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Oriental Shiraishi Corporation

President and Representative Director

Mr. Tatsuya Ohno

We are Hibiki Path Advisors ("We" and/or "Us"), an institutional investor based in Singapore, who holds your company's ("You" and/or "OSJB") shares in our client accounts. Today, we sent a letter to the Board of Directors expressing our greetings on the purchase of your shares and, as a minority shareholder, to make suggestions regarding measures to improve the corporate value of your company.

Since we manage clients' capital based on our long-term investing philosophy, we are, in a way, indifferent to daily price movements or quarterly results. When selecting companies to invest in, we evaluate factors such as technology, differentiated products and services, competitiveness, and brands over the long term (Economic Moat), undervalued stock price and more importantly, the "ability" to engage in constructive dialogue with management to increase corporate value together. Your company meets these standards exceedingly well and we were extremely thrilled when we found you.

Beginning with a series of corporate mergers, in 2007, Oriental Construction and Shiraishi merged to form your company. In 2011, Nippon Bridge was merged with parent company, OSJB Holdings, with your company being the surviving entity. You built a strong, comprehensive construction business with a niche and core expertise in everything from bridges to bay works contributing to the development of Japan's infrastructure. During the period of Covid-19 pandemic, you achieved strong stable growth with sales of 65 billion yen in the third year of the 2020-2022 Mid-Term Plan, ahead of the ideal figure of 64 billion yen that was set for 2030.

As a long-term Investor, I would like to share with you the details that led us to invest in your company and help you "discover" what Oriental Shiraishi looks like from the point of view of

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investors and to make some proposals on several issues such as IR activities and financial measures to maximize your corporate value.

We have the view that there is an extremely large gap between your company's reputable technical capabilities in the industry and the valuation of your stock price in the capital market. We know that some parts of our proposal may seem harsh, but you will hopefully understand that we have good intentions, and we hope you realize that it is our way of encouraging you. We would like to ask your Board of Directors and the Management Committee of your company to take this proposal letter into consideration and take immediate steps and communicate to all shareholders in public so that you transform your company's reputation in the capital market with your own hands.

We strongly believe that the bridge construction business that is centered on pneumatic caissons technology, one of your company's core businesses, should be better appreciated in the capital market. However, to achieve this, it is necessary for you to take bold and proactive measures to tackle the capital markets.

Sincerely,

May 8, 2023

39 Temple Street #02-01, Singapore 058584
Hibiki Path Advisors Pte. Ltd.
Partner
Yuya SHIMIZU and Hiroki ASANO

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Oriental Shiraishi Corporation

Board of Directors

May 8, 2023

Proposal to Enhance Oriental Shiraishi's Corporate Value

Contents

1. Our View on Oriental Shiraishi's Intrinsic Value
2. Your Historic Business Performance
3. Oriental Shiraishi's Current Stock Valuation
4. Our Proposals

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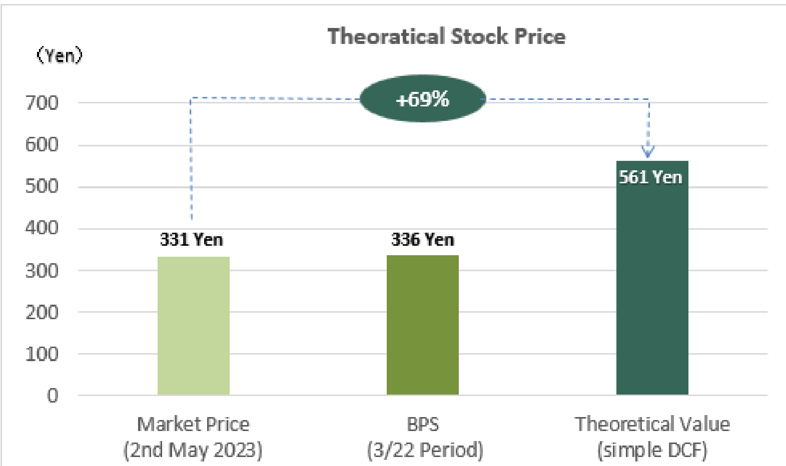
1. Our View on Oriental Shiraishi's Intrinsic Value

We will first explain what we consider to be the intrinsic value of your stock price. A simple DCF calculation based on simple assumptions shows us that your intrinsic value is easily more than 561 yen, which is around 69% higher than your current stock price.

