proposals

As a shareholder that has continuously held at least 1/100 of the voting rights of all shareholders or at least 300 voting rights of Japan Business Systems ("JBS") for the last six months, Global ESG Strategy ("GES"), pursuant to Article 303(2) of the Companies Act, proposes making the agenda items set forth below in I. (the "Agenda Items") the purpose of the 34th Annual General Shareholders' Meeting of JBS, scheduled to be held in December 2024 (the "General Shareholders' Meeting"). GES also submits the proposals set forth below in II. (the "Proposals") regarding the Agenda Items, and requests that JBS notify shareholders of the outline of the Proposals pursuant to Article 305(1), Article 325-3(1)(iv) and Article 325-4(4) of the Companies Act, and Article 93 of the Regulations for Enforcement of the Companies Act.

I. Proposed Agenda Items

Agenda Item 1: Appropriation of Surplus

Agenda Item 2: Partial Amendment of Articles of Incorporation (Policy on Dividend from Surplus)

Agenda Item 3: Partial Amendment of Articles of Incorporation (Policy on Real Estate Acquisitions)

Agenda Item 4: Partial Amendment of Articles of Incorporation (Action to Implement Management that is Conscious of Cost of Capital and Stock Price)

Agenda Item 5: Partial Amendment of Articles of Incorporation (Formulation and Disclosure of Plan to Change Listing Segment)

Agenda Item 6: Partial Amendment of Articles of Incorporation (Board of Directors' Consent to Individual Meetings with Shareholders)

II. Outline of and Reasons for Proposals

1. Agenda Item 1: Appropriation of Surplus
   (1) Outline of proposal
   The appropriation of surplus shall be as follows:
   If the JBS Board of Directors or a shareholder other than GES submits a proposal for an appropriation of surplus at the General Shareholders' Meeting, this Proposal will be independently and additionally submitted.

   (a) Dividend asset class
   Cash

   (b) Dividend per share
   An amount calculated by deducting from 71 yen the value per common share of a dividend from surplus related to a proposal for appropriation from surplus submitted by either the Board of Directors or a shareholder other than GES, and approved, at the General Shareholders' Meeting (71 yen if the Board of Directors or a shareholder other than GES does not submit a proposal for an appropriation of surplus at the General Shareholders' Meeting). However, if the (consolidated) profit per share for the fiscal year ending September 2024 exceeds 71 yen, the value of the (consolidated) profit per share for the fiscal year ending September 2024 shall replace the 71 yen cited in the beginning of this paragraph.

   (c) Matters regarding allotment of dividend property and total dividend
   The dividend per share of common stock stated above in (b) (the total dividend is calculated by multiplying the dividend per share by the total number of issued common shares, excluding treasury shares, as of September 30, 2024).

   (d) Effective date of dividend from surplus
   The date of the General Shareholders' Meeting

   (2) Reason for proposal

JBS paid an annual dividend for the fiscal year ending September 2023 of only 1,352 million yen[1] (total dividend per share of 20 yen, converted based on the number of shares following the stock split effective April 1, 2023),[2] in contrast to net profit of 3,522 million yen.[3] This equates to a dividend payout ratio of only 25.7%. JBS has announced an interim dividend per share of 12 yen, which is 2 yen higher than the interim dividend for the fiscal year ending September 2023 (also converted based on the abovementioned stock split), with a date of record of March-end 2024. This totals to an annual dividend target of 25 yen per share,[4] which is still unsatisfactory.

Having appropriate shareholder returns is crucial to maximizing shareholder value. GES proposes what it considers a bold return of profit to shareholders in which JBS pays out a dividend equivalent to a dividend payout ratio of 100% of net profit after adjusting to add back extraordinary losses. Even after this amount is paid in dividends, the total annual dividend would not exceed 3,220 million yen, which is considerably below the investment in real estate planned for the fiscal year ending September 2024 (acquisition of corporate housing, head-office relocation costs, total investment 8,483 million yen[5]). Were JBS to pay a dividend with a payout ratio of 100% under the above assumptions, and assuming a present dividend yield of around 5% (the point at which a company might attract attention as a high-dividend stock), the share price would rise to approximately 1,420 yen. Should the dividend yield hold at around 2.5%, the share price could rise to 2,840 yen.

