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5-3-6 Akasaka, Minato-ku, Tokyo
TBS Holdings Inc.
President and Representative Director
Mr. Takashi Sasaki

We are Hibiki Path Advisors ("We" and/or "Us"), an institutional investor based in Singapore, a shareholder of TBS Holdings ("You" and/or "TBS") through our client accounts. We are writing this letter to the Board of Directors as a minority shareholder with proposals to enhance the corporate value of TBS.

As a long-term oriented investor, we are, in a way, agnostic to noise from daily price movements or quarterly earnings. When selecting companies to invest in, we emphasize on factors such as, the difference between the stock price and the intrinsic value, as well as the managements' open-mindedness to increase the long-term value together, amongst other things.

In this letter, we will briefly summarize on how the market is evaluating TBS in the current stock market, and at the same time, we will make some proposals regarding your (1) Business, and (2) Capital Allocation. Although this maybe just a small voice from a minority shareholder, we hope that it will be considered by the Board of Directors and meetings of senior management to use it as a reference for future dialog with capital markets and for various management and financial strategies. We would be very happy if we could help TBS with some tips to become the ultimate "winner" both in business and capital markets in a world if extremely harsh competition in a world where the definition of "media" is changing dramatically.

May 9, 2023

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Hibiki Path Advisors Pte. Ltd.
Partner
Yuya SHIMIZU and Hiroki ASANO

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TBS Holdings Inc.

Board of Directors

May 9, 2023

Proposals on Measures to Enhance Corporate Value

Contents

(Text as below)

1. TBS' s current market valuation

First, we would like to share our quick analysis on how TBS is viewed in the stock market.

It seems more or less similarly the case with the stock price of all traditional media companies, but as shown in Figure 1, it is hard to view that your stock price is being sufficiently appreciated by the market. Based on the hard fact, TBS's market capitalization is still lower than the total of net cash and securities holdings of 358.5 billion. In addition, TBS own some valuable properties such as Akasaka headquarters and Midoriyama Studio, which are worth more than 200 billion yen in total on Balance Sheet. This is a classic example of negative enterprise value situation where your business is valued as a deficit from investors.

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This negative Enterprise Value situation has been continuing for so many years and so it has become so "habitual" and being accepted as "normal phenomenon" on both your side and the market side, which is a very dangerous situation where continuity bias is kicking in; Things have been the same in the past, so they will be the same in the future. I am sending this letter from the point of view to break-out this cycle together with you.

Figure 1: TBS's Net Cash and Market Capitalization

(Yen Billion)

Cash and Securities (a)	614.7
Total Debt (b)	256.2
Net Cash and Securities (a) - (b)	358.5
Market Capitalization (April 2023)	350.7
P/B ratio（April 2023）	0.46

(Source: Compiled by Hibiki from Bloomberg and TBS's financials 3Q FY3/2023)

Back in 2018, you have received a shareholder proposal from Asset Value Investors ("AVI"), a UK-based investor, asking for a dividend-in-kind of your holdings in Tokyo Electron. Based on such experience, in your annual Yuho report, you states that you will "use securities held in large quantities on the balance sheet as a source of funds for meaningful and promising investments from time to time as needed for strategic management", which indicates some change in your original attitudes on cross-share holdings, and you actually have been selling down a, very mild, but a certain amount of securities every year. We are encouraged to see the positive change in TBS's attitude.

On your business side of things, people's media consuming behaviour has shifted from reactively viewing traditional mass media such as traditional print media and TV to more proactive and personalized media such as YouTube, SNS, etc and alongside with that media strategy and budgeting for companies' PR shifted dramatically as well. Amid such harsh landscape where every TV media companies looking for something different, you are actually also taking various steps to steer the ship. For example, you have announced your strategy to develop IP and content independently and aggressively "planting seeds" for the future (taken from your materials). We understand that there would be a certain timeframe required to realize the full-scale business returns on these new efforts, but, for example, we are very excited to see your 30 billion yen launch of a Japan drama production company SEVEN and its global alliance with Netflix. However, with that all said, we believe that it should be your imminent task to have a comprehensive approach combining business strategy with financial strategy (and capital allocation) so that you gain much more long-term investors (as shareholders) who would be supporter of your future business.

In this proposal, we would like to humbly present what we believe to be a fundamental improvement in the corporate value of the company, taking into account and combining all aspects such as business, financial, and shareholder returns.

