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To Chairman of the Board & CEO Kim Youn-duck
Daou Technology Board of Directors
(Vice President Shin Sang-beom, Independent Directors Hong Eun-joo and Kim Dong-hyun)

Open letter to the Board of Daou Technology: AVI's concerns regarding the decision to invest in JoongAng Ilbo

Asset Value Investors ("AVI" or "we"), on behalf of client funds, today manage 963,700 shares in your company, representing c. 2.2% of the shares outstanding. We value our constructive dialogue with management, most recently in September. We are writing in that same spirit to follow up on our letter of 21 October which the Company addressed in its 30 October statement to shareholders who had raised inquiries.

Following the selection of the consortium comprising Daou Technology, Saramin and CJ Corporation as the preferred bidder[1], the Board resolved to subscribe for 38,000,000 newly issued JoongAng Ilbo shares at the acquisition price of KRW 190 bn.[2]

We oppose this investment. We believe that proceeding with it would risk significant shareholder capital destruction.

Our objection is straightforward. The investment fails each test that Daou's capital should meet, given that the price is high and the true cost is not yet known; it has no coherent strategic logic for Daou; it adds complexity to a company already valued at a deep discount; and it competes with a clearly superior use of the same capital.

We first raised these concerns with the Board privately. The Company replied on 30 October, but in our view that reply did not address the substance of our concerns. Given the significance of this investment for all of Daou's shareholders, we are now making our concerns public so that fellow shareholders and the wider market can assess the investment and the Board can address those concerns before closing.

A high price for liabilities that are not yet known

The consortium has signed a KRW520bn conditional new share subscription agreement, including a KRW190bn commitment from Daou. Although the subscription injects capital into JoongAng Ilbo rather than paying its existing shareholders, Daou's contribution remains capital that its shareholders would be putting at risk.

The subscription price must be assessed against JoongAng Ilbo's weak earnings and deteriorating financial position. The company generated operating profit of just KRW17.5bn at a margin of 5.5% in 2025, before recording a net loss of approximately KRW92bn in the first half of 2026. Over those six months, equity fell from KRW120bn to KRW29bn, while current liabilities exceeded current assets by KRW230bn at June 2026. These figures indicate limited capacity to absorb further losses and raise questions about how much of the subscription proceeds will be required to repair the balance sheet, and what earnings and cash flows will support an adequate return on the new capital.

Against this backdrop, the Board should explain how it determined that the agreed subscription price was justified.

In particular, the Board should disclose the valuation methodology and assumptions supporting the price, the implied post-money equity valuation, and the expected return on capital, hurdle rate and payback period.

[1] Daou Technology/Disclosure of Material Management Matters Affecting Investment Decisions, 20 October 2026.

[2] Daou Technology/Decision to Acquire Shares or Equity Securities of Another Company, 4 November 2026; JoongAng Ilbo Material Event Report (Decision on Capital Increase through Issuance of New Shares): On November 4, 2026, JoongAng Ilbo's Board of Directors resolved to issue 104,000,001 new shares at KRW 5,000 per share through a third-party allotment, with 38,000,000 shares allocated to Daou Technology, 14,287,991 shares to Saramin Co., Ltd., 37,086,640 shares to CJ Corporation, and 14,625,370 shares to Shinsegae Inc. The transaction is expected to close on 23 December 2026.

It should also explain why the consortium's KRW520bn subscription substantially exceeded the reported rival bids of KRW300–400bn, including any material differences in terms or obligations[3]. Bids were reportedly assessed[4] on financing capacity, balance-sheet improvement and employment stability as well as price, with the price gap reported to have been decisive. Winning an auction by committing substantially more capital is not, in itself, evidence of value creation for Daou's shareholders.

No strategic logic for Daou

Daou has told investors that its next phase of earnings growth will come from data centres, anchored by the KRW379bn Jukjeon facility and its seven-year colocation agreement with NAVER Cloud from June 2027.

A newspaper has no connection with that stated strategy, nor with Daou's Financial IT, messaging or groupware businesses. We remain unconvinced by the Company's recent response. The investment decision was purportedly made in the hope that JoongAng Ilbo's financial position would improve following the subscription for new shares, and that it would be a strategic fit. These are no more than hopes and promises, and the Company has so far offered no substantive or justifiable basis for either.[5] Newspaper ownership rules also cap any large business group at 50% of a general daily, so Daou would share control with CJ while bearing its share of any future funding needs. We have seen no adequate explanation of how this investment would earn an adequate return for Daou's shareholders, as distinct from serving wider group objectives. Diversification is not itself evidence of value creation.

A wider discount, not a narrower one

Using prices as at 30 October, we estimate Daou's share price discount to its NAV stood at -62%. The Kiwoom Securities stake alone is worth KRW2.6tn (using market value), equivalent to 183% of Daou's market capitalisation.

In our view, this discount reflects investor concern over capital allocation and the complexity of Daou's intermediate holding-company structure, not the quality of its assets. Adding a jointly controlled, loss-making newspaper with uncertain funding requirements would confirm those concerns and, we expect, widen the discount further.

