



ASCENDERCAPITAL

IMPROVEMENT PLAN FOR
ARGO GRAPHICS

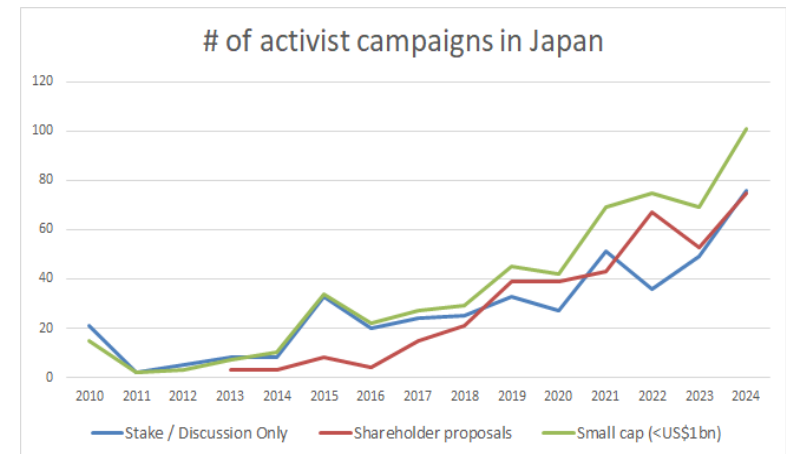
23 May 2025



ASCENDER CAPITAL HAS BEEN INVESTING IN JAPAN SINCE 2012

ACTIVE ENGAGEMENT WITH MANAGEMENT TEAMS OF HIGH-QUALITY BUSINESSES

- **Focused, balanced engagement:** We deliver detailed analysis and practical recommendations on capital allocation and corporate governance — preferably through discreet, constructive dialogue
- **Clear, actionable impact:** Our proposals involve simple steps that directly improve valuation, benefit individual shareholders, and enhance the overall efficiency of Japan’s capital markets
- **Persistent and persuasive:** While we often face resistance from entrenched management teams and complacent Boards, pressure for change is mounting — and results are starting to show
- **Sector depth:** We bring deep domain expertise in Internet, Software, and System Integration — areas undergoing rapid transformation and consolidation
- **Unique structural tailwind:** Scarcity of Japanese IT talent combined with surging corporate demand creates once-in-a-generation investment opportunities in this sector



Sources : Ascender Capital and Bloomberg



ASCENDER CAPITAL AND ARGO GRAPHICS

A HIGH-QUALITY BUSINESS HELD BACK BY CAPITAL ALLOCATION

- **Over 50%** of our fund is allocated to Japan's **software and system integration sector**. We track more than 100 listed companies and have met over 50 management teams since 2015
- Ascender Capital is a **long-term shareholder** of Argo Graphics, currently holding approximately 2% of the Company's shares through funds we advise
- Argo Graphics has a **stable, cash-generative business** with high customer switching costs, consistent revenue growth, and strong free cash flow conversion
- Yet the Company trades at a **material discount to peers**, due to suboptimal capital allocation and weak governance
- Excluding excess capital (defined as >3 months of SG&A), we estimate Argo Graphics' true ROE could **exceed 100%** — largely above the current 14%
- The market's response to the 9 May 2025 announcements reflects increasing **shareholder dissatisfaction** — a result of the **Chairman and Board's failure** to constructively engage with our proposals



ARGO GRAPHICS

ENGAGEMENT SUMMARY

While management plans to raise the dividend payout ratio from 32% to 40% starting next fiscal year, it has declined to commit to cancelling the 20% of shares repurchased through the TOB announced on 9 May 2025

- *The share price drop following the TOB announcement is a **clear market rebuke of the Board's** refusal to cancel repurchased shares — and of the underwhelming and postponed dividend payout increase*
- *Ascender calls for the **immediate cancellation of the SCSK TOB shares** upon completion of the buyback — in line with best practice, as demonstrated by companies such as Sumitomo Corp.*

Prior to the TOB's announcement, we formally submitted **shareholder proposals** including:

- Declare a special dividend of ¥218 per share to normalize the cash balance relative to operational needs
 - Distribute a year-end dividend of ¥182 per share for the year ending 31 March 2025, resulting in a 75% payout ratio - a sustainable level reflecting Argo Graphics' asset-light model
 - Expand buybacks by up to an additional 4.5 million shares (20% of shares outstanding), and immediately cancel all treasury shares
- ***These proposals remain in place.** The level of excess capital is so substantial that we continue to see them as entirely justified — even after the SCSK TOB*

With **SCSK no longer a shareholder**, Argo Graphics now operates without a controlling owner — increasing its responsibility to **listen to outside shareholders**

- *We **oppose the reappointment** of **82-year-old CEO and Chairman Yoshimaro Fujisawa**, and advocate for a renewed, modern Board aligned with the governance standards expected of a listed Japanese company in 2025*



ARGO GRAPHICS

UNUSUALLY STRONG COMPETITIVE MOAT IN TWO VERTICALS

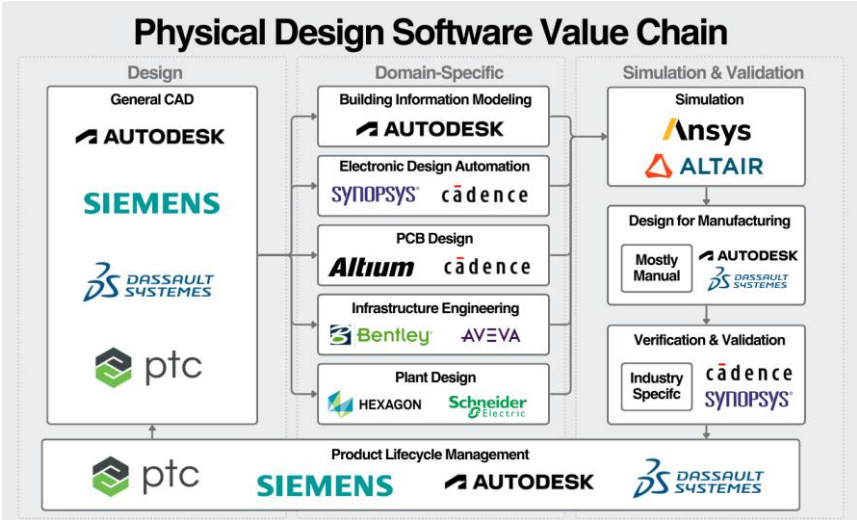
- ¥112 billion (~\$760M) market cap reseller and integrator of **Computer-Aided Design (CAD) tools and specialized ERP software for semiconductor fabrication**
- Ranks as the **21st largest system integrator (SI)** in Japan, within consolidating upper tier of the sector
- Operates in the **CAD software industry**, known for its **mission-critical** role and high switching costs within a growing addressable market
- Partnerships with **Dassault Systèmes** (40% global CAD market share) and **IBM** (90% share in mission-critical fab ERP) in Japan
- Unlike many domestic Japanese software vendors, Argo Graphics benefits from the **strong pricing power** of Dassault Systèmes and IBM software solutions
- A highly predictable, cash-generative business with **30+ years of uninterrupted profitability** — resilient even amid shifts in its cyclical automotive customer base (50% of revenues)



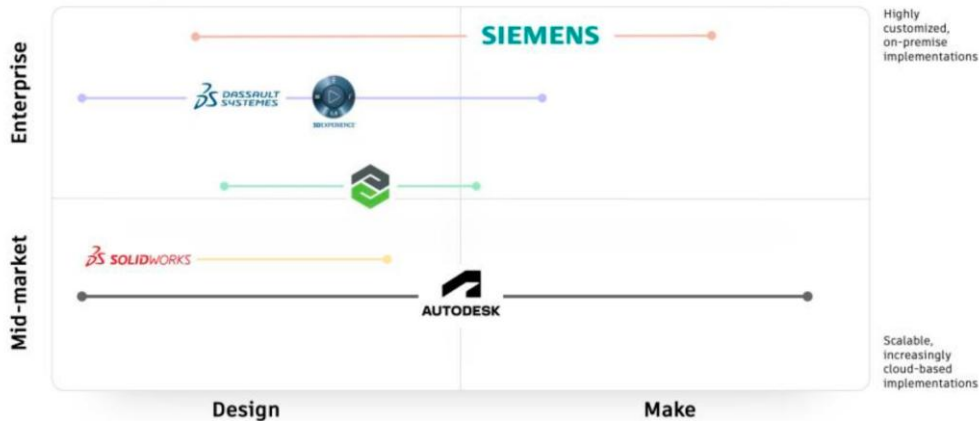
ARGO GRAPHICS

#1 DASSAULT SYSTEMES RESELLER IN JAPAN

- Given the substantial entry barrier, the CAD software market has evolved into an **oligopoly** dominated by a few major players maintaining a stronghold over the industry
- Dassault Systemes, the oldest among the four CAD market leaders, excels in automotive and aerospace, offering CATIA for enterprises and Solidworks for the mid-market