Figure 1: Our Estimate on Oriental Shiraishi's Intrinsic Value per Share



(Source: Hibiki from Bloomberg - See Appendix. for details)

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We use simplified DCF as the base scenario for calculation that focuses only on free cash flow (FCF), which a company can "naturally and stably generate" to estimate corporate value, with our growth rate, and discount rate (WACC) assumptions. We have assumed a FCF of 3 billion yen, growth rate of 0%, and a WACC of 5.6%[1]. The WACC is usually quite a controversial topic amongst investors, however, we did not make any adjustments and used the plain vanilla Capital Asset Pricing Model (CAPM) theory to derive 5.6%. The FCF of 3 billion yen is based on the average level of your FCF over the past five years and assumes that investment in CAPEX over 3 years will be 3.6 billion yen. This figure is very small compared to the 4.2 billion yen in FCF for FY22/3 but still, we consider this a very conservative assumption.

The current stock price is around 330 yen, which is significantly lower than the intrinsic value share price of your company based on our assumptions above. This is a fascinating opportunity for value investors such as ourselves but we also feel that it is a shame to have your corporate value remain so deeply hidden. We hope you understand that we are sending this letter because we are willing to work together with you to unlock the potential value of your company and help your company to obtain the appropriate recognition.

2. Your Historic Business Performance

Looking at your company's profit structure post-merger, we can see that the revenue and operating income have been increasing since FY18/3, and that the profit margin has been on an upward trend (Figure 2).

[1] See Appendix for details

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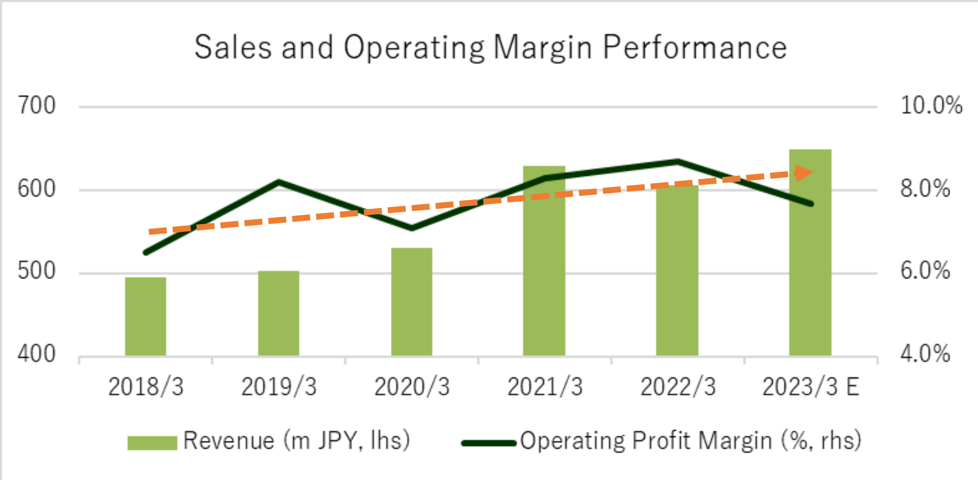
Figure 2: Sales and Operating Margin Performance



