

# Shareholder Proposals for NC Holding Co., Ltd. and Views on the Opinions of the Company's Board of Directors (Explanatory Materials)

May 31, 2024  
Global ESG Strategy

# Executive Summary

- Global ESG Strategy (“GES”), an investment fund managed by Swiss-Asia Financial Services Pte Ltd (“SAFS”), began investing in NC Holdings Co., Ltd. (“NCHD” or the “Company”), listed on the TSE Standard Market (Securities Code: 6236), in the first half of 2023, and has continued engagement with the Company since.
- Through dialogue with NCHD’s management, it became clear that there are issues that need to be resolved in terms of corporate governance. Such issues include the policy of continuing to accumulate internal reserves without limit while ignoring the capital efficiency required of a listed company, the non-cooperative approach to dialogue with shareholders, and the continued refusal (despite repeated requests from multiple shareholders) to publish its business plan, which is naturally expected of a listed company.
- To resolve the management issues faced by NCHD, GES has submitted the following four shareholder proposals (the “Proposals”) for deliberation at the annual general meeting of shareholders scheduled to be held in June 2024, with the aim of improving capital efficiency, promoting dialogue with shareholders, and disclosing the medium-term management plan in order to maximize the corporate value and stock value, which will contribute to all NCHD stakeholders.

Objective	Proposal	Agenda item
Improving capital efficiency	Agenda Item 1	Appropriation of Surplus
	Agenda Item 2	Partial Amendment of Articles of Incorporation (Policy on Dividend of Surplus)
Improving governance and improving transparency of management decisions	Agenda Item 3	Partial Amendment of Articles of Incorporation (Handling by Directors of Interviews With Shareholders)
	Agenda Item 4	Partial Amendment of Articles of Incorporation (Disclosure of Medium-Term Management Plan)

- However, on May 15, 2024, NCHD published the opinions of its board of directors regarding both the Proposals, which clearly shows a dismissive view of shareholders with no regard for their common interests. GES’s views on the opinions of the board of directors are presented in Section 2.



## ■ About Global ESG Strategy



### Investing long term from ESG perspective

Global ESG Strategy (GES) is an investment fund managed by Swiss-Asia Financial services.

As an institutional investor that invests in companies over the medium to long term from an ESG (Environment, Social and Governance) perspective, GES's policy is to promote improvements in enterprise value and shareholder value of portfolio companies through constructive dialogue.

**Funds managed by SAFS hold around 6.5% of the voting rights in NCHD.**

Refer below for information about Global ESG Strategy:  
[https://prtimes.jp/main/html/searchrlp/company\\_id/135781](https://prtimes.jp/main/html/searchrlp/company_id/135781)

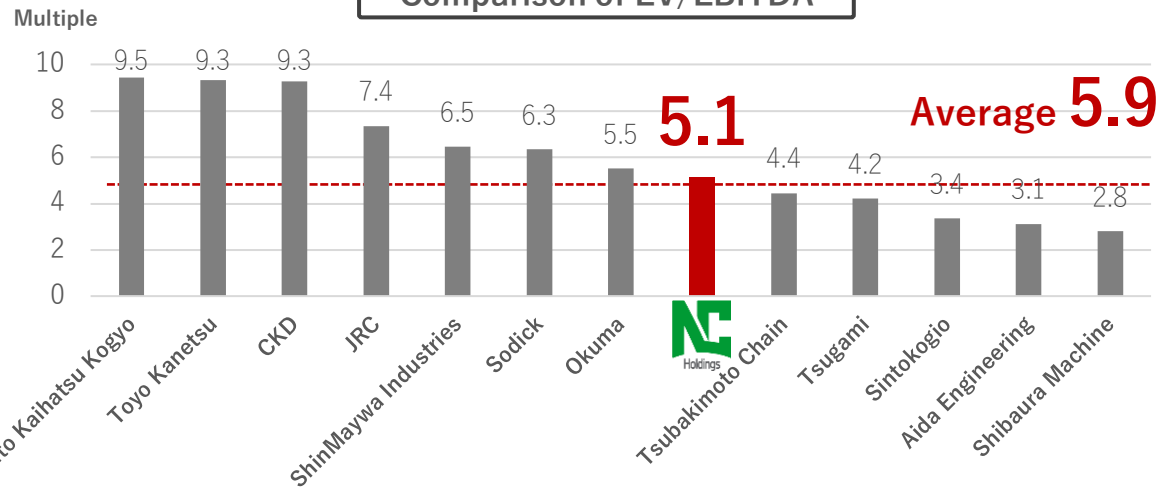


## NC Holdings (NCHD) TSE Standard Market 6236

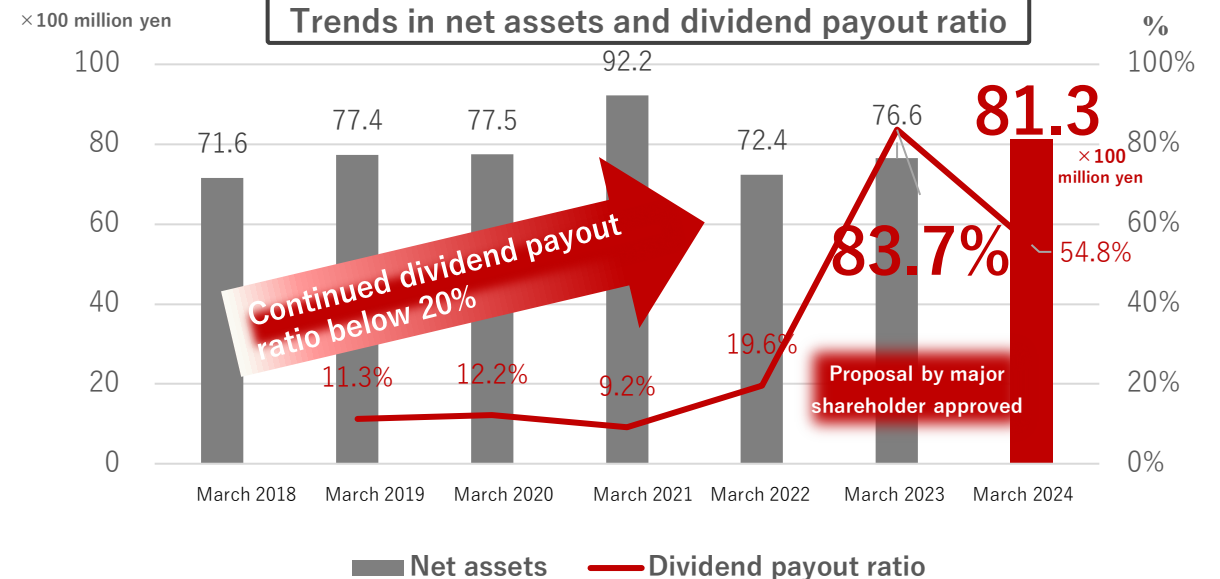
- Business development: Specialized manufacturer of long-distance, large-capacity conveyors. Also developing multi-level parking lot business and business related to renewable energy.
- Sales: ¥14.45bn; OP: ¥0.90bn; net income: ¥0.52bn; net assets: ¥8.13bn (fiscal year ending March 2024)
- Market capitalization: ¥7.58bn (as of May 20, 2024)

- NCHD manufactures and sells large conveyors and multi-level parking lots, achieving stable business revenue and profit margins. However, without any indication of future growth strategy from management, net assets have increased as a result of maintaining a dividend payout ratio below 20%, with P/B trending below 1.0. In the fiscal year ending March 2023, a dividend increase proposal from a major shareholder was approved at the general meeting of shareholders and dividends increased, but the trend of increasing net assets has not changed.
- Furthermore, the accumulation of net cash on the balance sheet distorts the share price valuation, and company shares are trading at a 2024 expected EV/EBITDA of 5.1, which is lower than the average for industry peers.