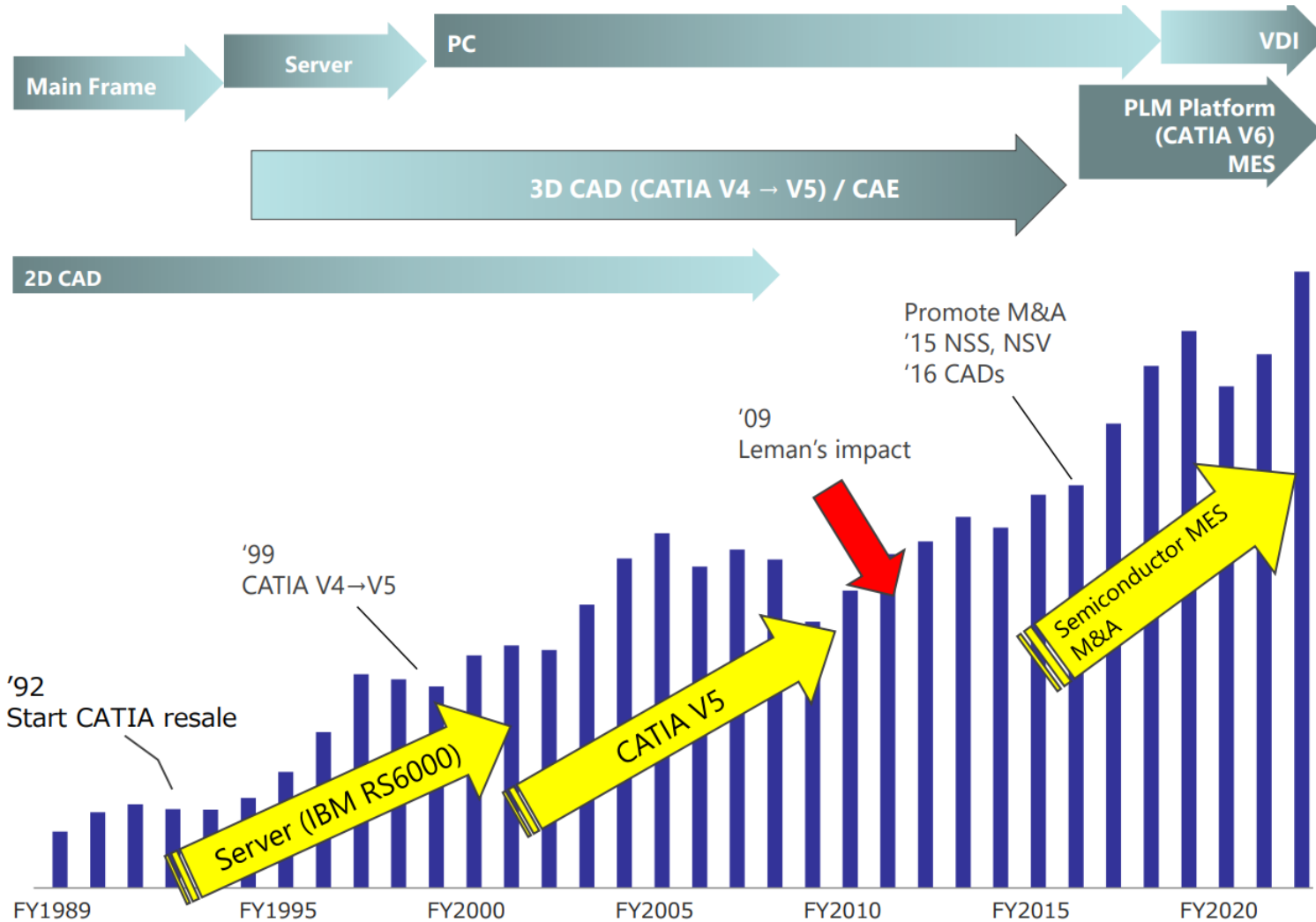
- CATIA Dominance:** Dassault's CATIA holds a 70% market share among top automotive brands like Toyota, Honda, and Subaru, solidifying its position as the globally #1 CAD software in the automotive sector
- ARGO Partnership Advantage:** As the #1 DS partner with a 40% share in Japan, ARGO secures the lowest purchase prices, offering significant cost benefits





ARGO GRAPHICS

30+ YEARS OF CONTINUING GROWTH AS A DASSAULT RESELLER

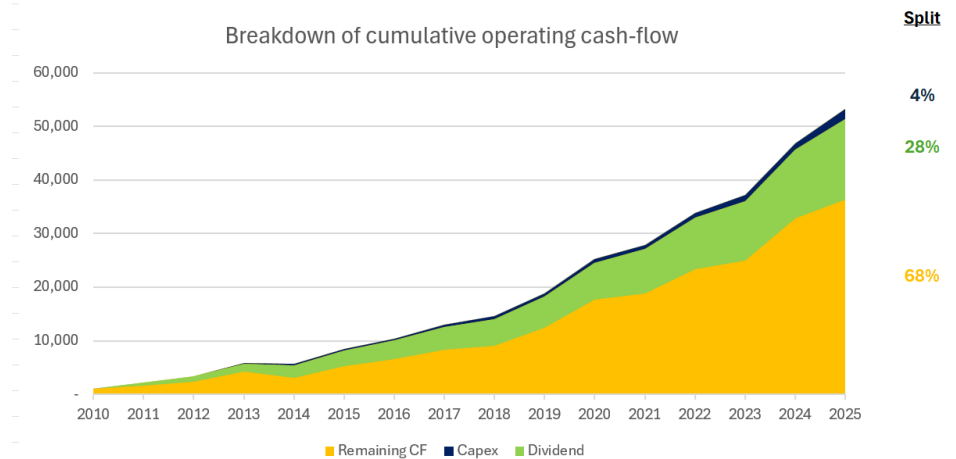
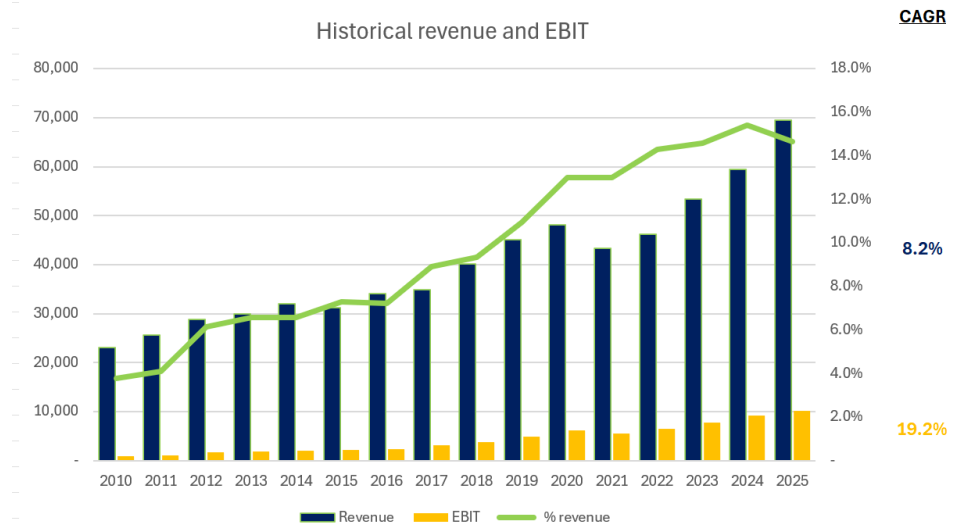




STRONG FINANCIAL PERFORMANCE TRACK RECORD

ARGO GRAPHICS GENERATES VERY STRONG CASH FLOWS

- Steady **8%** revenue CAGR since 2010
- **19%** EBIT CAGR since 2010, driven by margin expansion, operational leverage, and tight financial discipline
- **Asset-light** model:
 - Working capital consistently low at ~7% of revenue
 - Capex negligible (~0.3% of revenue)
- Dividends absorbed only **28%** of cumulative operating cash flow
- Current payout ratio is 32%, down from ~40% a decade ago
- Minimal M&A activity, with accretive acquisitions representing **just 2.9%** of cumulative operating cash flow since 2013