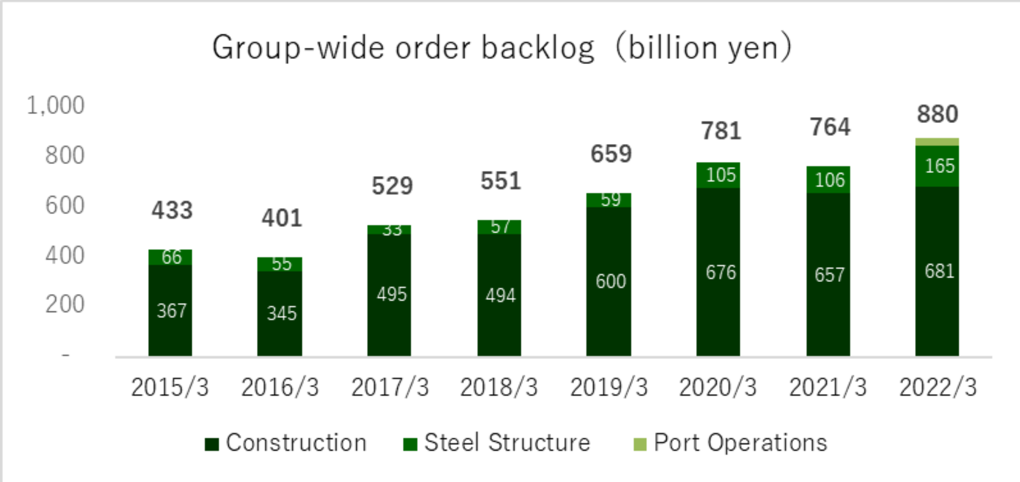
(Source: Compiled by Hibiki from Bloomberg)

We believe this must be because the orders for both your main construction and steel structure business have been steadily increasing every year for the past nine years since the inception of OSJB (Fig.3), that strongly indicates your expertise in repair and reinforcement work such as large-scale renovations and pneumatic caissons, leading to highly profitable orders. It is expected that you will have additional contracts in the future and lead to the largest order backlog in your company's history for the fiscal year of March 2023 and beyond.

In terms of sales for FY22/3, the repair and reinforcement segments account for approximately 40% of total sales, benefitting from the increasing structural demand due to the aging infrastructure in Japan. In the bridge business, which accounts for about 21% of total sales, we expect to see a synergistic effect from Oriental Shiraishi, and the former Nippon Bridge as large-scale construction projects are underway such as the construction of double-lane expressways, urban networks, and the Shinkansen line.

In the Pneumatic Caisson Business, it is expected to enjoy robust demand from large-scale flood control projects as flood control measures are being implemented caused by guerilla rains triggered by global climate change, as the company forecasts a significant increase of sales from 10 billion yen in FY22/3 to 14.7 billion yen in FY23/3.

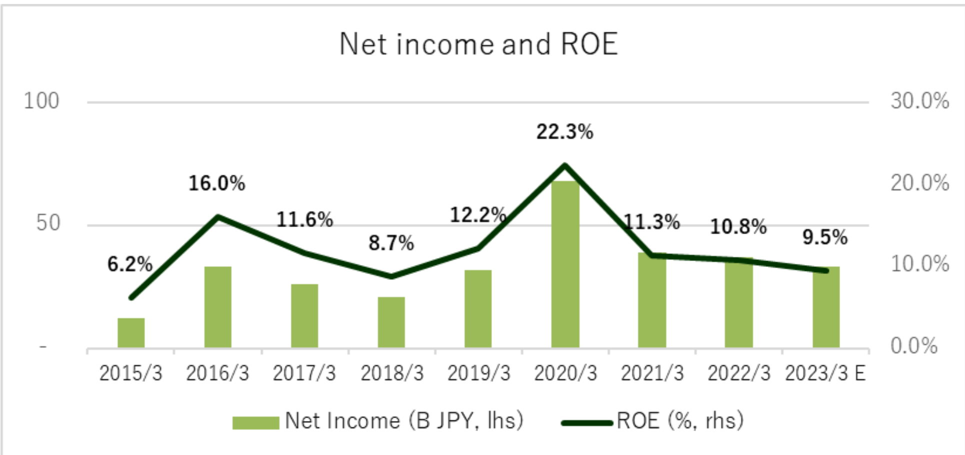
Figure 3: Trends in Your Group Backlog



(Source: Created by Hibiki from company materials)