2. Agenda Item 2: Partial Amendment of Articles of Incorporation (Policy on Dividend from Surplus)

(1) Outline of proposal

Add the following text as Article 46 in Chapter 7, "Accounting," of the current Articles of Incorporation, and increase by one the numbering for current Article 46 and each subsequent Article.

Furthermore, if the text of this Proposal requires formal adjustment (including, but not limited to, a correction of numbering discrepancies) due to the approval of any other proposal at the General Shareholders' Meeting (including proposals by JBS), the text of this Proposal shall be read mutatis mutandis.

Policy on Dividend from Surplus

Article 46 The Company will adopt a dividend policy for the period encompassing the fiscal year ending September 2025 through the fiscal year ending September 2027 that stipulates, when setting the value of the annual dividend to be paid from surplus, a minimum annual dividend equivalent to a dividend payout ratio (calculated as the total dividend divided by net profit in the consolidated financial statements) of 100%. The annual dividend shall be determined in accordance with this dividend policy to the extent permitted by relevant laws and regulations.

(2) Reason for proposal

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[1] JBS Annual Securities Report, fiscal year ending September 2023, page 3
https://ssl4.eir-parts.net/doc/5036/yuho_pdf/S100SIWL/00.pdf

[2] JBS Annual Securities Report, page 67

[3] JBS Annual Securities Report, page 41

[4] Notice of Payment of Dividends (Interim Dividends) (May 14, 2024)
https://ssl4.eir-parts.net/doc/5036/ir_material3/228977/00.pdf

[5] JBS Annual Securities Report, page 32

As noted above, the dividend from surplus paid by JBS in the prior year equates to a dividend payout ratio of only 25.7%. JBS has invested a huge amount in real estate, including eight corporate housing properties with book value of 12,907 million yen as of September-end 2023, and, by our estimates,[6] the acquisition of two further corporate housing properties at a cost of 3,483 million yen in the fiscal year ending September 2024. In addition, JBS has unveiled a plan to spend 5,000 million yen[7] on head office relocation in the fiscal year ending September 2024, including costs related to the construction of an employee canteen, while the planned dividend for fiscal year ending September 2024 is 25 yen per share or 1,137 million yen in total.[8] Shareholder returns are currently conspicuously low, which makes it hard to avoid the conclusion that management neglects its shareholders. GES proposes that, in order to make a bold return of profit to shareholders, the dividend payout ratio be included in the dividend policy for a temporary period through the fiscal year ending September 2027.

The financial impact of the dividend policy suggested in this Proposal can be verified in the following way. Assuming net sales grow in the fiscal year ending September 2025 (fiscal September 2025) and beyond at the average growth rate for past fiscal years, and assuming the operating profit margin is on par with the JBS target for fiscal September 2024, then at end of fiscal September 2027 the net debt-to-equity ratio would be 0.4x, the net debt-to-EBITDA ratio 1.0x, and the net asset ratio 20%. Clearly, JBS would remain financially stable and continue to possess sufficient financial capacity. In addition, in fiscal September 2025 and beyond, net debt and related financial indicators are expected to fall. In testing the financial impact, we assume capital expenditure to equal depreciation for the fiscal September 2023, and did not assume any new real estate acquisitions for fiscal September 2025 through fiscal September 2027. However, even with a dividend payout ratio of 100% throughout this period as proposed here, the sharp improvement in financial ratios would offer JBS sufficient capacity to carry out further real estate investment.

Projected changes in financial indicators if dividend policy in this shareholder proposal is adopted

(JPY mn)	FY9/2024	FY9/2025	FY9/2026	FY9/2027
Net sales	126,800	151,087	180,026	214,508
Sales growth (YoY)	12.4%	19.2%	19.2%	19.2%
Operating profit (OP)	5,100	6,077	7,241	8,628
OP margin	4.0%	4.0%	4.0%	4.0%
Net profit	1,500	3,837	4,572	5,447
Dividend per share	71	84	100	120
Total dividend	3,220	3,837	4,572	5,447
Dividend payout ratio	214.7%	100.0%	100.0%	100.0%
Net debt	12,075	11,458	10,723	9,848
Net debt-to-equity ratio	0.5x	0.5x	0.4x	0.4x
Net debt/EBITDA	2.1x	1.7x	1.3x	1.0x
Net asset ratio	31%	27%	23%	20%

[6] JBS Annual Securities Report, pages 31-32

[7] JBS Annual Securities Report, page 32

[8] Estimates from Consolidated Financial Results for the Six Months of the Fiscal Year Ending September 30, 2024, Financial summary, pages 1-2 and Consolidated Financial Results for the Nine Months of the Fiscal Year Ending September 30, 2024, Financial summary, pages 1-2

3. Agenda Item 3: Partial Amendment of Articles of Incorporation (Policy on Real Estate Acquisitions)

(1) Outline of proposal

Add Chapter 8, "Acquisition of Real Estate," as a new chapter in the current Articles of Incorporation and include the following text as Article 47 in the new chapter.