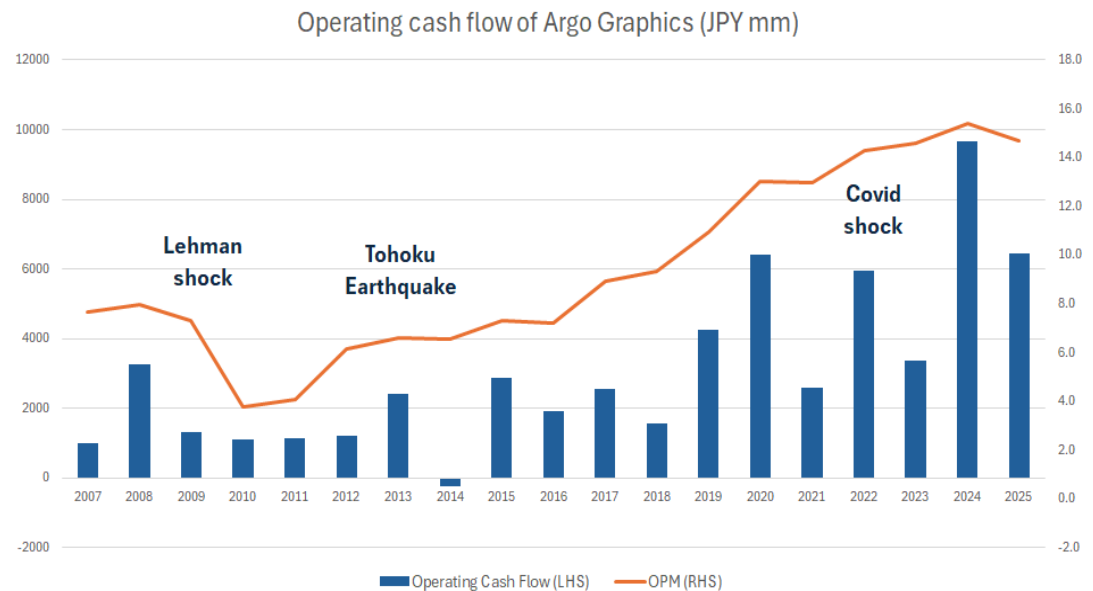




CONSISTENT CASH GENERATION

RESILIENT CASH FLOWS AND MARGINS JUSTIFY RETURN OF EXCESS CAPITAL

- Argo Graphics has delivered over a decade of **stable, growing operating cash flow** alongside sustained operating margin expansion
- This should support high shareholder returns and underscores the case for balance sheet optimization

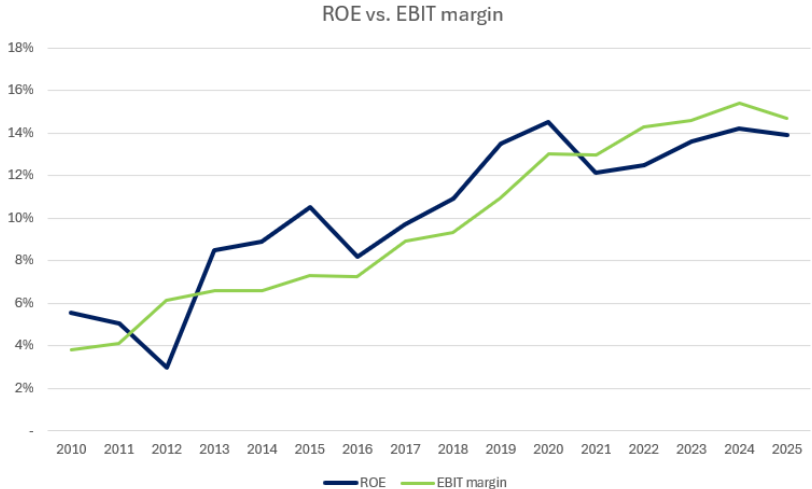
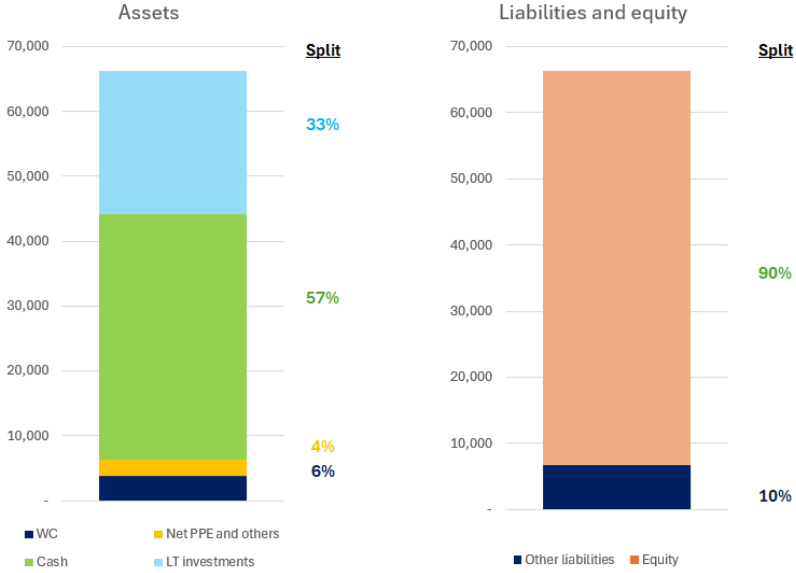




BALANCE SHEET OVERCAPITALIZATION IS A DRAG ON ROE

EXCESS CAPITAL UNJUSTIFIED BY BUSINESS NEEDS

- Idle cash and non-core long-term investments (“LTI”) represent **90%** of total assets
- Cash balance of ¥38 billion covers about **five years worth of SG&A** and is steadily eroded by inflation
- **LTI of ¥22 billion** include
 - Cross-shareholding in SCSK
 - Other liquid listed securities with no connection to the Company’s core business
- This bloated capital structure depresses reported ROE to just **14%**, despite underlying operating improvements
- Adjusted ROE would **exceed 100%** if excess capital were returned to shareholders



Note: balance sheet as of 31 March 2025

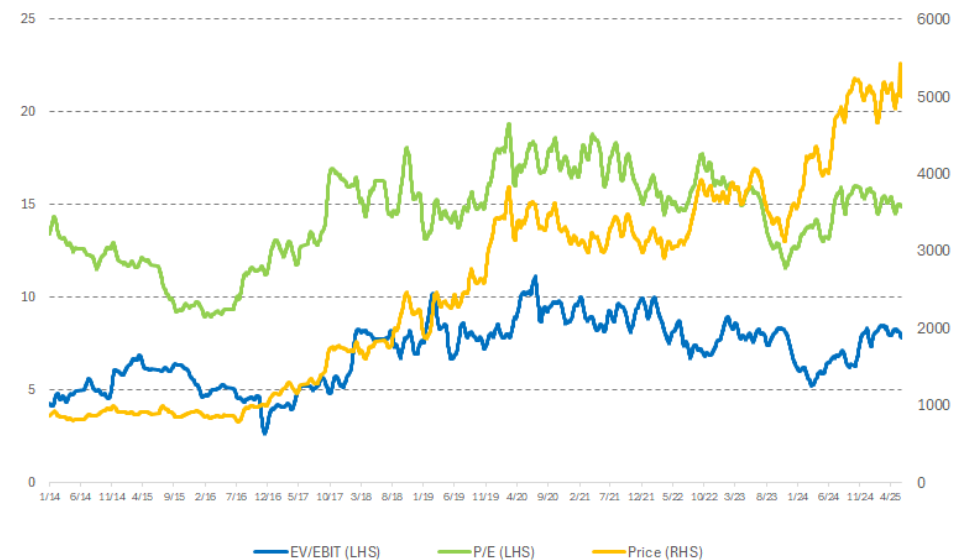


SHAREHOLDER RETURNS DRIVEN BY EARNINGS — NOT MULTIPLE EXPANSION

CURRENT VALUATION INCONSISTENT WITH EARNINGS GROWTH TRACK RECORD

- Annualized total shareholder return of **21%** over the past 14 years
 - Gains **primarily** driven by earnings growth (EPS CAGR of 18% since 2011)
- Valuation has slightly **derated** in recent years:
 - Current P/E: 14x vs. 5-year average of 16x
 - Despite **accelerated EPS growth of 18%** CAGR over the past 3 years
- Declining liquidity is a consequence of the Board's continued disregard for shareholders
 - 3-month ADV has fallen to USD 1.1m, from USD 1.75m in 2020

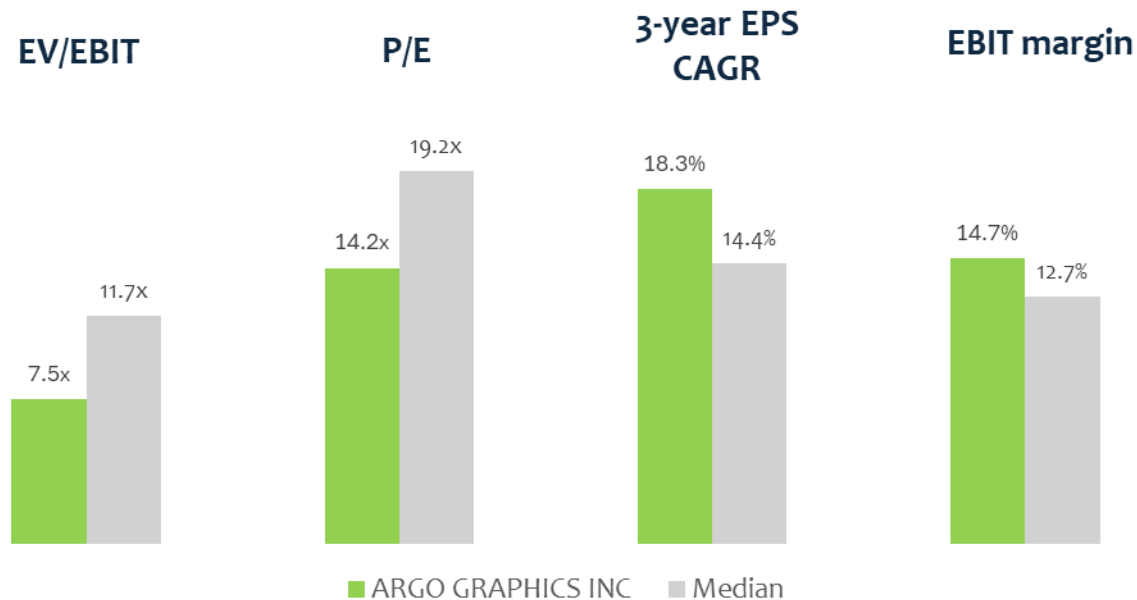
Share price and valuation multiples since 2011