Net income and ROE (Fig 4) go hand in hand, and your ROE that has averaged 12.4% over the past 8 years, far exceeds the cost of capital, indicating that your company has created corporate value. The Current Medium-Term Management Plan calls for an ROE of 8% or higher in the final year of the plan (FY23/3), but considering that the historical average is at least 12%, and your current PBR is around 1x, we think you should aim for a minimum ROE of at least 10%, and we think that this is already quite conservative. We will touch on this financial strategy in more detail in Section 4 "Our Proposal."

Figure 4: Your Company's Net Income and ROE



(Source: Company Data, Hibiki from Bloomberg)

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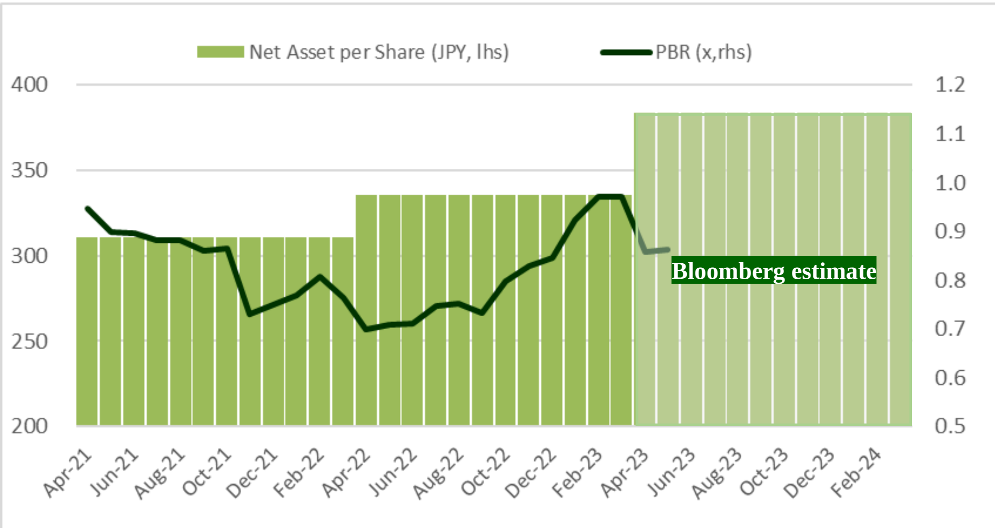
3. Oriental Shiraishi's Current Stock Valuation

Your business has grown steadily and achieved record profits for FY22/3 by securing large-scale construction projects. FY23/3 looks like it is heading in the right direction, and you are far ahead of schedule to achieve the 64 billion yen sales target set forth in your "Vision for 2030". In addition, the management indicator targets of at least 8% and the total return ratio of at least 40% mentioned in the Medium-Term Management Plan have already been achieved.

However, despite such excellent business results, the current share price valuation of your company is low despite being on a recovery trend after the 2021 merger due in part to the lack of growth expectations from the capital market. Figure 6 below shows a graph of net asset value per share, P/B ratio, EBITDA and EV/EBITDA ratio.