2. Proposal 1: Business Strategy – IP Deployment

Firstly, you have already taken a number of measures with a determination to improve your business strategy. Unlike many TV broadcasters around the world, Japanese TV stations are unique in the sense that they already have in-house capabilities to create and develop IP such as dramas and animations. TV media companies also have regularly invested in the "Production Committee System" a unique system of content creation in Japan, and so we understand that every companies including TBS have a certain degree of exposure to the Japanese IP global consumption growth. We have high expectations for TBS as you seek to strengthen your position as an IP holder that provides content to high-quality drama-centric platforms such as Netflix, Amazon, Disney+, which is definitely an "out-of-the-box" approach as a TV Broadcaster.

In particular, THE SEVEN, a newly set up drama production subsidiary, started with a budget of 30 billion yen, and Mr. Teru Morii who produced a worldwide hit "Alice in Borderland" through distribution by Netflix, and Mr. Satoshi Akabane, who produced hits such as "Fly me to the Saitama" and "The Confidence Man JP" are on board as producers. While we

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need to wait for how the new titles will be viewed by the world, we understand that team in place has a great chance of success for global viewership and recognition.

On the other hand, we reluctantly mention that TBS is behind the competition when it comes to the animation IP business. Today, if you talk about Japanese IPs, Manga, Light novels, and Animations are already a global phenomenon and there are some highly valuable IPs such as Pokémon, Doraemon, and One Piece that have been accumulating a fan base worldwide for a long time that transcends across generations. It is amazing Japan IPs are so popular already and getting more popular. Why is this the case?

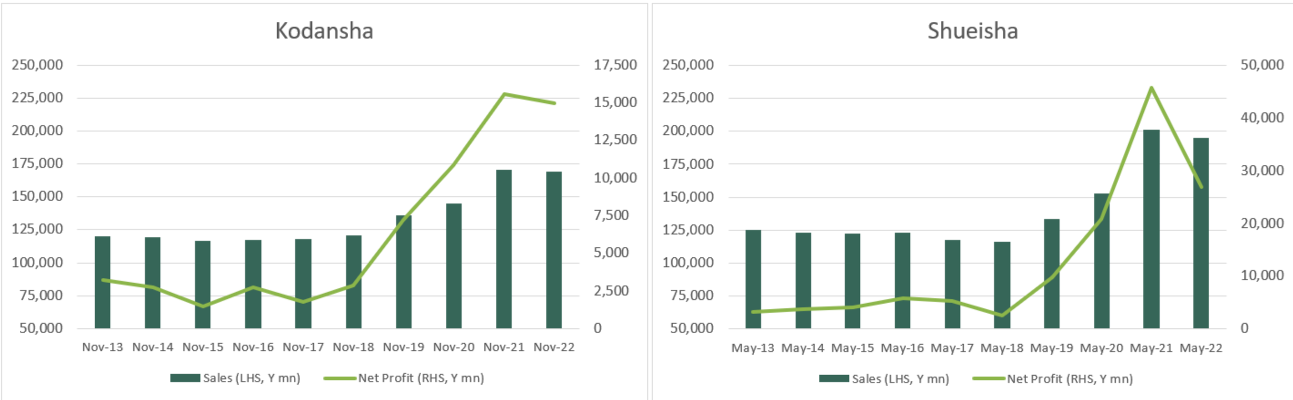
The main reason for such strength, we believe, is the history and eco-system of Manga (Japanese style casual comic book) which has been a widely popular leisure amongst Japanese young people for many decades. With such popularity, Manga industry constantly attracted young, talented, and ambitious manga artists coming up with amazing stories attracting new readers, and that is expanding into Animation now. As for both Manga and Animation, because the characters are just "drawings" without real people acting on it, it is actually easy to maintain the character image (or transform them as you like) as well as easy to develop a spin-off of the story without having to worry about the placement of actors, making it a strategically flexible IP.

In terms of the anime titles you broadcast, works such as the Mobile Suit Gundam series and the Quintessential Quintuplets have been successful, but in fact, the medium- to long-term "Anime IP Strategy" has hardly been mentioned in your analyst briefing materials, etc., and the strategy and future approach are not visible from the outside. In 2017, TBS acquired Seven Arks as a subsidiary and made additional investments in 2022 to promote digitalization etc. However, it appears that the company has yet to create big titles or fully develop a strategy from the perspective of how to acquire copyrights for such animation IP and create cash flows that will expand over the long-term horizon. We are worried on this end where your animation IP effort is somewhat blurred.