Note: share prices as of 20 May 2025



ARGO GRAPHICS CLEARLY OUTPERFORMS PEERS ON GROWTH AND PROFITABILITY YET TRADES AT A DISCOUNT



Note: share prices as of 20 May 2025; based on a selected sample of 93 Japanese system integrators and software companies (as categorized by Bloomberg) with market capitalisation above JPY 15bn, 3-month ADV above USD 100k, excluding companies with EV/EBIT and P/E above 50x



CAPITAL ALLOCATION BENCHMARKING ANALYSIS

RECOMMENDATIONS TO COMPANY (1/2)

- Argo Graphics has been successful in acquiring small businesses and should continue its M&A strategy at the right valuation
- **The ¥10 to 15 billion M&A budget mentioned in the superficial mid-term plan is not credible**
- We recommend the company discloses a reasonable M&A budget in line with past record and focused on business area
- We negatively view the payout dividend increase to only 40%, which is far too conservative given the company's cash position and future cash flows. **We recommend Argo Graphics increases payout to 75%**
- Cash balance is too high, mechanically depressing ROE and weighting on valuation. With current inflation in Japan, cash is irremediably losing value. **We recommend Argo Graphics takes advantage of its low valuation to implement further share buyback and use its excess cash to pay an exceptional dividend**
- Cross shareholdings should be unwound as per the TSE's guidelines. Argo Graphics does not have any business rationale nor core competencies to manage listed securities. **Long-term investments should be sold as early as possible and proceeds distributed to shareholders**

ARGO GRAPHICS

Best-in-class

M&A



- 6 acquisitions since 2013 representing 9% of revenue and 13% of operating profit
- Limited M&A (2.9% of operating cash-flows)
- No available data on multiples paid but M&A capex compared to P&L contribution suggesting valuation discipline
- M&A announced as a priority but no detail on budget or strategy



- Disciplined bolt-on acquisition strategy at attractive valuation
- Maximisation of synergies
- Financed in priority with low-interest debt when available

Dividend payout



- Decreased from 42% in 2014 to low-30% in past 3 years
- No plan to increase payout announced



- Above 75%

Cash



- Large idle cash balance of JPY 37bn
- Equivalent to 34% of market cap. and over 5x annual SG&A



- Cash reinvested in high ROE projects or returned to shareholders
- Minimum level to cover operational needs
- Not earmarked for unidentified M&A targets

Long-term investments



- JPY 22bn or 20% of market cap
- 51% from cross-shareholding in SCSK (representing 1% stake)
- Remaining in listed securities with no link to core business including 20% in Tamron (2.4% stake)



- None
- Balance sheet focused on core business



CAPITAL ALLOCATION BENCHMARKING ANALYSIS

RECOMMENDATIONS TO COMPANY (2/2)

- **We recommend Argo Graphics launches further buyback plan on 20% of its capital given its current attractive valuation -- up to 20x P/E**
- Shares bought back should immediately be cancelled and not kept for incentives programs or to justify hypothetic future M&A plans
- **We recommend Argo Graphics immediately cancels all its treasury shares acquired as part of the SCSK stake TOB**
- Stock splits do not create value and attract volatile retail shareholders. They signal to investors that the Board has limited understanding of financial markets and suffers from short-termism

ARGO GRAPHICS

Share buyback



- Minor buyback with only 0.1m shares repurchased since 2019 (0.6% of total shares) before May 2025 TOB
- Attractive valuation for buybacks

Treasury shares cancellation



- Around 5% treasury shares kept since 2013
- No treasury share cancellation

Stock split



- 1 share split in 2019
- Attracts volatile retail investors instead of stable long-term fundamental investors

Best-in-class



- Strong buyback plan when the company has no better reinvestment option and/or when the company's share price is attractively valued (i.e. below 10x EV/EBIT and/or 20x P/E)



- Shares bought back are immediately cancelled and not kept for incentives programs, M&A or as a way to store cash



- None



CORPORATE GOVERNANCE BENCHMARKING ANALYSIS

RECOMMENDATIONS TO COMPANY (1/2)

- Argo Graphics' disclosures make it difficult for investors to understand the strength of its business model. **We recommend the company issues earnings briefing presentation, prepares an integrated report and holds online earnings call**
- We recommend replacing underperforming INEDs with three experienced, independent candidates to address current shortcomings in capital allocation and corporate governance
- Slight improvement proposed at AGM 2025 but Executives sitting on the Board should be further reduced from 5 to 2
- **While we respect the Chairman's long-standing contribution, we believe that his advanced age highlights broader concerns around succession planning and board independence**

ARGO GRAPHICS

Disclosures



- Disclosures limited to annual/quarterly financials
- No qualitative information in briefing materials for investors to understand business model's strengths
- No integrated report and sponsored research
- Low quality mid-term plan

Best-in-class

- Disclosures allow international investors to understand the business model's strengths, risks and performance
- Online earning briefings, paid research (Shared Research, ..), Integrated Report, ...

Board



- Board as of upcoming AGM composed of 5 Executives and 5 Independent Members (INEDs)
- **INEDs do not seem to have previous Board experience and only sit on Argo Graphics board**
- **Delays in CEO and Chairman Yoshimaro Fujisawa succession plan (now 82 year old)**
- **Absence of nomination or remuneration committee**

- INEDs representing at least 75% of the Board
- Committees have been set up to oversee Nomination and Remuneration



CORPORATE GOVERNANCE BENCHMARKING ANALYSIS

RECOMMENDATIONS TO COMPANY (2/2)

ARGO GRAPHICS

Best-in-class

- One of the most poorly designed stock option plans we have encountered in particular given the discount vs. share price and the lack of transparency on the related performance KPIs
- The 2018 incentive scheme appears misaligned with best practices — awards are made without capital commitment and lack well-defined performance indicators

Stock options



- Plan discontinued in 2018 with generous 1.4m options exercised in 2013-17 (6.9% of total shares or 1.4% p.a. on average)
- Market value of exercised options representing a high payout to management when compared to net income (equal to 15% of net income in 2013-17)
- Despite exercising options for 6.9% of capital, current management shareholding of 3.0%, negating alignment with other shareholders
- Assumptions pointing at 20-40% exercise price discount
- Seems not subject to performance KPIs



- Up to 0.25% per year in RSUs or stock options but with ambitious targets (including profit growth, ROE and share price)
- Transparent performance KPIs and split between management and employees
- High compensation and incentive plans translating into high accountability towards minority shareholders

- We would support annual incentive plans of up to 0.25% of total shares per year if they were linked to ambitious and transparent targets including profit growth, ROE and share price

ESOP/Board Benefit Trust ("BBT")



- Plans representing 2.1% of total shares (equivalent to 0.3% per year since launch in 2018)
- Shares seems to be given without compensation (to be confirmed) – no "skin in the game"
- Unlike traditional ESOP plan at peers in which employees can purchase shares at slight discount
- Unclear if subject to performance KPIs



- Employees offered the opportunity to purchase shares with a 10% discount, increasing alignment with other shareholders



OUR ANALYSIS REVEALS SIGNIFICANT WEAKNESSES BUT MOMENTUM MAY BE TURNING IN FAVOR OF SHAREHOLDERS

- **SCSK is selling its 21% stake** but had anyway demonstrated limited willingness to improve Argo Graphics' poor corporate governance and capital allocation and align it with its own best-in-class practices
 - SCSK's only representative, Tetsuya Fukunaga, has been a board member since firm's initial investment in 2008 and will be leaving now
- **Upcoming succession** of formidable CEO and Chairman, Yoshimaro Fujisawa, who is aged 82 and owns only 2.6% but seems to de facto control the Board should see a new, younger generation take over
 - Both Fujisawa-san and Fukunaga-san started attracting **~20% votes against their re-elections** in 2023 and 2024, a clear sign of shareholders' discontent
 - Message board also reflects **discontent** from individual investors about low shareholder returns
- Our shareholder proposals are specific, actionable, and designed to close the valuation gap with sector peers
 - They do not involve any business restructuring — but the Board must begin fulfilling its fiduciary responsibilities



#	Shareholder	% capital
1	SCSK Corp	21.2%
2	Fidelity	9.2%
3	Government Pension Investment Fund	5.4%
4	Sumitomo Mitsui Trust Group Inc	3.9%
5	Mizuho Financial Group Inc	3.4%
6	JP MORGAN CHASE & CO	3.1%
7	Massachusetts Financial Services C	3.1%
8	Management & Directors	3.0%
9	Nomura Holdings Inc	2.9%
10	Tamron Co Ltd	2.6%
	Top 10 shareholders	57.7%