Figure 6-1: Net Assets per Share and PBR



(Source: Compiled by Hibiki from Shikiho and Bloomberg)

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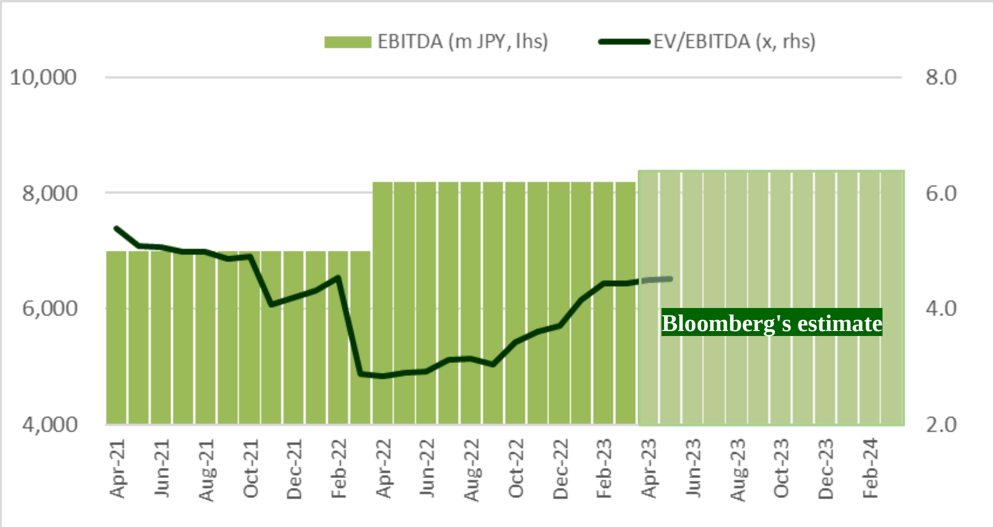
Figure 6-2: EBITDA and EV/EBITDA



(Source: Compiled by Hibiki from Shikiho and Bloomberg)

The P/B ratio remains low at 1x despite the average ROE of 12% over the past 8 years, is a reflection of the fact that the market is just not aware of the appeal of your company. We have compiled a list of factors that we believe contribute to the low share price.

(1) Your Investor Relations (IR) method remains outdated and does not convey the greatness of your company.
(2) Low shareholder returns compared to peers despite excellent financial ratios and excess cash.

We would like to humbly present what we believe would be an appropriate response to these two issues in the section below.

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4. Recommendations from Hibiki

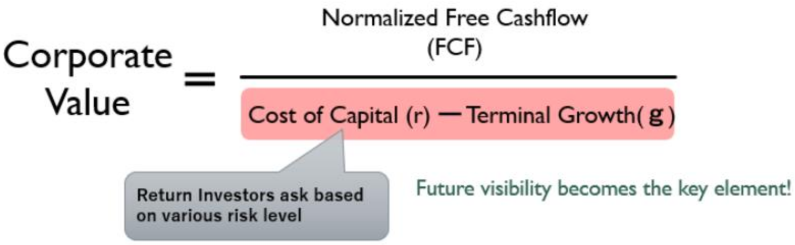
Here, we would like to present our views and proposals on the following points regarding the lack of market appreciation of your business value.

Proposal 1: Brush up IR measures by seamless actions with PR

First, we would like to share with you what we believe is the key to good IR. The three key objectives of a company's IR for investors are (1) accurately communicating the company's KPI that is essential to predicting the company's future; (2) Helping investors gain an understanding of your company's future vision (That is in essence, the strategy of your company); and (3) disclosing past, present and future information equally and widely to various shareholders.

Shareholders are owners of the company's assets and are looking to benefit from the growth of business value in the future. The lack of information and bad communication is directly linked to an investor's anxiety, and the anxiety and distrust of shareholders are directly related to a decline in the corporate value of a company through rising risk factors and cost of capital. As shown in the formula below (Figure 7), the theoretical corporate value is the division of cash flow and discount rate, and the denominator of this formula changes greatly depending on the IR method. As we tell all the companies: Change of 1% in cost of capital is easier than change of 1% in Operating margins.