Furthermore, if the text of this Proposal requires formal adjustment (including, but not limited to, correction of numbering discrepancies) due to the approval of any other proposal at the General Shareholders' Meeting (including proposals by JBS), the text of this Proposal shall be read mutatis mutandis.

Policy on Real Estate Acquisitions

Article 47 The amount that the Company can use for the acquisition of real estate in a single business year shall be no more than the total of (a) the dividend from surplus for which the record date occurred in the business year immediately prior to the business year in which the acquisition of real estate will take place and (b) the value of JBS's own shares acquired in the business year immediately prior to the business year in which the acquisition of real estate will take place.

(2) Reason for proposal

JBS had around 16.2 billion yen in property, plant and equipment stated on the balance sheet at September-end 2023, even though the nature of its operations does not require large capital expenditure.[9] Of these assets, eight corporate residences for employees have a total book value of 12,907 million yen,[10] accounting for around 80% of property, plant and equipment. Moreover, in fiscal September 2024, JBS invested 3,483 million yen in the acquisition of two new corporate residences, and is estimated to have spent a total of 5.0 billion yen on relocating its head office, including the construction of an employee canteen,[11] and as of June-end 2024, the value of property, plant and equipment had risen to around 24.3 billion yen.[12] JBS justifies its provision of corporate housing as a means of attracting talent through housing employees in attractive city-center locations. However, no reasonable explanation has been given for the need to physically own company residences. JBS should aim to resolve the issue of attracting talent with a more fundamental measure, namely, higher pay, and it is not a given that first-party ownership of corporate housing is an effective way of securing employees. The average salary at JBS was 6.188 million yen[13] as of September-end 2023, hardly a high level, and it is doubtful whether the investment of over 20.0 billion yen in property, plant and equipment is really more effective at recruiting and retaining employees than raising pay or other means, and indeed whether it is an efficient use of funds. JBS management has been consistently increasing the value of property, plant and equipment through the purchase of real estate for corporate housing, without rational cause, a course of action that is clearly contradictory to

[9] JBS Annual Securities Report, page 63

[10] JBS Annual Securities Report, page 31

[11] JBS Annual Securities Report, page 32

[12] Consolidated Financial Results for the Nine Months of the Fiscal Year Ending September 30, 2024, Financial summary, page 4
https://ssl4.eir-parts.net/doc/5036/tdnet/2491299/00.pdf

[13] JBS Annual Securities Report, page 11

the TSE's requirement that management be "conscious of cost of capital and profitability based on the balance sheet."[14] Management must be prevented from making unrestricted real estate acquisitions. GES therefore proposes setting an upper limit on the value of real estate acquisitions, while putting regulations in place that will improve management's appreciation of the balance between property investment and shareholder returns.

4. Agenda Item 4: Partial Amendment of Articles of Incorporation (Action to Implement Management that is Conscious of Cost of Capital and Stock Price)

(1) Outline of proposal

Add Chapter 8, "Measures Aimed at Encouraging Management to Take More Consideration of Cost of Capital and Profitability," as a new chapter in the current Articles of Incorporation, and include the following text as Article 47 in the new chapter.

Furthermore, if the text of this Proposal requires formal adjustment (including, but not limited to, a correction of numbering discrepancies) due to the approval of any other proposal at the General Shareholders' Meeting (including proposals by JBS), the text of this Proposal shall be read mutatis mutandis.

Measures to increase corporate value

Article 47 The Company shall, by March 31, 2025, establish measures to increase corporate value, and publish the details of the measures through TDnet (Timely Disclosure Network) operated by the Tokyo Stock Exchange.