Comparison of EV/EBITDA

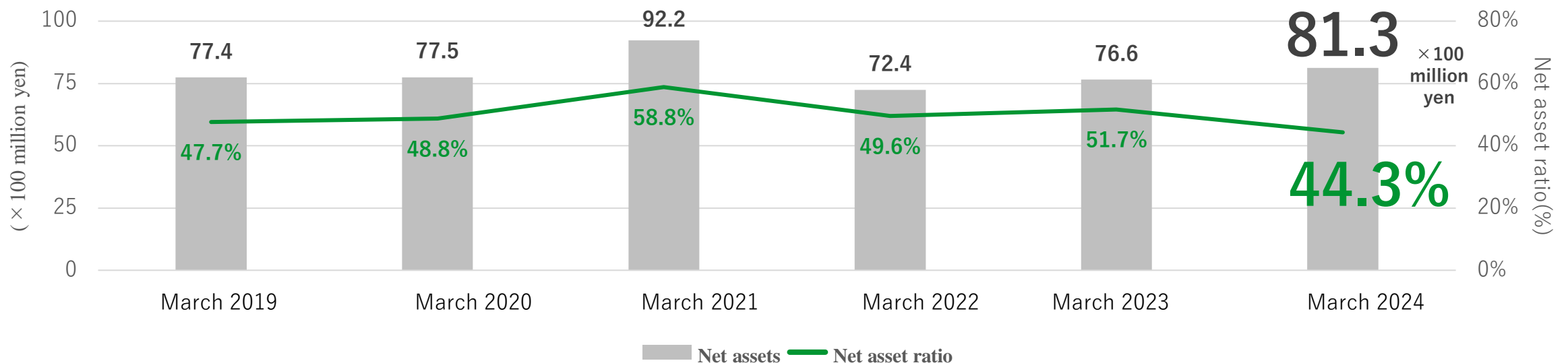


Trends in net assets and dividend payout ratio



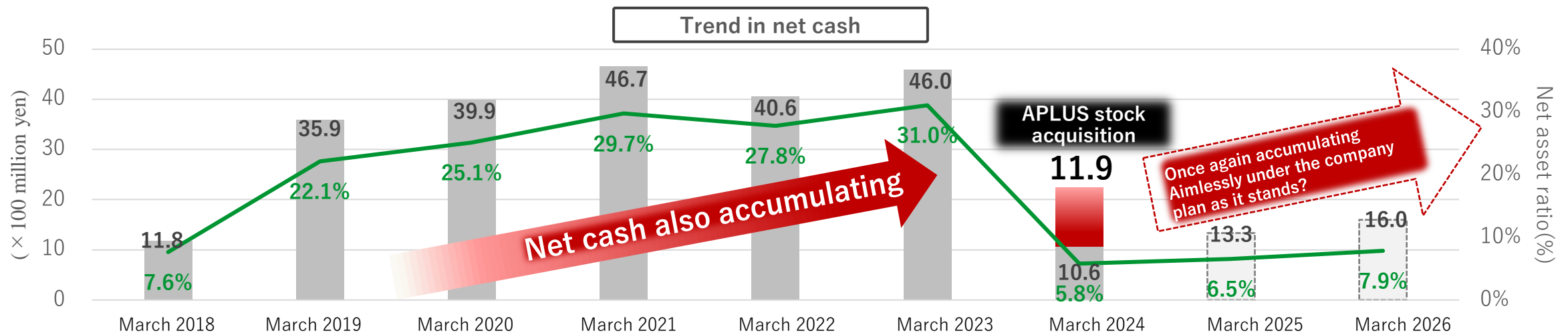
- NCHD's net assets are trending at a high level of ¥7 billion to ¥9 billion compared to its market capitalization of ¥7.7 billion (as of May 24, 2024). Additionally, the ratio of net assets to total assets is trending at around 50%.
- The ratio of net assets to total assets is also trending around 50%, but management has not clearly indicated whether this level is necessary for business operations or what kind of net assets should be reserved for management objectives, and the Company continues to accumulate capital without utilizing it.
- The Company's corporate structure of recklessly hoarding internal reserves without any concrete future investment plans also goes against the Tokyo Stock Exchange's call for "management that is conscious of cost of capital and return on capital based on the balance sheet." Accumulated internal reserves should be used to actively invest in new business, but no sufficiently robust investment plan has been presented at this time.

Trends in net assets and net asset ratio



# Net Cash that Continues to Accumulate

- As with the building up of net assets, net cash on the balance sheet continues to accumulate, increasing to ¥4.60 billion, i.e., 31.0% of total assets, as of March 2023.
- Nevertheless, the Company has continued its policy of accumulating internal reserves while justifying this to GSE with unrealistic reasons, such as being unable to receive a loan from Japanese financial institutions during a recession, or the possibility of carrying out a number of M&As in quick succession to an extent which it has never done before.
- Although net cash temporarily decreased at the end of March 2024 due to the Company's February 2024 acquisition of APLUS Co., Ltd. stock for an estimated ¥1.19 billion and an increase in working capital, there is a concern that unless concrete investment and capital strategies are made clear, funds will continue to be accumulated aimlessly.



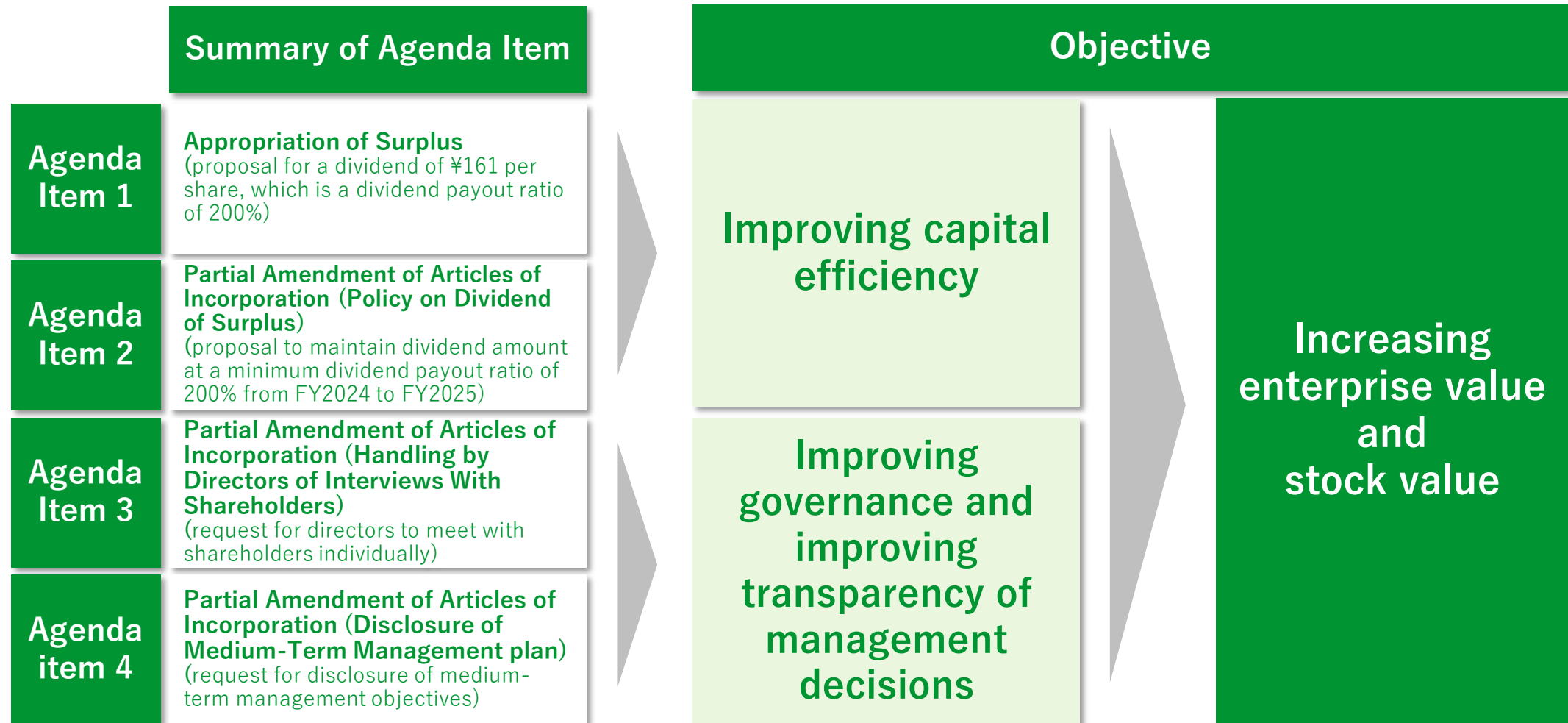
1. Inferior stock valuation compared to similar companies
2. Underutilized internal reserves and poor financial policy
3. Lack of concrete management plan for sustainable and stable growth
4. While holding individual shareholder interviews with only some of the directors, reluctance to engage in dialogue with shareholders, including failure to explain concrete management plans