ASCENDER ENGAGEMENT SUMMARY

DESIGNED TO UNLOCK SIGNIFICANT SHAREHOLDER VALUE OVER TIME

- CAPITAL ALLOCATION

- Adopt a realistic M&A budget (**capped at ¥5B**) focused on accretive, synergistic transactions partly funded by low-cost debt
- **Exit** all long-term non-core investments and return proceeds to shareholders

- SHAREHOLDER RETURNS

- Ensure SCSK stake sale benefits shareholders — contingent on full cancellation of repurchased shares
- Launch an additional share buyback of up to 20%, conditional on valuation (up to a valuation of 20x P/E), with immediate cancellation of repurchased shares
- Use excess cash to fund a ¥4.6 billion special dividend (¥218/share)
- Raise regular dividend payout ratio to 75% with the payment of a year-end dividend of ¥3.9 billion (¥182/share)

- CORPORATE GOVERNANCE

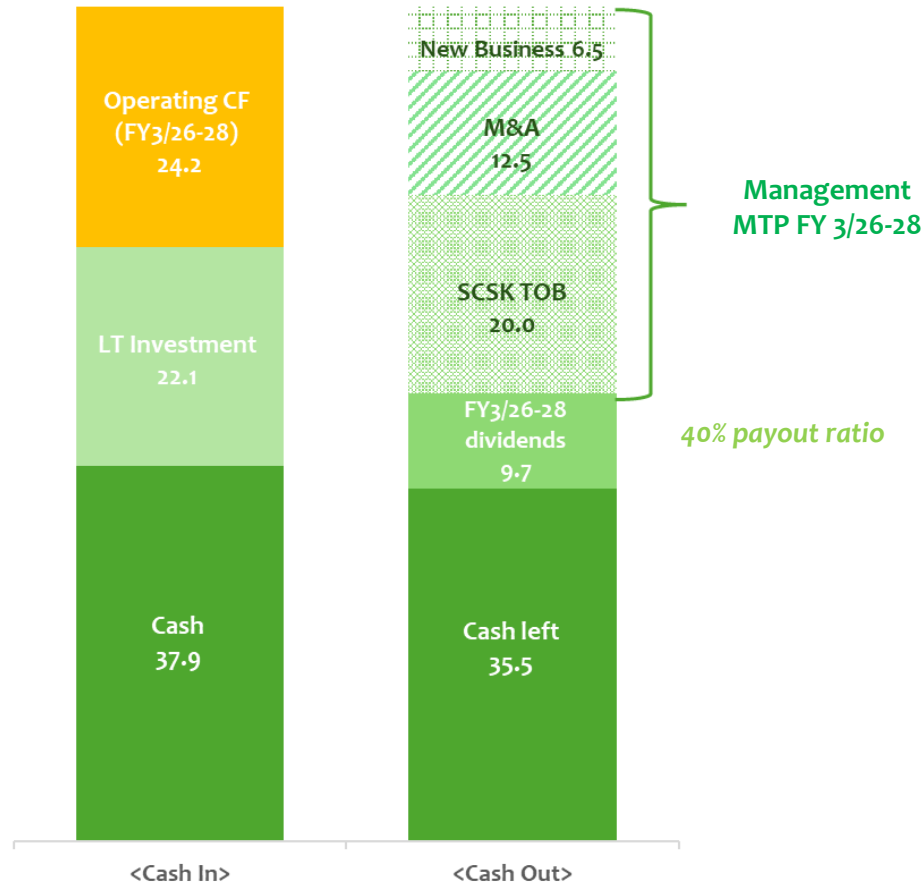
- Oppose reappointment of 82-year-old CEO and Chairman Yoshimaro Fujisawa
- Restructure Board to establish a majority of experienced and truly independent directors
- Revamp share-based compensation, linking rewards to clear KPIs: profit growth, ROE and share price
- Enhance disclosures to improve investor understanding of business strategy and quality



ASCENDER PROPOSALS SUMMARY

MANAGEMENT CASH ALLOCATION PLAN IS INADEQUATE

(Unit: Billion Yen)



Excessive M&A plan not justified by track record

- The ¥10–15 billion M&A reserve appears excessive — only **¥1.5 billion** has been deployed over the past 10 years
- Under its current medium-term plan and assuming the sale of its non-core long-term investments, Argo Graphics' cash balance would barely decline in 3 years

Cash FY3/28
as no. months of
SG&A expenses

55 months

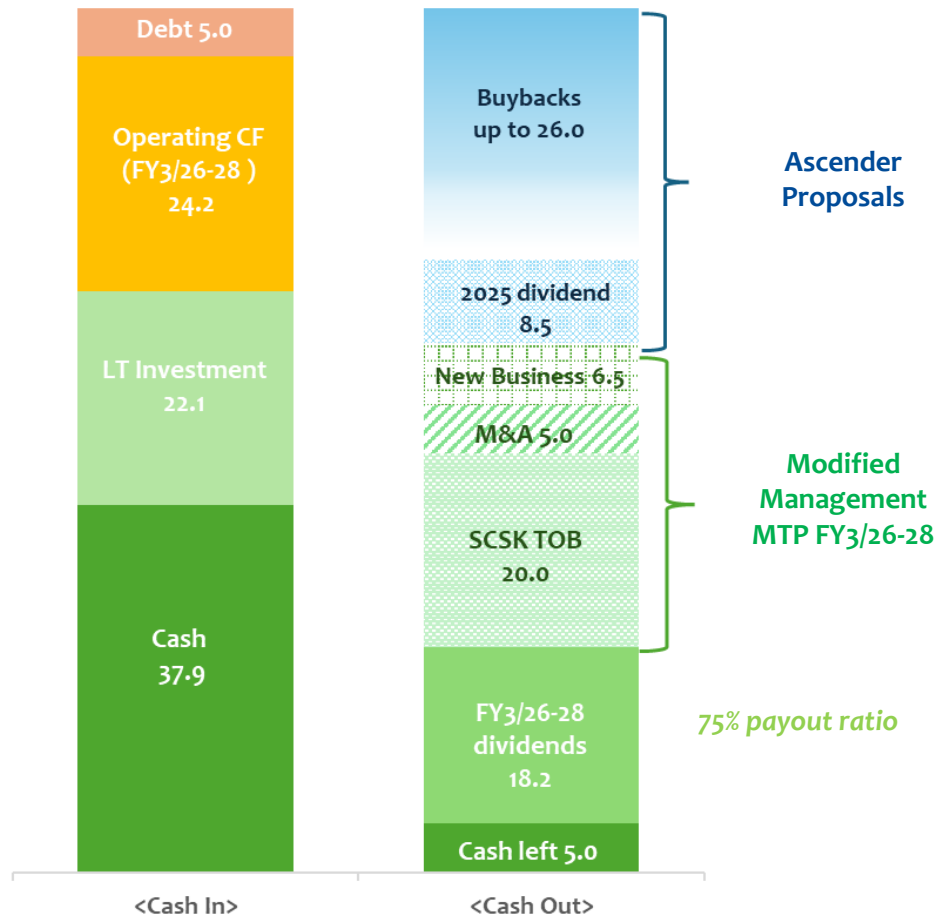
Note: operating cash flow of 24.2bn Yen is estimated based on 100% conversion of cumulative net income from FY3/26 to FY3/28 assuming 4.1% net income annual growth



ASCENDER PROPOSALS SUMMARY

PRESERVES AMPLE CASH FOR CORE OPERATIONS

(Unit: Billion Yen)



Ascender Capital Allocation Proposal Preserves Liquidity and Flexibility

- A more appropriate ¥5 billion M&A allocation can be partially funded with debt, ensuring ¥5 billion is retained for core operations
- The proposed ¥26 billion buyback is unlikely to be fully executed, potentially freeing up additional liquidity beyond the 8 months worth of SG&A

Cash FY/28
as no. months of
SG&A expenses

8 months

Note: operating cash flow of 24.2bn Yen is estimated based on 100% conversion of cumulative net income from FY3/26 to FY3/28 assuming 4.1% net income annual growth