Figure 7: Formula for Corporate Value



(Source: Hibiki)

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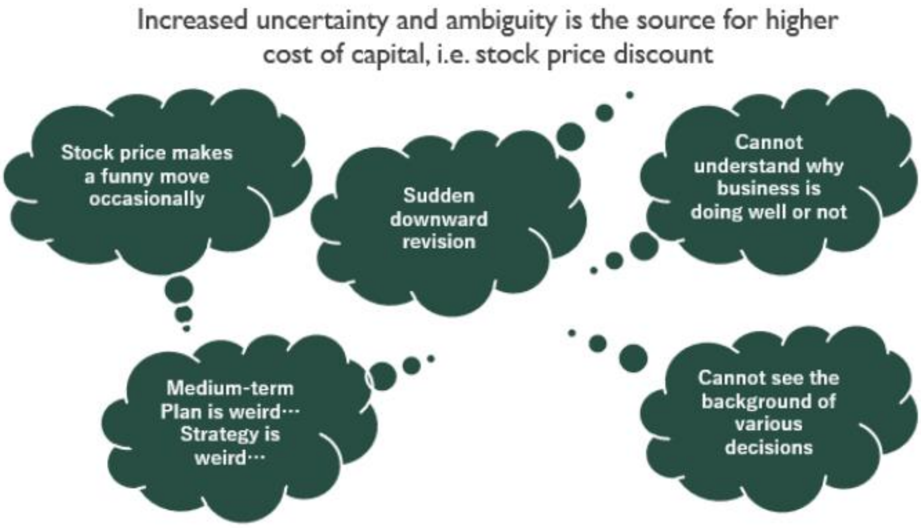
Your company's cost of capital, which is calculated as the inverse of the PER multiple (10x as at FY23/3) is 10.0%, which is much higher than the theoretical cost of capital of 5.6% that we have calculated. Various external factors may have contributed to the extremely high cost of capital of 10.0% but it is also undeniable that your company's lack of communication has contributed to this high cost of capital. For your reference, the following slide is a chart detailing some of the common concerns that investors have.

Figure 8: Common Concerns of Investors



(Source: Hibiki)

Eliminating such anxiety and distrust is an extremely important role played by IR. Trust takes a long time to build, and it must be steadily built up through the preparation of materials, information meetings, individual interviews, etc. The means and methods of the IR function vary greatly depending on the level of market capitalization, liquidity of the stock, and current composition of shareholders. As Japan's total population and domestic pension funds are destined to decline in the future, dialogue with foreign investors is extremely important when considering capital and shareholder policies as a listed company over the long term. Even with Large Cap companies, there is a high risk of having their shareholder base shrink over the medium to long term if they do not have a strategy to attract foreign investors.

Your current market cap (40.5 billion yen) and liquidity (less than 100 million yen per day) is a big hurdle for large institutional investors to buy your shares. Therefore, in your company's case, we believe that the FIRST strategic priority is to approach domestic and foreign retail investors more proactively, taking into consideration of your credibility as a leading Japanese bridge construction company that supports Japan's social infrastructure. In an open letter sent to the Tokyo Stock Exchange last year, we stated the following (excerpt from p.10).

> Shareholders are "participants" in a stock company, just like the management, employees, and related business partners of a listed company, and they participate with various desires, but in essence, they are a fan club (and the management is the chairman of the management committee of that fan club). Unfortunately, the fan clubs of today's society seem to have a boundless appetite for diverse "something new," and the relative pie of the stock market (especially the Japanese market) is on the decline. Without investors from around the world, including foreigners, buying stocks, the pond will dry up, so measures to increase the number of fans, including foreigners are crucial.

Your company has built up trust by building a comprehensive bridge construction business with strengths in pneumatic caissons with high ROE and to those ***in the know,*** it is a "super" blue-chip company. However, it is an important mission of IR to break away from this status of being in the known to those WELL KNOWN.