**Leaving this situation as it is can only be seen as being due to lack of management ability on the part of management, failure of governance with the board of directors unable to function, or both.**

# 1. Shareholder Proposals by GES

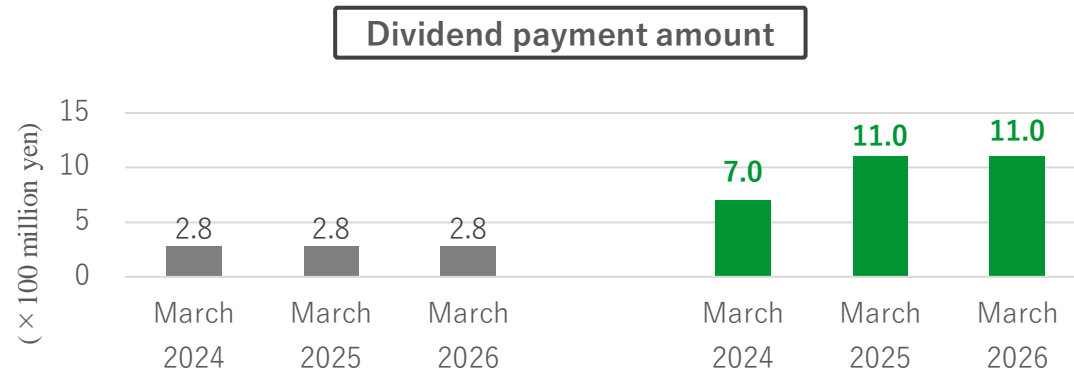




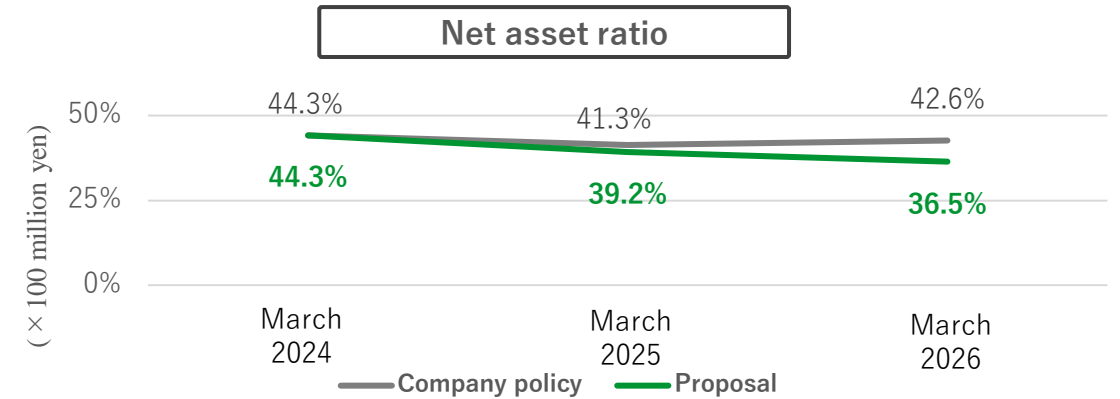


# Impact of the Proposals on the Financial Foundation

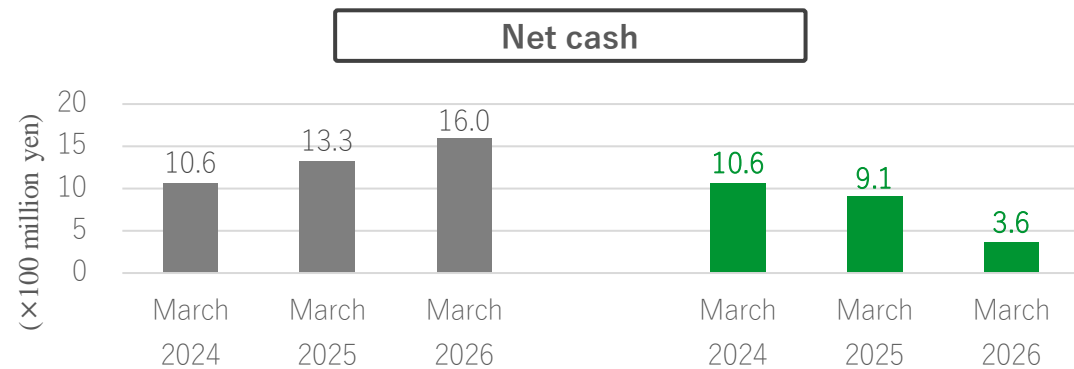
- It is clear that implementing the proposed dividend payout ratio of 200% will not compromise NCHD's financial soundness.



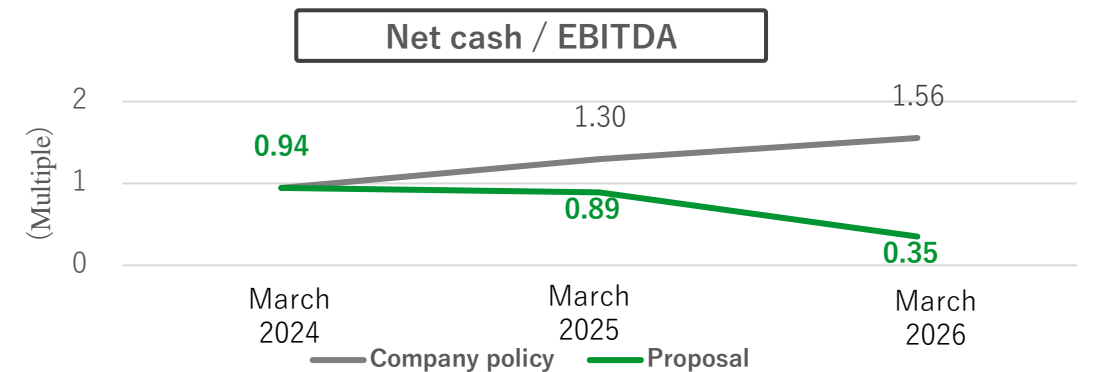
The dividend payment amount under the Proposals can be fully covered by NCHD's net cash.



Under the company's policy as it stands, net assets are likely to increase further.



Under the company's policy as it stands, net cash will accumulate, with no clear way to utilize it.



Even if the proposed dividend policy is implemented, sufficient additional borrowing capacity can be maintained.

# 1-2 Relationship between Dividend Payout Ratio and Dividend Yield

- More than 98% of Japanese listed companies are traded with a dividend yield of 5% or less, and even if NCHD raises dividends, the share price may rise to a dividend yield of around 3–5%.
- Assuming the FY2023 dividend of ¥161 per share in the Proposal, it is possible to calculate that the share price would rise to ¥5,367 assuming 3% dividend yield. If NCHD were to raise the dividend payout ratio to 200%, then based on FY2024 net income, the share price would rise to ¥8,443 assuming 3% dividend yield.

**FY2023**  
(Net income ¥517mm (EPS ¥119))

		Dividend payout ratio (upper row)			
		Dividend amount per share (bottom row)			
		50%	100%	135%	200%
		¥63	¥127	¥161	¥253
Dividend yield	6.5%	916	1,832	2,477	3,663
	6.0%	992	1,984	2,683	3,968
	5.5%	1,082	2,165	2,927	4,329
	5.0%	1,190	2,381	3,220	4,762
	4.5%	1,323	2,646	3,578	5,291
	4.0%	1,488	2,976	4,025	5,952
	3.5%	1,701	3,401	4,600	6,803
	3.0%	1,984	3,968	5,367	7,937
	2.5%	2,381	4,762	6,440	9,524