PEER GROUP ANALYSIS

SELECTED SAMPLE – PLEASE SEE NOTE

Company name	BBG ticker	Mar. cap. (JPY bn)	EV/EBIT LTM	P/E LTM	3yr EPS growth	EBIT mar. (LY)	% treas. shares	% options	# shares ch. (5yrs)	Buyback % FCF
FUITSU LIMITED	6702 JP Equity	6,715	26.0x	31.3x	9%	7%	16.5%	0.0%	-11.2%	6
NEC CORP	6701 JP Equity	4,959	18.7x	25.3x	8%	7%	2.4%	0.0%	2.7%	76
NTT DATA GROUP CORP	9613 JP Equity	5,586	27.1x	39.2x	(0%)	7%	0.0%	0.0%	0.0%	0
NOMURA RESEARCH INSTITUTE LT	4307 JP Equity	3,422	25.3x	34.7x	11%	18%	1.6%	2.3%	-4.0%	17
ORACLE CORP JAPAN	4716 JP Equity	2,174	24.9x	35.7x	6%	33%	0.2%	0.9%	0.2%	0
OTSUKA CORP	4768 JP Equity	1,096	11.6x	18.8x	13%	7%	0.2%	0.0%	0.0%	0
SCSK CORP	9719 JP Equity	1,334	22.4x	29.5x	10%	11%	0.1%	0.1%	0.1%	0
TREND MICRO INC	4704 JP Equity	1,530	26.2x	44.0x	(3%)	18%	7.3%	4.9%	-5.6%	5
TIS INC	3626 JP Equity	1,074	14.6x	22.1x	11%	12%	1.7%	0.0%	-7.6%	10
OBIC BUSINESS CONSULTANTS	4733 JP Equity	578	19.2x	35.9x	11%	46%	0.3%	0.0%	0.0%	0
NS SOLUTIONS CORP	2327 JP Equity	720	13.9x	25.9x	10%	11%	0.0%	0.0%	0.0%	451
BIPROGY INC	8056 JP Equity	550	13.1x	20.0x	10%	9%	2.5%	0.3%	-2.2%	3
FUJI SOFT INC	9749 JP Equity	661	30.1x	37.3x	24%	7%	6.9%	2.0%	0.7%	0
DENTSU SOKEN INC	4812 JP Equity	433	20.3x	28.2x	13%	14%	0.1%	0.0%	-0.3%	0
NSD CO LTD	9759 JP Equity	299	16.1x	22.3x	16%	16%	12.5%	0.2%	-4.1%	34
SHIFT INC	3697 JP Equity	412	28.8x	47.4x	15%	10%	1.6%	12.4%	12.4%	6
JUSTSYSTEMS CORP	4686 JP Equity	219	6.6x	17.8x	0%	40%	0.0%	0.0%	0.0%	0
SIMPLEX HOLDINGS INC	4373 JP Equity	210	19.5x	27.3x	22%	23%	3.1%	17.4%	17.9%	11
FUTURE CORP	4722 JP Equity	192	12.3x	17.6x	10%	21%	7.6%	0.0%	-0.9%	0
SYSTEMA CORP	2317 JP Equity	162	11.7x	15.7x	14%	14%	19.1%	0.0%	-7.7%	24
ARGO GRAPHICS INC	7585 JP Equity	112	7.5x	14.2x	18%	15%	4.9%	3.8%	-0.2%	0
WINGARCIST INC	4432 JP Equity	129	15.0x	21.3x	10%	29%	1.1%	10.5%	10.7%	0
CHANGE HOLDINGS INC	3962 JP Equity	88	7.8x	11.8x	6%	31%	6.1%	5.6%	10.3%	5
TECHMATRIX CORPORATION	3762 JP Equity	94	10.4x	18.6x	19%	10%	10.8%	0.1%	1.1%	0
MITSUBISHI RESEARCH INSTITUT	3636 JP Equity	71	12.4x	17.2x	(24%)	6%	1.9%	0.0%	-3.1%	0
COMPUTER ENGINEER & CONSULT	9692 JP Equity	81	8.3x	15.7x	12%	12%	12.4%	1.3%	-8.2%	8
PLUS ALPHA CONSULTING CO LTD	4071 JP Equity	77	13.4x	21.3x	30%	33%	4.1%	5.3%	6.2%	2
MIROKU JYOHO SERVICE CO LTD	9928 JP Equity	58	7.7x	13.1x	3%	14%	7.9%	9.0%	-3.1%	6
FIXSTARS CORP	3687 JP Equity	68	24.2x	33.0x	34%	29%	4.3%	6.0%	-2.5%	11
SRA HOLDINGS INC	3817 JP Equity	66	5.9x	15.8x	(3%)	15%	20.6%	5.2%	2.4%	0
JBCC HOLDINGS INC	9889 JP Equity	98	13.5x	19.2x	28%	9%	14.4%	0.0%	-3.0%	31
ILL INC	3854 JP Equity	65	14.0x	20.9x	37%	24%	4.0%	4.7%	0.0%	0
COMTURE CORP	3844 JP Equity	55	9.2x	17.1x	8%	13%	1.1%	0.8%	0.1%	0
SOFTCREATE HOLDINGS CORP	3371 JP Equity	56	8.0x	14.3x	16%	18%	10.6%	11.5%	-3.6%	23
CRESCO LTD	4674 JP Equity	64	8.3x	14.1x	12%	10%	1.8%	0.0%	-1.8%	26
DIGITAL ARTS INC	2326 JP Equity	94	16.7x	28.6x	4%	46%	3.9%	2.4%	-3.0%	55
BASE CO LTD	4481 JP Equity	61	9.1x	14.8x	22%	26%	1.7%	0.0%	4.0%	14
JFE SYSTEMS INC	4832 JP Equity	53	4.4x	9.6x	13%	12%	0.0%	0.0%	0.0%	0
FUKUI COMPUTER HOLDINGS INC	9790 JP Equity	62	6.8x	14.7x	(0%)	41%	0.1%	0.0%	0.0%	0
AVANT GROUP CORP	3836 JP Equity	57	9.6x	18.1x	16%	17%	3.1%	0.0%	-2.5%	0
NSW INC	9739 JP Equity	38	3.0x	9.1x	2%	12%	0.0%	0.0%	0.0%	0
JAPAN BUSINESS SYSTEMS INC	5036 JP Equity	68	18.3x	20.2x	(7%)	3%	6.1%	1.6%	0.0%	0
BUSINESS ENGINEERING CORP	4828 JP Equity	51	8.9x	15.0x	59%	23%	0.2%	0.0%	1.6%	0
ALPHA SYSTEMS INC	4719 JP Equity	46	4.9x	14.2x	5%	11%	0.1%	0.0%	0.0%	0
ORO CO LTD	3983 JP Equity	45	12.7x	22.4x	9%	34%	1.4%	0.0%	-3.4%	43
JAPAN SYSTEM TECHNIQUES CO	4323 JP Equity	46	12.1x	18.2x	21%	11%	0.4%	0.0%	15.3%	0
CORE CONCEPT TECHNOLOGIES IN	4371 JP Equity	23	10.6x	14.8x	45%	10%	4.6%	12.7%	19.1%	10