If we talk about Animation IPs we cannot "not" discuss about the dramatic change in fate for publishing companies (especially Shueisha and Kodansha, both of which own famous manga magazines). People used to worry about their future due to the decline of paper media, are now secretly making a fortune due to the success of anime. We are sure that many of you already know the facts, but we would like to elaborate it a little bit more here.

First, Figure 2 below shows the trends in Sales and Net income of both companies over the past 10 years.

Figure 2: Changes in Kodansha and Shueisha Sales and Net income



(Source: Compiled by Hibiki based on each company's materials)

As you can see, both companies have experienced significant growth since 2019, but we believe that the two common points are (1) digital readers of magazines have started to expand, and (2) digital transmission power has increased beyond expectations.

Kodansha continues to make great strides in new IP creation such as Attack on Titan, That Time I Got Reincarnated as a Slime, the Tokyo Ghoul, and the Quintessential Quintuplets (broadcast by TBS). Kodansha is extremely smart creating an IP strategic marketing subsidiary where it controls the collaborations on anime characters with companies to further expand copyright income, and by gaining more public attention in this way, more new viewers are invited creating a circular synergy effect on new readership and viewership. In terms of Kodansha's net income, it was moving back and forth between 1.5 and 3.0 billion yen just ten

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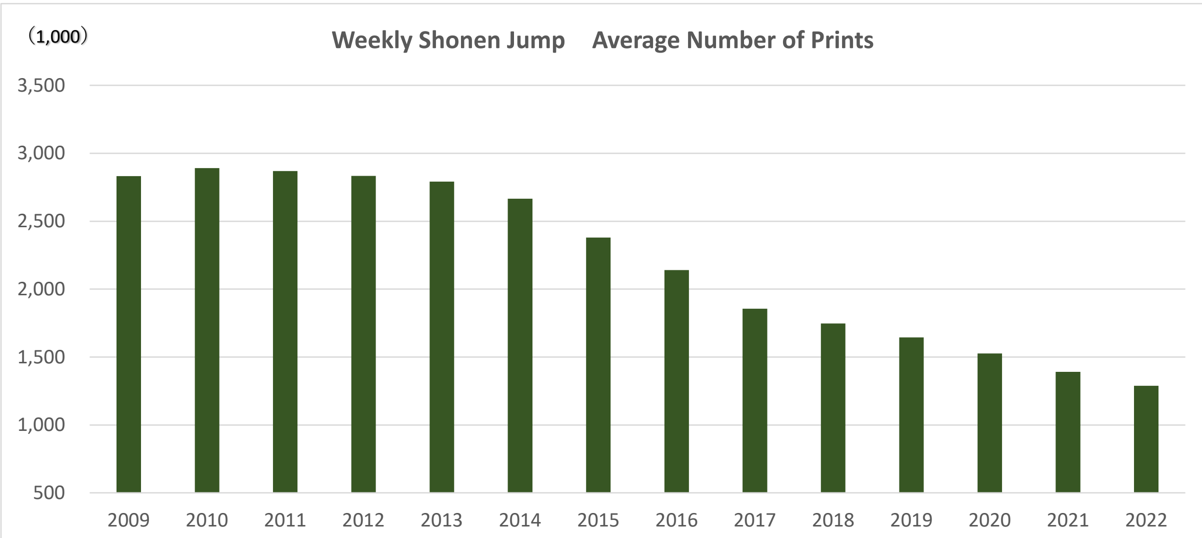
years ago, but it has recently reached 15 billion yen, and the company seems to have been "Reincarnated" as a powerful IP holder.

Shuneisha, whose "Shonen Jump" magazine has been the heart and soul of Japanese boys since the Showa period (including myself), has posted net income of 20-45 billion yen for the past two to three years, a mega-level profit even higher than most of the TSE listed companies. In addition to its long-standing global IP hits such as One Piece, the company has been blessed with a series of works with outstanding fantasy world design and plotlines that gained popular traction such as Jujutsu Kaisen, Demon Slayer: Kimetsu no Yaiba and Kingdom etc.