FY2023 Proposals

**FY2024 (company forecast)**  
(Net income ¥550mm (EPS ¥127))

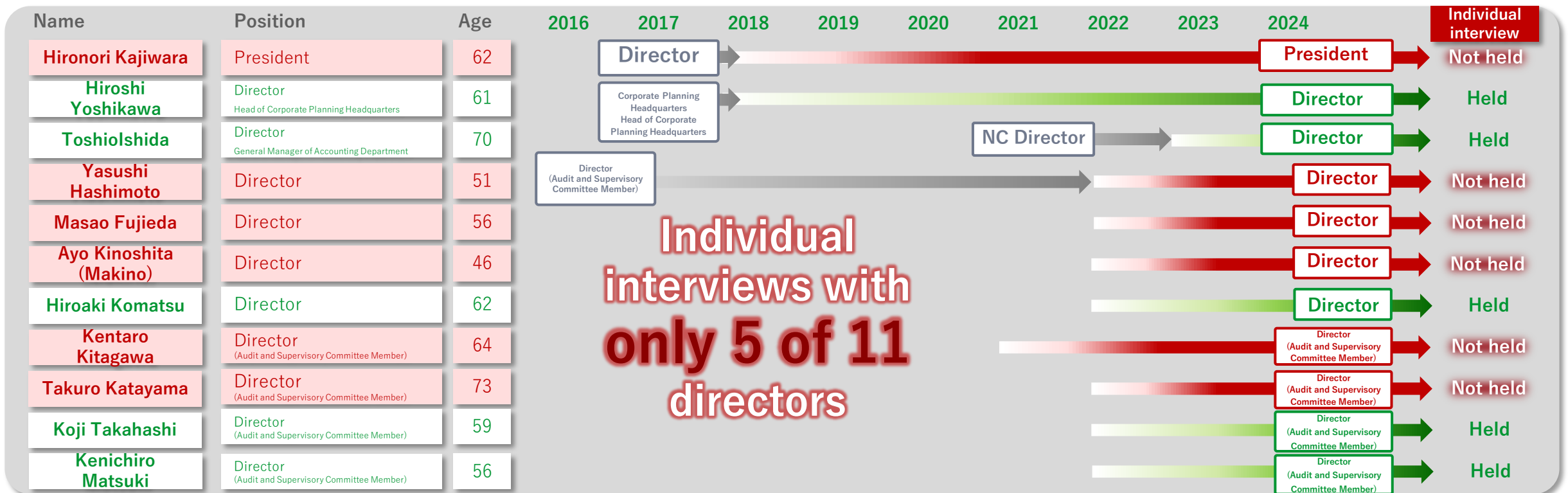
		Dividend payout ratio (upper row)			
		Dividend amount per share (bottom row)			
		50%	100%	150%	200%
		¥63	¥127	¥190	¥253
Dividend yield	6.5%	974	1,948	2,923	3,897
	6.0%	1,055	2,111	3,166	4,222
	5.5%	1,151	2,303	3,454	4,605
	5.0%	1,266	2,533	3,799	5,066
	4.5%	1,407	2,814	4,222	5,629
	4.0%	1,583	3,166	4,749	6,332
	3.5%	1,809	3,618	5,428	7,237
	3.0%	2,111	4,222	6,332	8,443
	2.5%	2,533	5,066	7,599	10,132

 Roughly current stock price level

# 1-3

## Need for Dialogue Between Shareholders and Each Director

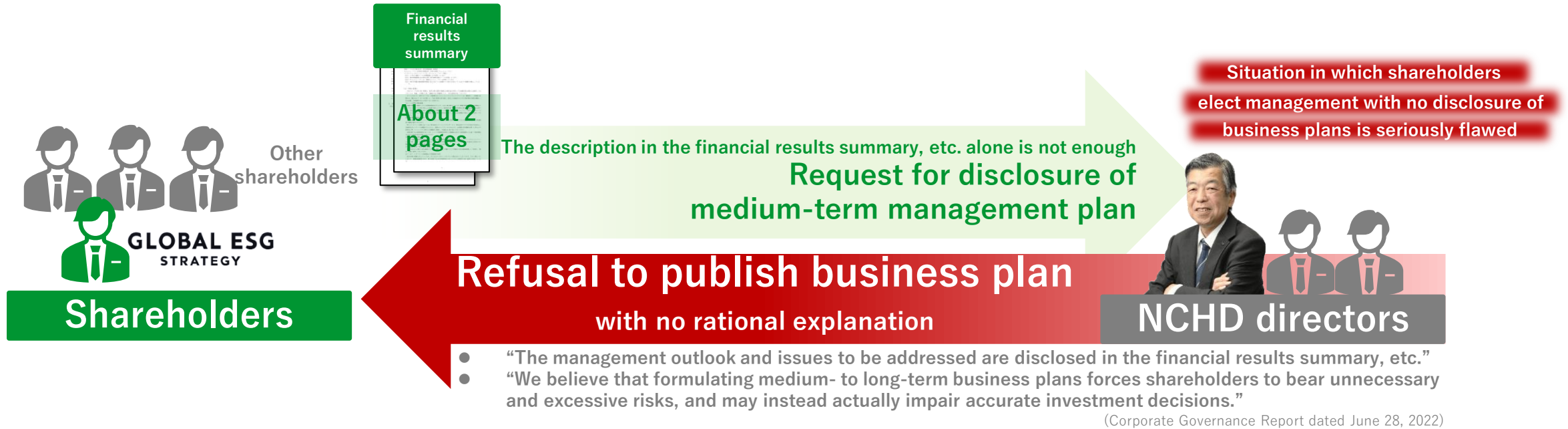
- It is important not only for GES but for all stakeholders to understand whether NCHD's management is carrying out appropriate management decisions and supervision, especially from the perspective of capital efficiency.
- We believe that holding individual interviews between directors and major shareholders will serve the common interests of all other shareholders, who can only make decisions based on normally disclosed information.
- Promoting constructive dialogue between each director and shareholders not only contributes to improving the Company's corporate value, but also indicates transparency and openness on the part of the Company's management, which leads to better evaluation of the share price.



Source: Company disclosure materials



- In its Corporate Governance Report dated June 28, 2022, the Company’s policy is to not disclose medium-term management plans.
- GES has requested the formulation and disclosure of a medium-term management plan that includes specific and quantitative targets through repeated interviews with NCHD. In addition, the Company has stated that multiple shareholders other than GES have also requested the Company to publish a robust management plan many times in the past, and that it has deliberately continued to refuse to do so.
- In this way, we believe that it cannot be said that the NCHD board of directors is fulfilling its duty of accountability to shareholders, and that it must be said that there is a serious flaw in the situation when shareholders must appoint directors at the general meeting of shareholders without a business plan being presented.



**Is there a sincere willingness to pursue improvements in enterprise value and common interests of shareholders?**

- The situation in which the Company's management continues to refuse to publish a management plan is an unusual circumstance, and we are forced to believe that it is either evidence of a lack of sufficient management ability or a serious governance failure due to the outside directors failing to perform their supervisory function, or both.
- GES has proposed that the duty to publish a concrete medium-term management plan be made clear in the Articles of Incorporation, in order to have the Company's board of directors sufficiently fulfill its duty of accountability to shareholders.



## 2. In Response to Objections from NCHD Management



	Summary of Agenda Item	NCHD management opinions published May 15, 2024 (excerpts)
Agenda Item 1	<p><b>Appropriation of Surplus</b> (proposal for a dividend of ¥161 per share, which is a dividend payout ratio of 200%)</p>	<p><b>Will not propose it, as it is illegal</b></p>
Agenda Item 2	<p><b>Partial Amendment of Articles of Incorporation (Policy on Dividend of Surplus)</b> (proposal to maintain dividend amount at a minimum dividend payout ratio of 200% from FY2024 to FY2025)</p>	<p><b>Opposed</b> “Not only will it hinder the Company’s sustainable growth, but it will also jeopardize the continued and stable operation of the Company’s business.” “It will significantly damage medium- to long-term enterprise value and common interests of shareholders.”</p>
Agenda Item 3	<p><b>Partial Amendment of Articles of Incorporation (Handling by Directors of Interviews With Shareholders)</b> (request for directors to meet with shareholders individually)</p>	<p><b>Opposed</b> “It imposes an obligation to give preferential treatment beyond a reasonable range to only a few major shareholders, including the proposing shareholder, and does not consider the interests of other general shareholders at all, making it extremely unreasonable.”</p>
Agenda Item 4	<p><b>Partial Amendment of Articles of Incorporation (Disclosure of medium-term management plan)</b> (request for disclosure of medium-term management objectives)</p>	<p><b>Opposed</b> “Regarding the publication of the medium-term management plan ... it is a matter that should be decided on a case-by-case basis after careful consideration by the board of directors as necessary.” “Stipulating in the Articles of Incorporation, which are the fundamental rules of the company, to compel the formulation and publication of a medium-term management plan does not necessarily contribute to the common interests of shareholders.”</p>