Company name	BBG ticker	Mar. cap. (JPY bn)	EV/EBIT LTM	P/E LTM	3yr EPS growth	EBIT mar. (LY)	% treas. shares	% options	# shares ch. (5yrs)	Buyback % FCF
ITFOR INC	4743 JP Equity	39	7.5x	13.1x	12%	17%	5.6%	7.6%	-3.2%	11
CAC HOLDINGS CORP	4725 JP Equity	42	9.7x	25.4x	4%	7%	20.3%	0.0%	3.4%	0
GLOBAL SECURITY EXPERTS INC	4417 JP Equity	51	31.7x	46.0x	56%	18%	1.8%	13.0%	25.1%	2
INES CORP	9742 JP Equity	35	9.8x	14.2x	27%	9%	0.5%	0.0%	-12.6%	(0)
OPTIM CORP	3694 JP Equity	31	15.0x	25.7x	8%	18%	0.2%	3.7%	0.1%	0
GMO GLOBALSIGN HOLDINGS KK	3788 JP Equity	24	16.8x	31.2x	3%	7%	1.8%	0.0%	-0.3%	17
I-NET CORP	9600 JP Equity	28	12.7x	15.3x	12%	7%	1.4%	0.0%	-4.1%	15
EBASE CO LTD	3835 JP Equity	25	11.4x	18.8x	20%	32%	5.1%	1.5%	-2.4%	27
USER LOCAL INC	3984 JP Equity	29	10.8x	21.2x	21%	44%	1.2%	5.1%	10.2%	4
SUN* INC	4053 JP Equity	20	10.0x	23.9x	(9%)	11%	2.7%	2.9%	13.7%	18
CELSYS INC	3663 JP Equity	53	20.6x	29.0x	20%	26%	18.7%	2.5%	-5.3%	8
COMPUTER INSTITUTE OF JAPAN	4826 JP Equity	33	12.1x	20.3x	9%	8%	17.0%	0.0%	-2.5%	129
HENNGE KK	4475 JP Equity	47	28.1x	42.9x	37%	12%	1.1%	2.7%	4.4%	22
DIGITAL INFORMATION TECHNOLO	3916 JP Equity	38	11.0x	16.8x	19%	12%	5.3%	3.6%	-2.0%	21
CORE CORP	2359 JP Equity	26	6.2x	11.2x	11%	13%	3.2%	0.1%	1.4%	90
BUSINESS BRAIN SHOWA-OTA INC	9658 JP Equity	34	8.4x	12.1x	13%	7%	16.3%	6.7%	-6.7%	2
INTELLIGENT WAVE INC	4847 JP Equity	28	11.9x	19.4x	11%	14%	0.6%	0.0%	-0.5%	0
ULS GROUP INC	3798 JP Equity	35	10.5x	19.4x	18%	20%	13.2%	2.6%	-2.7%	5
SYSTEM RESEARCH CO LTD	3771 JP Equity	30	7.7x	13.6x	14%	12%	0.9%	0.0%	-0.9%	6
JIG-SAW INC	3914 JP Equity	18	35.6x	44.5x	2%	16%	2.3%	5.7%	1.4%	7
ID HOLDINGS CORP	4709 JP Equity	36	8.6x	14.8x	32%	10%	2.6%	1.9%	0.4%	433
TERRASKY CO LTD	3915 JP Equity	36	21.6x	35.4x	49%	6%	0.1%	4.3%	2.2%	0
SOLITON SYSTEMS KK	3040 JP Equity	25	5.0x	13.5x	2%	11%	6.5%	0.0%	-2.2%	0
SERVERWORKS CO LTD	4434 JP Equity	19	11.1x	24.9x	15%	3%	0.0%	3.4%	16.6%	2
NEOJAPAN INC	3921 JP Equity	22	8.3x	15.3x	20%	27%	0.6%	4.3%	-5.8%	1
RYOYU SYSTEMS CO LTD	4685 JP Equity	38	7.9x	11.4x	29%	11%	0.2%	0.0%	0.5%	0
E-GUARDIAN INC	6050 JP Equity	24	7.9x	20.6x	(12%)	15%	2.9%	3.2%	13.9%	15
CROSS CAT CO LTD	2307 JP Equity	18	9.0x	10.9x	22%	11%	20.6%	0.0%	-6.0%	3
STARTIA HOLDINGS INC	3393 JP Equity	24	7.6x	11.6x	27%	12%	8.3%	0.0%	-3.8%	3
SYSTEMS ENGINEERING CONSULTA	3741 JP Equity	24	12.3x	17.8x	20%	17%	0.4%	0.0%	-0.4%	4
PRO-SHIP INC	3763 JP Equity	39	13.7x	16.1x	15%	31%	26.5%	11.3%	-18.6%	0
CYBER SECURITY CLOUD INC	4493 JP Equity	21	25.9x	30.6x	51%	20%	2.7%	1.9%	2.9%	1
TOYOKUMO INC	4058 JP Equity	28	20.6x	33.6x	39%	37%	1.5%	5.9%	0.0%	3
ADVANCED MEDIA INC	3773 JP Equity	19	9.3x	11.6x	55%	22%	17.9%	0.2%	-14.6%	5
FOCUS SYSTEMS CORP	4662 JP Equity	21	7.5x	12.4x	14%	7%	7.8%	0.0%	0.5%	0
SYSTEM SUPPORT INC	4396 JP Equity	25	10.3x	15.9x	23%	8%	0.4%	0.0%	2.8%	4
SERAKU CO LTD	6199 JP Equity	22	6.1x	12.6x	21%	10%	2.8%	2.2%	-1.8%	10
F-CODE INC	9211 JP Equity	26	15.1x	23.6x	59%	28%	0.0%	5.9%	62.3%	3
ISB CORP	9702 JP Equity	16	2.4x	7.8x	25%	8%	0.0%	0.0%	12.0%	0
NEEDS WELL INC	3992 JP Equity	20	14.9x	23.9x	20%	12%	7.4%	4.3%	11.7%	13
INFORMATION PLANNING CO LTD	3712 JP Equity	21	11.7x	14.1x	7%	40%	35.2%	0.0%	-9.7%	0
NCD CO LTD/SHINAGAWA	4783 JP Equity	26	7.1x	12.7x	60%	9%	7.6%	0.0%	3.0%	0
CYBERTRUST JAPAN CO LTD	4498 JP Equity	21	11.0x	23.3x	22%	19%	1.6%	1.1%	9.9%	4
NTT DATA INTRAMART CORP	3850 JP Equity	16	24.6x	39.4x	(15%)	5%	1.8%	0.0%	0.4%	0
KINJIRO CO LTD	4013 JP Equity	17	15.5x	26.3x	56%	17%	6.2%	0.0%	37.3%	(8)
ASCENTECH KK	3565 JP Equity	20	16.0x	19.8x	21%	6%	1.9%	7.2%	3.5%	196
Median		46	11.7x	19.2x	14%	13%	2.5%	0.2%	0.0%	3

Note: share prices as of 20 May 2025; based on a selected sample of 93 Japanese system integrators and software companies (as categorized by Bloomberg) with market capitalisation above JPY 15bn, 3-month ADV above USD 100k, excluding companies with EV/EBIT and P/E above 50x

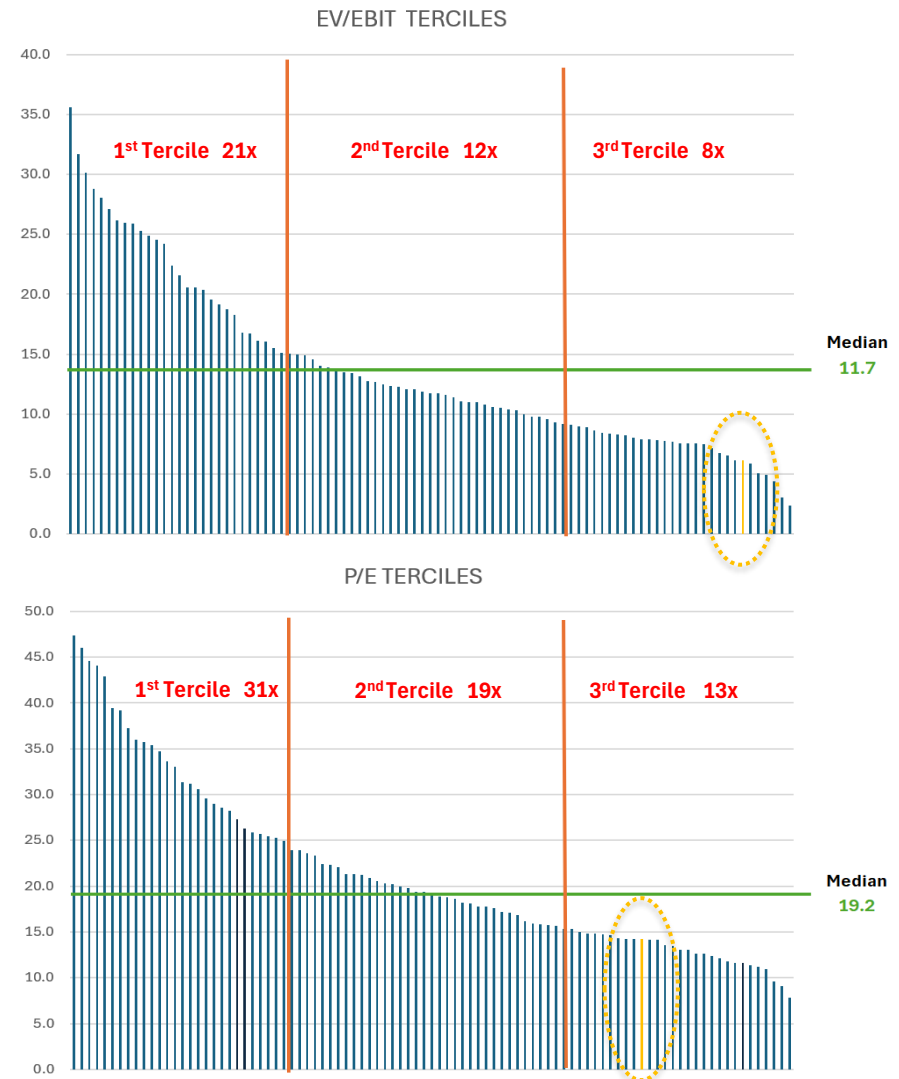


CLEAR UNDERVALUATION COMPARED TO SELECTED SAMPLE

COMPANY POSITIONED IN THIRD VALUATION TERCILE ...

- Current valuation ratios of Argo Graphics:
7.5x LTM EBIT and 14.2x LTM P/E
 - Selected sample valued at 12x LTM EBIT and 19x LTM P/E
 - Valuation discount of 41% (EV/EBIT) and 26% (P/E)

- Top valuation tercile trading at 31x P/E
 - In fact, 27 companies trade at above 25x P/E in that valuation tercile