2. The measures to increase corporate value shall include the following:

(1) Measures that can help increase corporate value across all businesses operated by the Company;

(2) Capital policy, including the analysis of the company's current cost of capital and market evaluation of the Company, and the setting of performance indicators aimed at increasing capital efficiency;

(3) Sale-and-leaseback arrangements over the Company's property, plant and equipment, including employee housing, and other measures aimed at the efficient use of property, plant and equipment (specifically, the Company shall ask several large real estate firms to propose ways of effectively utilizing its property, plant and equipment, and will decide how to proceed after receiving at least three proposals);

(4) Shareholder returns rooted in greater asset and capital efficiency; and

(5) Other measures that could contribute to increasing the corporate value of the Company.

3. The Board of Directors shall establish measures to increase corporate value based on the following processes:

(1) The Board of Directors shall draw up draft proposals for measures to improve corporate value after hearing, as necessary, the opinions of experts, external advisors, and shareholders and shall submit the proposals to a working group composed of outside directors. The working group shall

[14] Action to Implement Management that is Conscious of Cost of Capital and Stock Price, page 1 https://www.jpx.co.jp/equities/follow-up/jr4eth0000004vj2-att/jr4eth0000004w6n.pdf

summarize the expert opinions on the draft proposal, and present the summary to the Board of Directors. The Board of Directors shall give appropriate consideration to the findings of the working group when deciding upon initiatives to increase corporate value.

(2) When deciding upon initiatives to increase corporate value, the Board of Directors shall solicit the opinions of shareholders, or of persons authorized to invest in the shares of JBS by a discretionary investment agreement, other agreement, or laws and regulations ("Investment Manager"), that own at least 1.5% of the voting rights in JBS as of September 30, 2024.

(2) Reason for proposal

JBS withdrew its medium-term business plan targets this year, which has made it an urgent priority to restore its market valuations by developing and announcing new initiatives to increase corporate value. In addition, JBS has still not published a plan to ensure management is sufficiently conscious of the cost of capital and profitability, as requested by the TSE. For this reason, JBS should consider and draw up initiatives to increase corporate value and announce these to investors as a matter of priority. It is especially critical that JBS release funds by reviewing its 24.3 billion yen of property, plant and equipment,[15] and redeploy the funds to investment in new business development or shareholder returns. Although no rental payments are included in the income statement at present, in reality the huge sums invested have simply been included in the balance sheet as property, plant and equipment. As of June-end 2024, property, plant and equipment was 24,330 million yen, while net debt was 13,072 million yen,[16] and it would be reasonable to expect the net proceeds obtained from sale & leaseback arrangements to exceed these liabilities by a considerable amount. JBS should enter into a sale & leaseback arrangement on its first-party corporate housing as part of measures to increase corporate value. Although entering into such an arrangement will trigger rental payments, it will also eliminate the drag on operating profit from the depreciation of property, plant and equipment when owned as real estate, and the overall impact on operating profit could be positive. JBS has rejected GES's suggestion, arguing that losses on sale would arise even after ignoring the rental costs. However, JBS's position that relatively new buildings with prime locations in central Tokyo such as Minato Ward and Shibuya Ward[17] would necessarily result in losses on sale appears divorced from rational analysis and is difficult to accept. Rather than basing decisions on idiosyncratic opinions, JBS should ask major real estate companies (specific examples are Nomura Real Estate, Mitsubishi UFJ Real Estate Services, Mitsui Fudosan, Mitsubishi Estate, Sumitomo Realty & Development, and Tokyu Livable) to submit proposals for the effective utilization of its property, plant and equipment that are based on objective analysis, and consider specific measures based on those proposals. Outside directors of JBS told GES that the purchases of corporate housing are not an issue since the company's ROE of 16% is above the sector average. However, the idea that the use of company assets is beyond question if the ROE is above the sector average is contrary to the TSE request that management be "conscious of the cost of capital and profitability based on the balance sheet" and cannot be deemed appropriate. In addition to ROE, which gives no

[15] Consolidated Financial Results for the Nine Months of the Fiscal Year Ending September 30, 2024, Financial summary, page 4

[16] Estimated from Consolidated balance sheet in Consolidated Financial Results for the Nine Months of the Fiscal Year Ending September 30, 2024

[17] JBS Annual Securities Report, pages 31-32

consideration to the efficient use of operating assets, JBS should pay close attention to measures of capital efficiency such as ROIC, which uses operating assets (working capital + non-current assets) as the denominator and NOPAT (OP – income taxes) as the numerator. It would be most appropriate for JBS to establish measures to increase corporate value, including detailed proposals that apply to all JBS operations without certain areas being fenced off.