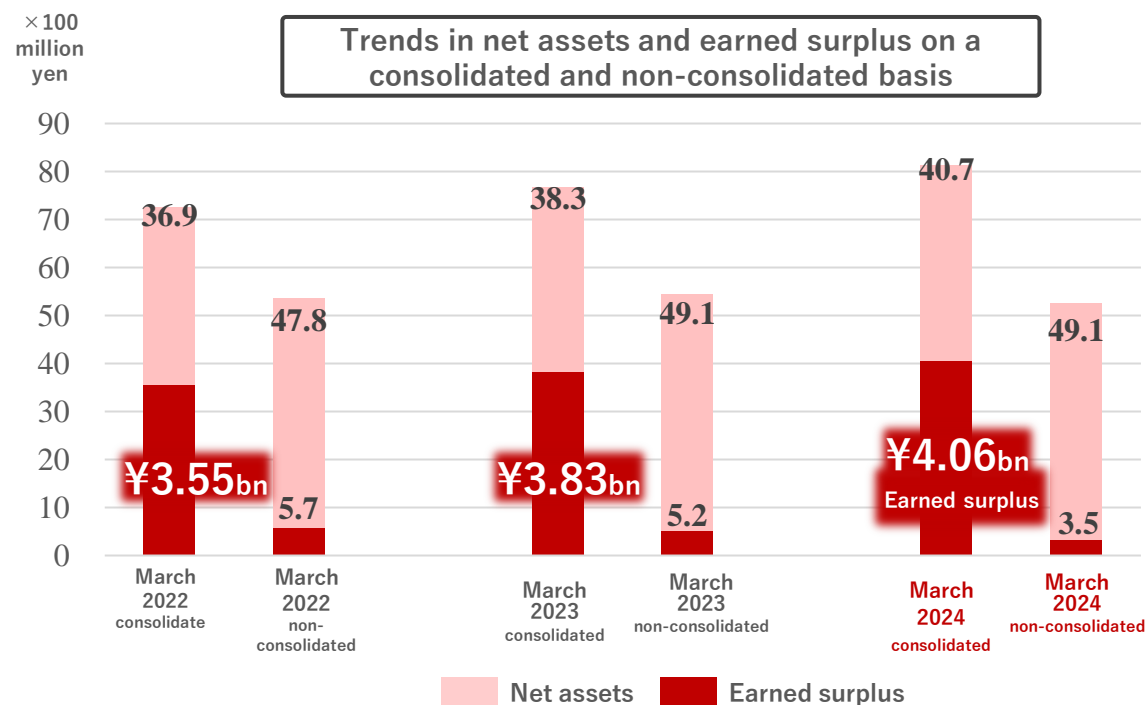
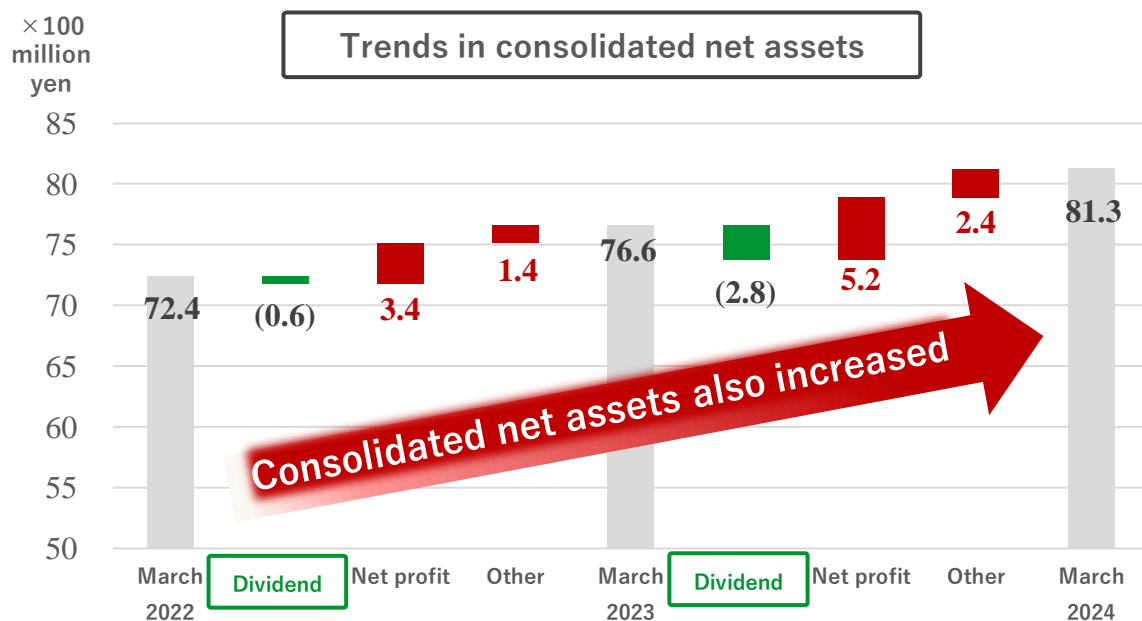
# Agenda Item 1 of the Shareholder Proposal

## NCHD Board of Directors' Opinions on Appropriation of Surplus

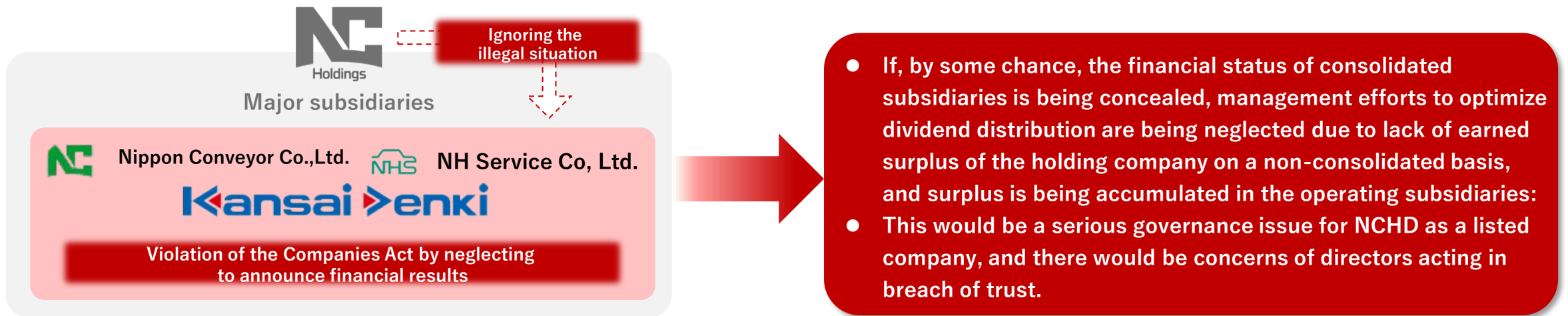
- The NCHD board of directors has asserted that since the Company's distributable amount is insufficient to meet the dividend amount proposed by GES, the proposal will not be presented as an agenda item at the general meeting of shareholders.
- However, this is clearly untrue. NCHD is a holding company that conducts business through its subsidiaries, and as parent company, manages the business of these subsidiaries through its shareholding. Therefore, NCHD itself does not generate external profits; rather, its subsidiaries such as Nippon Conveyor Co., Ltd. are the source of value. The structure is such that the resources and distributable amounts for NCHD to return profits to shareholders as a listed company, such as dividends and treasury shares, basically come from subsidiaries in the first place.
- It is because NCHD is premised on this structure, and because NCHD management also recognizes this, that NCHD explains its own dividend policy to shareholders using the dividend payout ratio on a consolidated basis.
- According to the financial results summary for the fiscal year ending March 2024 published on May 15, 2024, earned surplus on the consolidated balance sheet is more than 4.0 billion yen, which is more than sufficient. It would therefore have been possible to legally distribute the surplus as proposed by GES by having the Company's subsidiaries pay dividends to NCHD and performing an extraordinary settlement of accounts.
- In other words, **although NCHD was able to legally secure a distributable amount sufficient to pay the dividend amount proposed by GES at the sole discretion of its board of directors, while concealing this fact, it refused to introduce the proposal on the grounds that it was illegal. Such a response can only be deemed inappropriate as it is extremely unreasonable and ignores the interests of shareholders.**

# Agenda Item 1 of the Shareholder Proposal NCHD Board of Directors' Opinions on Appropriation of Surplus

- It has been announced that the ¥161 per share in FY2023 (total dividend of ¥700 million) proposed by GES will not be introduced at the general meeting of shareholders because it is “an illegal shareholder proposal that violates the Companies Act” as it exceeds NCHD’s distributable amount of ¥347 million.
- However, the Company’s group has earned surplus of ¥4.06 billion for the fiscal year ending March 2024. **As long as each operating company has earned a surplus, the amount of NCHD’s non-consolidated earnings and earned surplus can be increased at any time by a decision of the Company’s board of directors, such as through dividends from subsidiaries.**
- NCHD’s non-consolidated earned surplus is extremely low compared to its consolidated earned surplus, and we do not believe that the best efforts necessary to return profits to NCHD’s shareholders as a listed company are being made.