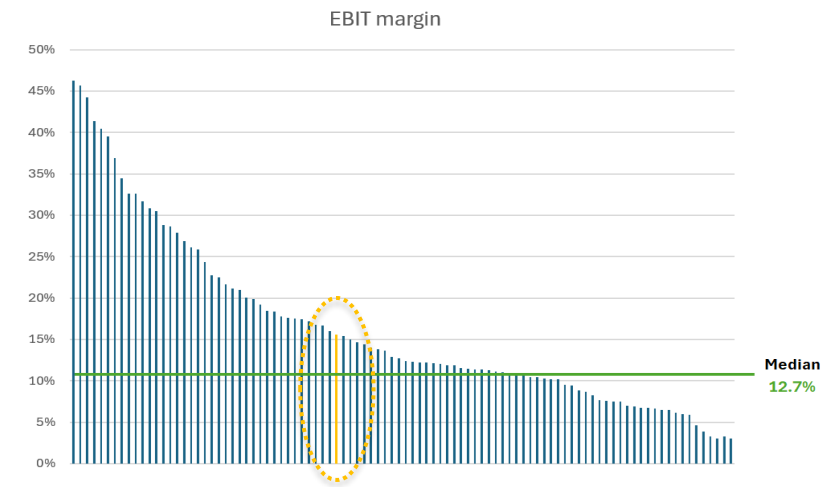
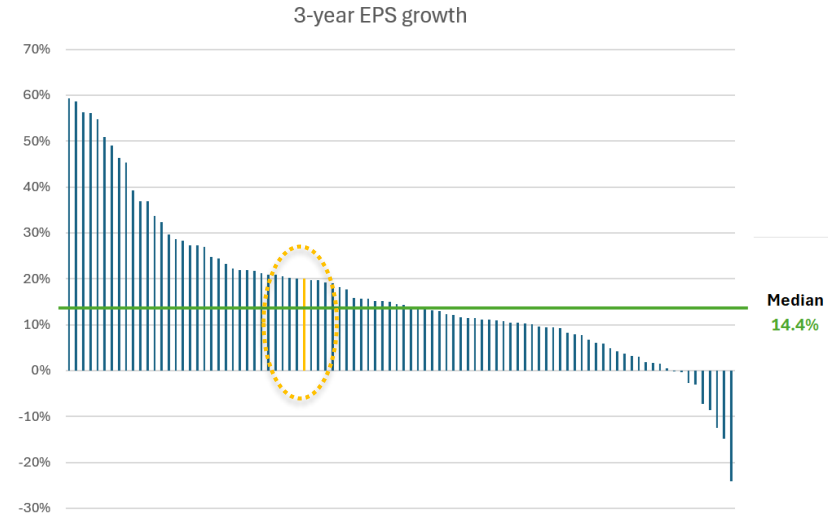
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CLEAR UNDERVALUATION COMPARED TO SELECTED SAMPLE

... DESPITE STRONGER BUSINESS MODEL AND FINANCIAL PERFORMANCE

- Argo Graphics demonstrates higher margin (15% EBIT margin) and earnings growth (18% 3-year EPS CAGR) than peers median (14% and 13% respectively)
- Selected sample with better operational metrics than Argo Graphics trading at median P/E of 21-23x
- Very few peers match long history of predictable earnings growth shown by Argo Graphics



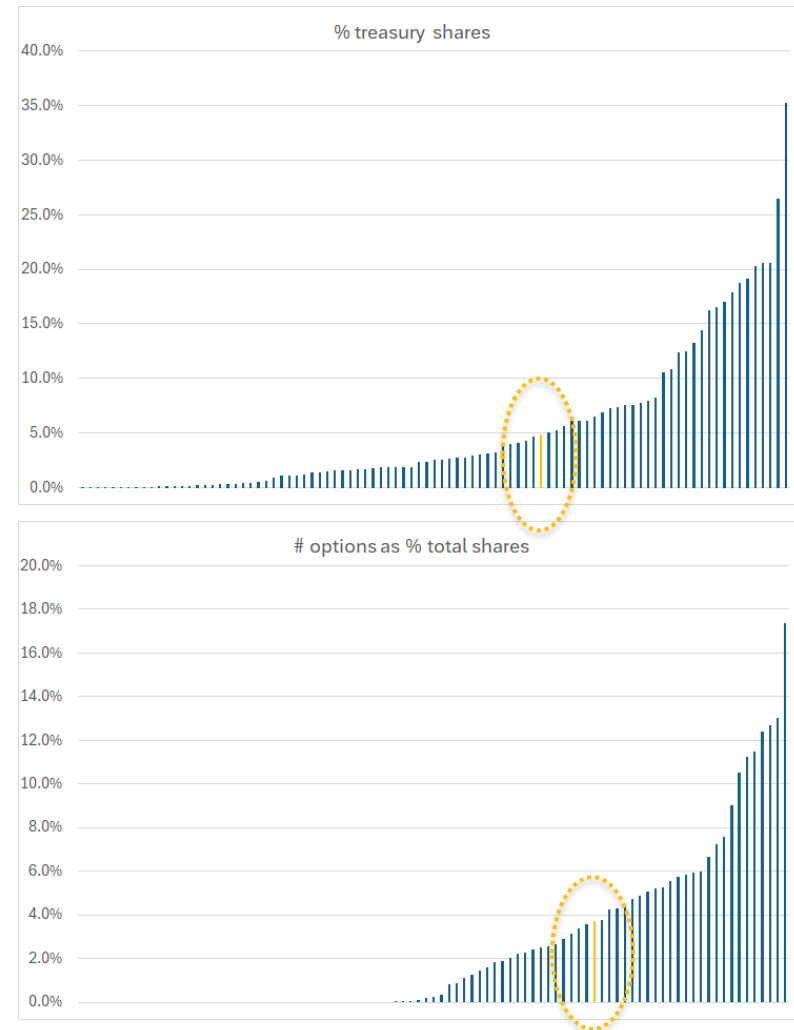
Note: share prices as of 20 May 2025; based on a selected sample of **93 Japanese system integrators and software companies** (as categorized by Bloomberg) with market capitalisation above JPY 15bn, 3-month ADV above USD 100k, excluding companies with EV/EBIT and P/E above 50x, 3 companies with 3-year EPS growth above 85% and 2 with EBIT margin above 60%



ADDITIONAL DATA POINTING TO POOR GOVERNANCE

TRACKING TREASURY SHARES AND LIMITED INCENTIVES PROGRAMS

- Argo Graphics keeps 4.7% in treasury shares, while best-in-class companies have none as they have cancelled them shortly after completion of their share buyback program
- With the number of exercised options in the last 10 years representing 3.8% of total shares, Argo Graphics has the 25th largest size of options program



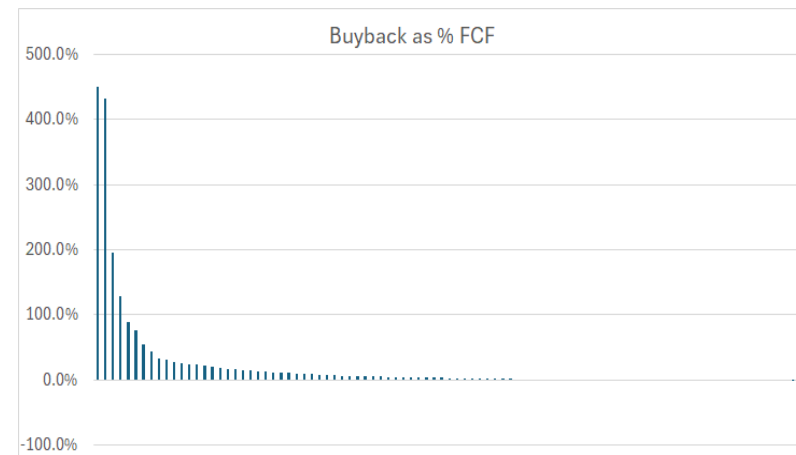
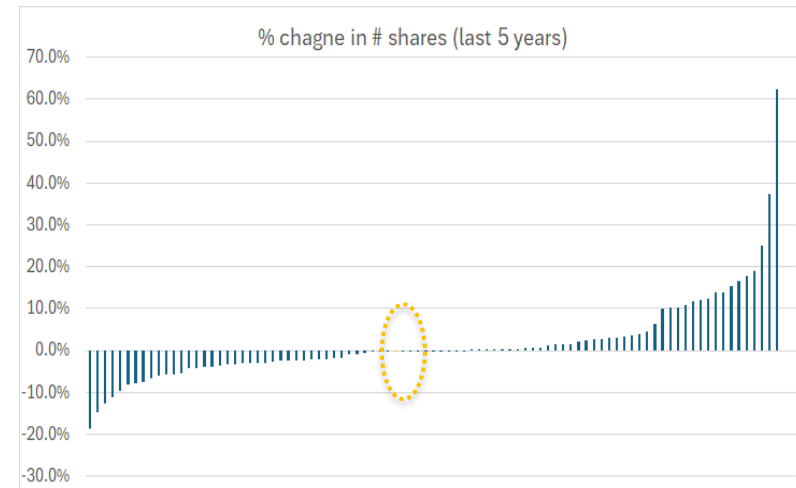
Note: share prices as of 20 May 2025; based on a selected sample of 93 Japanese system integrators and software companies (as categorized by Bloomberg) with market capitalisation above JPY 15bn, 3-month ADV above USD 100k, excluding companies with EV/EBIT and P/E above 50x



ADDITIONAL DATA POINTING TO POOR CAPITAL ALLOCATION

TRACKING OUTSTANDING SHARES

- Argo Graphics has reduced its number of shares outstanding (ex-treasury shares) by a mere 0.2% in last 5 years vs. -10% for the 10 best-in-class sample companies (median)
- Argo Graphics has performed minimal share buybacks in the last 5 years, while 20 best-in-class companies have used 29% (median) of their free cash flow to buy back their shares



Note: share prices as of 20 May 2025; based on a sample of 94 Japanese system integrators and software companies (as categorized by Bloomberg) with market capitalisation above JPY 15bn, 3-month ADV above USD 100k, excluding companies with EV/EBIT and P/E above 50x



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