As shown in Fig.3, Shounen Jump's paper circulation has actually been on a constant decline in the past, and people rumored on the internet that the magazine maybe discontinued due to lack of popularity. However, Shueisha has been secretly promoting digitalization, and industry was astounded by the news in 2022[1] Shueisha's Campaign that they already have 700,000 digital weekly subscribers while paper print has declined to 1.3 million prints – this "paperless" has improved their earnings dramatically.

Figure 3: Trends in the Average Number of Weekly Shonen Jump Issued



(Source: Compiled by Hibiki from Japan Magazine Association)

1 https://www.shonenjump.com/p/teiki/2022/Vv5evZPL/

One example, the popular hit series, Demon Slayer: Kimetsu no Yaiba has already been a popular manga series since 2020, but the Movie adaptation has had a big multiplier impact that it has become a social phenomenon and it can be said that it was a strategic victory of "snow-balling" what is already a great IP.

As for IP animation, Magazine publishers such as those mentioned above have contributed greatly to the discovery of "Golden Eggs", and it is likely difficult for the TV media to take the initiative on that end. However, still, you can step out of the traditional thinking of TV media and utilize M&A strategies to maximize potential profit areas by penetrating upstream (content production) or downstream (distribution and marketing) and to get a share of the large wave of the animation market that is expanding globally. It is just something you need to think about.

Next is on financial strategy and capital allocation.

3. Proposal 2: Financial Strategy and Capital Allocation – Introduction of Fixed Amount Dividend

As mentioned earlier, in 2018, TBS received a shareholder proposal from a foreign investor AVI regarding the holding of its investment securities. Although the proposal itself didn't get passed the AGM, you started to liquidate some of its investment securities to fund strategic business investment, dividends and sometimes perform share buybacks. We are feeling that the direction was right. However, as a company that has had such discussions with shareholders in the past, and as a leading media company in Japan, we would like to ask you to announce a far more "aggressive" financial strategy and capital allocation policy.

As a general rule, there are two simple reasons why people buy stocks. That is, (1) we want to enjoy the rise in the price of the company's stock price, and (2) we want to enjoy the future dividend of the company.

Of these, the rise in stock prices in (1) can occur for a variety of reasons, but there are two main reasons. This will be either (a) an increase in growth potential of the business and

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earnings expansion is expected or (b) an increase in capital return (ROE) of business through effective use of assets. Even when some argue that share buying does not increase corporate value (which is true) the value per share will increase as share counts decrease. There is nothing wrong in doing share buyback to increase value for each shareholders.

Figure 4: Why People Buy Stocks

Why People Buy Stocks – generally defined

① Want capital gain
- (a) Business growth
- (b) Better Capital efficiency (ROE)

② Want dividends

(Source: Hibiki)

Now, with regard to the dividend in (2), for industries such as electric power and gas where fast growth is unlikely, the stability of dividends and dividend measures, including financial measures, will be of upmost interest to investors and will be evaluated based on dividend yield, both in Japan and overseas.

In other words, let us unpack the above sentence and rearrange them in three points.

A) What is the future of the business?
B) What is the direction of ROE?
C) What about the dividend?

The expectations and how the capital market feels about each factor above will determine the share price. On November 2016, we stated our views on why we should be concerned about the stock price in our Why Pay Attention to the Stock Price, and we also touched it on our open letter to Tokyo Stock Exchange in 2022 so we will refrain from repeating it here. However, in

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light of [2]the recent efforts by TSE to revitalize the Japanese capital market wholesomely, it is very undesirable to see the P/B ratio of Japan's leading media companies staying deep down below 1x. Among them, we think that TBS has the most capable mindset to deal with capital markets and stock price, given your previous experience in receiving shareholder proposals in the past, and, in a sense, engaging in dialogue with the market on such issues. We have purchased TBS's stock with the expectation that you have a far more responsive mindset in the industry compared to other companies that do not.

Among the three points of A), B), and C) above, we have already discussed our views related to A) Business Strategy in section 2, and so we would now propose measure for B) and C). In summary, we would like to propose a fixed amount dividend of 8x-10x the current dividend amount for a continuous period of 10 years or more. You may fee that this may seem a bit far-fetched and even irresponsible but let us explain it carefully below to avoid any misunderstanding. We believe this is one solution that solves return on equity improvement and attractive dividends policy all at once.