Looking at the shareholder structure of your company, (1) the number of shareholders is around 20,000, (2) three of the top shareholders are trust bank accounts of domestic and foreign investors and (3) ratio of foreign shareholders is 22.8%[2] which is a generally acceptable level. However, it is VERY important to expand the number of shareholders further to both institutional investors, retail investors, and foreign investors and to increase the liquidity of the stock as a KPI. It is quite a "chicken and egg" problem, if the market does not pay attention to a company, its liquidity will not increase, and if the liquidity is low, the company will not be looked at by the market and they will discount it just for this reason alone.

In your company's case, the business is B2B and many investors do not have any idea of what your business is about so it is necessary to tackle the market more actively through various means. We know that you actively hold information sessions for institutional investors, but that

[2] Shikiho Online

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alone is not enough. To make your business better known to the public for both individual and overseas investors, you can make use of web video and short-form videos and spread your corporate image widely in both Japanese and English as well as for corporate and employment PR effect (we believe there is a synergistic effect).

As an engagement investor who wants to support our investee companies, we have met and exchanged information with a variety of IR consultant companies, and we can introduce you to a consulting company that may be the best fit for you. We would appreciate it if you could consider our suggestion.

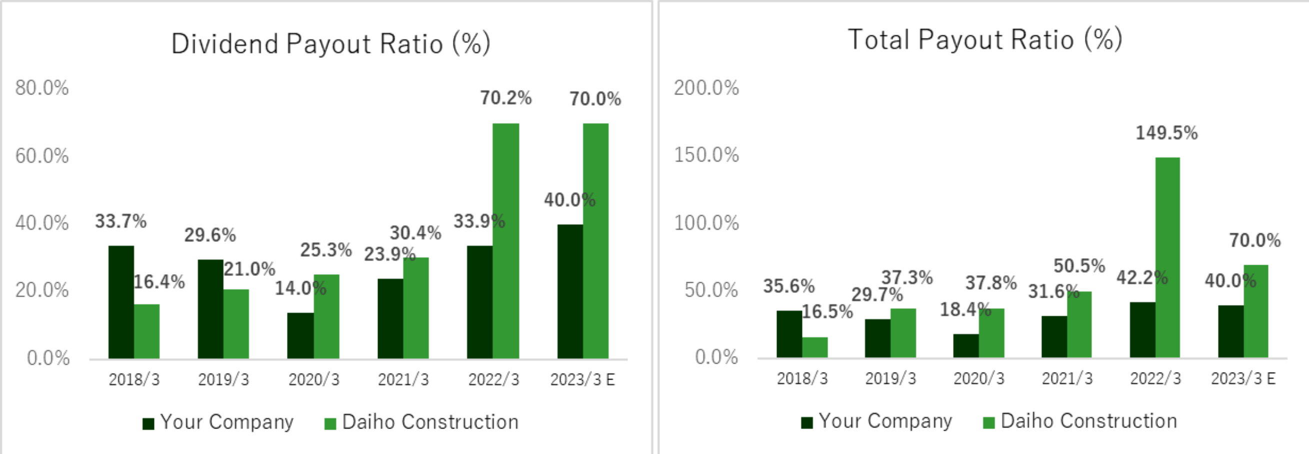
Proposal 2: Change in Shareholder Payout Policy and Disclose them

I think you understand that it is a discussion that cannot be avoided at the same time as shareholder returns when becoming a fan of many investors. Your current medium-term dividend payout ratio is only about 40% and total payout ratio is more than 40%. In general, payout ratio is improved from the past 30% level.

I am sure you are well aware that the topic of shareholder returns is an unavoidable discussion for investors to become fans of your company. The current medium-term management plan states "a dividend payout ratio of around 40% and a total return ratio of 40% or more," which is roughly an improvement from the past dividend payout ratio of 30% and the market has responded with your share price on an upward trend since then. However, this is not an appropriate policy that reflects your company's strong balance sheet with excess cash and superb ROE, and it has barely caught the attention of investors.

