R A N G E L E Y   C A P I T A L

Statement by Rangeley Capital on "Unlocking Value at Dainichi"

www.UnlockingDainichi.com

(Stock Code: 5951 JT)

NEW CANAAN, CONNECTICUT – Rangeley Capital LLC ("Rangeley") is the manager to funds that owns ~5% of Dainichi Co., Ltd. (5951 JP) ("Dainichi" or the "Company"). Rangeley invests in companies whose intrinsic value is not reflected in their market price and engages constructively with the management and boards of its investee companies, consistent with the spirit of the Japan FSA's "Principles for Responsible Institutional Investors" (a/k/a the Japan Stewardship Code).

Rangeley is a long-term shareholder of Dainichi. The Company is an exceptional industrial franchise: a 60-year-old manufacturer headquartered in Niigata City, holding the #1/#2 share of the Japanese kerosene fan heater market, with growing positions in humidifiers, coffee roasters, and fuel cell (ENE-FARM) components. Dainichi is consistently profitable, carries zero interest-bearing debt, and has built a fortress balance sheet – ¥18.7 billion of cash and securities – through decades of disciplined operation. It represents the best of Japanese regional manufacturing.

However, despite this enviable foundation, the Company's value is profoundly unrecognized by the market. Dainichi trades at just 0.5x book value. Return on Equity has never reached 8% in the past seven years; the dividend was frozen at ¥22 per share for seven years; and the Company has repurchased effectively zero shares in its listed history. Of the ¥10.6 billion of operating cash flow generated since FY2020, ~70% has simply accumulated in securities holdings.

This is precisely the situation the Tokyo Stock Exchange's "Cost-of-Capital and Stock-Price Conscious Management" reform agenda was designed to address. Dainichi fails both of the TSE's explicit thresholds – PBR ≥ 1.0x and ROE ≥ 8.0% – and, while management reports having filed a cost-of-capital management plan in June 2025, no such document can be found on the Company's IR site, in JPX's published lists, or via EDINET. As Standard Market disclosure expectations tighten, continued inaction will increasingly mark Dainichi as an outlier.

Importantly, this is not only a shareholder issue. A sub-1x PBR and frozen dividend signal a static, declining business to the very Niigata engineering graduates the Company must recruit against Tokyo-based competitors; and inclusion on the TSE's monthly list of companies failing its capital-efficiency standards damages the employer brand of one of Niigata's flagship manufacturers. A fairly valued Dainichi is a stronger Dainichi – for employees, customers, the local community, the founding family, and shareholders alike.

Dainichi has a unique opportunity to resolve this discount on its own terms, fully funded from existing resources and without disturbing its operating strategy. Thus, today, Rangeley announces its **"Unlocking Value at Dainichi"** campaign to urge the Board to adopt a capital allocation roadmap that maximizes corporate value for all stakeholders.

To achieve its full potential, Rangeley urges the Company to:

1. **Authorize a ¥10 billion capital return program** – a ¥7 billion share buyback over 24 months plus ¥3 billion in special dividends paid in two tranches, funded entirely from existing cash and securities while retaining ~¥8.7 billion of cash and an ~82% equity ratio.
2. **Adopt a written, formula-based dividend policy** – a 50% target payout ratio with a ¥40 per share floor and a dividend-on-equity (DOE) anchor, replacing the legacy ¥22 dividend, with twice-yearly interim and final payments.
3. **Publish the cost-of-capital management plan** – make the June 2025 strategy document prominently available on the IR site, with an explicit cost-of-equity assumption and ROE/PBR target trajectories, and report progress quarterly.
4. **Add at least one capital-markets-experienced independent director** – with public-investor and shareholder-rights expertise, joining the Board no later than the June 2027 AGM.

These measures are self-help in its purest form. On Rangeley's estimates, full implementation would lift ROE from <3% (on forward guidance) to ~8%, support a re-rating to 1.0x book value, and deliver total shareholder value of approximately ¥2,324 per share – a +145% uplift from the ¥950 reference price – while leaving the Company's R&D programs, its fuel cell transition, and full new-product capital expenditure comfortably funded.

Jeremy Raper, manager of Rangeley's investment in Dainichi, said:

"Dainichi is exactly the company the TSE's reforms were written for: an excellent business trading below the value of the cash in its own bank account. This discount was not created by poor operations – it was created by inertia in capital allocation. The remedy is fully within the Board's control, costs nothing in strategic flexibility, and benefits every stakeholder, from Niigata's engineers to the founding family. We look forward to further engaging with the Board to improve the long-term corporate value at the company."

Full details of Rangeley's proposals are available at www.UnlockingDainichi.com.

We will continue our efforts to engage constructively with management to help further enhance corporate value and unlock the full value of Dainichi. We welcome all stakeholders to contact Rangeley at info@UnlockingDainichi.com and join us in unlocking value at Dainichi.

About Rangeley Capital

Rangeley Capital LLC is an event-driven, value-oriented investment firm based in New Canaan, Connecticut. Founded by Chris DeMuth Jr., Rangeley manages private investment funds that seek mispriced securities and corporate events across countries and sectors, with an emphasis on downside protection and long-term alignment with the companies in which it invests. Rangeley monitors and engages with its investee companies in support of better governance and capital allocation.

About Jeremy Raper

Jeremy Raper is the manager of Rangeley's investment in Dainichi. He is the founder of Raper Capital, an investment research firm focused on deep value and special situations globally, with a particular focus on Japan. Mr. Raper began his career at Goldman Sachs in Tokyo and has more than 15 years of buy-side and sell-side experience across global capital markets, including numerous public engagements with listed companies in Japan, Australia, and elsewhere to improve capital allocation and governance outcomes for all shareholders. He is a graduate of Harvard University.

Disclaimer

This press release is not intended to solicit or seek shareholders' agreements to jointly exercise voting rights with Rangeley. Shareholders that have an agreement to jointly exercise their voting rights are regarded as Joint Holders under the Japanese large shareholding disclosure rules and they must file notification of their aggregate share ownership with the relevant Japanese authority for public disclosure under the Financial Instruments and Exchange Act. Rangeley does not intend to be subjected to such notification requirement. This press release exclusively represents the opinions, interpretations, and estimates of Rangeley.

Contacts

Jeremy Raper
jeremy@rapercapital.com

Rangeley Capital LLC
info@UnlockingDainichi.com