The apparent problem with TBS's finances is that you are overcapitalized with a large amount of investment securities and real estate assets and your ROE is extremely low in the 3-4% range. To improve profitability (i.e. profit margin), it is necessary to change the business structure, which requires a certain timeframe to achieve. And, on share buyback, you are stating that you will be conducted in a timely manner, we assume that there maybe caution in doing so due to the daunting share registry issues related to voting rights with the issue of foreign investment regulation under the Broadcasting Act that limits foreign voting rights below 20% of the outstanding. Therefore, we believe that Dividend Policy is the only left lever in achieving a sustainably increase ROE.

TBS's current cost of capital is estimated by our calculations to be approximately 5.8-6.0% (which is on a conservative basis) and your current ROE is below that level. Assuming that current profitability will continue, how much dividend should be paid to achieve an ROE of 7-8% or more, which would exceed the cost of capital? We of course need to maintains 100% or

[2] Summary of the Follow-up Meeting on the Review of the Tokyo Stock Exchange Market Category (2023/1/30)

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more dividend payout to reduce equity but, a careful planning of "a systematic and long-term reduction of shareholders' equity whilst maintaining business sustainability" is necessary.

So now, we would like to simulate three cases of dividend policy. In order to make it look simple, we will assume TBS's total assets is 100 yen, shareholders' equity is about 70 yen, net income is about 3 yen and so ROE is about 4% which is just about right.[3] In order to not increase the number of variables, we would like to set a conservative assumption that the profit level of 3 yen continues for 10 years. The current dividend level is about 20%[4] payout ratio, so let's see how ROE will change in 10 years in each of the following three cases.

Case 1: Current Dividend Payout Ratio of 20% Continues for 10 Years
Case 2: 100% Dividend Payout Ratio Continues for 10 Years
Case 3: Straight-line Dividend of 6 yen (2x recent net income) for 10 Years.

(1) 20% Payout	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Total Assets	100	102	105	107	110	112	114	117	119	122	124
Shareholders Equity	70	72	75	77	80	82	84	87	89	92	94
Equity ratio	70%	71%	71%	72%	73%	73%	74%	74%	75%	75%	76%
Net Profit	3	3	3	3	3	3	3	3	3	3	3
Divident Payout Ratio	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
ROE	**4.3%**	**4.1%**	**4.0%**	**3.9%**	**3.8%**	**3.7%**	**3.6%**	**3.5%**	**3.4%**	**3.3%**	**3.2%**

(2) 100% Payout	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Total Assets	100	100	100	100	100	100	100	100	100	100	100
Shareholders Equity	70	70	70	70	70	70	70	70	70	70	70
Equity ratio	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Net Profit	3	3	3	3	3	3	3	3	3	3	3
Divident Payout Ratio	20%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
ROE	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**

(3) 6 yen flat dividend	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Total Assets	100	97	94	91	88	85	82	79	76	73	70
Shareholders Equity	70	67	64	61	58	55	52	49	46	43	40
Equity ratio	70%	69%	68%	67%	66%	65%	63%	62%	61%	59%	57%
Net Profit	3	3	3	3	3	3	3	3	3	3	3
Dividends (actual in yen)	*0.6*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*
ROE	**4.3%**	**4.5%**	**4.7%**	**4.9%**	**5.2%**	**5.5%**	**5.8%**	**6.1%**	**6.5%**	**7.0%**	**7.5%**

(Source: Hibiki)

[3] Please note that these are only rough numerical assumptions.
[4] Base without adjusting special cases in your definition.

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As you can see, Case 1's current dividend policy assumes that profits remain constant, shareholders' equity will continue to increase while ROE will gradually drop from 4.3% to 3.2%. In this situation, shareholders must continue to believe only in TBS's business growth potential, a one-only-engine situation based on p.10 (a) and (b), and it is hardly a solution to solve the current low P/B ratio. Even if the dividend payout ratio is set at 100% like Case 2, the ROE will only remain constant in calculation and a large increase in earnings is necessary to support P/B revaluation. Both situations are far from the being a credible plan for a "systematic and long-term reduction of shareholders' equity while maintaining business sustainability"

Whereas Case 3 is a 10-year dividend payout of 6 yen, approximately 10 times the current 0.6 yen dividend level, the ROE will be 7.5% after 10 years and the shareholder's equity ratio will still be an extremely healthy 57%. Although the amount of total assets will shrink from 100 yen →70 yen, which is 30% lower, since about half of your total assets are investment securities, it is clear that even if such a dividend policy is implemented, there is little risk of impairing business continuity. On the other hand, by doing so, the market can perceive it as management's unwavering determination to improve the ROE, and it is possible to see a rise in stock price valuation. This is NOT a money game, but a systematic and strategic capital policy.