- Stock companies are required to publish financial statements (announce financial results) without delay after the conclusion of the annual general meeting of shareholders for each fiscal year, but as far as GES has been able to confirm, the financial results for the three stock companies that are NCHD's consolidated subsidiaries (Nippon Conveyor Co., Ltd., NH Service Co., Ltd., and Kansai Denki Kogyo Co., Ltd.) have only been announced through to the fiscal year ending March 2021, and there has been a failure to announce financial results for at least the fiscal years ending March 2022 and March 2023, which violates the Companies Act.
- Even though as the holding company, NCHD should have the financial results for each subsidiary be announced in a timely manner, it has left the illegal situation unaddressed, neglected to properly disclose information to shareholders, and failed to disclose the amount of surplus that is the basis of each subsidiary's distributable amount.



**GES will consider how to deal with NCHD's serious structural governance problems relating to its refusal to present the dividend proposal, including calling for an extraordinary general meeting of shareholders immediately after the annual general meeting of shareholders.**

## Agenda Item 2 of the Shareholder Proposal Partial Amendment to Articles of Incorporation (Policy on Dividend of Surplus)

- The NCHD board of directors has claimed the following: “This will, without taking into account the business environment surrounding our company, management policy, etc., force the company to raise the consolidated dividend payout ratio to an abnormal level of 200% over the two years of FY2024 and FY2025, making continuous and stable operation of the company's business difficult. The attempt to pursue short-term profits, even if it means interfering with the company's sustainable business operations or paying dividends that exceed the distributable amount in violation of the Companies Act, can only be called extremely inappropriate.”
- However, **NCHD’s assertion is a false claim that was clearly made to mislead shareholders.**
- Even in an analysis based on conservative assumptions (such as assuming that NCHD’s sales and profits will remain flat going forward after the dividends from surplus proposed by GES are carried out), at the end of FY2025, the Company would continue to maintain net cash of approximately ¥360 million and a net asset ratio of 36.5%, so **it is clear that the Company would continue to maintain strong financial soundness.**

### Financial projections if the Company policy is adopted

	FY2023	FY2024	FY2025
Dividend amount per share (yen)	65	65	65
Dividend payout ratio	54.6%	102.6%	102.6%
Net cash (million yen)	1,063	1,055	<b>1,048</b>
vs. market cap	16.9%	16.8%	16.7%
Net D/E	(0.13)	(0.12)	(0.12)
Net cash / EBITDA	0.94	1.68	1.67
Net asset ratio	44.3%	41.7%	<b>43.4%</b>

### Financial projections if the Proposal is adopted

	FY2023	FY2024	FY2025
Dividend amount per share (yen)	161	254	254
Dividend payout ratio	135.2%	200.6%	200.6%
Net cash (million yen)	1,063	913	<b>360</b>
vs. market cap	16.9%	14.5%	5.7%
Net D/E	(0.13)	(0.11)	(0.05)
Net cash / EBITDA	0.94	0.89	0.35
Net asset ratio	44.3%	39.2%	<b>36.5%</b>



# Financial Projections if the Dividend Policy in the Proposal is Adopted

- We have anticipated and analyzed the **downside scenario** (which assumes that NCHD's operating profit and net income fall to half of the Company's projections for FY2024 for two consecutive years in the future) after paying the dividend amount proposed by GES.
- As a result, net cash would be ¥360 million and the net asset ratio would be 36.5% at the end of FY2025, so sufficient financial soundness would continue to be maintained even in that extreme scenario.

## Financial projections if the company's policy is adopted

	FY2023	FY2024	FY2025
Dividend amount per share (yen)	65	65	65
Dividend payout ratio	54.6%	102.6%	102.6%
<b>Net cash (million yen)</b>	<b>1,063</b>	<b>1,055</b>	<b>1,048</b>
vs. market cap	16.9%	16.8%	16.7%
Net D/E	(0.13)	(0.12)	(0.12)
Net cash/EBITDA	0.94	1.68	1.67
<b>Net asset ratio</b>	<b>44.3%</b>	<b>41.7%</b>	<b>43.4%</b>

## Financial projections assuming the downside scenario (assumes that operating profit and net income to become half of the company's FY2024 projections for two consecutive years in the future)

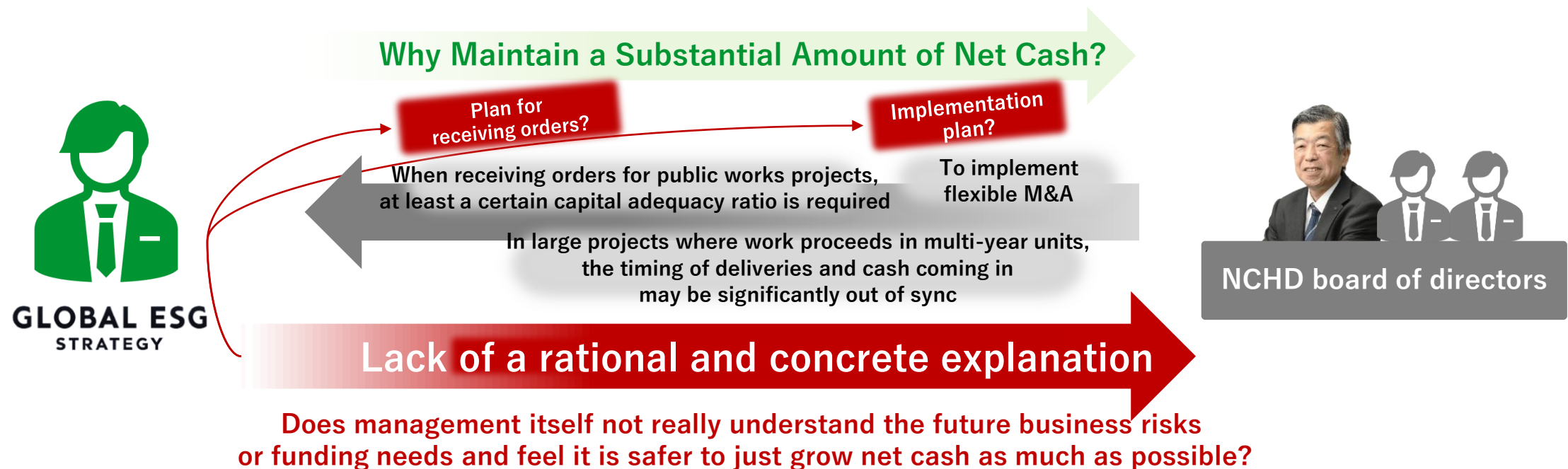
	FY2023	FY2024	FY2025
Dividend amount per share (yen)	161	127	127
Dividend payout ratio	135.2%	200.6%	200.6%
<b>Net cash (million yen)</b>	<b>1,063</b>	<b>638</b>	<b>362</b>
vs. market cap	16.9%	10.1%	5.8%
Net D/E	(0.13)	(0.08)	(0.05)
Net cash/EBITDA	0.94	1.02	0.58
<b>Net asset ratio</b>	<b>44.3%</b>	<b>37.9%</b>	<b>36.5%</b>

**Based on this objective analysis, even if NCHD, with its substantial net cash, implements a dividend of surplus based on the GES proposal, it will not mean that “sustainable business operations will become difficult and corporate value and the common interests of shareholders will be harmed” as asserted by NCHD.**

Note: Sales and current net income are assumed to be company forecasts for FY2024 and constant for FY2025. EBITDA is calculated assuming that depreciation expenses are the same as in FY2023. Net cash and net assets for each period from FY2024 onwards are calculated by assuming capital investment equal to depreciation expense each period and then adding the amount obtained by subtracting dividends from current net income to the preceding period's net assets. Net asset ratio is calculated assuming that total assets are proportional to sales. Market capitalization is as of May 24, 2024. The financial forecast if the company policy is adopted assumes that going forward, the FY2023 total dividend of 65 yen continues. The financial forecast if the Proposal is adopted and the downside scenario assume the initial year-end dividend of 161 yen for FY2023 in Agenda Item 1 of the shareholder proposal (which was 200% of the company's projected net income for FY2023 at the time of shareholder proposal submission) and a dividend payout ratio of 200% for the next two years.