In contrast, your competitor Daiho Construction has set a specific target of a consolidated dividend payout ratio of 70% or more from FY22/3 onwards (see Figure 9) indicates it is strongly aware of shareholder returns to catch the attention of investors.

Figure 9: Dividend Payout Ratio and Total Payout Ratio, Comparison with Daiho Construction



(Source: Compiled by Hibiki from company materials)

As a general construction company with a relatively small business scale, and with shareholders on the "attack" demanding more growth potential, we feel that your company would benefit from a more aggressive financial and shareholder return strategy to "counterattack" and win over your fans (your shareholders). <u>To that end, a target for consolidated dividend payout ratio of 70% or more is most appropriate.</u>

Looking at the latest financial statements for the 3rd quarter of FY23/3, the balance of cash and marketable securities after deducting long- and short-term borrowings and retirement benefit obligations shows an excess cash position of 11 billion yen which is more than sufficient to handle the annual working capital requirement of 22 billion yen and with room for improvement in production capacity and production system improvement. We would appreciate it if you could further discuss in-house the IR measures as well as further financial measures and shareholder return policies to "win" market recognition. We believe such discussion should be forward-looking and not based on "what was the case in the past" as the world is changing so fast all around us.

Given that market reforms by the Tokyo Stock Exchange have become increasingly intensified, we believe that listed companies will be required to spend a great deal of time and energy on dialog with the market, whether they like it or not. If you maintain a public status, you must face it head-on but simply blindly maintaining a listing is also not the correct answer.

Although we are investors who will not hesitate to make shareholder proposals if we deem it necessary to call for action from all shareholders, we have a policy of not making proposals that would lead to barren disputes at the AGM, the center of capitalist corporate systems. We would appreciate it if you could understand that this letter is a proposal from a shareholder whose desire is to support the growth of your company as a "public company", and we hope that you will accept such a proposal from one shareholder who is serious about your company. We ask the Board of Directors and the Management Committee to consider the above proposal, which we believe will benefit all shareholders including management, employee shareholders, and business partners, and to disclose the progress of the proposal to all shareholders in a timely manner.

EOD

May 8, 2023

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Hibiki Path Advisors Pte. Ltd.

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※ This copy may be published on our website

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Appendix.

Your Corporate Value Assessment Assumptions (Hibiki internal assumptions)

Discount Rate Computation		WACC計算		
Risk Free (Rf)	a	市場無リスク金利		1.0%
Beta	b	ベータ値（個別株式の市場に対する相関）		0.65
Risk Premium (Rp)	c	市場リスクプレミアム		7.0%
Cost of Equity (CoE)	d	資本コスト (COE)	=a+c*b	5.6%
Cost of Debt (CoD)	e	借入コスト (COD)（仮定）		2.0%
Market Cap (Mn Yen)	f	時価総額（百万円）		40,547
Net Debt (Mn Yen)	g	ネットキャッシュ（百万円）22/12期実績（退職給付債務控除）		11,095
Equity portion	h	資本比率		100.0%
Tax Rate	i	税率		30.0%
WACC	**j**	**WACC**	**=h*d+(1-h)*e*(1-i)**	**5.6%**
DCF Valuation		ディスカウンテッド・キャッシュ・フロー法		
Normalized FCF (Mn Yen)	k	正常化FCF（百万円）		3,000
WACC for DCF method	j	WACC		5.6%
Growth	l	成長率（最終）		0.0%
EV (Mn Yen)	m	企業価値（百万円）	=k/(j-l)	54,054
Net Debt (Mn Yen)	n	ネットキャッシュ（百万円）22/12期実績（退職給付債務控除）		11,095
Equity Value (Mn Yen)	o	株式価値（百万円）	=m+n	65,149
Number of Shares (mn)	p	自己株控除後株式数（百万株） 22/3期実績		116.2
Value per share	**q**	**理論株価（円）**	**o/p**	**561**

(Source: Compiled by Hibiki from Bloomberg.)