Daou's own shares are a better investment

At a c. 62% discount, each KRW1,000 spent repurchasing Daou's shares would retire shares representing c. KRW2,630 of estimated NAV, before costs. This equates to an immediate ROI of c. +163%. An investment in a newspaper in workout cannot credibly offer a comparable risk-adjusted return.

Scale matters too. Daou's 36.5% share of the total investment is a contribution of KRW190bn, equivalent to c. 14% of Daou's market capitalisation[6], and together with Saramin, the total investment of the Daou Group is some c. KRW261.4bn.

In September, management indicated that share repurchases would follow the data centre becoming operational. We would argue that capital that is unavailable for repurchases today should not be available for a newspaper in workout either.

The Board's duty and our requests

Directors owe Daou a duty of care under Article 382 of the Korean Commercial Act and Article 681 of the Civil Act, and under Article 382-3 must protect the interests of shareholders as a whole and treat all shareholders fairly. The investment must be justified for Daou Technology and all of its shareholders, independently of wider group objectives. With Saramin investing alongside Daou, the allocation of cost, ownership and risk between the two listed companies must also be fair to the minority shareholders of each.

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[3] Source: https://www.bloomberg.com/news/articles/2026-10-20/struggling-korea-newspaper-joongang-ilbo-closer-to-finding-buyer

[4] https://www.yna.co.kr/view/AKR20261019144551008

[5] The Korea Corporate Governance Forum has also questioned the strategic rationale in its opinion issued on 14 October 2026:. https://kcgf.kr/53/?q=YToxOntzOjEyOiJrZXl3b3JkX3R5cGUiO3M6MzoiYWxsIjt9&bmode=view&idx=175088443&t=board

[6] Source: AVI, Capital IQ (as at 30/10/2026)

In its response to our shareholder letter, the Company stated that it had obtained a valuation from an independent external professional institution and legal advice, and that the Board, including its independent directors, was deliberating on the transaction on the basis of those materials.

We therefore ask the Board to:

1. Explain the investment rationale and the Board's independent assessment. In its response, the Company stated that, given the substantial capital commitment, the Board, including its independent directors, was carefully deliberating on the transaction and had received in advance the business rationale, external valuations, financial and legal review reports, and the issues and concerns raised in shareholder letters. We ask the Board to explain the investment rationale underlying the decision to initiate the investment, explain why the Company pursued it and disclose the material findings of those assessments and how they informed its decision. In particular, the Board should explain:

- **Valuation**
  - the independent valuation conducted by the external professional institution relied on by the Board, including the identity of the valuation provider, key assumptions, valuation methodology and conclusions, and how those conclusions supported the agreed subscription price, particularly the justification for the premium over competing bids;
  - the basis for determining the respective investment amounts of the Company and Saramin, and whether the Board assessed the fairness of the allocation of expected economic benefits and risks between the two companies;
  - whether the Board independently evaluated the economic benefits and risks attributable specifically to the Company, taking into account its duty of loyalty under Article 382-3 of the Korean Commercial Code, including the duty to protect the interests of its shareholders;
  - Whether the Company and Saramin's investments are intended, in whole or in part, to facilitate the broader group's acquisition of control over JoongAng Ilbo, and how the Board assessed potential conflicts between the interests of the controlling shareholder group, including the largest shareholder Daou Data Corp. and its upstream shareholders former Chairman Kim Ik-rae and his family, and those of the Company's general shareholders; and
  - The Board's assessment of whether the guarantees provided by JoongAng Ilbo for the obligations of its affiliates will remain outstanding following the closing of the share subscription transaction, and the potential impact on JoongAng Ilbo's financial position and the value of the Company's investment if any liabilities under those guarantees materialize.
- **Financial and legal review.** What the financial review found, what the legal advice covered and whether it addressed the directors' duty of loyalty under Article 382-3 of the Korean Commercial Act.
- **Independent directors' assessment.** How the independent directors assessed these materials and the concerns raised by shareholders, and the substance of any dissenting views.

2. Establish a special committee to conduct an independent review before closing. Given that the transaction raises concerns about potential value destruction for shareholders resulting from inappropriate capital allocation and possible conflicts between the interests of the broader corporate group and those of the Company's general shareholders, we ask the Board, consistent with the approach outlined in the Ministry of Justice Guidelines, to establish a special committee composed of independent directors and supported by independent external advisers. The committee should independently reassess the investment, including the Board's assessments of the matters set out in Item 1 above, against the criteria of the legitimacy of the transaction's purpose, the fairness of its terms, and the appropriateness of the decision-making process. The committee should also review all remaining material decisions relating to the transaction through closing and report its findings and recommendations to the Board before the Company proceeds to closing. We would be willing to recommend candidates to serve as external advisers to the committee.

We call on the Board to respond publicly to the concerns set out in this letter by no later than the 30th November, and we would welcome the opportunity to discuss these matters with the Board, including its independent directors, before any binding commitment is made.

Yours sincerely,

Asset Value Investors Limited





Joe Bauernfreund
Chief Executive Officer

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Senior Investment Analyst

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