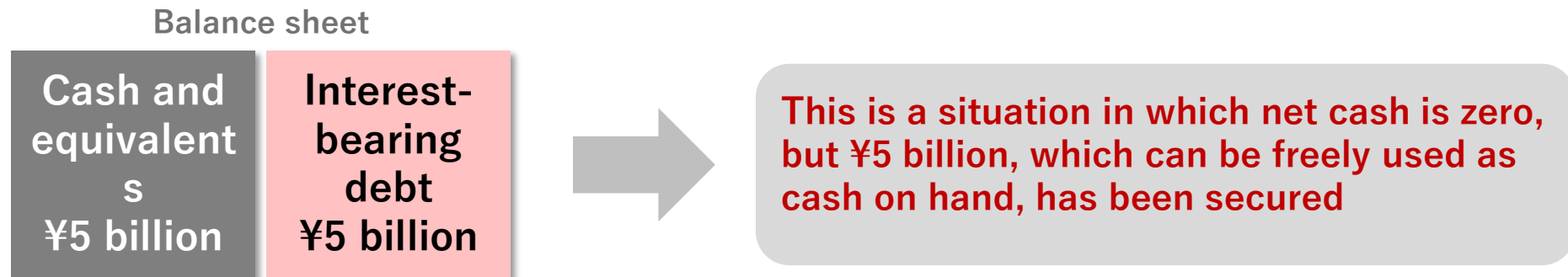
# The Explanation of Necessary Funds on Hand is Entirely a “Gut-Feeling” Explanation

- NCHD's board of directors asserts that it is necessary to hold cash and equivalents on hand in order to receive orders for large projects, but that is an explanation is based on ambiguous grounds from beginning to end, and it cannot possibly be called a concrete explanation that shareholders accept.
- To date, management has never given a reasonable explanation, not only to GES, but publicly, regarding why they maintain a substantial amount of net cash and why they continue to increase it further. We can only conclude that, although the management itself does not really understand the future business risks or funding needs, their perception is on the level of sensing that it is safer just to grow net cash as much as possible.



# There are Grave Doubts as to Whether NCHD's Board of Directors has the Financial Literacy Necessary to Manage a Listed Company

- NCHD asserts that they have to ensure a generous level of **funds on hand** in order to prepare to accept large orders, but while this is obvious, it is not a reason that they have to maintain a large amount of **net cash**.
- For example, if they were to borrow ¥5 billion, that would be recorded as interest-bearing debt on the right side of their balance sheet and ¥5 billion of cash would be added under assets on the left, and in this situation net cash (i.e., “interest bearing debt minus cash and equivalents”) would be zero, but they would have been able to secure ¥5 billion as **funds on hand**. Even if they say they want to maintain funds on hand, that does not mean that they must maintain the situation in which they have a large amount of **net cash**.



NCHD's management has only given abstract and irrelevant explanations concerning necessary financial reserves to date ...

We have no choice but to harbor grave doubts about whether the management and the outside directors who monitor the management have sufficient literacy concerning the corporate finance that is required to manage a listed company

# What are the Financial Reserves Necessary for Business Operations? Management Should First Give a Concrete Explanation to Shareholders

- NCHD's board of directors asserts, for example, that “[the dividend amount proposed by GES] is nothing but a proposal that pursues short-term profit and does not give any consideration to future investments for the sustainable business operations of the Company and the need to secure funds that are a prerequisite for such investments, and we believe that it will significantly harm medium-to-long-term corporate value and the common interests of shareholders, and is thus inappropriate.”
- However, we are forced to conclude that this is **evidence that they are completely unaware that it is instead NCHD's policy of blindly continuing to stockpile internal reserves that is significantly harming medium- to long-term corporate value and the common interests of shareholders.**
- If paying the dividend amount proposed by GES means that future investment and the necessary funds that are its premise will no longer be sufficient and that sustainable business operations will become difficult, **the management should explain why that is after publicly disclosing a medium-term management plan that includes a concrete business plan, financial plan, investment plan, and shareholder return policy, as well as concrete standards for the financial soundness that the management is thinking of.**
- Vaguely asserting, for example, that business operations will be difficult merely stirs up intentional unease among shareholders, and it must be characterized as being far removed from a state where the responsibility to give explanations that is required of the management of a listed company is being fulfilled.

Significant harm to medium- to long-term corporate value and common interests of shareholders

Reckless Internal Reserves



## Agenda Item 3 of the Shareholder Proposal Toward the Realization of Common Interests of Shareholders Through Dialogue Between Shareholders and Each Director

- The “principle of shareholder equality” that NCHD referenced as a reason for refusing to accommodate individual interviews with large shareholders permits establishing differences in handling in proportion to the number of shares within a reasonable scope and is unclear as a reason to refuse dialogue, and it is also unclear how the “fair disclosure and insider information management issue,” namely that management should strictly abstain from communicating material facts that have not been disclosed to shareholders, would be a major factor for avoiding individual interviews.



Repeated requests for individual interviews with **all directors**

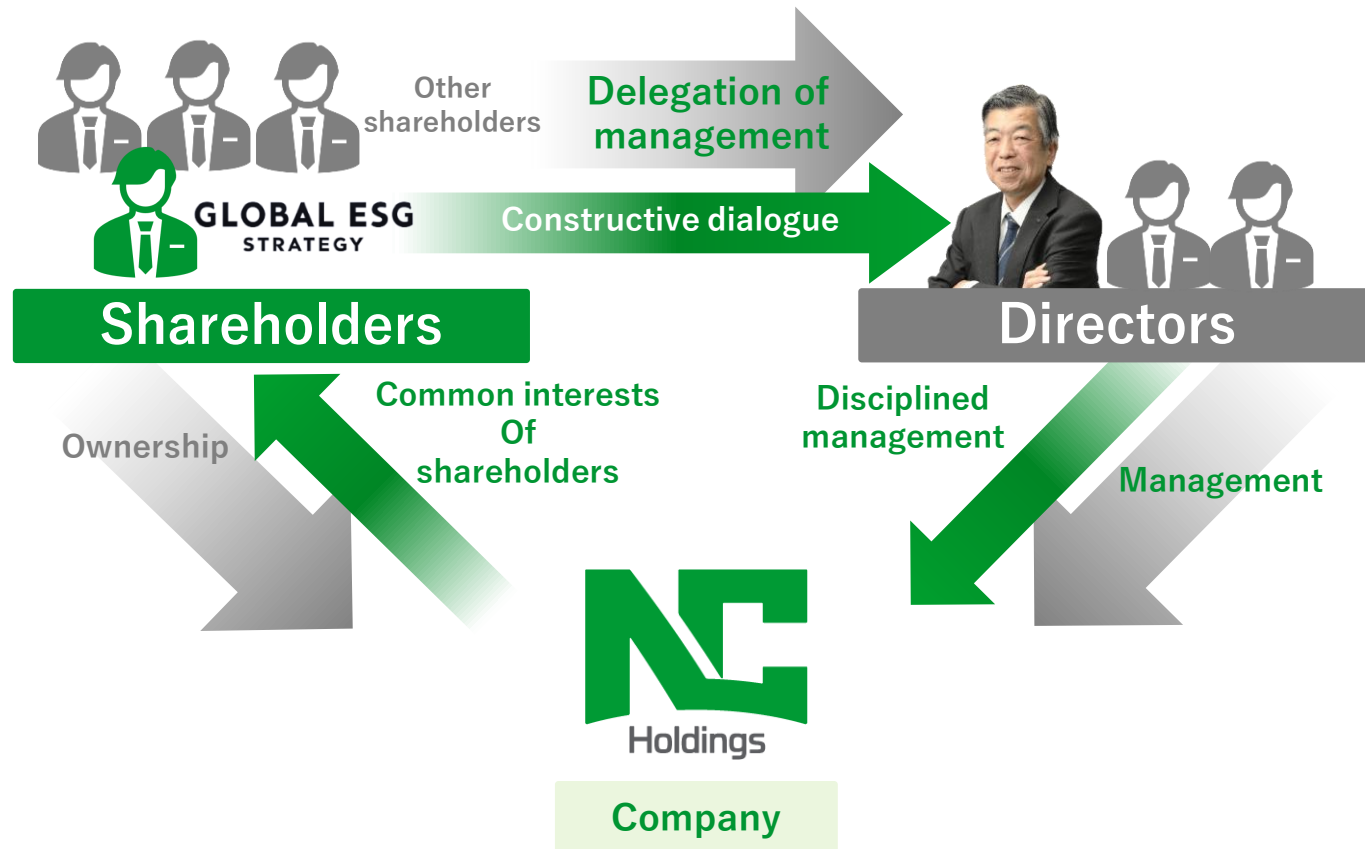
Individual interviews with only **5 out of 11** directors

Although they give as their reason the principle of shareholder equality and the issue of fair disclosure and insider information management, the real reason for their refusal of dialogue is unclear



Each of NCHD's directors should actively accept dialogue with shareholders, and make efforts for all of NCHD's shareholders to enjoy benefits from improved corporate value

- At a listed company where the shareholders are dispersed, it is possible for a problem to arise in which “inefficient management” is neglected, and a large shareholder representing a large number of small shareholders by holding individual interviews is expected to contribute to the common interests of shareholders.