5. Agenda Item 5: Partial Amendment of Articles of Incorporation (Formulation and Disclosure of Plan to Change Listing Segment)

(1) Outline of proposal

Add Chapter 8, "Plan to Change Market Listing Segment," as a new chapter in the current Articles of Incorporation, and include the following text as Article 47 in the new chapter.

Furthermore, if the text of this Proposal requires formal adjustment (including, but not limited to, a correction of numbering discrepancies) due to the approval of any other proposal at the General Shareholders' Meeting (including proposals by JBS), the text of this shall be read mutatis mutandis.

(Formulation and Disclosure of Plan to Change Market Listing Segment)

Article 47 The Company will, by June 30, 2026, formulate a plan to change the market listing segment on the Tokyo Stock Exchange from the Standard Market to the Prime Market (Plan to Change Listing Segment), and publish the plan using the TDnet system run by the Tokyo Stock Exchange.

2. The Plan shall aim to change the market listing segment by the end of the fiscal year ending September 2028 at the latest, and must be a reasonable and specific plan including details of the required processes and schedules.

(2) Reason for proposal

JBS has been listed on the Standard Market since 2022. Management has explained to GES that it intends to transfer its listing segment to the Prime Market. A clear intention to transfer its listing segment to the Prime Market, which has higher liquidity and more investors participating, should contribute to sustained growth and longer-term improvement in corporate value. Of course, transfer to the Prime Market would require a review by the TSE based on formal requirements and effective standards, and to this end JBS will need to both formulate a specific transfer plan, and plan and enact measures to address any unmet conditions or standards. However, at present JBS has provided no explanation whatsoever of a specific plan to support the change in the listing segment to the Prime Market. In light of this situation, GES proposes that JBS formulate and disclose a plan for the change to the Prime Market, including specific targets and a schedule based on these targets.

Agenda Item 6: Partial Amendment of Articles of Incorporation (Board of Directors' Consent to Individual Meetings with Shareholders)

(1) Outline of proposal

Add the following text as Article 31 in Chapter 4, "Directors and the Board of Directors," of the current Articles of Incorporation, and increase by one the numbering for current Article 31 and each subsequent Article.

Furthermore, if the text of this Proposal requires formal adjustment (including, but not limited to, a correction of numbering discrepancies) due to the approval of any other proposal at the General Shareholders' Meeting (including proposals by JBS), the text of this Proposal shall be read mutatis mutandis.

(Board of Directors' Consent to Individual Meetings with Shareholders)
Article 31 If a shareholder, or a person authorized to invest in the shares of the Company by a discretionary investment agreement, other agreement, or laws and regulations ("Investment Manager"), that holds at least 1.5% of the voting rights in the Company, requests an individual meeting, the Board of Directors shall hold an individual meeting within 20 working days. However, if an individual meeting cannot be held within the specified period for unavoidable reasons, the Company shall notify the shareholder or Investment Manager that requested the meeting to this effect within five working days, and propose an alternative date and time when the meeting can be held. The minimum number of meetings per shareholder or Investment Manager to be held in the event of a request for individual meetings shall be one per quarter in the case of executive directors and one per year for non-executive directors.

(2) Reason for proposal

The Corporate Governance Code states that, in order to increase corporate value, publicly traded companies should engage in constructive dialogue with shareholders outside of general shareholders' meetings.[18] In addition, the principle of equal treatment of shareholder permits difference in treatment, within reason, depending on the number of shares held. The principle therefore does not preclude individual meetings with major shareholders when used for the purposes of engaging in dialogue to increase corporate value.

On May 14, 2024, JBS withdrew its medium-term business plan while simultaneously lowering its net profit forecast for the fiscal year from 3.45 billion yen to 1.5 billion yen. However, it did not announce a new management policy or earnings targets in place of the old plan, which is problematic in terms of its duty of transparency and accountability to shareholders. Management is not sufficiently committed to providing explanations to shareholders and should attempt to engage much more proactively in dialogue with investors. If JBS were to amend the Articles of Incorporation to clearly state that management has a duty to respond to invitations from major shareholders for individual meetings, not only would it help increase corporate value by promoting constructive dialogue with shareholders, but the development would also be groundbreaking in terms of demonstrating a more transparent and open attitude among management, and could trigger a market reappraisal of the stock.

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[18] Corporate Governance Code, General Principle 5

Global ESG Strategy

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