As a side note, the good thing about flat-rate dividends is that when management measures are effective and profit growth is achieved, (1) ROE rises further, and (2) payout ratio automatically decreases and will be able to cover the dividend by its annual cashflow. As a new case 4 (below), if profits double to 6 yen in 10 years, the ROE will be 11.3% and the equity ratio will be 64%, which is quite solid.

(4) 6yen + Profit ↑	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Total Assets	100	97	94	91	89	87	85	84	83	83	83
Shareholders Equity	70	67	64	61	59	57	55	54	53	53	53
Equity ratio	70%	69%	68%	67%	66%	66%	65%	64%	64%	64%	64%
Net Profit	3	3	3	3	4	4	4	5	5	6	6
Dividends (actual in yen)	*0.6*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*
ROE	**4.3%**	**4.5%**	**4.7%**	**4.9%**	**6.8%**	**7.0%**	**7.3%**	**9.3%**	**9.4%**	**11.3%**	**11.3%**

(Source: Hibiki)

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We think strongly that you should consider this "fixed-rate dividend" that, seems to be old-fashioned on first-site, as it seems one of the very few effective ways to solve a situation of an extremely exceptional balance sheet of TBS, which is a big thanks to the accumulation from your predecessors. You need to make a lot of changes to your business which requires time, and then you need your shareholders to support it. Also TSE is frantically trying to change Japan's tock market for the better. All these things being considered we have made this proposal here without hesitation.

4. Meaning of our Proposal

We would like to emphasize that the purpose of this proposal on business strategy, financial strategy and capital allocation is written from the viewpoint of how we think TBS can take advantage and win "fans" in capital market. If you look at dividend proposal with a narrow-minded view, you may feel that we are just asking you to "pay out more dividends". However, this is not the case we are trying to make, rather we see this as a mutually beneficial measure for TBS to be better appreciated by the market to receive long-term support from shareholders for the structural reform of your business. We believe that the interests of shareholders and company's business goals are not at odds with each other, and it is possible to achieve a complementary give-and-take relationship over the medium- to long-term perspective. Japanese companies should become like this. Don't you think so?

When we read TBS's press release in opposition to the 2018 shareholder proposal, we understood that you opposed the proposal on the grounds that the rapid sale of securities for dividends is never optimal for increasing corporate value, and such securities will be used effectively as a resource for future investments which means you preferred a gradual method to solving the issue. While you may "intuitively" feel it is difficult to pay a flat dividend above the level of profit, as indicated in the normalized analysis above, it is feasible given TBS's solid financial base, and it is possible to gradually achieve a good balance between business growth and shareholder return. <u>We are confident that this is one of the few methods that can gradually achieve a balance between business investment and returns over the future</u>.

Finally, the contents of this proposal is basically just an idea from us, and we are not stubborn to just stick to this. With this idea as a springboard, we think it would be good for you to use it and develop an evolved version of your own business and financial strategy that will similarly be "appreciated by your shareholders and increase your allies." However, as a premise, we would like to ask you to place a commitment to improving ROE not only from a business strategy perspective but also from a financial and shareholder return perspective. As you can see, unless you implement future-oriented business and financial strategies that are free from past strategies, your plans for ROE improvement will be nothing more than just a blip on the radar. There are no shortage in variables regarding business strategies, such as the industry landscape, social and behavioral issues, competitive environment with emerging media companies, and the possibility of M&A, which makes it very difficult to foresee how the business strategy may turn out. However, as far as financial strategy and capital policy are concerned, as long as TBS itself is determined, the probability of finely executing the strategy is high, and only when the balance between these two aspects of strategic execution is achieved will TBS be highly evaluated by the market.

As a minority shareholder, we look forward to TBS being the best case study of how a Japanese traditional media company can be "awaken" rather than "incarnate" to achieve victory.

EOD

May 9, 2023

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