- Although the shareholders own the company, directors are appointed and management is delegated at the general meeting of shareholders, and it is possible that the management will not necessarily conduct management efficiently. Thus, activities by shareholders to impose discipline on management are important.
- At a listed company where shareholders are dispersed, the dispersed small shareholders do not have the incentive to spend the cost and time to impose discipline on management themselves, and the problem can arise in which even if there is inefficient management, it is neglected.
- In economics, the management (the agent) to which management is delegated by the shareholders not carrying out management efficiently is called the “agency problem,” and in a situation where the shareholders are dispersed, the issue of inefficient management being neglected can arise.
- The improvement of corporate value will be promoted by a large shareholder representing many small shareholders in taking the cost and time to impose discipline on management using constructive dialogue through individual interviews, and because the benefit of that can be shared by all shareholders, a large shareholder taking the lead in conducting individual interviews will contribute to the common interests of shareholders.



- Although NCHD is criticizing individual interviews between GES and directors by saying that we “are only asking questions with essentially the same content and there is no meaning in that,” we believe asking each director the same question of what they think about NCHD’s management issues and scope for improvement and hearing what each director thinks is very meaningful. It must be said that this betrays a lack of awareness of the responsibility of each director and the significance of dialogue with shareholders.
- While there is an important meaning in receiving regular, updated explanations of results from the Head of IR (or similar) and receiving explanations from the president of management issues and management policies that the president is considering, we believe it is very meaningful to also confirm whether individual directors have their own independent opinions after appropriately understanding the management environment and whether they are actively contributing to the board of directors.
- Although NCHD asserts that we “have not sufficiently explained the need,” GES has explained it thoroughly.



Criticism that there is no meaning in only asking the same questions and we have not sufficiently explained the need

Asking the same question to each director and hearing their individual thoughts is very meaningful

We have clearly communicated that “our intention in wanting to have one-on-one interviews with all directors is because we want to directly ask each director about what they think about and how they are involved with the environment, issues, and opportunities surrounding the company, management policies, the management structure, and their method of having relationships with stakeholders, etc., and to judge their suitability as directors based on the possibility of a proposal to reappoint them as director candidates being submitted at the annual general meeting of shareholders. Therefore, with regard to the interviews with the directors, because we anticipate that if other people were to attend it would be difficult to freely express oneself, we request that interviews be arranged between our company and the directors one at a time.”



NCHD directors

## Disclosure of Medium-Term Management Plan

- To date, **we have received an explanation from President Hironori Kajiwara of NCHD that while they have received requests from multiple shareholders, including GES, to publish a medium-term management plan countless times in the past, they have continued to refuse to do so.** We cannot pretend to be surprised at this shameless assertion that they have intentionally refused to disclose a medium-term management plan while having received countless requests from shareholders to do so.
- The current situation, in which they have not sufficiently fulfilled their duty of accountability to their Company's shareholders by only disclosing generalized issues and forecasts regarding the management policy, also violates the TSE's Listing Regulations, given that they have neither complied with Principle 3-1 of the Corporate Governance Code, which stipulates the disclosure of a management plan, nor given any explanation for this.
- Furthermore, the attitude of President Hironori Kajiwara, who is deliberately refusing to publish a specific management plan without a reasonable explanation, must be said to be far removed from the attitude of sincerely pursuing the improvement of corporate value and the common interests of shareholders as a manager who has been delegated by shareholders.
- **The situation in which NCHD management continues to refuse to publish a management plan is an unusual circumstance, and we are forced to believe that it is either evidence of a lack of sufficient management ability or a serious governance failure due to the audit committee members failing to perform their supervisory function, or both.**

## 2-13: Saying that Requiring Disclosure of a Management Plan will Create a Significant Impediment to Management is Completely Beyond Comprehension

- **The situation in which shareholders at the general meeting must appoint directors without the presentation of a management plan must be described as a serious flaw in corporate governance.**
- While it is natural for NCHD's board of directors to voluntarily publish a management plan as a listed company, we cannot expect that they will do so, given that they continue to intentionally refuse to voluntarily publish a plan. Expressly requiring the formulation and disclosure of a management plan in the articles of incorporation through this shareholder proposal will contribute to the common interests of shareholders.
- NCHD management's assertion that requiring the disclosure of a management plan will create a significant impediment to management at NCHD and harm corporate value and the common interests of shareholders is an irrational argument that we cannot help but conclude defies accepted norms.

	Summary of Agenda Item	GES's View on the Opinion by NCHD's Management (Excerpts)
<b>Agenda Item 1</b>	<b>Appropriation of Surplus</b> (Proposal to have a dividend of 161 yen per share, equivalent to a dividend payout ratio of 200%)	<ul style="list-style-type: none"> <li>● We do not believe their conclusion that they “will not present it because it is illegal” due to exceeding NCHD's non-consolidated retained earnings that were undisclosed is a result of sincerely considering the Proposal.</li> <li>● We request that it be referred to the general meeting of shareholders for the approval or disapproval of all shareholders after preparing a total of 700 million yen of retained earnings to the extent permitted under laws and regulations.</li> </ul>
<b>Agenda Item 2</b>	<b>Partial Amendment of Articles of Incorporation (Policy on Dividend Policy)</b> (Proposal to maintain the dividend amount with a minimum dividend payout ratio of 200% from FY2024 until FY2025)	<ul style="list-style-type: none"> <li>● There has not been a concrete numerical explanation of why a dividend payout ratio of 200% until FY2026 would endanger the company's continuous and stable operation.</li> <li>● We request an explanation that will contribute to shareholders' judgment on exercising their voting rights, such as the necessary amount of funds to be secured that are required for the company to receive orders for its business and for future investment, not simply an expression of an opposing opinion.</li> </ul>
<b>Agenda Item 3</b>	<b>Partial Amendment of Articles of incorporation (Handling by Directors of Interviews With Shareholders)</b> (Requirement for directors to accept individual interviews with shareholders)	<ul style="list-style-type: none"> <li>● Based on dialogue with NCHD's management to date, GES has made a shareholder proposal it believes will contribute to the improvement of the company's corporate value and shareholder value.</li> <li>● We request an explanation to all shareholders of why NCHD's management believes that it is impossible for the results of interviews to date to contribute to the improvement of corporate value.</li> </ul>
<b>Agenda Item 4</b>	<b>Partial Amendment of Articles of Incorporation (Disclosure of Medium-Term Management Plan)</b> (Requirement to disclose medium-term management targets)	<ul style="list-style-type: none"> <li>● We believe that the attitude of NCHD to choose not to disclose a medium-term management plan is extremely inappropriate as the attitude of the management team that has been delegated management by shareholders and furthermore intends to continue to be delegated management in the future.</li> <li>● GES believes that the disclosure of a medium-term management plan would contribute to the common interests of all shareholders and the approval or disapproval of all shareholders should be made clear at the general meeting of shareholders.</li> </ul>

## **About Global ESG Strategy**

Global ESG Strategy ("GES"), an investment fund that is managed by SAFS, makes medium- to long-term investments from an ESG (Environment, Social and Governance) perspective, and its policy is to promote improvements on enterprise value and shareholder value of investee companies through constructive dialogue with investee companies and other means.

## **About Swiss-Asia Financial Services Pte Ltd.**

SAFS is founded in 2004, and is a Singapore based investment management company that holds a Capital Markets Services (CMS) License under the Singapore Securities and Futures Act (SFA).

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